A Work Project, presented as part of the requirements for the Award of a Master of Science in Management, from Nova School of Business and Economics

Exploring a Formula 1 Team's Business Opportunities Within the Esports Market

An Analysis Conducted on Behalf of Aston Martin Aramco Cognizant Formula 1 Team

Hans Olav Ness Rødahl – 51255@novasbe.pt

Julius Frahm – 49456@novasbe.pt

Marlon Weingärtner – 50734@novasbe.pt

Niclas Gregor – 49537@novasbe.pt

Work project carried out under the supervision of:

Pedro Brinca

Date of defense: 26-01-2023

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Abstract

Due to a rapidly growing esports scene, new business opportunities are emerging. Using the example of AMF1, this work addresses a research gap concerning esports market structure and diverse business opportunities for non-endemic companies. Hence, academic literature and market research are methodically assessed using Porter's Five Forces and a competitive landscape analysis. A developed esports ecosystem provides a basis to develop potential business opportunities. Analyzing the stakeholders of the ecosystem and trends, various business opportunities for AMF1 are identified. These are categorized into three commercial commitment levels. Most suitable initiatives for AMF1 are evaluated and demonstrated in a six-year roadmap.

Keywords:

Aston Martin Formula 1 Team, Esports, Ecosystem, Market Characteristics, Porter's Five Forces, Trends, Business Opportunities, SWOT, Roadmap

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

Acknowledgement:

A special acknowledgement for the continuously helpful guidance from our advisor professor Pedro Brinca. Further, we would like to thank Strategy, and Commercial Development Consultant for Aston Martin F1 Team Peter Spartin for his valuable insights.

1 Introduction

The video game industry has experienced strong growth throughout the past two decades. Meanwhile, the arrival of Covid-19 and the virtualization of everyday lives during this period have amplified and expanded the industry's growth and reach (Nielsen 2022a, 1). As a result, by the end of 2022, the revenues of esports are estimated to be $1.38 billion (Newzoo 2022a, 7). Furthermore, with tremendous streaming numbers and an attractive audience, esports is subject to significant new investment opportunities. Thus, many endemic and non-endemic companies and organizations have ventured into esports. However, despite its remarkable growth, only recently has the emergence of academic literature and market research arisen (Flegr and Schmidt 2022, 632).

Due to its immaturity, the lack of market awareness and market knowledge is prominent in many companies. Hence, companies are still ambivalent about further investments (Advani and Akman 2020). To a certain extent, this is the case for AMF1 (Aston Martin Aramco Cognizant F1 Team). AMF1 is active in the F1 Esports Series Pro Championship 2022 (F1 Pro Championship), V10 R-League, and SRO Esports series. However, business opportunities beyond this relatively small market are left unexplored.

To fill this knowledge gap, this work synthesizes and describes the ecosystem of the esports market and what business opportunities could be enticing for AMF1. The objectives are to increase the esports market knowledge of AMF1 and present recommendations for business opportunities. First, by developing a model of the esports ecosystem, the various agents of esports, and how the value and money flow between them are introduced. Second, a situation analysis is conducted, describing key metrics, the competitive landscape of the ecosystem, and what trends the market is experiencing. Third, within this situation analysis, Porter's Five Forces framework[1] effectively analyzes the market structures from the agents' perspective. The

[1] All methodologies employed in this thesis are detailed in the chapter of their application.

respective framework is utilized as it provides a basis for a better industry understanding, further market insights, and the following analysis. Finally, practical implications will be contributed in the form of peculiarities and considerations for non-endemic[2] companies involved in deciding a potential esports market entrance.

Further, the thesis will systematically develop and review different business opportunities that are potentially relevant for AMF1. To eventually derive specific recommendations for AMF1, these opportunities will be discussed from a commercial commitment-level perspective and classified within a SWOT-matrix. The classification of business opportunities facilitates the creation of a market entrance roadmap. Finally, the work concludes with a discussion of limitations and directions for future research.

2 Aston Martin Formula 1 Team

Aston Martin is a British manufacturer of luxury sports cars and grand tourers. It was founded in 1913 by Lionel Martin and Robert Bamford and had a rich history in motorsport, dating back to the early 1920s. After participating in prestigious events, the company entered the Formula 1 World Championship in 1959. Nevertheless, only one year later, the team withdrew from Formula 1 due to the disappointing start of its new car. Aston Martin joined the Red Bull racing team as a technical partner and title sponsor in the 2010s. However, it was not until 2021 that the company entered the grid with the Aston Martin Cognizant F1 Team, marking the first time in over 60 years that it has participated in a competitive F1 race (Aston Martin F1 2022a). Shortly before that, AMF1 had also entered the F1 Esports space and is still active there. The team currently participates in three simulated racing (sim racing) games/ leagues: the F1 Pro Championship, the V10 R-League and the SRO Esports Events. The Esports driver lineup consists of three individuals: Manuel Biancolilla, John Evans and Simon Weigang, who are actively

[2] "Endemic sponsors are businesses whose products and/or services are associated with a market, whereas **non-**endemic sponsors are businesses whose products and/or services are not associated with a market" (Huettermann, et al. 2020, 2).

competing in these three leagues. In addition, Duncan Hofland is a development driver supporting the main lineup (Aston Martin F1 2022b).

2.1 Branding and Values of AMF1

The beauty and style of its cars, its British roots, and the fact that it is James Bond's preferred car choice all contribute to Aston Martin's brand legacy. It is a premium brand that embodies elegance and luxury, which is further underlined within the brand positioning as well as the slogan "Makers of the most exquisitely addictive performance sports cars" (Aston Martin F1 2022c, 3). It is crucial to highlight that the Aston Martin brand is distinct from the AMF1 brand. However, the AMF1 team retains the premium brand status while infusing it with its values and goals.

The F1 team views luxury as the thorough consideration of every brand touchpoint, down to the smallest detail and the style in which the brand is conveyed. Besides the luxury aspect, there are two more aspects anchored to the company's brand positioning: humanity and progress. Humanity in this context means taking a human-centric and relatable approach with an inclusive and open team by championing everyone who makes the sport special. Progress means that the company acknowledges and reflects the world around recognizing their value. To achieve these three aspects, Aston Martin F1 (2022, 7) formulates four brand pillars: Being "boldly innovative" is the first pillar, which means that the team constantly pushes itself by doing things differently to ensure a comprehensive approach to design, creativity, and innovation. This is followed by being "authentically relevant", meaning that AMF1 strives to be relevant to today's audiences by leveraging its strong legacy and a fresh perspective. The third aspect is about honest and open appearance and storytelling, described as being "deliberate and transparent" and finally, being "exquisite to the lowest level of detail". This ensures that AMF1 delivers the highest quality that lives up to the luxury brand's image (Aston Martin F1 2022c, 7). AMF1 is intended to leverage the sport's ability to forge connections between people in different parts of the world providing a gateway for the exclusive Aston Martin brand. The AMF1 team pursues the mission to be "A world-class and progressive team, aiming to win races and World Championships by working together and harnessing the power of our people, technology and partners." (Aston Martin F1 2022c, 5). AMF1 created a fan platform called "I/ AM" to get a closer connection with fans and increase fan engagement. By enabling users to be seen, heard, and have influence, the platform aims to bring a positive fan experience to the forefront. The I/ AM platform is similar to a forum where individuals can share stories and sometimes even have conversations with drivers. It is intended to involve the fans more and create positive emotions by elevating the fan's passion for motorsport (Aston Martin F1 2022c, 9). Another goal for the team is to optimize its audience activation in the long run. Therefore, a detailed understanding of AMF1's audience will be necessary. This can be achieved by conducting deep dives on social media, surveys, or conducting research regarding the AMF1 brand adjacency. A further aspect is to extend the reach on social media. Aside from these goals, AMF1 sets itself objectives for its esports department. In general, a competitive esports team is to be built with the aim to at least end up in the midfield of the F1 Pro Championship. The underlying idea is to attract potential future F1 fans and engage with a generally younger, more engaged audience on a global scale. In addition, new business opportunities are to be created for AMF1 as well as for existing partners to retain them better, and new partners should be attracted (Aston Martin F1 2022d, 1). An overview of all seven esports objectives can be found in Appendix 1.

Furthermore, the company is aware of its environmental obligations. Therefore, it is constantly developing and expanding its related policies with the commitment to act as a responsible business permanently. The main aspects include complying with all applicable regulations and exceeding them where possible. Thus, reducing energy and resource consumption as well as effective waste management. In addition, AMF1 will leverage Formula 1's platform and collaborations with partners to promote sustainable product design and construction as well as to communicate openly about its environmental policies (Aston Martin F1 2021a).

Along with these aspects, the team aspires to advocate for the advantage diversity offers and is dedicated to ensuring equality, diversity, and inclusion are ingrained in its culture. Therefore, the team emphasizes four essential social objectives. These comprise the proactive development and fostering of an inclusive culture through the celebration of diversity, the progression of the next generation, as well as the empowerment of employees and managers. This is to be achieved through coaching and training on these values along with the ongoing review of practices and policies (Aston Martin F1 2021b).

2.2 Cost Factors and Relevance of Sponsorship in F1

The objective of involvement in Formula 1 is primarily to achieve extensive brand awareness and a positive perception of the brand through sporting success (Woisetschlager 2007, 619-620). Further goals are the creation of valuable partnerships and, finally, breaking even. High costs are inevitable to achieve these goals with a Formula 1 team.

Big teams like Mercedes or Red Bull have made profits between $10 million and $20 million in 2021, respectively (Mercedes AMG HPP 2021, Red Bull Racing 2021). However, these figures are not a given, as it costs around $450 million per year to run an F1 team (Kumar 2022). Costs are incurred for R&D, which includes testing in wind tunnels and tracks, as well as for the car maintenance. Only the construction of a Formula 1 car is estimated at around 12-15 million euros. This does not include the cost of R&D, repairs, or spare parts (Red Bull 2022a). In addition, there are costs for the drivers, engineers, and all the other employees that must ensure that the car is competitive. Other factors are operational costs for logistics, travel, and entertainment of customers (Sylt 2020a).

To cover these enormous costs, creating various revenue streams and working with sponsors is necessary. The primary source of income for Formula 1 teams is sponsors. Successful teams have advantages in selling their advertising space, as more money is paid for extended airtime (Sunday, et al. 2019, 2). One example is Mercedes, which accounted for 23.6% of total airtime in 2020 and represented a high value for sponsors (Sylt 2020b, Reuters 2020). On average, Formula 1 teams have between 15 and 25 sponsors. There are significant differences between the major sponsors. Large teams like Red Bull and Mercedes have individual sponsorship deals worth in the mid-three-digit million range (Reuters 2020).

A distinction must be made between sponsorships and partnerships, as partners are seen as part of the Formula 1 team. For example, Red Bull and Oracle have a well-known partnership worth $300 million over five years (Reuters 2022). This large amount inevitably means that Red Bull can invest significantly more than other smaller teams, giving them a competitive advantage. The manufacturers of commercial cars such as Ferrari, Mercedes, and Aston Martin are often the main financiers of their racing teams (Statista 2020).

2.3 Partners and Sponsors of AMF1

As Formula 1 is a global sport inspiring fans worldwide, both organizers and teams have commercial partnerships to deliver campaigns across their multiplatform solutions. AMF1 is no exception and has a diverse group of partners divided into a Title Partner, Strategic Partner, Global Partners, and Official Suppliers. The categories are separated by dedication level, goods and services provided, and timeline (Aston Martin F1 2022e).

When Lawrence Stroll brought the English OEM back into Formula 1, IT services and consulting firm Cognizant joined as a title partner. Being a title partner, the Cognizant name became a part of the formula 1 team's name and brand. In addition to being a sponsor, Cognizant aims "not only to be a behind-the-scenes provider but also a digital transformation partner". Thus, providing the team with IT infrastructure and software solutions (Cognizant 2021). The title partnership can be characterized as money for assets and exposure, where Cognizant seeks brand recognition and awareness. Cognizant also gains access to the AMF1's paddock, where they can facilitate b2b opportunities. In addition, this scene fulfills the global need for socializing and interaction between executives and other key individuals, potentially resulting in favorable outcomes (Spartin 2022).

In February 2022, AMF1 and Aramco announced entering a long-term strategic partnership. The two brands aim to combine research and development, while the partnership also includes team sponsorship rights, a licensing agreement, and exclusive branding endorsement rights for Aramco fuels and lubricants (Aramco 2022). Due to a strategic partnership, the team was renamed Aston Martin Aramco Cognizant Formula One™ Team. In addition to working towards sustainable fuels by 2025, the collaboration focuses on developing and commercializing fuel-efficient engine technology for road vehicles and hybrid engines for motorsport (Aston Martin F1 2022f). While brand awareness and recognition are not Aramco's key motivations, the company benefits from the exclusive access gained, similar to Cognizant (Spartin 2022).

AMF1 has a range of global partners. While these do not hold the same branding endorsement rights as Cognizant and Aramco, both AMF1 and these brands highly benefit from their partnerships. One example is the partnership between AMF1 and Crypto.com, allowing AMF1 to explore the commercial sides of crypto and NFTs[3]. Fans were given the opportunity to own up to four collectible NFTs in the form of individual car components from the AMF1 race car. Upon collecting all four, fans were airdropped the "AMR22 Full Car" NFT (Crypto.com 2022). Furthermore, AMF1 has added a crypto payment to the official online store, being the first official F1 merchandise outlet to do so (Aston Martin F1 2022g).

The last category of partners consists of their official suppliers. A prominent supplier is Hackett London, providing travel and office wear for AMF1 through a deal lasting until 2024. Hackett London is the longest continual partner of Aston Martin, a collaboration that dates back to 2004.

[3] NFTs are based on blockchain technology and defined as "a unique digital identifier that cannot be copied, replaced, or split, that is recorded in a blockchain, and that is used to certify authenticity and ownership" (Merriam Webster 2022a).

In addition to outfitting the drivers, the apparel company also fits the rest of the team with different attire. The Hackett London logo is easily visible on all attire, gaining brand exposure. Furthermore, the brand offers a range of clothing with Aston Martin effects through its distribution lines (Aston Martin F1 2021c).

3 The E-Sports Market

After Liberty Media acquired the controlling interest of the Formula One Group in 2016, one key ambition was to embrace digital media further. The announcement of the F1 Pro Championship to run in conjunction with the real-world championship in 2017 was a significant initiative (Richards 2017). Since then, all ten Formula 1 teams have entered the scene with their respective virtual cars, reaching 23 million digital views in 2021 (F1™ 2022). However, the remaining parts of esports and related business opportunities are still undiscovered by the Formula 1 scene.

Before discussing the esports ecosystem and its characteristics, it is crucial to highlight the distinction between the esports and the global gaming market. While the global gaming market is much more extensive, "the esports market is competitive gaming at a professional level and in an organized format with a specific goal and a clear distinction between players and teams competing against each other" (Newzoo 2022a, 15).

This will provide a detailed description of the highly interwoven stakeholder ecosystem of esports. Further, the benefits of esports involvement will be discussed before a comprehensive market analysis is introduced.

3.1 Definition and Ecosystem of the Esports market

Esports enjoy a variety of definitions. Among others, "a form of sports where electronic systems facilitate the primary aspects: the input of players and teams and the output of the esports system are mediated by human-computer interfaces" (Hamari and Sjöblom 2017, 211). Electronic systems exist across several platforms, including consoles (Microsoft Xbox, Sony PlayStation, and Nintendo Switch), gaming PCs, and mobile devices. Players compete in popular video games that gamers play individually or in teams while fans watch in person, through satellite, or various online streaming services. As the number of active players and viewer audiences is continuously rising, marketers look to enter this new space, including the role of sponsorships and partnerships, advertising, and product placement (Lehnert, Walz and Christianson 2020, 122-125).

Esports as an industry is compiled by different stakeholders to provide its products and services (Chikish, Carreras-Simó and Garci 2019, 36). Newzoo, a market leader in video games and gamer data, divides the market ecosystem into broadcasting platforms, game publishers, organizers, sponsors/ advertisers, teams, players/ influencers, and consumers (Newzoo 2022a, 8). A similar market structure has been proposed by Advani et al., dividing agents into publishers and game developers, esports audiences and communities, media and broadcasters, corporates, investors, and regulation (tax and accounting). All these agents surround professional esports compiled by leagues & tournaments, teams, and players (Vitale 2020). Furthermore, research highlights that agents can hold several roles within the industry (Chikish, Carreras-Simó and Garci 2019, 33).

An illustrative example is the company Riot Games [4], the publisher of the online battle arena game League of Legends. However, Riot Games also administer the League of Legends (LoL) Championship series, thus making them a competition organizer. Activision Blizzard is a publisher of several popular video and mobile games, including Call of Duty, World of Warcraft, and Candy Crush. Simultaneously, the company manages gaming leagues and hosts events globally (Activision 2022). Given the examples provided, the roles of agents can often be ambiguous compared to traditional sports (Chikish, Carreras-Simó and Garci 2019, 36-38).

[4] In 2011, Riot Games was acquired by Chinese conglomerate Tencent, entering a strategic partnership (Tencent 2022).

The esports industry has been and still is in the process of change, moving from being a player acquisition and retention tool for publishers to establishing its own industry, characterized by rapid developments and higher professionalism. To effectively map the ecosystem of the esports market, which describes the various agents and how value and revenue streams are distributed, an ecosystem was developed, which is based on frameworks from Advani et al. (2020) and Newzoo (2021, 8). Figure 1 describes how value is driven amongst the different agents, while figure 2 illustrates the flow of money within the ecosystem.

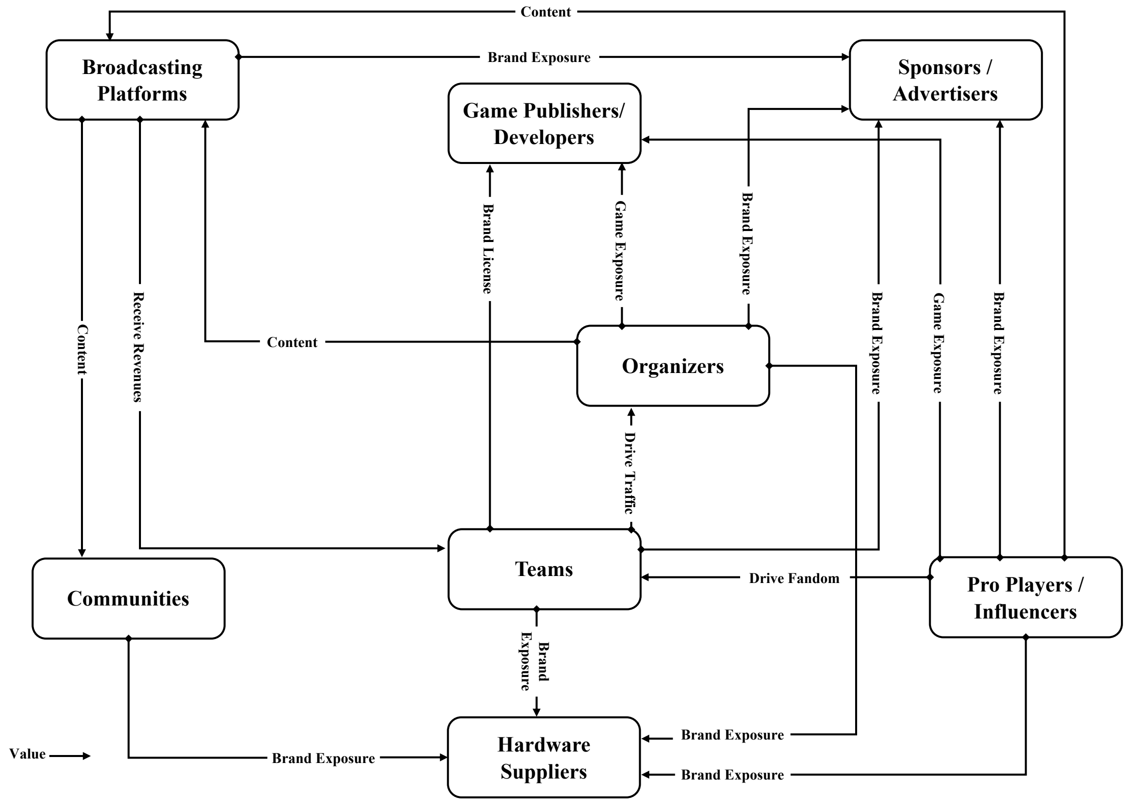

Figure 1: Ecosystem Esports Market Value Stream
Source: Own illustration based on Advani et al. (2020) and Newzoo (2021, 8)

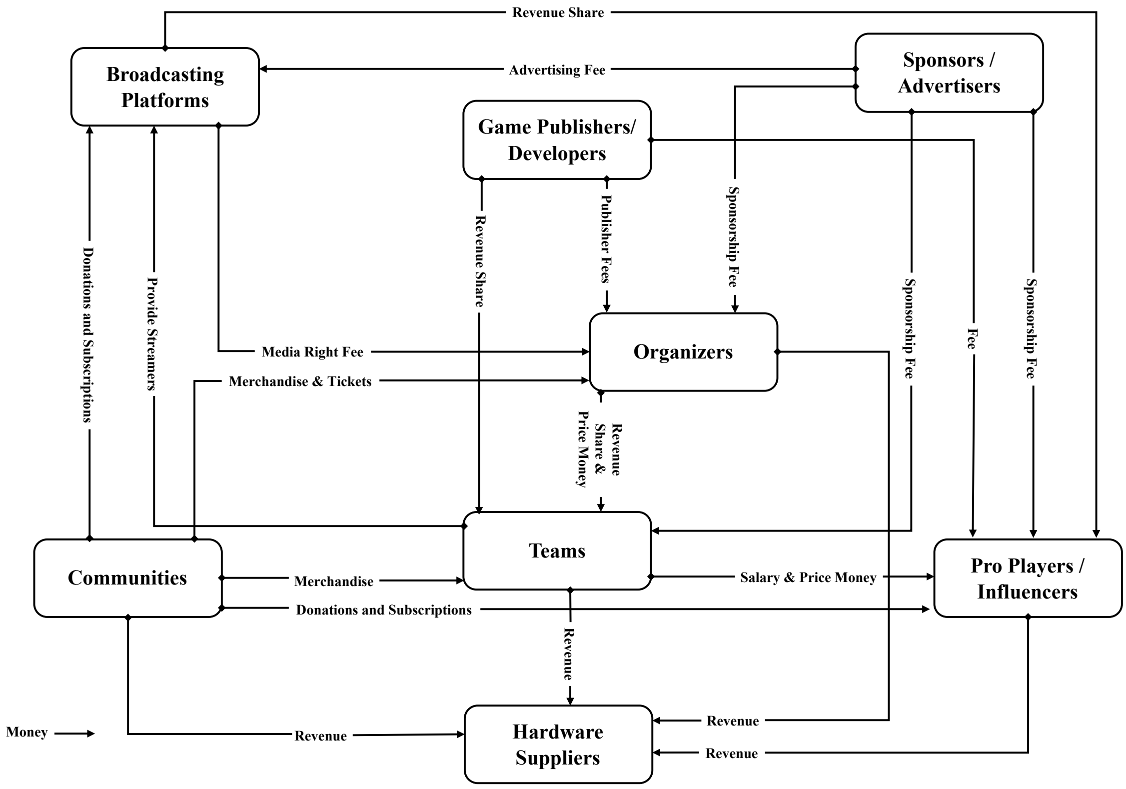

Figure 2: Ecosystem Esports Market Money Stream
Source: Own illustration based on Advani et al. (2020) and Newzoo (2021, 8)

3.1.1 Teams, Pro Players and Influencers

The agents involved in professional esports are the teams, esports athletes, and influencers. Representing countries worldwide, the most famous esports teams include OpTic Gaming, G2 Esports, Team Liquid, Cloud9, Evil Geniuses, Fnatic, and Faze Clan. Furthermore, the semi-professional, amateur, and casual esports market is gaining increasing influence. Therefore, it is expected that the scene will experience the introduction and growth of new esports teams providing sponsors, investors, and partners with various opportunities. As esports influences major trends across different markets, esports organizations and players exemplify central drivers and assets of economic gain. Esports teams and players evolve beyond their initial status, becoming marketing agencies as well as business developers and providing several sources of revenue (Advani and Vitale 2020). As described in the framework, teams receive a revenue share from organizers and game publishers and direct revenues from broadcasting platforms.

In addition, teams, players, and influencers receive sponsorship fees, merchandise revenues, salary, and prize money.

Furthermore, the respective communities support their favorite players and influencers through subscriptions and donations (Newzoo 2021a, 8). Therefore, a team's success is also based on its ability to build a community where sponsors can position themselves sustainably. Further, sponsors, teams, and professional players create added value through dedicated products, services, and experiences for their target group. Thus, esports teams are dependent on actively developing themselves, continuously offering and implementing future concepts and ideas. (Advani and Vitale 2020)

3.1.2 Game Publishers/ Developers

Publishers are a prominent force in the industry's economic ecosystem, developing and publishing the actual games resulting in sustainable game communities. In return for gaining game exposure from organizers and professional players/influencers, and brand license from teams, publishers pay either a share of revenues sponsorship fees or publisher fees[5]. Given their position, publishers can rapidly create their networks, advance adoption rates, and actively secure the necessary structure to increase their competitive advantages. The publishers' environment consists of several parties, such as players and the players' community, as well as software and hardware. These agents receive game exposure through organizers, pro players, and influencers in return for various fees (Newzoo 2021a, 8). The most prominent publishers in esports are Riot Games, Valve, Activision Blizzard, Epic Games, and Electronic Arts, with some of their games being established for decades. While they are unified in their desire to enthuse the consumer masses for their esports games, their approach to developing the esports ecosystem differs: The same companies that develop and launch various games can often act as organizers and/ or are

[5] Publishers pay independent esports organizers to host events. This excludes investments or spending by game publishers on their events, as it is considered part of their regular marketing initiatives.

active within broadcasting, teams, and players. They can both progress and cut down the developmental path of an esports game, thus managing the development of a whole community and fanbase that could be created around an esports game. Regarding leagues, competitions, and events, publishers license their games to endemic and non-endemic actors or third parties such as league operators (ESL, Dreamhack, Starladder), streaming platforms (Twitch, YouTube Gaming, Huya), esports teams (Cloud9, 100 Thieves, FaZe Clan) or brands (Red Bull, MasterCard, DHL). As a result, publishers diversify their risk factors and can generate further revenue by introducing license fees while expanding their intellectual property and maintaining business relations (Vitale 2020).

Publishers are dependent on network effects, economies of scale, and the symbiosis of a streamlined but extensive digital and physical experience. Thus, publishers continue to seek consolidation between their economic ecosystem with esports teams, league operators, investors, and other partners. Furthermore, publishers aim to keep their games "easy to learn and difficult to master" to ensure mainstream testing and long-term monetization of the esteem of players through in-game transactions (Scholz 2020, 8). Hence, securing a large player base and increased attention from brands, sponsors, teams, and investors is vital. Benefits range from highly increased levels of exposure, both online and offline, and generating revenues from competition-themed in-game content. An example of such content could be a "free2play" game, where the game itself is free, while publishers create other revenue sources such as in-game purchases and advertisements (Vitale 2020).

3.1.3 Broadcasting Platforms

In the fast-changing environment of esports, streaming platforms have ensured themselves as the number one content-providing platform and are currently expanding their efforts beyond esports and gaming. Twitch holds the majority of the live streaming market, with nearly 20 billion total live hours watched in 2021, a 26% year-on-year increase. Twitch is followed by

YouTube Gaming (YT Gaming), with 4.7 billion live hours watched in 2021 (Newzoo 2022a, 8), and Facebook Live, also with approximately 4.6 billion live hours watched in 2021 (Statista 2022a). As the traditional platforms are not available in China, Huya and DouYu Lice dominate the Chinese streaming market with 28.23 million and 24.02 million monthly active users, respectively (Statista 2022b). The different streaming platforms flexibly allow the users direct contact with teams, players, and influencers, resulting in ownership and social connection within the industry. As highlighted in the framework, broadcasting platforms are the enablers of content sharing between professionals, influencers, and communities. They receive revenues in the form of fees from subscriptions and donations. While traditional broadcasters have tried entering the scene, the dominance of streaming platforms seems likely to continue (Advani 2020).

3.1.4 Esports Communities

A continuously increasing number of people are engaged in esports due to a rapidly developing media awareness of the industry. These people are players themselves, streaming audiences, and other consumers. As seen in the framework, they contribute to revenue streams in various ways. For example, buying merchandise or donating and subscribing to teams, individual players and influencers. In 2021, live streaming of games reached an audience of almost 810 million and is predicted to reach 1.41 billion by 2025 (Newzoo 2022a, 7). The accessibility of esports has been the most prominent driver behind this development. The selection of streaming platforms and other broadcasters provides several options to access the content. Thus, allowing the audience to watch both live and recorded material. However, there is still a debate surrounding monetizing this already massive and fast-growing audience of spectators (Akman and Vitale 2020). The global average revenue per esports enthusiast was only $4.63 in 2021 (Newzoo 2021a, 10). However, the community is mainly concerned with experiencing emotions (Scholz 2019, 30). The focus is entertainment, humor, and the unconventional (Newzoo 2021a, 48).

In addition to an entertainment business, esports has developed into a legitimate sport, requiring intense training and focus on the highest levels (Goldman Sachs 2018). This dynamic not only attracts supply and demand but also increases competition. These formats have an inclusive and social character, where the chances to interact and participate are at the center. Still, the competitive nature of the games captivates and excites the audience. The close connection between players and their audience leads to a sense of attachment, ownership, and proximity to personalities within the esports industry. Every game has its related community, and these communities have their views and communication style. Common traits of the communities are tech savviness and male dominance. STEM backgrounds are popular among esports fans. The audience sees esports as more than a sport but a part of everyday life. Brands and investors are becoming increasingly aware of this and planning how to capitalize on this in the future. This is amplified by the audience's high readiness to pay for the provided entertainment and value-adding possibilities (Akman and Vitale 2020).

Esports games heavily depend on direct-to-consumer products to activate and engage their audiences. Extending the games' lifecycles and potentially increasing the customer lifetime value will amplify monetization opportunities. As fans want to be as close as possible while the success of products and services revolves around social interaction, more comprehensive viewership alternatives are crucial. The connection between professional players, influencers, fans, and casual gamers is one of the most prominent advantages of esports and will be one of the key drivers of future success (Akman and Vitale 2020).

3.1.5 Organizers

The comprehensive league and tournament structure within esports provide the industry's foundation. A league consists of regular matches performed over months on a set schedule. A tournament typically takes place over a shorter period. Tournaments usually start with a group stage, after which teams and players can advance to a knock-out stage. In contrast to a league, all teams usually do not directly play all other competing teams. The organizers provide revenue shares and prize money to teams and players in both formats. As described in the framework, organizers produce content and game exposure and are rewarded with media rights fees from broadcasters. Further, they receive merchandise- and ticket revenues from the community and other revenues from publishers and sponsors (Newzoo 2021a, 8). Several third-party companies and publishers have now introduced their leagues and competitions and produced media coverage or sold broadcasting rights (Advani 2020).

In addition to an increase in competition, there has been an increase in platforms that enable almost everyone to organize and host events. However, as publishers hold the intellectual property of their games, the balance of power is distributed. It is essential to highlight the value of offering competitive events for each skill level and the different hardware to continue the rapid growth within the sector (Advani, Vitale and Akman 2020).

3.1.6 Sponsors and Advertisers

As described in the framework, esports represents a possibility to gain brand exposure through broadcasters, organizers, teams, and players/ influencers. In return, sponsors provide these agents with sponsorship fees (Newzoo 2021a, 8). Thus, several large corporations have entered the scene. Between 2016 and 2021, sponsorship revenue grew at a compound annual rate of 21.4% (Nielsen 2022a, 2). The esports market enables companies to directly engage with difficult-to-reach target groups such as millennials and Gen Z. This is illustrated by the fact that almost 73% of these target groups report using some sort of ad-blockers (Nielsen 2022a, 2). Furthermore, these target groups require a different approach than traditional advertising methods as they require new urgency regarding diversity and inclusion, climate change, and other significant trends (CM group 2022).

Advertising through esports delivers a prominent media value through brand and logo placement during broadcasts and the utilization of digital tools. Esports properties could deliver an equal or higher brand awareness and engagement compared to traditional sports. This is due to the major benefits of media exposure through esports, such as authentic and immersive branding, high predictability, and less impact from external factors. Furthermore, sponsors are motivated to enter the esports scene due to fans' attitudes. There is a proven high level of acceptance from which partners and sponsors in the esports industry benefit. Sponsoring companies have been well received and generated positive sentiment among their target group. In the US, 58% of esports fans had a positive attitude toward sponsorship, 37% remained neutral, while only 5% of fans held a negative attitude. Hence, sponsors can gain long-term positive increases in metrics such as consideration, purchase intent, and recommendation (Nielsen 2022a, 6).

Both endemic and non-endemic advertising and sponsorship are increasing their prominence in esports. As games and community attitudes vary significantly within the industry, analyzing the respective games and broadcasting channels is decisive. Due to the many commercial advantages, companies are developing advertising strategies for the esports market, planning to enter the scene before the industry grows even more extensive. Sponsors should follow the rule of being clever and authentic in their placements, which requires an in-depth analysis of a brand's need and goodness of fit of a brand (Advani 2020, Newzoo 2021a, 45-46).

3.1.7 Hardware Suppliers

Hardware Suppliers (HS) build the platforms on which games are developed and played, like consoles and PC systems. These platforms are the foundation of the entire gaming market. Not only do HS build platforms but also peripherals such as gaming headsets, mice, monitors, or keyboards. These are essential components of the platforms to enable gaming.

The three major console manufacturers, Microsoft (Xbox), Sony (PlayStation), and Nintendo (Nintendo Switch), as well as producers and component suppliers of PC systems like AMD, Nvidia, Intel, Alienware, or Omen, are the key players in the HS market. By the end of 2022, it is estimated that 3.2 billion people worldwide will be gamers, making the gaming industry the most lucrative entertainment industry in the world (Newzoo 2022b, 5, Richter 2020). This growth is reflected in the development of the esports market (chapter 3.3.1).

In the ecosystem, HS receive revenue from communities, organizers, teams, professional players, and influencers through product sales. Additionally, by having the agents use the products, HS broaden brand exposure.

3.2 Benefits of Esports Involvement

Growing markets often come with several opportunities for non-endemic companies to develop new revenue streams. As such, it is no surprise that the number of companies entering the scene is growing exponentially (Scholz 2019, 78). When joining the ecosystem, there are some general benefits that any company may take advantage of. These are examined in more detail in this chapter. However, more company-specific opportunities need to be developed and will be analyzed individually in chapter 4.4.

Besides the already mentioned possibility of building a point of access to younger generations, four interrelated main measurable benefits can be observed. In summary, these include brand exposure, brand affinity, partnership engagement, and return on investment (Nielsen 2022a, 4, Giakoni-Ramírez and Duclos-Bastías 2021, 2143-2147).

Brand Exposure: The entry into the esports market leads to a significantly increased brand exposure due to the audience's high number of watching hours (e.g., the LoL world championship had 1.1 billion watching hours) (Nielsen 2022a, 4). This results in increased brand awareness, improved brand perception, and, consequently, a greater reach (Newzoo 2022a, 19). To measure these results, views and clicks come along with a particular value depending on the respective deal. Furthermore, during events and tournaments, brands have the possibility to be heavily exposed. This aspect is particularly relevant for esports team sponsors, where the average return on media investment (ROMI: 4.5 times the investment) is comparable to that of MotoGP team sponsors (5.6 times the investment) and Premier League team sponsors (6.8 times the investment) (Nielsen 2022a, 4-5). This frequently leads to increased social media followers and new business and media contacts (Giakoni-Ramírez and Duclos-Bastías 2021, 2144).

Brand Affinity: In addition to increased brand exposure, esports can improve relationships between fans/ potential consumers and brands by enhancing brand affinity. This, too, often leads to increased social media followers (Giakoni-Ramírez and Duclos-Bastías 2021, 2144). Esports provide both endemic and non-endemic companies with positive brand affinity effects. This is supported by a study in which 87% of esports fans could recall at least one esports sponsor (Nielsen 2022a, 6).

Partnership Engagement: The top esports teams in the League of Legends European Championship (LEC) can cumulatively count on an average of 7.6 million followers across Facebook, Instagram, Twitter, and YouTube, a growing number between 11-17% annually. This makes the teams attractive partners for companies to profit from activations and engagements on their social media platforms. Given the active social media community, these esports teams show high engagement rates comparable to traditional rights holders across social media. These interactions can be tracked and monetized. Therefore, influencer marketing deals have to be closed (Nielsen 2022a, 7).

Return on Investment: This position encompasses the previous three benefits and any additional sales resulting from them. The concrete effects of participating in the esports market are difficult to identify in day-to-day operations. Therefore, the ROI must be evaluated over time by determining values for social media interactions, views, clicks, and eventually, additional sales. Positive returns were determined for companies investing in leading esports properties, which stabilize and grow as time passes due to a maturing industry. For example, the ROI for such an engaged company was 2.1 times the investment in 2019 and 3.0 times the investment in 2020 (Nielsen 2022a, 9).

For all these different benefits, it is possible to set specific KPIs in influencer marketing, social media traffic, and digital advertising to measure their success. However, due to the limited scope of this work, it is impossible to go into this extensive topic in more detail.

3.3 Market Analysis

The market analysis describes the market characteristics by introducing key metrics of the esports market, including a demographic and geographic breakdown. Next, the chapter applies Porter's Five Forces framework to analyze market factors extensively. Further, a breakdown of the competitive landscape of esports relevant to AMF1 is be introduced. Following, prominent trends in the esports market are presented and discussed.

3.3.1 Key Metrics of the Esports Market

In the following the esports market is described based on three critical metrics: esports enthusiasts, occasional viewers, and revenues. "While esports enthusiasts watch professional esports content more than once a month, occasional viewers watch similar content less than once a month" (Newzoo 2021a, 14). Furthermore, the market can be divided by countries or regions. Industry revenue is the amount that esports generates through the sale of streaming, publisher fees, sponsorships, media rights, tickets, and merchandise. Here, prize pools, player salaries, and fan contributions are excluded as these are considered a part of industry cost items. Revenues arising from online gambling and betting related to esports are also excluded. Finally, to separate revenues and investments, any capital investments in esports are not considered. Core game revenues[6] are deemed to be a part of the global games market (Newzoo 2021a, 13-14).

Traditionally, the esports industry has relied intensely on sponsorship to promote growth, illustrated by the approximately two-thirds of global esports revenues coming from brand sponsorships (Lehmann and Singer 2020, 7). Although there is a risk in depending so much on one

[6] Consumer revenues are generated by global gaming companies market, excluding hardware sales, tax, business-to-business services, and online gambling and betting revenues.

revenue stream, it is unlikely that sponsorship arrangements in esports will lose momentum. As global esports live-streaming reached 728.8 million people in 2021 and successfully attained a difficult-to-reach target audience of 532 million, the industry provides brands with great possibilities (Newzoo 2021a, 8). Many companies sponsor esports, including cryptocurrency companies like Bitstamp, each signing multi-million-dollar sponsorship deals in 2021. In addition, Hong Kong-based FTX Exchange[7] signed a $210 million deal with competitive video game team TSM agreeing to change its name to TSM FTX (Browning 2021). However, despite its global reach and popularity, esports has struggled to monetize its audience. Hence, the industry is working towards a more direct form of monetization of fans, diversifying its revenue streams. Such revenue streams include physical and digital merchandising, loyalty, and educational programs. Finally, it is worth mentioning that some esports organizations have diversified in other ways, such as turning to financial markets for public listings or raising private investments (Newzoo 2022a, 19-20).

By the end of 2022, the revenues of esports are estimated to be $1.38 billion. A base scenario for 2025 estimates revenues of $1.86 billion, while the optimistic and pessimistic estimates are $2.28 billion and $1.39 billion, respectively. As previously described, sponsorship accounts for the highest-grossing revenue stream, generating $837.8 million in 2022. The second and third largest revenue streams are media rights and publisher fees, accounting for $207.8 million and $130.7 million. Meanwhile, digital and streaming are the two revenue streams growing the fastest, with 2020-2025 CAGRs of +27.2% and +24.8%. In terms of revenues, China is the most prominent country, accounting for almost one-third of esports revenues globally in 2022. Further analyzing the geographical markets, Southeast Asia, Central Southern Asia, and Latin America are the fastest-growing regions. The regions have 2020-2025 CAGRs of +27.6%, +23.4%, and +19%, respectively. Finally, an interesting and valuable metric is the annual

[7] FTX is a now bankrupt digital currency exchange (Napolitano und Cheung 2022).

revenue per enthusiast. North America has the highest annual revenue per enthusiast at $15.59, followed by Europe at $10.93, Asia-Pacific at $3.69, and Emerging Regions at $2.10 (Newzoo 2022a, 34-40).

The global esports audience is expected to grow 8.7% in 2022. The 532 million people are divided into 270.9 million occasional viewers and 261.2 million esports enthusiasts. By 2025, it is estimated that the total audience will be 640.8 million, where 322.7 million are occasional viewers, and 318.1 million are esports enthusiasts. This means an 8.1% positive CAGR for esports enthusiasts from 2020 to 2025. Breaking down the demographics of the esports audience, 64% of occasional viewers and 74% of esports enthusiasts are full-time employed, while 37% of occasional viewers and 44% of esports enthusiasts have a high household income. Of the esports enthusiasts, 66% were male, 31 % were males between 21 and 35, 34% were female, and 15 % were females between 21 and 35. The same pattern is observed among occasional viewers, skewing young and male; in 2021, 37 % were female (Newzoo 2022a, 31-33).

3.3.2 Porter's Five Forces

Porter first described the so-called five forces in the management magazine Harvard Business Review in 1979. This publication revolutionized the field of corporate strategy (Porter 2008, 25). Identifying the five forces enables the creation of an industry structure and/ or market analysis. This thesis will use the method to identify and analyze important aspects of the esports market. These aspects are used as a basis for a better industry understanding, further market insights, and the following analysis in chapter 4. Generally, analyzing the market from each esports stakeholder's perspective is possible. However, the most relevant market insights are expected by conducting an analysis from the perspective of the publishers and HS[8], which is

[8] Best insights are expected because these two agents are the key enablers for the entire esports industry and thus play a central role.

why this analysis will be limited to these perspectives. In addition, the implications for the other agents will also be highlighted.

In the following, each of the five forces will be shortly introduced and subsequently analyzed by examining the most relevant factors (Appendix 2) that shape each force. A compromised overview of the results for each force can be found in Appendix 3.

Force 1 - Threat of new entry: New entrants aim to gain market share and can pose a threat by putting pressure on prices and costs or evoking the need for higher investments. The threat for new entrants is high if there is high market growth or a less developed market, the product is easy to imitate, or distribution channels are easily accessible. The threat is also high if economies of scale are impossible, leaning curve effects are low, or low capital investments are necessary (Porter 2008, 26-27). In esports, the probability of new publishers entering the market is high. The reason for this is a rapidly growing market where anyone with the possibility and expertise to program can develop and publish a new game. In addition, the distribution channels to sell games or offer them free of charge is easily accessible, primarily through the internet on sites like Microsoft's "Live Community Games" channel[9] (Lehnert, Walz and Christianson 2020, 123, Pottie-Sherman and Lynch 2019, 6). Furthermore, no significant economies of scale are expected when programming a game; therefore, larger publishers will not benefit from this. This makes it easier for new market participants to enter. However, learning curve effects should be considered, whereby more established or experienced companies and programmers gain an advantage.

Nevertheless, this is unlikely to deter new entrants. As a result, price and cost pressures on publishers might increase in the long run, making it necessary to build new revenue streams (Newzoo 2020, 3, 8). New publishers entering the industry will contribute to a further growing market, and new game releases make it an attractive area for broadcasting platforms, organizers,

[9] This channel allows developers to publish console games for Xbox 360.

and sponsors/ advertisers. Yet, it could be challenging for sponsors/ advertisers to cooperate with a specific game since the continuous new entries make it difficult to assess who will prevail in this area. However, partnering with established publishers can be considered a solid option for entering the esports market because it does not require excessive commitment (Newzoo 2021a, 49).

Regarding HS, a relatively low threat of new entrants can be expected due to generally higher entry barriers: The mature hardware market is characterized by a high customer loyalty to respective established brands and their products (Newzoo 2021b). A high level of capital investment in marketing and R&D is essential for new entrants to be able to compete with these established HS. Therefore, substantial technological knowledge is fundamental. In addition, new entrants[10] must arrange agreements with publishers in order to make the proven games available for their new hardware device, while already established HS often receive royalties from publishers and benefit from economies of scale and learning curve in their production (Tomaselli, Di Serio and de Oliveira 2008, 17-20, Eisenmann, Parker and Van Alstyne 2006, 5). The only advantage for new entrants is access to distribution channels, as the hardware can be sold online. Besides other reasons, these high entry barriers also led to some failed attempts of companies to enter the market in the past. For example, it happened to Atari, Panasonic 3DO, Game Gear, and Sega. Atari and Sega then switched to being publishers as the entry barriers were much lower, as explored previously (Tomaselli, Di Serio and de Oliveira 2008, 36-37).

The low threat of new entrants from the hardware suppliers leads to a more stable, somewhat less innovative market compared to the publisher market. As a result, organizers, broadcasting platforms, and sponsors/ advertisers can focus on the existing providers in this area, and no more extensive changes in established brands are expected.

[10] Entrants that produce PCs are excluded from this aspect, as the games do not need a customization (Eisenmann, Parker and Van Alstyne 2006, 5).

Force 2 - Bargaining power of buyers: Powerful customers can play industry participants off against each other or force price reductions, better quality, and services. Buyers have high bargaining power if there are only a few customers in the market, each of which generates high revenues or high order quantities for the respective provider. Other aspects that lead to high bargaining power for the buyer include the ability to credibly threaten to manufacture the product themselves or being price sensitive. Bargaining power is also high, if there are many other suppliers with similar products that could serve as substitutes in the market, or if information about alternative products is easily accessible (Porter 2008, 30).

Since the publishers and HS have the same customers, one joint customer group can be identified. Considered individually, each buyer has relatively little bargaining power. The reasons for the low bargaining power include the facts that there are many customers in the market (approx. 3.2 billion people will play video games in 2022) and purchases are made in rather small quantities. The average yearly purchase for everything related to gaming is around $60 per person (Newzoo 2022b, 22). Although multiple games are purchased and frequently renewed annually, the prices per game are modest, at around $50 for each game. Hardware costs more, but it is purchased less frequently (e.g., consoles cost more than $500 on average and are purchased every five years) (Tomaselli, Di Serio and de Oliveira 2008, 36, CNBC 2020). It is a market with many customers, each of whom generates only a small portion of the overall revenue for the publishers and HS. This leads ultimately to low bargaining power for individual buyers. However, the fact that buyers in the esports sector are very interconnected via social media and forums means that they act almost always as a community. This community in turn has a high bargaining power because it is an integral part of the overall product, namely the esports scene (Scholz 2019, 86-87). The power is also demonstrated by the fact that the community is in a position to discredit partnerships (e.g., canceled partnership between Riot Games and NEOM) or entire games so that they are hardly ever bought (Newzoo 2021a, 48-49). An example of a game is "No Man's Sky". After many bad reviews, the developers even incorporated the community's feedback through several updates and thus continuously improved the game over five years (Lu, et al. 2020, 2-5). Moreover, the high differentiation of the various games in the publishers' sector gives the community many alternative games to choose from. Even within the same game genre, games could be substituted by buying a similar game from a different publisher. Here, other factors than price usually determine the purchase, such as the quality, network effects[11], or the overall community's opinion on the game (Eisenmann, Parker and Van Alstyne 2006, 5, Said, Miszerski and Murphy 2002, 203, Freitas, Espinosa and Correia 2019, 55). The community´s opinion is easily accessible to the buyers on different forums on the internet.

For sponsors/ advertisers, it is essential to consider the gaming community since the relevant forums influence the buyers, and these belong to the sponsors`/ advertisers` target group. Accordingly, these companies should tailor their content to the community. This also holds true for the organizers and broadcasting platforms. These findings do not influence other agents.

Force 3 - Threat of substitute products or services: A substitute product incorporates various ways of accomplishing the same or similar functions as currently available products on the market. The threat of substitutes may reduce the industry's profitability and is easy to overlook within an industry (Porter 2008, 31).

A typical substitute product of the esports industry (here: software and hardware) is traditional sports. Still, esports is currently in the growth phase so no immediate danger can be assumed. However, this could change again in the long term if the issue of environmental sustainability continues to be ignored, as a considerable amount of energy is utilized in esports for server buildings. Therefore, sustainable technologies and energy-saving measures must be established (Nyström, McCauley and Macey 2022, 13). In addition, the so-called mobile games can be seen

[11] The total number of players in a game is essential.

as a substitute for traditional video games for consoles or PCs. To play these games, a smart device is needed (e.g., smartphone, Nintendo Switch). Especially the fact that smartphones are widespread and have a lower barrier of entry poses the risk that potential customers will now forego buying a console or PC (further elaboration follows in chapter 3.3.4).

Additionally, the roll-out of 5G networks leads to an intensification of the substitution issue, as it allows for a higher graphic performance of mobile games through faster data transmissions (Newzoo 2021a, 22-24). As a result, HS face a medium threat, while publishers face a low threat. The increased importance and growing market of mobile games are essential for all agents to consider. Organizers should increase the tournament and event coverage of mobile games. In addition, consumers are shifting their interest in watching esports from consoles to mobile games. Thus sponsors/ advertisers and broadcasting platforms should expand their activities in this market. Furthermore, environmental sustainability could be an interesting field for sponsors/ advertisers as this is a ubiquitous issue. Also, the general threat of substitute products or services endangers the entire ecosystem, making an agile business model necessary for all agents.

Force 4 - Bargaining power of suppliers: If suppliers have a lot of power, they can restrict their product quality or service, demand higher prices, or pass on costs to market participants to capture more value for themselves. The bargaining power of suppliers is high when providers/ manufacturers depend on their suppliers. For example, this may be due to specific know-how or machinery only in the suppliers' possession. Another factor that gives power to suppliers, just as it does to buyers, is when suppliers can seriously threaten to produce and sell the final product themselves (Porter 2008, 29).

There are suppliers for both the publishers and the HS. In the publisher sector, certain parts of games are outsourced to be programmed or designed by other developers or small studios, which can be identified as suppliers. To avoid misunderstandings, the term "developer" is used instead of suppliers in the following to refer to these actors. Here, the publishers are dependent to a certain extent on these developers' specific know-how and annual innovations. In addition, some of these developers can program entire games themselves as they have the programming know-how resulting in a higher threat for the publishers. However, developers lack the established publishers' brand awareness, have fewer financial abilities to cover required marketing expenditures and publisher fees (chapter 3.1.2), and are consequently reliant on the publishers. Thus, it is a cooperation between the two parties based on mutual dependence (Newzoo 2021a, 8-11). Besides, the publishers could switch to other developers, but this would also require a high effort to change. In general, the bargaining power of developers in this area can be classified as moderate. No direct implication for other agents can be identified as the developers only cooperate with the game publishers.

The supplier of HS deliver sub-parts to build the hardware, including the processor and graphic processor, memory, circuits, and CMOS (semiconductors) technology. The HS are primarily large and powerful companies like Sony, Microsoft, or Intel (chapter 3.1.7), for which many companies want to become suppliers. These businesses aim to maintain and further increase their influence throughout the supply chain by entering strategic alliances (Tomaselli, Di Serio and de Oliveira 2008, 36). Furthermore, it is unlikely for the suppliers to seriously threaten to take over the production of a console or a PC in its entirety. Thus, the bargaining power of suppliers in this area is relatively low. As before with the developers, these power distributions do not directly affect other agents. Nevertheless, all agents should monitor the development of the hardware supplier's power as these companies seek to expand their power further.

Force 5 - Rivalry among existing competitors: Rivalry evokes many well-known issues within an industry, such as price reductions, the launch of new products, ad campaigns, and service improvements. The profitability of an industry suffers if competition is intense. Rivalry is high if there are many competitors in the market offering comparable products with a similar price-performance ratio and if the threat of new entrants is high. When the barrier to switching suppliers of a known product is low, rivalry intensifies. Furthermore, rivalry can increase if the suppliers are roughly the same size or have similar market shares (Porter 2008, 32).

In the case of publishers, a high degree of rivalry can be observed, as there are many competitors in the market (Pottie-Sherman and Lynch 2019, 8-9). These offer similar games in the same genre and various other games in different genres. More and more locations host game development, increasing rivalry even more (Pottie-Sherman and Lynch 2019, 3). Most popular games have a similar price-performance ratio, resulting in a high threat, as customers may buy other games from other publishers instead. Due to the intense rivalry, new versions of most games are released yearly, and major marketing campaigns are developed (e.g., Fortnite x Balenciaga 3D billboard[12]). However, some factors moderate the rivalry: Buyers tend to stick to the games they know and subsequently buy newer versions of these games. This makes it more difficult for publishers of games that are not very established. In addition, (new) game purchases are influenced by network effects since it depends on whether games are popular with the gaming community. Therefore, a high number of players within an established game increases the barrier to switching to an unknown game. Overall, competition remains excessive, especially given the high risk of new entries, further increasing the game's supply. As a result, cost and price pressure are high, which has led to established publishers having to outsource some of their activities and move to peripheral areas (Pottie-Sherman and Lynch 2019, 12). However, it is important noting that publishers have considerable power in the esports industry since they hold the rights to the games they develop (chapter 3.1.2). Subsequently, publishers have the ability to exclude teams and players from competitions (Flegr and Schmidt 2022, 644-647). However, the high level of rivalry creates an innovative market. The remaining agents of the esports ecosystem benefit from this, as the games are constantly being optimized, new games are

[12] See a video of the billboard here: https://www.youtube.com/watch?v=UTOt0ly-8gw

developed. Sponsors/ advertisers need to be aware of this situation when partnering with game publishers, as they should not cooperate with competing publishers simultaneously. High rivalry can also be observed in the HS sector, although fewer suppliers are on the market. Above all, the different consoles (PlayStation, Xbox, and Nintendo) and diverse gaming PC manufacturers compete intensely with each other. This is because many equally sized competitors are capable of developing similar promising technologies (chapter 3.1.7). Especially the rivalry regarding new customers is intense as this is a market with enormous customer loyalty (Newzoo 2021b). Similar to the sector of publishers, the rivalry of the hardware suppliers leads to regular innovations resulting in the development of more powerful consoles and PCs, which might further boost spectators' interest in esports. This leads to a certain degree of planning security for the other operators in the ecosystem. Moreover, there is great rivalry among the other esports stakeholders. The primary reason for this is that it is a global market, which requires competitors to be considered globally (Scholz 2020, 1).

Other factors: In addition to the five existing forces, Porter defines further weaker influences as so-called factors. These are the growth rate of the industry, government influences through, e.g., new laws, technologies, and innovations, as well as complementary goods and services. While it was possible to include the industry growth, new technologies, and innovations (like the roll-out of 5G networks) in some of the forces, other factors do not seem to influence the industry sufficiently.

However, it must be emphasized that cooperation is fundamental in addition to competition within the industry discussed above. This means that the ecosystem explained in chapter 3.1 is primarily based on value integration through cooperation. The threats of new entry, bargaining power of buyers, risks of substitutes, bargaining power of suppliers, and competitive rivalry exist, but synergies are also possible and even necessary (Scholz 2019, 118ff). This means that the esports ecosystem is based on the interplay of cooperation in some areas and competition in others. This can be described as coopetition (Nalebuff and Brandenburger 1997, 28-30).

3.3.3 Competitive Landscape

The competitive landscape in esports is broad. Companies increasingly recognize the value, size, and ongoing growth potential (Green 2022). Therefore, the most significant insights are expected when similar companies to AMF1 are examined. Since every F1 team participates in the F1 Pro Championship, the competitive landscape around that game will not be further analyzed. While the general involvement of F1 teams tends to be limited, this analysis will mainly focus on competitors from the automotive industry. Nonetheless, these competitors are also engaged in racing and already took advantage of sponsors- and partnerships within the competitive gaming world. AMF1´s competitors mainly focus on League of Legends (LoL), Dota2, and Counter-Strike Global Offensive (CS:GO) since those are the most watched and played games in the world. Especially LoL, the game with the peak viewers up to 73.86 million during the world finals in 2021, is the most attractive choice for companies of any area to partner up with (Statista 2022c).

KIA: The company´s approach in esports is one of the most comprehensive ones. First, since 2019 KIA has been the official automobile partner of the LEC and is sponsoring three special awards within the league ("KIA MVP-Award") (KIA Media 2021). The company is smartly using the LEC stage for marketing purposes and "[…] forging closer connections with younger generations" by creating advertisement spots for new cars and EVs within the LoL universe and providing esports fans with an enhanced brand experience (KIA 2022). Second, KIA partnered with the European LoL team Rogue in 2020 for two years only focusing on digital content creation (Murray 2021). Furthermore, KIA signed a partnership with the Korean LoL team DAMWON Gaming after winning the world title in 2020. Because of this agreement, the team was renamed DWG KIA, resulting in the more frequent use of the KIA brand name (Sandoval

2021). Additionally, the car manufacturer benefits from team expansion to games other than LoL, displaying its brand image in multiple games, e.g., Valorant (DWG KIA 2022). Lastly, KIA is not only involved in LoL but has also sponsored the "BLAST Premier" CS:GO event in 2021, which is their first sponsorship in the CS:GO game (Blast 2021).

Mercedes-Benz: In 2017, the car manufacturer started sponsoring the Chinese LoL League (LPL), extending the contract to be the exclusive automobile sponsor for every international LoL tournament until 2025 (Mercedes Benz 2022). The deal with Riot Games for the 2017 World Finals made $88.5 million in revenue (Sharma 2020). The car manufacturer uses the world's biggest esports stage for marketing purposes. This includes presenting the trophy ceremony, creating the championship ring for the winning team, and presenting the first all-virtual show car ever on this year's World's stage (Mercedes-Benz Media Group 2022, Mercedes Benz 2022). Like KIA, Mercedes also partnered up with the professional European LoL Team SK Gaming in 2019, which is more successful than DWG KIA (Mercedes-Benz Media Group 2019).

BMW: The company's first appearance in esports was in 2017 as the sponsor of the League of Legends Championship Series (LCS) finals (now LEC). Then, in 2020 BMW decided to sign a partnership on a global scale with five major esports teams: Cloud9 "C9" (USA), Fnatic "FNC" & G2 Esports "G2" (Europe), FunPlus Phoenix "FPX" (China), and SK Telecom T1 "T1" (Korea) (Hitt 2020). These teams are the most famous, successful, and oldest in esports, with the best players on their rosters. This partnership with these top teams is called "#UnitedInRivalry" (BMW 2022a). It indicates BMW's ambition: Signing the most prominent teams, even if they are rivals, and creating a movement within the LoL scene. The partnership between FNC and BMW alone increased BMW's brand preference by 36%, a 26% growth in top-of-mind brand awareness and social media traffic across the platforms, resulting in 1.14 million engagements regarding the BMW content. Also, on YouTube, the content had 4.49 million overall views

(Nielsen 2022a, 11). Later in 2021, OG Esports joined as the sixth member of the "#UnitedIn-Rivalry" group, being the only team not playing LoL but winning twice the "The International" (Fitch 2021)[13].

This partnership includes mainly placing the BMW logo onto jerseys, providing vehicles for event journeys, creating social media engagement and traffic as well as collaborating for content creation (Hitt 2020). Furthermore, BMW also hosts a fun-fan event, the "Berlin Brawl", in which players of these six teams compete against and partner up with each other, and since these teams have the most skilled players on their roster, people enjoy the competition (BMW 2022a). In addition, as a result of the partnership with prominent gaming teams, BMW's brand logo is displayed in almost every game in which the teams are involved, except realistic shooter games like CS:GO and Rainbow Six (Hitt 2020). Valorant being a first-person shooter is an exception because of its "fantasy" setting. Furthermore, BMW is not only invested in the leading esports games but also in sim racing, where the company signed well-known sim racing teams like BS+ and Team Redline (BMW 2022b). To go even further, the car manufacturer is working on bringing its professional in-house simulator to the consumers by creating a gaming rig called "The Rival Rig" and "Rivalworks" (BMW 2022c). Finally, BMW is eager to not only sponsor teams but also be an active brand within esports by hosting events like the "BMW SIM Time Attack", the "BMW Motorrad esports Challenge", the "Battle of the Gamers", and the "BMW esports Boost" (BMW 2022b, BMW Motorrad 2021, BMW 2021a, BMW 2021b).

The latter is not a competitive esports event but a happening in the "BMW Welt" where experts, publishers, and gaming organization CEOs come together to discuss future trends, giving speeches and unique insights (BMW 2021b).

Red Bull (RB): RB recognized the potential of esports early and started sponsoring it in the mid-2000s (Esports Insider 2021). Since then, its presence in the esports world has kept

[13] World tournament of Dota2

growing. Besides RB's engagement in the F1 Pro Championship, RB is active in other sim racing series like the "Porsche TAG Heuer Esports Supercup World Champion" (PESC) and the V10 R-League (Red Bull Racing Esports 2022, V10 R-League 2022). However, sim racing is only one of RB's many activities in the space of the esports market. Top esports teams like T1 and G2 are sponsored by the energy drink brand, which mirrors its ambitions to be permanently displayed in the highest competition (Hayward 2020, G2 Esports 2022). Like BMW, RB sponsors many esports teams to ensure its reach in various games. This partnership includes placing the RB logo onto jerseys and providing the teams and players with its products. Furthermore, as KIA did with DWG, RB officially partnered with the Dota2 team OG in 2017, having the RB logo as part of the team's logo (Wright 2017). On top of this, RB is also invested in both types of events, self-organized and partnered. For example, RB is 2022's official partner of the Valorant Champions Tour (T. Daniels 2022). Its self-organized events range from fan service to international professional events like the "Red Bull Flick Invitational" or the "Red Bull Home Ground". The "Red Bull Flick Invitational" is a fan-service event in which amateurs can prove themselves against professional players, while the "Red Bull Home Ground" is a Valorant tournament in which professional teams battle each other (Red Bull 2022b, Red Bull 2022c). Finally, RB created gaming spheres for the community, which can be used as a tournament venue, content studio, and creator space. This gaming sphere is equipped with state-of-the-art technologies and high-end gaming PCs (Red Bull 2022d).

BMW and KIA can be considered best practice examples, although the company is not a member of the F1. BMW's commitment to esports will bring the brand to the "top of mind" car brand for younger generations, creating brand love, fans, and potential new customers of BMW's products (Settimi 2020).

3.3.4 Trends in the Esports Market

As described above, the number of viewers and players is expected to grow strongly in the coming years. At this point, the esports industry is a larger market regarding viewership than the most prominent U.S. sports, NFL, NBA, MLB, and NHL combined (Campbell, et al. 2020, 5). Furthermore, the significant investments made by companies from various industries across the globe (e.g., companies from chapter 3.3.3) are a clear indicator and portent of the ongoing growth of the esports market (Insider Intelligence 2022). In addition, it is essential to keep in mind the changing **demographics** of the audience in the future. Younger generations, which are significant contributors to the esports market and make up a large audience, will have grown up with gaming and streaming. Therefore, they are a crucial driver of future audience growth (Imarc Group 2022). Moreover, this generation will stay with esports in adulthood, and thus their purchasing power will increase significantly (Jakob and Jablon 2022, 13). Analyzing the players reveals that they are, on average, older than the spectators. The typical active player is between the ages of 18 and 34. Further, there is a trend that esports is getting attractive for women, too; their current share is continuously growing. Although there is still a 70% male to 30% female gaming ratio, this ratio is shifting in favor of an increasing share of female players (Insider Intelligence 2022).

Looking at the various **regions** where the esports market is growing (chapter 3.3.1), clear trends can be identified as to which countries are expected to experience remarkably rapid growth and will thus be of significant relevance. Especially in emerging markets such as Latin America, Africa, Southeast Asia, and the Middle East, substantial increases in attention and viewer numbers are to be expected (Appendix 4). The main reasons for this are the ongoing urbanization of the countries in these regions, the subsequent advances in IT structures, and access to esports platforms (Newzoo 2021a, 56). Latin America can be cited as an example of the rocket-like increase, where revenues are predicted to double to $42 million in 2023 compared to 2019 (Insider Intelligence 2022).

One market that needs exclusive consideration is the **Chinese market**. With total revenue of $360.1 million in 2021 (expected revenue in 2024 is $1.6 billion), an increase of +14% over 2020, this esports market should be considered by Western companies and used for promotional purposes (Newzoo 2021a, 57). Due to the strong popularity of esports among China's youth, coupled with government support for the growth of the esports market, this market will likely continue to grow its significant market share. Specific examples that demonstrate this include the city of Hangzhou hosting the 2023 Asian Games, where esports will be an official medal event. Another example of the state-driven expansion of esports popularity in China is the $2.22 billion construction of 14 facilities, also underway in Hangzhou and supported by the state. China aims to develop the city into the world's esports capital (Hangzhou Organising Committee 2022, Quartz 2018). The most significant difference between the Western and Chinese esports markets is that China is a mobile-first market. This is due to the high penetration of smartphones in the market, which has led to mobile games overtaking PC and console games, becoming the largest esports segment. The mobile game Honor of Kings is the most popular game in China by streamer numbers. Donations to streamers in Honor of Kings in the Chinese market are twice as high as those to League of Legends, the most popular game in the Western world. At the same time, the mobile-first approach means that streams of games are also primarily watched on mobile devices. DouYu confirms this, with figures showing that mobile streams increased by 14.4% from 2020 to 2021 (DouYu 2020).

Another key difference between China and the Western esports market is the business model. The subscription model on streaming platforms from the Western world plays a minor role in China, while profit in China is primarily generated through donations to streamers. Chinese broadcasting platforms retain, on average, 30-40% more proportionally for themselves compared to Western platforms, such as Twitch. This western model was successful for the two major platforms mentioned above, as both achieved profitable growth in 2019. The bargaining power of Chinese streamers is comparatively lower than that of Western streamers due to non-transparent contracts with platforms and a lack of financial resources. Therefore, many streamers in China are part of so-called streaming guilds. These serve to represent the rights of the streamers against the platforms. Additionally, they also assist in further skill training and help attract a larger audience by referring streamers to more significant events or television shows (Liu, et al. 2021, 2-3, Newzoo 2021a, 38).

To expand the donation-based business model and make it even more profitable, streamers are focusing on other options that increase engagement. "Lucky draws" represent one example. Here, streamers give prizes during their streams to random viewers who have donated. Another example is the "Bullet Chats" tool offered to streamers on all streaming platforms in China. This chat tool shoots chat messages across the screen like bullets and aims to increase interaction between viewers and streamers (Newzoo 2021a, 38-39).

Another trend that is an increasingly significant factor for the esports industry is the **pop cultivation** of sport. Many large and well-known teams have started to hire influencers as part of their esports team. These influencers are often part of the talent team or represent the face of the entire team. Here, the focus is not exclusively on well-known influencers from the gaming scene, but celebrities from other industries, such as music, sports, or cosplay[14] , are also signed on. This pop cultivation is transforming the esports industry and has resulted in many new viewers becoming aware of the sport as it adds a new social aspect. The connection of familiar faces from other scenes to esports helps with further growth in the future (Insider Intelligence 2022). Overall, the boundaries between esports and traditional sports are disappearing, and this

[14] Cosplay is “the activity or practice of dressing up as a character from a work of fiction” (Merriam Webster 2022b)

trend of synergy between the two worlds will continue in the future. Teams in esports are increasingly adopting strategies similar to those used in traditional sports. These include the development of esports teams becoming lifestyle brands by dabbling in areas such as music or chess (Samet 2022). At the same time, esports companies are beginning to invest in traditional sports the other way around. For example, the Indonesian esports team EVOS has announced a basketball team for the real world. With this, the team responds to the trend in Southeast Asia, where the popularity of basketball is rapidly increasing, and thus manages to create a new revenue stream (Duck 2020).

Triggered by the Covid-19 pandemic, **betting** on esports has emerged as a major trend. Due to the suspension of many sports during the pandemic, it was no longer possible to bet on teams from traditional sports, resulting in a gap in the betting market. Betting operators were able to fill this gap by offering bets on competitive esports as the respective tournaments were taking place digitally (Peers 2022). There is no difference between betting on traditional sports and esports bets (Stroup 2022). Esports betting will remain popular, and companies will expand their presence and offer different types of betting. In addition, esports betting is predicted to overtake the revenue generated by tickets for events in person and by merchandise sales (Gideon 2021). In numbers, this means that by 2025, global sports betting on esports is expected to exceed $13 billion (Stroup 2022). Esports betting occurs primarily with online providers such as Arcane Bet, LOOT.BET, Betway, or Unikrn. Some providers also allow betting with blockchain currencies such as Ethereum or Bitcoin (Macey and Hamari 2018, 345). In addition to the classic bets, there is so-called skin betting in esports.

Players can bet on in-game items like skins[15] instead of money on events. The skin betting market is not regulated, so many different websites exist. In addition, there are already some

[15] Skins are a type of item within the game that modify the digital visuals and are specific to the game being played. Skins can be used to change the visual experience for the player. Some games allow players to modify their skins to a certain extent. This allows players to create a fully customized and unique skin (Krishnaswamy 2021b).

esports betting providers that sponsor teams and events similar to traditional sports (Holden, Edelman and Baker 2020, 569). An example is the popular betting provider Betway which sponsors the French Dota2 Team PSG.LGD (PSG 2022). Further, Betway sponsors leading esports events like the "BLAST Premier" mentioned in chapter 3.3.3 (Betway Group 2022). As a result, Esports bettors bet more frequently and, on more activities, than traditional sports bettors leading to a higher number of problem gamblers (Gainsbury, Abarbanel and Blaszczynski 2017, 610-612).

In the past, esports were primarily played on PC or consoles, but the future of esports will partly be determined by **mobile esports** (chapter 3.3.2). Barriers to entry for players in the mobile esports games market continue to decrease, and more players have the opportunity to play. In addition, the increased accessibility to phones, especially in growth markets, allows players to engage with mobile esports regardless of time and place (Stroup 2022). Especially the urbanization of emerging markets introduced at the beginning of this chapter has had a positive impact on the boom in mobile esports, which is particularly evident in popular games such as PUBG or Free Fire. In particular, mobile games have an advantage here as additional consoles might not be affordable. On Twitch and YouTube, live viewership has grown from 15.3 million in 2018 to 98.5 million in 2019 in mobile esports. In 2020, PUBG Mobile alone reached 106.4 million viewer hours (Newzoo 2021a, 23). In 2022, mobile esports already account for 45% of viewing figures of the total gaming market. In countries such as China, where mobile esports enjoys significant popularity, competitive matches in this field are already taking place (Insider Intelligence 2022). Two former problems were the lack of complexity of mobile games and the latency. Due to the widespread introduction of 5G in many industrialized countries, these problems have become things of the past, and it is possible to play games without connection problems on a smartphone. For the player side, it will be easier to participate in events due to the reduction of latency, and it will lead to increased viewership, as 5G will make it possible to watch events in high quality on the go (Stroup 2022). It is certain that as technology advances in the mobile industry, the gaming experience will become more convergent, making mobile games an additional alternative to conventional consoles. This development is supported by the fact that game developers, in many cases, also publish mobile versions of traditional PC games. Going forward, it will be essential to observe whether mobile games can displace other top PC esports games in terms of player and viewership numbers. A particular advantage of mobile games is that they mainly help to attract new players and fans. There will be no replacement for other consoles since the audience and the marketing value for companies are fundamentally different. Mobile esports games represent the globalization of esports and a new ecosystem for new audiences (Newzoo 2022c, 10).

The enthusiasm around **Metaverse** and **NFTs** is not stopping at esports either and is seen as an important development (Oberholzer 2022). While NFTs were already defined in chapter 2.3, the metaverse can be defined as "a persistent, infinitely scalable virtual space with its economy and identity system" (Lai 2020). Teams and involved companies are trying to find ways to profit directly from fans within the metaverse environment. Blockchain technology seems to be ideally suited for this as it is an enormously fast-growing market with users who are open to innovations (Newzoo 2022c, 3). Still, it is essential to consider emerging challenges within blockchain-based games[16]. For example, video game company Valve has banned NFT-based games from its gaming platform. For instance, South Korea has blocked these games from mobile app stores as it is considered a risk that these new games could promote gambling addiction among young people (Roh 2021). In addition, the market for NFT games is currently characterized primarily by a flood of new games offering only fragmentary and unsustainable gameplay. However, this finding is natural, as developing a more complex game is time-consuming and

[16] Blockchain games are “video games with a fully or partially distributed ledger architecture that operate atop a cryptocurrency network, giving players provable ownership over the virtual goods they contain” (Scholten, et al. 2019, 379)

was not yet feasible due to its novelty. Additionally, these games have high entry barriers, starting with the fact that players must have their wallets to play. Despite such challenges, the crypto scene permeates the gaming market, and trading of game add-ons on platforms remains allowed and popular. On the one hand, blockchain technology helps publishers to ensure secure player-to-player trading in a centralized environment. On the other hand, the technology carries the risk that customer support issues could arise. While investors see the technology as an opportunity for new revenue streams, some players criticize the new development. The criticism is because NFTs can directly impact a game, as the emphasis is more on the economic gain in the form of NFTs than on the game experience itself (Newzoo 2022c, 3). At the same time, it can be observed that the current developments are primarily focused on providing digital goods that allow the fans to show the fanhood of a team (Consensys 2022).

A trend that is also rising and is expected to have an impact on the streaming scene is **co-streaming**. Co-streaming means that AAA game[17] publishers collaborate with well-known people (e.g., influencers) to comment on an official stream's broadcast and thus promote an event's viewership (Abios 2022). Accordingly, this means that the idea of co-streaming is to use the reach and influence of an influencer to promote an official stream to increase viewership and provide access to a broader demographic of gamers. Co-streamers are often part of a program with strict guidelines for the co-streamers to host the event. These rules are designed to prevent co-streamers from doing or saying things that do not reflect the image of the brand running the event (Cullen and Ruberg 2019, 4).

The latest trend is affecting specific streaming platforms. It is predicted that the **interactivity of streaming platforms** will continue to increase. The signs can be seen in the interactive show Rival Peak Facebook Gaming, which managed to reach a viewership of over 100 million

[17] 'AAA' (or triple-A) is a classification term used within the video games industry and the gaming community. The term refers to video games that require a large production and marketing budget. An AAA video game is produced by a dedicated and diverse development team (Mathews and Wearn 2016).

watched minutes in three months. The show's goal was the interaction between AI-controlled contestants whom viewers helped solve riddles to move them forward. This show was watched in over 70 countries (Otterson 2021). The goal is to allow viewers to interact directly with streamers, ensuring the immediacy of the experience. It is expected that other platforms and providers will follow within this area and offer solutions for more interactive live streaming between streamers and viewers (Newzoo 2022c, 13). The goal here is primarily to make the event more impressive and eventful to increase revenue by generating higher viewing numbers.

4 Analysis

This chapter extensively analyzes previously introduced aspects of both AMF1 and the esports market (chapters 2 and 3), aiming to eventually develop specific business opportunities for AMF1 and analyze their threats (chapter 4.4). In the first step, the analysis focuses on identifying the peculiarities of the esports market (chapter 4.1). This is followed by elaborating on aspects that AMF1 should consider when entering the industry (chapter 4.2). Both subchapters are used in chapter 5.1 to develop essential requirements for AMF1's roadmap. Moreover, this chapter analyzes AMF1's strengths and weaknesses (chapter 4.3). Finally, by combining all developed business opportunities, their threats, and AMF1's strengths and weaknesses, a SWOT analysis will be applied in chapter 4.5. As a result of the SWOT, essential components are summarized while establishing the foundation for the roadmap's future direction of AMF1.

4.1 Peculiarities of the Esports Ecosystem

It has been demonstrated how the esports industry has become undeniably important in recent years and will continue to grow rapidly. The industry offers plenty of new opportunities for various companies. However, esports differs from traditional sports and typical industries as it has various peculiarities (Newzoo 2021a, 48). These will be analyzed in the following. First, it is important to note that strategies that are well established and working within traditional sports will not necessarily work for esports leading to major challenges for sports organizations. The main reason for this lies in the different and informal culture of esports compared to traditional sports: overall, it is unconventional. While there are tense moments during competitions, the key element for the audience is humor and absurdity (Newzoo 2021a, 47-49). On the one hand, the dialog between fans and organizers is an important aspect. On the other hand, forums and social media such as Twitch or Twitter are crucial for the audience to engage with brands, stars, and other agents: In this industry, the exchange is paramount. The importance and influence of the community come from the fact that it is at the same time the buyer and producer of the product (Scholz 2019, 86-87). The product can be seen as the entire esports ecosystem, where the community plays a key role (Figure 3). During Porter´s Five Forces (chapter 3.3.2) the high power was already illustrated as entire partnerships or games were discredited due to the community's reactions. The significance of the community was confirmed in the expert interview with Poschadel (2022, 2-4), saying that it is the most important aspect of the esports industry. At the same time, the community might have a positive influence on involved companies if approached appropriately: Esports can lead to higher AMF1 brand awareness among young people, ultimately leading to a rejuvenation of the brand (Poschadel 2022, 3). Which, in turn, has a positive effect on the overall image of companies, especially when it comes to sports organizations. Because of the community's great influence, businesses must always ensure that the content produced is suitable for the respective target group. The level of the companies' commitment to understanding their target audience is critical to be able to develop relevant and authentic content (Newzoo 2021a, 48, Poschadel 2022, 4-5). At the same time, companies must be aware of their brand and its perception to be authentic. Research on AMF1´s brand

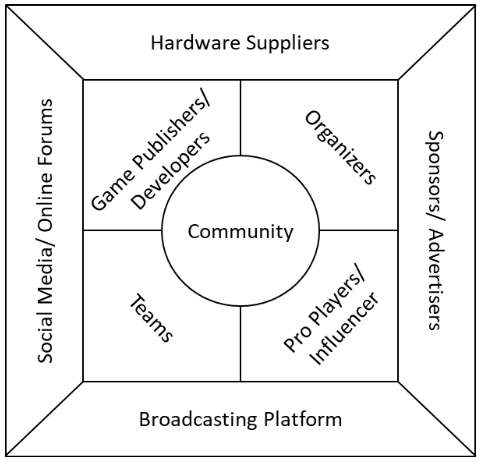

Figure 3: Esports Community as Key Role (Own illustration based on Scholz 2019, 46)

adjacency, in combination with its second and third brand pillars, namely being authentic and being transparent, could help the team to create highly authentic content (chapter 2.1). Poschadel (2022, 4-5) explains that in the past, BMW initially created, edited, and cut content for the sponsored teams in cooperation with an agency. However, this had the consequence that the content did not match the team's style and thus did not show the expected performance. BMW changed its approach and handed over all content tasks to the teams, while the company only supported them with a budget. Companies may not achieve the desired brand value if it does not resonate with the esports audience. Schalke 04 is an example of this, as they only learned this after time, and the team was even relegated from their place in the LEC in the meantime. In general, businesses should join the industry, engage with the communities, and not take themselves too seriously (Newzoo 2021a, 48-49). Aside from this principle, several alternatives exist to understand the audience better. These include engaging with the audience through social platforms such as Twitter, Twitch, and other online forums. However, only being active is insufficient; social media should be used to analyze interactions between the community and the companies involved. This entails scanning social media posts, such as counting positive and negative comments. If performed accurately, it can help determine how the audience resonates with the content in question. BMW holds regular talks and interactions via Discord[18], where it actively integrates the community and thus can gather deep first-hand impressions (Poschadel 2022, 8). In addition, proactive analyses, such as counting comments, provide an opportunity to measure the impact and set up corresponding KPIs. Thus, impressions and reach of the content can be easily measured. It is possible to calculate the impact on brand awareness, preference and return on investment (chapter 3.2).

A different peculiarity is an absence of a standardized governance structure, making it predominantly self-organizing and business-driven (Cranmer, et al. 2020, 11, Scholz 2019, 102). For

[18] Discord is a social media platform that is popular among gamers (Robinson 2022, 2).

example, game developers can develop and modify games to their preference resulting in a fast-changing market. Furthermore, esports include numerous games that can be played on various hardware while having a highly interwoven stakeholder ecosystem based on coopetition (chapter 3.3.2) (Scholz 2020, 6-7). As a result, esports is "ungovernable", leading to a volatile industry (Scholz 2019, 74). Nonetheless, there are efforts to establish a more traditional central governance as a federation, but these lack legitimacy in the esports industry. Besides, introducing a governance model will lead the esports industry to a traditional sports governance model, while esports thrives precisely on the opposite, which is the unconventional. Because esports does not adhere to traditional business rules, it appears to have gone untouched for a long time and, therefore, barely interacts with traditional industries (Scholz 2019, 74-75, 102). This ultimately resulted in less money flow and fewer learnings from non-endemic investors.

In addition, it is a wholly digitalized environment independent of time and place, allowing for a global approach (Scholz 2019, 113). This means that agents can work from anywhere and are not required to have local ties, making it a market that is active 24/7. Likewise, the players/ teams competing against each other as well as the fans can be located anywhere in the world. Additionally, players are less time restricted, whereas, in traditional sports, individuals cannot spend hours exercising; it is common to play a game for several hours in the esports scene. This is bolstered further by the fact that games can be played globally, ensuring enough players are available for established games at all hours of the day and night, supporting the "24/7 market" (Tang, Cooper and Kucek 2021, 338). Engagement, play, viewing time, and ultimately brand exposure increase significantly.

However, in addition to the progressive developments in digitalization and the global approach of esports, some challenges are not present in other markets. For one thing, esports is still in its infancy. Despite continued growth, literature has still not found consensus regarding a clear industry definition. This frequently leads to fragmented interpretations of the industry's core components. Thus, making it a vague market for non-endemic companies and ultimately leading to some companies not entering the market, resulting in unexploited business opportunities (Cranmer, et al. 2020, 1).

4.2 Considerations Regarding Esports Market Entry

This chapter identifies important general aspects that AMF1 should consider when entering the esports market. First, AMF1 needs to familiarize itself with the market specifics from chapter 4.1 and understand the industry entirely (chapter 3). As discussed before, the culture in esports is unconventional. Esports participants are "over-energetic, over-enthusiastic, and over-dynamic" (Scholz 2019, 48). These factors are crucial to consider and can be used favorably. AMF1 should understand and accept the communities' sense of humor which can be addressed through social media and at (streaming) events (Newzoo 2021a, 45-48). In this context, AMF1 must ensure the authenticity of the content created and to speak the community's language. Poschadel (2022, 2, 4, 8) emphasized the importance of this topic several times and explained that BMW places a high value on authentic content while it is not advisable to act from the outside. This means that these suggestions will be most effective if AMF1 becomes an integral part of the esports industry, demonstrating that they are passionate about esports, involved, and interested. Only in this way will it be possible to develop genuine content. If AMF1 can overcome these obstacles, the company will have laid a solid foundation for future success in the esports industry. As a sports organization, it must be aware that its established business models cannot be replicated without any changes to esports. A key aspect to remember here is that it is about selling emotions rather than specific products (chapter 3.1.4). Another aspect related to selling emotions is that all agents should strive to create a bond between all stakeholders in the esports scene, most notably between fans, players, teams and their sponsors. Considering this, it seems essential to integrate the audience as a central part of the business model to ensure its sustainability (Scholz 2019, 30, 87).

Another aspect to consider is the careful selection of partners. It can make sense to enter into a partnership, especially if AMF1 aims to act as a sponsor but also when taking on other roles. However, it is vital to remember that all actors in the esports ecosystem are perceived by the audience with a specific "personality" (Newzoo 2021a, 46). This personality must be compatible with the AMF1 brand for the entire storyline to be crafted coherently and authentically.

Furthermore, AMF1 should consider that many companies invest in esports, which can lead to an overheated market. This has the potential to cause a bubble, which might eventually lead to a market correction or a crisis (Scholz 2019, 135). The fragmentation of the industry discussed in chapter 4.1 must be considered. Therefore, AMF1 should aim to connect the stakeholders (e.g., through open discussions) and incorporate those concerns into creating its esports business model. Since selling emotions is crucial in this market, it is essential to find additional ways to keep the audience hooked to remain in the market (Scholz 2019, 71). In Appendix 5, examples of innovative ways can be found. If AMF1 decides to enter the market, several specific questions must be considered. Therefore, a list of questions tailored for AMF1 was developed and can be accessed in Appendix 6. These questions help to ensure AMF1 complies with the previously mentioned aspects that should be considered. The esports market differs from traditional industries; thus, AMF1 must be aware of these considerations.

4.3 Strength and Weaknesses Analysis for AMF1

To best understand the most relevant business opportunities and potential new revenue streams in the esports market for AMF1, it is valuable to identify and describe what strengths the team could exploit and what weaknesses to be aware of. While other strengths and weaknesses may exist, the most relevant to esports will be highlighted and discussed.

4.3.1 Firm Specific Strengths

As discussed in chapter 3.1, the esports audiences primarily consist of Gen Z and Millennials. In addition to being difficult to target, prominent characteristics are their firmly rooted values and requirement for authenticity. As mentioned in chapter 3.3.2 and reinforced by Poschadel (2022, 10), sustainability and inclusivity are two of the most prominent values esports' communities hold. In this regard, AMF1's brand value and perceptions (chapter 2.1) are strengths worth highlighting as this overlap with the esports communities' values. AMF1 is actively working towards establishing its brand perception to be competitive, honest, and inclusive. In addition, AMF1 is engaged in sustainability and received a Three-Star Environmental Accreditation[19] from the FIA (Aston Martin F1 2022h). The team is actively working towards inclusivity, for example, through the team's and Sebastian Vettel's display of support for the LGBTQ+ community. Communicating the brand values as they authentically promote their brand is a strength for AMF1 when the team positions itself within the esports industry.

One key advantage AMF1 should leverage to appeal to fans in the esports scene is its strong social media presence and knowledge. As described in chapter 2.1, AMF1 should conduct deep dives into their social and digital communities as well as perform surveys and representative research. AMF1 is already experienced with engaging with its fans through social media, resulting in a social following of 5.5 million and a website audience of 825.000 in 2021. The team aims for 10 million and 2 million followers by the end of 2022. AMF1 also focuses its social media efforts on Twitter and TikTok. Further, AMF1 communicates on a deeper level with its audience through its I/ AM platform (Spartin 2022).

Furthermore, bringing in Fernando Alonso with 4.8 million Instagram followers as a new driver allows AMF1's brand an extended audience reach (Instagram 2022a). A solid but fast-growing social media presence combined with brand authenticity enables AMF1 to create accurate content while allowing them to interact with its target audiences. For the exchange of information and interaction, esports communities primarily utilize Twitter, Instagram, and TikTok (Poschadel 2022, 7). Hence, being already well established on these platforms and conducting

[19] The FIA Environmental Accreditation is based on existing best practices and aims to support motorsport stakeholders by quantifying and improving their environmental position.

social media analyses, AMF1 has a valuable strength in the pursuit of engaging with esports communities. This is especially relevant when discussing the overlap of demographics between esports communities and the AMF1 community. As within esports, most AMF1 fans across all platforms are male, between 18 and 34 years of age, and wealthier than the general population and sport average. Another common trait of AMF1 and esports is the desire to increase their female following and engagement (Spartin 2022).

A continuously fast-changing environment surrounds AMF1, the Formula 1 scene. Both the team in the paddock and the commercial team are constantly adapting and strategizing to secure the best possible outcome. Within this environment, like most Formula 1 teams, AMF1 has developed deep technology know-how (Smithson 2022, 3). As the esports scene is still undergoing fast growth and is often introduced to new changes, this adaptability is a strength AMF1 benefits from. In addition, a prominent share of esports fans and audiences are tech-savvy individuals, and STEM occupations and education are popular among the communities. Thus, highlighting the technological aspects and the team's advancements will be a solid advantage in increasing their following by addressing the esports fanbase.

As examined when describing the esports ecosystem, sponsorships and partnerships are major attributes of the market. Extensive knowledge about such sponsorship deals and their aspects is a primary strength of AMF1 (Poschadel 2022, 11). As AMF1 is typically the agent receiving the sponsorship fee and delivering brand exposure, the team has extensive knowledge about what potential partners are seeking. Furthermore, the sponsors of AMF1 could be valuable when entering the esports scene, either through knowledge sharing or being popular with the audience. For example, AMF1's sponsor Crypto.com is sponsoring the famous esports team Fnatic through a multi-year deal worth $15 million (Fnatic 2021). As sponsorship agreements or advertising deliver brand exposure within the ecosystem, AMF1's knowledge will allow them to choose potential deals strategically. As popular within esports, AMF1 is engaged with influencers and collaborators. Partnering with high-profile individuals such as Tom Hardy and Indris Elba proves AMF1's ability to strategically select famous talent that provides substantial brand exposure. Finally, as professional players have prominent influence within the esports scene, a key strength AMF1 could leverage is their talent development program (Spartin 2022).

4.3.2 Firm Specific Weaknesses

While AMF1 has several strengths to build on in the esports scene, the team faces some specific weaknesses that are worth addressing. Those weaknesses result from the lack of capital, market knowledge, and relatively low efforts dedicated to esports (Smithson 2022, 2-3). While exploring new opportunities is part of AMF1's esports strategy, the company is, for now, only heavily focused on sim racing, on the F1 Pro Championship. Thus, lacking knowledge about key factors, such as business opportunities, market-entry, and timing, are aspects to consider (Smithson 2022, 2-5). AMF1 depends on gaining new insights before potentially further exploring the esports scene.

Furthermore, AMF1's primary budget costs related to the F1 esports include posts such as driver payrolls, development, and other employee costs (Smithson 2022, 7). Thus, AMF1's budget does not include the investments necessary to explore the esports industry's commercial side further. Investing in commercial activities in new esports markets will require serious funding. Despite other commercial opportunities, being a smaller organization compared to other key competitors such as BMW, Mercedes, or Red Bull, AMF1 could be dependent on renegotiating contracts with Aston Martin Lagonda and/ or sponsors/ partners in terms of access to capital. The low budget and lack of knowledge translate into another weakness, the lack of human capital. Worth highlighting AMF1 esports department only consists of three people, all focused on the F1 esports scene (Smithson 2022, 7).

While some of the current partners and sponsors of AMF1 could prove beneficial when entering the esports scene, others could prove to be problematic. One example is the strategic partner

Aramco. Inclusivity, LGBTQ+, and increased female participation are all areas of importance within esports (Poschadel 2022, 16, Flegr and Schmidt 2022, 642). Meanwhile, Saudi Aramco is owned by the state of Saudi Arabia and its government. The Saudi regime has been related to several controversies, such as the murder of Washington Post columnist Jamal Khashoggi, discrimination against women, no religious pluralism, and no freedom of assembly or expression (Helman 2019). Thus, when positioning themselves in the esports industry and engaging with the communities involved, challenges could arise from such partnerships.

4.4 Analysis of Business Opportunities in the Esports Ecosystem

This chapter analyzes the different roles of the esports ecosystem that offer business opportunities to AMF1. To better develop recommendations, each business opportunity will be evaluated regarding its necessary commitment.

The esports market is constantly growing, as detailed in chapter 3.3.1. In part, this is due to the fact that more and more (sports) organizations are devoting a portion of their operations to esports. In 2015, fewer than ten sports organizations were involved in esports; by 2018, that figure had risen to more than 200, indicating continued exponential growth (Scholz 2019, 78). However, (sports) organizations can take different approaches to become part of the industry. In this work, three different levels of commitment are distinguished. A low-commitment level is defined as expenditures ranging from 0 to $500,000, a mid-commitment level from more than $500,000 to $2 million, and everything above is considered a high-commitment level. Thus, commitment is primarily meant to refer to the financial aspects of this work, including investments, necessary personnel, time expenditures, and other expenses linked to esports involvement. According to the Upsala model the level of commitment usually rises with increasing market knowledge. Therefore, a direct link can be drawn to the theories of market entry strategies. There, different levels of commitment are distinguished between internalization and externalization (Malhotra, Agarwal and Ulgado 2003, 7-8, Arvidsson and Arvidsson 2019, 221-225).

The company can theoretically take on any of the roles of stakeholders in the esports ecosystem discussed in chapter 3.1 if it is committed to doing so, resulting in a variety of business opportunities. Although, there are a few non-realistic roles for the company present. These include becoming a game developer, publisher, and hardware supplier. It cannot be considered realistic for AMF1 to start developing and publishing games or producing gaming hardware. However, the remaining roles contain business opportunities for AMF1 and are therefore detailed in the following chapters 4.4.1 to 4.4.6. AMF1 can take different steps to increase its involvement in the esports market, depending on its degree of commitment. For example, signing one or more professional sim racing drivers can be considered a typical first step of sports organizations, as it is a low-cost entry and generally requires little commitment (Newzoo 2021a, 49-50).

Additionally, it addresses the core business and may result in new fans (Scholz 2019, 79). This is frequently associated with implementing a development program to attract and train younger talent. A second step requiring slightly more commitment would be expanding the existing esports infrastructure. In the case of AMF1, this could mean expanding the sim racing team or increasing and/ or improving the development program. Alternatively, a step that requires a similar commitment could be becoming a sponsor (chapter 4.4.1), although depending on the sponsorship agreement, this may lead to a higher commitment. A similar commitment is required for partnering with an influencer (chapter 4.4.2). Besides the possibility of expanding the existing infrastructure of AMF1 in the field of esports, there is the possibility of building up more teams for other games (chapter 4.4.3). This can happen in the country of origin or in a new country to increase the fan base in that country. The latter, however, requires significantly more commitment. Other steps that would require a high(er) degree of commitment, as well as in-depth industry know-how from AMF1, are to become an organizer of esports events (chapter

4.4.4) or to build up a platform to broadcast the corresponding tournaments or events (chapter 4.4.5). In addition to taking on existing roles in the esports ecosystem, AMF1 can take advantage of the identified trends or leverage its existing expertise (chapter 4.4.6).

Similar to the theory of market entry strategies, AMF1 has to decide whether to enter with less commitment, resulting in a rather externalization strategy, for example, by signing external influencers. This strategy typically reduces costs and risks while giving AMF1 more flexibility but less control because influencers are free to act as they see fit. AMF1 can, on the other hand, choose a more intermediate mode, such as strategic alliances with established teams. Complementary to an externalization strategy is an internalization strategy, characterized by a high level of commitment and thus higher risks and less flexibility. However, this is countered by high control over the actions since it is the company's business (Malhotra, Agarwal and Ulgado 2003, 6-9). An example would be purchasing another team or taking over the role of an organizer entirely as a company. Following the five most functional roles in esports for AMF1, relevant trends will be analyzed.

4.4.1 Sponsors and Advertisers

Due to the digitalization of all areas of the economy, companies must ensure that they remain relevant and thriving in this digital age. In addition to product innovations, the focus is increasingly on addressing target groups. Various companies act as sports, art, or music sponsors to cover the target group's interests and become part of their reality. As mentioned in chapter 3.1.6, companies realize that Gen Z cannot be reached through traditional advertising channels in many cases. The average esports fan has an average age of 26, is described as ethnically heterogeneous, and has significant purchasing power (Wilke 2018, Lehmann and Singer 2020, 11). This target group expects personalized interaction on their channels, such as Instagram, WhatsApp, or Snapchat (Wilke 2018). Using esports as a marketing channel opens a new digital and innovative way to reach this group (Poschadel 2022, 3). Many esports fans are about to start their careers and will, on average, take on a job with an above-average income (Newzoo 2021a, 137).

Esports is a comparatively young industry but can already compete with established sports (chapter 3.3.4). For example, during the Dota2 tournament "The International 2021", $40.02 million in prize money was distributed to the participating teams (Statista 2022d). This significantly surpassed the prize money in various other sports, such as cycling (Tour de France 2022: $2.7 million) or golf (The Open 2021: $5 million) (Bleacher Report 2021, The Open 2022) (Appendix 7). This enormous prize money, combined with the high viewer numbers in many esports games described earlier, illustrates that sponsors can find a revenue source in esports, making it a high-potential business opportunity.

For AMF1 to be successful as a potential sponsor, it is essential to know the preferences of esports fans and understand the respective audience, as analyzed with the five forces (chapter 3.3.2) and further elaborated in chapter 4.1. A McKinsey study on esports fans in Germany confirms that esports fans have an increased interest in technology, automotive, and mobility topics. In addition, esports fans like to be entertained (chapter 3.1.4). This is due to their affinity for "Movies and TV," "Music and Radio," and "Internet and Social Media. Esports fans have little interest in "Beauty and Wellness," "Fashion and Accessories," "Children and Family," and "Home and Garden" (Lehmann and Singer 2020, 11). When analyzing fans of simulated sports games such as F1 Pro Championship, it becomes clear that these fans have a general interest in many sports and that it is relevant to them to engage with their health. Therefore, it is relevant to consider and address such topics as a sponsor. This is also illustrated by the fact that many esports fans are also fans of traditional sports. For AMF1, it must be considered that esports fans cannot necessarily be separated from fans of traditional sports. In a survey of the US market, only 13% said esports was the only sport they would watch (Singer and Chi 2019, 4). Less than a third of respondents who said esports was their favorite sport also said esports was the only sport they would watch.

It is worth noting that many esports business models have depended on sponsorship since the beginning of esports and achieved a positive ROI (Gardner 2022). Sponsors support one-third of the esports economy, and more than 60% of esports revenues come from sponsorship and advertising (Koigi 2022, 11).

Three Success Criteria for Sponsors in Esports

When deciding to sponsor esports, three success criteria ensure that the commitment is worthwhile. The first criterion is authenticity towards the target group. As previously analyzed, this is in line with the needs of the esports communities (chapter 4.1), which value authentic brands. Although 81% of worldwide respondents either fully or partially trust brand sponsorship of sporting events, AMF1 should not only invest money in the market (Nielsen 2022b, 11). They must convey a genuine interest in esports to the audience. To fulfill this authenticity, AMF1 must feel the passion for the sport and learn and advocate the values of the esports community (chapter 4.2). At the beginning of esports, endemic sponsors were the main sponsors in esports. Successful examples include Intel and Logitech, which were able to provide technical support and equipment, among other things, as part of their commitment. These endemic sponsors are still relevant and loyal sponsors within esports today. However, in the past 5-10 years, mainly non-endemic sponsors have entered esports sponsorship. One example is the involvement of the non-endemic Wüstenrot as the primary sponsor of the "ESL Spring Championship 2016", which first seemed surprising but was successful. In the future, there will be no more surprising, non-endemic sponsors (Wilke 2018). Mercedes and BMW examples mentioned in chapter 3.3.3 represent successful non-endemic role models. Partnerships from the non-endemic sector are of great importance for the long time untouched but growing esports industry (chapter 4.1).

Not only does more money flow into the esports market, but the esports ecosystem learns from the experience and professionalism of large companies, some of which are very successful. For non-endemic sponsors, it is crucial to adhere to this first success criteria, as there is no natural connection to esports, and the "artificially" created connection must be authentically. The goal of non-endemic sponsors in esports must be to engage in a dialogue with the young audience, which is particularly interested in technology (Lehmann and Singer 2020, 4, Poschadel 2022, 4). Non-endemic sponsors need to demonstrate their interest in esports by keeping up to date with new developments in the market while being open to help from the community regarding their sponsorship. Here the uniqueness of the esports community and its far-reaching influence on sports should be respected. Accepting the help of this community, which acts as the leading player in the market, is an efficient way to create authentic sponsorship and to understand the audience. The central role of the audience within the ecosystem is also shown in Figure 3.

Further, it may be advantageous to collaborate with agencies and be open to community assistance (Poschadel 2022, 8). These experts are excellent at creating valuable content and will facilitate authentic content creation. Meanwhile, more than half of esports sponsorship contracts are with non-endemic companies (Lehmann and Singer 2020, 11). This fact shows that non-endemic sponsors have no relevant disadvantage compared to endemic sponsors in esports. Furthermore, the memorability of non-endemic sponsors has even grown in recent years and was higher than that of endemic sponsors (memorability non-endemic: 53%, endemic: 43%) (Lehmann and Singer 2020, 18). As a result, it is reasonable to conclude that AMF1 should participate as a sponsor in various areas of esports.

The second success criterion represents the ability to learn organizational knowledge about esports to enable agility. Compared to traditional sports, the volatility in esports is significantly higher. New players and new games appear at much shorter intervals. At the same time, fans' loyalty to players is much higher than that to professional teams. Since the number of esports fans is relatively high, other employees at AMF1 are likely interested in esports in addition to those in the esports department. Establishing a genuine connection with these employees is critical to increasing knowledge within the organization and thus becoming a successful sponsor. To be genuine, AMF1 should pay attention to its staff and take advantage of their experience. By consulting these esports aficionados, new advancements are made visible, and audience communication is more straightforward. As a result, long-term success may be achieved, and the likelihood of new ideas being implemented in esports activities is significantly boosted by using this confidential information (Lehmann and Singer 2020, 18).

The third success criterion is to evaluate potential reputational risks and plan to avoid them (chapter 4.3.2). It has been shown that some companies are reluctant to sponsor esports due to fears of the risk that such involvement could harm their reputation. However, this risk can be considered low, as esports enjoys a good reputation overall and it has been proven that the benefits of involvement by reaching the young target group significantly outweigh the risks (Lehmann and Singer 2020, 19). The study also proves that a spillover of a potential negative opinion on the brand, in this case, AMF1, is not expected, resulting in a low reputation risk. It is shown that of the respondents, only 4% had a negative opinion of esports.

Moreover, only 2% of the respondents had a negative opinion of companies sponsoring esports. Respondents with a negative opinion of esports generally dislike esports and their opinion does not depend on a particular game. The main reason for disliking esports is commercialization and potential adverse health aspects. Violent content is not rated as a relevant aspect of this. Most associations with esports were positive and were "Fun, promotes unique skills" and "Promotes sports-like ambitions" (Lehmann and Singer 2020, 19).

According to studies, tournaments generate the most revenue for sponsors, while there is still a lot of untapped potential in ticketing and merchandising (Flegr and Schmidt 2022, 640). It is helpful to look at sponsorship deals that have already been implemented. By identifying specific examples of sponsorship opportunities within esports it can be examined how this potential can be used. The easiest way to get in touch with the esports industry is to advertise on broadcasting platforms. A typical internet banner or video ad is used in many cases, and here the Twitch streamer can decide how much advertising is placed on his channel.

Specific Examples of Sponsoring and Advertising in Esports

Besides the mentioned classic ads, which can be placed with streaming providers, it is possible to use programmatic in-game advertising from providers such as "anzu". Both classic and in-game ads are low-commitment opportunities for AMF1. The in-game ads enable a new approach that is scalable and efficiently targeted to audiences. In-game ads can be integrated seamlessly into the gameplay by placing the ads on in-game objects such as billboards of a racetrack. The goal is to ensure that the user experience is not impaired and that no advertising interruptions are necessary. Anzu offers KPIs to measure the success of the in-game ads. This includes data for ad awareness, ad recall, positive brand impressions among the target audience, brand awareness, and other data (Anzu 2022).

Another form of in-game or stream sponsorship is designing skins (chapter 3.3.4) or other objects for specific games that the avatars of the streamers wear or use. Thus, creating awareness for the brand in the 2019 collaboration between Louis Vuitton and LoL, the fashion house designed a skin collection for the game and a real collection (Vogue 2019). This cooperation was such a success that it led to several new collaborations between the fashion and esports industries (Sharbatian 2021). Creating AMF1 branded skins would be a low-commitment level for specific games, as setting them up is simple and would have only limited costs.

A further specific exemplary possibility for sponsorship of non-endemic companies is represented by the Overwatch League, founded in 2017 (Overwatch League 2022). The distinctive feature is that esports sponsorship has been taken to a new level with city franchises and high initial investment. For the first time in esports history, a league was created primarily based on the structures of leagues in which the team's city of origin plays an integral role. Despite the participation of many endemic esports organizations, a conscious decision was made not to use the brand names known in the scene, such as EnVyUs or OpTic Gaming. Instead, newly created city-based names (Dallas Fuel, London Spitfire) characterize the league and are intended to appeal to esports foreign local patriots and existing fans (Wilke 2018, Overwatch League 2022). The latest trend, the sports engagement of various car manufacturers, shows how the balancing act between traditional offline and innovative online marketing can succeed. In January 2017, Audi Denmark and the Danish CS:GO team Astralis announced a sponsorship agreement planned as a three-month pilot program (ESPN 2017). Audi invested around €670,000 in the process: Astralis jerseys were equipped with an Audi logo, Audi banner and pop-up ads were placed on the Astralis Internet presence, along with launching a social media campaign. An analysis by Nielsen (2017, 21) certified the partnership a great success: the return on the sponsorship investment, measured by the number of brand contacts and the impact on the brand's value, exceeded the investment by a factor of ten. While live television coverage and streaming on the Internet were the primary value drivers for Audi, nearly 40 % of the revenue was generated by mentions and images on social and digital platforms. More than 25 million impressions were reported from Astralis social media channels, more than 12 million stream and television viewers, and more than 160,000 video views that Audi achieved through this partnership. Additionally, the Audi-Astralis partnership was reported in 163 online articles from 27 countries (Wilke 2018). This example shows that achieving massive attention through esports sponsorship with a six-figure investment (mid-commitment level) is possible.

The partnership between DHL and ESL is another widely known and recognized partnership in esports. DHL's involvement includes handling the entire transport logistics of more than 20 tournaments in Europe. In addition, DHL's goal is to challenge the fan experience through demonstrations of cutting-edge logistics technologies. DHL has developed innovative games

such as the virtual reality competition "DHL Box Stacker Pro" and the mobile game "EffiBOT Dash". The logistics company thus manages to offer entertainment tailored to the needs of the audience. ESL fans can compete for prizes at live events or from home through social media while interacting with the brand and its logistics solutions (DHL 2022). An engagement of AMF1 as an advisory function in logistics for esports teams or leagues using the knowledge from Formula 1 would be conceivable. This would represent a mid-commitment level.
It is important to note that sponsorship must be highly visible. A sponsor like DHL sponsoring relevant events like ESL is four times more memorable than less visible sponsorships (Lehmann and Singer 2020, 18). Besides sponsoring an event, there is equally the possibility of a lower commitment level by presenting the best gameplay moment of an event or sponsoring the best player of the event like KIA is doing with its KIA MVP Award (chapter 3.3.3). In addition, a company can sponsor a sport-specific statistic and/ or host a giveaway in combination with it.

Threats of Sponsoring

Besides the opportunities presented by sponsoring in the esports market, such a commitment entails several risks. First, the esports industry is very fast-moving, so even long-established games are being somewhat replaced. This means that companies that sponsor only one game face the risk that this game will lose popularity (chapter 3.3.2). To avoid losing focus, it could be helpful to commission an agency specializing in esports sponsorship (Poschadel 2022, 4). With the support of an agency, it can be ensured that content is relevant to current esports developments. Since the assignment of an agency specialized in the metaverse is possible at short notice and consulting mandates are available for limited periods, a low-commitment level can be assumed. In addition, the knowledge of external experts can be used to secure successful sponsorship. Another risk of esports is that it is a young industry that has only built a significant reputation since 2010 (Franke 2014, 111). Thus, the industry still struggles with the associated problems that every new industry has to cope with. One problem to mention here is the lack of

regulation. No central and all-encompassing governing body results in a volatile industry (chapter 4.1). Too few administrative bodies exist, and those that do are incoherent. This has the effect of leaving legal questions unanswered and creating an atmosphere of uncertainty. The lack of coherence is reflected in the fact that several tournaments are held simultaneously with the same games. Another factor leading to fragmentation is that the numerous governing bodies' and leagues' systems create a contradictory environment (Winnan 2016, 140-141).
Finally, a risk for sponsors in esports is that those ecosystem stakeholders who appear commercially viable suddenly disappear (Shabir 2017, 123). This is a significant risk for businesses when there is a chance that sponsored parts of the ecosystem will vanish. Due to the volatility of the esports market, significant investments would be rendered useless.

In conclusion, despite the attractiveness for sponsors in esports, sponsorship in esports also brings risks. These include the susceptibility of these companies to be damaged by unsuccessful investments due to instability, including a volatile environment. However, sponsorship in esports is particularly suitable for appealing to a younger generation that is technically savvy, similar to the F1 community. In addition, several other more complex opportunities exist to enter esports sponsorship successfully. For esports, the most important of the three criteria to be successful is the first criterion which imply the fundamental focus on the community. By adding value to the overall esports landscape, non-endemic companies are also perceived and accepted as sponsors in the market.

4.4.2 Influencers

Growth in digital media has led to influencers succeeding in almost every category imaginable. By 2022, up to $15 billion could be spent on influencer marketing in all industries (Insider Intelligence 2022). Approximately one in ten users globally follows a gaming influencer, showing that esports influencers have become part of everyday life (YouGov 2021a, 5). Esports influencers are primarily content creators using social media, podcasts, or live-streaming tools to reach and engage esports enthusiasts. They achieve this by showcasing their gaming skills and expertise, sharing tips and help, providing reviews and commentary, but primarily by entertaining viewers (Esports Group 2021, 6).

Insights on the Influencer Audience

When AMF1 looks at influencer marketing in the esports industry, it is imperative to know what audience is following these influencers and the reasons for the followership (chapter 3.1.4). To understand the audience, it is useful to analyze the results of YouGov's study on the power of gaming influencers and put them in context with AMF1 (YouGov 2021a, YouGov 2021b, YouGov 2021c).

A study by YouGov shows that 43% of the global population in 17 researched markets (including UAE, China, Germany, UK, USA) follow influencers of some kind. The UAE stands out, with 75% of the population following at least one influencer (YouGov 2021a, 4). Globally, two out of five 18-to-24-year-olds follow a gaming influencer, and the numbers are steadily increasing. Men between 18 and 34 are most likely to follow gaming influencers, with nearly a quarter (23%) of this age group belonging to a gaming influencer's fanbase (YouGov 2021a, 7).

In Asia, gaming influencers are particularly popular: one-fifth of the population in China follow gaming and esports influencers, the highest number worldwide. Gaming content and influencers also rank highly among fans in the UAE (13%). In Western Europe, however, gaming influencers do not seem to have the same appeal. In Germany, only 5% of the population is interested in gaming influencers, even fewer in Sweden and the UK (4% each), and gaming influencers seem to be least common in Denmark, where just under 3% of the total population follows a gaming influencer (YouGov 2021a, 13).

The reasons people follow esports influencers are diverse. There is a vital common interest between streamers and viewers in games that provide cohesion among them. Nevertheless, other characteristics beyond the games draw audiences to these personalities. Often it is the characteristics of the streamers, such as humor or entertainment, and the personality of the various influencers that attract viewers and creates a lasting connection (YouGov 2021a, 16). The most important thing for fans is to be entertained (chapter 3.1.4). For companies associated with influencers, fan loyalty can pay dividends. YouGov's study proves that followers of esports influencers are about twice as likely to agree with the statement, "If you sponsor my favorite player, I will buy your products." The reason for this clear statement is that esports influencers convey and live a strong sense of connection with their fan base (YouGov 2021c, 5). They enjoy a high level of trust and are seen as valuable sources of information. It is shown that this group of follower’s trust brand recommendations from esports influencers 7% more than other influencers sponsoring an esports influencer.

Consequently, this has the advantage that the company can leverage the strong bond between the influencer and the community. The followership has grown organically and has been built over several years. This developed community provides a sense of belonging and can be beneficial for companies to draw attention to themselves in a benevolent environment. 12% of esports influencer followers do not follow influencers from other areas. This number is higher than any other influencer audience and shows that cooperation with esports influencers provides ideal access to an otherwise almost unreachable audience (chapter 3.1.6) (YouGov 2021c, 5). The authenticity of esports influencers represents an additional factor. The interaction with the viewers takes place in live streaming in real-time and appears natural as well as entertaining. If AMF1 creates a successful collaboration with an influencer, this authenticity may transfer across. Through live chats or content that is exclusively accessible to subscribers of the influencers, a unique level of intimacy between streamers and viewers is achieved. This intimacy is not found to the same extent in traditional sports (Singer and Chi 2019, 2). The described sense of togetherness and community between esports influencers and their fans offers valuable partnership opportunities to leverage a loyal and involved audience (YouGov 2021b, 19).

Characteristics of Esports Influencer

A special feature in esports is that the most popular influencers are not esports professionals. Tyler Blevins is a famous example, with an average of 230 million hours watched annually. Of the top five esports streamers, only two are part of a professional esports team (Singer and Chi 2019, 2). These independent esports streamers are still mostly outstanding players but act more as coaches or entertainers than as event competitors. At the same time, it happens that these streamers work as content creators for professional teams. Specifically, this means they promote the team on their channel on YouTube or Twitch to give the pro teams more reach and, conversely, get paid for it. However, it is unclear how sustainable the bond between the content creators and the teams will remain here. Especially the biggest streamers have the opportunity to reap the benefits of belonging to a team themselves (Lehmann and Singer 2020, 19).

Since 45% of American esports fans have a favorite player, this suggests that fans follow their favorite players in their favorite games and are less interested in the influencer's team affiliation.

Threats of Influencer Sponsoring

In addition to the benefits mentioned above and opportunities, online communities and influencer fan bases have downsides. There is the risk that companies could be associated with reprehensible behavior by esports streamers and that this could damage sponsors' images. Above all, the danger of not having constant control over the streamers and the danger that actions in live streams cannot be reviewed in advance must be considered. The harmful behavior can come from the influencers themselves but also the audience, for example, in the form of comments in live streams. The higher the competition, the higher the likelihood that harmful behavior will occur. This includes things like anti-social behavior or so-called "foul" language. Sexism plays a role to some extent because men dominate the esports scene. Such incidents pose a threat, as negative news of this kind spreads remarkably quickly on the internet and can damage a sponsor's reputation in the long term. In addition, parts of the esports scene have corruption issues.

Doping, collusive outcomes of tournaments, or the use of invisible cheats have already occurred (Flegr and Schmidt 2022, 649). The drug Adderall leads to performance enhancement as it promotes concentration and is widely used in esports (Holden, Kaburakis and Rodenberg 2018). Match-fixing among players in competitions to manipulate the results aims at players benefiting from bribes or betting manipulation. The number of match-fixing in esports is currently low, but the industry's enormous growth could attract the attention of organized crime (Klimentov 2021). This misconduct can be attributed to the extremely high prize pools (Appendix 7), as this significantly increases the incentive to use illegal tactics.

Ultimately, it can be concluded that esports influencers can be powerful business allies when targeting hard-to-reach audiences. In particular, there is a high level of closeness and interaction because their loyal audience is united through their shared interests. An important factor is the entertainment value of the personalities, where especially the aspect of "humor" can be mentioned as a critical element of attraction. For AMF1, using humorous messages would be useful to increase engagement, create a long-lasting memory and draw attention (Poschadel 2022, 2, 4, 8). Another positive aspect regarding esports influencers as partners for AMF1 is that their followers have a high potential to be convinced by advertising and sponsorship. Trust lays the foundation for building brand appeal. Fans are very interested in the content shared and the companies represented because they trust esports influencers. This ultimately leads to increased awareness, appeal, and revenue for companies that partner with esports influencers. Despite this, collaborations with esports influencers have their downsides. While fan trust may be high, scandals and cancel culture are common phenomena on online platforms, and in such cases, companies could suffer damage by association. That is why companies need a plan in place on how to communicate if an influencer misbehaves.

Nevertheless, esports influencers offer great potential for companies to support the brand image and awareness. Cooperating with an influencer would open a low-cost way into esports. Access to assets besides money, such as exclusive access to Formula 1 events or a paddock pass, would be tools to make cooperation cost-efficient. However, AMF1 should keep an eye on the trends and developments surrounding influencers and online communities.

4.4.3 Teams

If AMF1 decides to pursue business opportunities with esports teams, the company has two options, which are discussed below: Expanding the existing esports team and/ or creating (an) additional esports team(s).

Expand the Existing Esports Team

An expansion of the existing AMF1 esports team can be a more comprehensive driver lineup in terms of competing and developing drivers, new talent scouts, coupled with improved facilities and gear for the esports department. However, expansion comes with opportunities and threats. By expanding the esports team, AMF1 can establish itself as a solid and prevalent esports brand within sim racing. Attracting new talents and keeping them is crucial to continue competing as a team with its sight aimed at winning the league at one point (Smithson 2022, 7). Another opportunity is that expanding the existing team makes proficiency, focus, and resource allocation more efficient and easier to manage than creating an entirely new team since all engagement and resources can be concentrated on one unit. Through this concentration of budget on only one unit, AMF1 can transform its current F1 esports team into a top contender in the F1 Pro Championship. Competing for the title and an extended commitment to the AMF1 esports brand will positively affect brand perception. Therefore, esports talent will be easier to retain and attract since those talents will always choose a winning team over a midfield one (Smithson 2022, 7). Additionally, the required budget for this action is more affordable and can be finely adjusted depending on which part is to be expanded or improved. Moreover, its investment risks are minimized compared to creating a new team in a different game genre, making it a low-commitment strategy for AMF1.

By extending the current esports team, AMF1 needs to focus only on one community resulting in fewer required resources and creating more space for other areas to set a commercial focus on. However, expanding is connected with investments, effort-wise, time-wise, and cost-wise, resulting in different threats. The larger a team becomes, the more personnel, logistics, hospitalities, and management are needed to ensure operations. Running costs for any of the costs position are the most apparent threat if the budget is limited. A hazard that might be absent when talking about threats is the handling of the esports communities since those are unique to esports, as earlier mentioned in chapter 3.1.4 and 4.1. Not being able to meet the unique needs of those communities will not only fail the investment; moreover, it can cause long-term or permanent damage to the brand name – causing a negative reputation in the esports industry and community. Furthermore, entry barriers are getting harder to cross since competition is increasingly dominant in the market (chapter 3.3.3). The later AMF1 expands the team, the more costly it will be to become a relevant player in esports and gain market share in the future (example in "Create Additional Esports Team(s)"). In addition, most major esports teams already partner with automobile manufacturers like G2 and FNC with BMW, while DWG partners with KIA (chapter 3.3.3), leaving less attractive options for AMF1 to choose from.

Create Additional Esports Team(s)

A different approach regarding the role of teams within the esports ecosystem is the creation of new, additional esports teams in other games.

AMF1 has several options to create additional teams. Thus, AMF1 needs to decide how many additional teams will be established and in which country or countries these teams will be located. What needs to be kept in mind is that the chosen game to enter influences the commitment level. The more competition exists, the harder it becomes to sign capable players and perform at a certain level. Therefore, a game like LoL, the world's most played and watched game (chapter 3.3.1), would be a high-commitment level for AMF1. For instance, a LoL team needs five paid active players, whereas Rocket League just has three active players, resulting in fewer running costs (mid-commitment level). As previously stated, there are several ways to form a new team in the company's home country or another. One option is creating an in-house team as part of the existing company (Scholz 2019, 78-81). Due to the already existing esports team, the cost of building another will be less than starting from scratch because of the present esports management experience, facilities, and logistics. An example of a brand joining esports is Schalke 04 entering the top league of LoL, namely the LEC, with an in-house team (Newzoo 2021a, 49). Nonetheless, when taking Schalke 04 as an example, it sold its LEC license for €26.5 million to the Swiss esports team BDS (Hyrliková 2021).

Another possibility is establishing a partnership or joint venture with an existing team. The latter frequently results in an individual brand. Here, AMF1 could leverage existing skills and competencies in esports to form such a partnership or joint venture. Examples of this way to enter the grid are KIA partnering up with DWG to create DWG KIA (chapter 3.3.3) and FC Copenhagen building a new brand with a CS:GO team North. As a result, both sports companies had lower risk because they had established team structures to fall back on, which gave them a strong standing in the esports scene (Scholz 2019, 80).

Furthermore, entering a particular game via a joint venture creates a lot of social media traffic on the platforms, instantly resulting in increased brand awareness for AMF1 and sending its competitors a solid message to be considered a serious contender within the particular game.

This will only work for AMF1 if partnering up with a smaller, less successful team since all major esports teams are already organized with partners and sponsors. At the same time, AMF1 would stay more flexible since having the possibility to terminate the partnership simply.

Aside from these options, AMF1 can consider buying a franchise team, which is especially popular in North America. Thus, businesses can buy into the highest competitive leagues, profiting from the extensive esports know-how of the established teams. For example, a spot in the

LCS was sold for roughly $10 million, while a spot in the Overwatch league cost about $20 million. There are numerous examples of sports organizations investing in franchise teams, such as the NBA team Golden State Warriors, which owns the LCS team Golden Guardians (Scholz 2019, 80). Those teams are locked into these leagues due to the franchising system. As a result, teams stay within the league and cannot withdraw even when underperforming. It is the organization's choice to keep or to change the active team roster when underperforming. However, as long as the organization can afford to have the team staying in the league, it will do so. This brings stability to players and teams. Players have contracts with a guaranteed minimum salary, and teams can develop more easily a brand and fanbase (Esport Supply 2021). Therefore, buying a franchising team makes long-term planning easier for those businesses. This is considered a high-level commitment because it requires a significant investment.

Independent from the way of creating a new team, it brings new opportunities for AMF1 and its current partners while simultaneously carrying significant risks. On the plus side, AMF1 creates options for itself and for its partner to be displayed on new platforms, channels, and audiences. According to Allenstein et al. (2020, 20), one considerable benefit of creating new teams is that it increases brand awareness among Gen Z and a tech-savvy audience. This benefitting AMF1 because F1 is all about new tech and innovations (Smithson 2022, 3).

Another opportunity arises if AMF1 enters other games, as new sponsors might appear. This is true not only for the esports team but also for the AMF1 racing team on a larger scale. For example, Dell partnered up with McLaren, providing their esports teams with gear, technology, and tech services to the McLaren F1 team (Dell Technologies 2022).

Before being conceived as a threat, appropriately approaching the different communities can offer an opportunity for AMF1 to reach more people (chapter 4.1). With every new game in the esports team portfolio, AMF1 accesses a new community (Allenstein, et al. 2020, 14).

Establishing a prominent name in the esports industry will attract new fans and talents more easily. Besides that, it is more convenient for established esports players and streamers to join the team. Consequently, current cost points will extend, and new ones will occur. For example, if AMF1 expands its esports team, a unique subdivision must be created only for esports operations and management. Another threat is the existing competition and the entry barriers, which vary between games. Finally, handling communities appropriately is critical; handling different communities simultaneously needs a particular delicacy of expertise. Otherwise, the same failure levels can occur as when expanding the existing team.

Generally, establishing various esports teams is a significant investment and is aimed at long-term engagement in the esports sector. Wilke (2018) states that it starts with a minimum investment of €5 million. This increases rapidly when licenses for specific esports games need to be bought. If AMF1 bought a spot within the LEC, it would be a considerable investment. For example, the esports team Misfits sold its LEC spot for about $45-50 million in 2022 (Kay 2022). For comparison, as earlier mentioned, Schalke 04 sold its spot in 2021 for $26.5 million, which is nearly a 100% price increase of the LEC spot within one year (Hyrliková 2021). As esports will grow further over the years (chapter 3.3.1), licenses will become even more expensive. Since AFM1 already invests in esports and brings infrastructure, the costs of becoming an esports brand are not equal to Wilke's prediction. Nonetheless, entering the highest competition in esports will be costly, resulting in a high commitment level.

In summary expanding an existing team carries less risk and is a more feasible option for a caped budget, but its outcomes are limited. Creating an additional team, on the contrary, has a broader range of risks. In addition, these numerous team-building possibilities cater to varied commitment levels ranging from medium to high. Therefore, AMF1 must assess these possibilities and determine what it aims to accomplish.

4.4.4 Organizers

Another option for AMF1 is becoming an organizer. As mentioned in chapter 3.1.5, organizers are vital to the esports ecosystem. Without those, the market would not have grown as it is today. However, this is not the first step when entering the market and should never be done from outside of the market. Otherwise, there is a high chance of failure, as was the case for the Championship Gaming Series (Scholz 2019, 46). The role of an organizer can be taken by either a publisher, such as Riot Games with the top leagues of League of Legends (e.g., LEC), or third parties organizing leagues and tournaments. An example of the latter is ESL hosting several events in different game genres (ESL 2022). AMF1 could take on this or a similar role in the future.

If AMF1 acts as an esports organizer and wants to create its own league/ tournament, it will bring opportunities. The purpose of creating a league/ tournament is free to choose, e.g., a fan-service tournament, a talent scouting league/ tournament, or a professional tournament. It can be set up with AMF1's tournament rules, format, prices, broadcasts content creation, and location. This freedom is reflected by AMF1 partners, which can directly influence the layout of the league/ tournament and interact with its audience. In addition, as an organizer, creating a league is becoming a common tool to increase and involve the fanbase. Creating an event would attract especially young people and provide AMF1 with a platform to create new content with the fans (Scholz 2019, 80).

Additionally, as an esports organizer AMF1 can generate new revenue streams through sponsorships with new companies, ticket fees, advertisements, and merchandise. Those can be used to expand AMF1's esports efforts further or to support the AMF1 racing team (Uzair 2021). Furthermore, the social media traffic created before, during, and after such an event is an excellent opportunity to extend the reach toward esports communities and advertise AMF1 itself.

An organizer has two ways of arranging a league/ tournament. It can be set up as an online event[20] or as LAN[21]. LAN events come closest to traditional sports events like football matches. Arenas are filled with spectators, broadcast via streaming platforms, and professional esports athletes on stage performing (Markovich 2021).

Hosting a LAN event is a significant investment and complex to organize. Several questions need to be answered in advance when planning a tournament: Which game is played? What type of tournament is it? Is it national or international? Which teams to invite? Which broadcasting platform? What is the price pool? What is the date of the competition? Which sponsors? How many staff members? What level of the tournament? (Elafros 2020b).

The estimated investment for such a tournament with a prize pool of $150,000 is about $700,000, making it a mid-commitment level. This does not include any marketing expenditure yet. Cost points like car transportation or PC equipment can be released if partnering up with a sponsor supplying those. The costs can vary depending on the scale and type of tournament (Elafros 2020a). For example, if AMF1 wants to create a fan-service fun tournament, costs like flights, hotels, or price pool do not play a role anymore or are less dominant. A poor marketing campaign can lead to a low engagement rate of participants and the audience. This will further increase the risk of investment loss and a negative connotation with the organizer's name. Besides low engagement, other issues can occur, leading to a negative experience like a dissatisfying broadcast, technical problems, and in-game bugs. In nearly every tournament, there are some technical issues. The key is to have an excellent technical staff solving those issues as quickly as possible to not interrupt the tournament flow for too long. If this is not the case, matches must be paused, replayed, or rescheduled, leading to a loss of viewers and fans, brand image damage, and a potential loss of sponsors (Elafros 2021). Players and communities will

[20] Players connect to a server in another location over the internet. Because players are in different places and usually in other spaces, they use their own equipment (Markovich 2021).

[21] LAN stands for Local Area Network and is used in esports events where players are all connected to an identical internet connection and generally in the same space (Markovich 2021).

be less likely to attend other events hosted by this organizer in the future. Reputation and positive experiences across players, broadcast, live audience, and online viewers are essential, especially as the esports audience is very connected with social media (Krishnaswamy 2021a).

In turn, hosting an online event requires less investment and organization than a LAN event. Cost positions like gaming rigs, transportation, hotel, or venue locations disappear. Esports athletes staying at home using their familiar gaming setup, not having to travel, and staff running the online event can be minimized to the essential positions, e.g., the broadcasting team and production team (Pinnacle 2020). If AMF1 organizes an online event, the company could simultaneously use it as a fan-service event and talent scouting process for its esports team. Everyone can sign up to prove their skills in a particular game with different rounds to move on and prices to win, which motivates gamers to participate. Possible prices could be vouchers, merch, gaming gear, factory tours, and meet-and-greet. AMF1 can then offer the remaining one to three top drivers a tryout to join the AMF1 esports team. The commitment level for an online event depends on its scale: On the one hand, an online event can be set up with close to no costs in the most straightforward way, like a fan-service event. Nevertheless, on the other hand, it can even be a mid-commitment investment, depending on the effort and goal to be achieved. However, even though the costs of running an online event usually require fewer investments than a LAN event, the audience's value is also diminished. LAN events are a unique experience for the audience and players since performing on a stage in front of an audience brings another level of pressure and joy. Those events are highlights within the esports calendar, which is why all the most prominent esports events are LAN events (C. Daniels 2021). However, when the event is held online, latency and connection issues are more pronounced, distorting the results and interrupting the event. Also, fixing connection issues is not in the power of the organizer anymore. These issues can lead to long technical pauses, match reschedules, or even event dropouts leaving the viewers unsatisfied.

AMF1 needs to decide what to achieve when becoming an organizer. Online events are better suited on a smaller scale, for example, for creating a fan-service sim racing tournament. Whereas LAN events create a happening for the community and professional players, having these additional layers of joy, pressure, defeat, and victory because of a live audience watching (Oliver 2020).

Furthermore, organizers must be cautious about the hosted game, community values, and the represented sponsors/ partners. A significant mismatch can result in a backlash. An example is the announced partnership between the LEC and the Saudi Arabian state-sponsored company NEOM in 2020: It is publicly known that Saudi Arabia illegalizes being homosexual or transgender, while Riot Games actively promotes its support for the LGBTQ+ community. The community backlash was so oppressive that Riot Games instantly canceled the contract and partnership with NEOM (Wolf 2020). Additionally, a license is needed to create a tournament or league for some games. For example, if AMF1 were to host a LoL tournament, the necessary license ensures that Riot's standards would be met to provide the best possible experience for both players and spectators. However, this only applies to tournaments/ leagues reaching a specific size; small competitions are automatically accepted since it is more on a local scale (Riot Games 2022).

Finally, by creating a new league/ tournament, AMF1 as an organizer, faces new competitors like ESL, Riot, or F1 Esports itself. All are fighting for viewers and attracting the most prominent teams to attend, primarily if different leagues/ tournaments are held simultaneously during the year (Newzoo 2021a, 103). If AMF1 decides to create a talent scouting tournament/ league for its F1 Pro Championship esports team, it is competing against the recent Saudi Arabic investments to create a new "global hub" for esports and the goal to promote new talents (Radwan 2022). These aspects are crucial to have in mind when considering becoming an organizer.

AMF1 must evaluate the desired outcome if it decides to host an esports event. While online and LAN events have similar purposes, the latter achieves them through different methods but consequently with a higher commitment level.

Besides the typical LAN or online events, AMF1 could also organize other activities. Taking BMW as an example, a solid opportunity would be to host discussions, talk shows or build up a knowledge-hub for their partners. The latter could be realized as an online format by writing articles about the esports scene or vis-à-vis with monthly talks by inviting experts.

4.4.5 Broadcasting Platforms

Broadcasting platforms are essential for sports because they allow fans to watch their favorite teams and players. They enable sports organizations to generate revenue through advertising and sponsorship. The same applies to esports. Without broadcasting platforms, esports would not be as popular as it is today. These platforms are an essential part of the ecosystem and help to grow traditional sports and esports industries.

Creating a self-owned broadcasting platform can bring enormous opportunities for AMF1. AMF1 would oversee every decision regarding monetarization, advertisement, and logistics, moreover if managed correctly, the broadcasting platform could become a global actor in the highly competitive landscape. As mentioned in chapter 3.1.3, Twitch and YouTube Gaming are the most dominant broadcasting platforms in terms of gaming. Hence, the market for broadcasting platforms is already advanced, and its entry barriers are very high. Therefore, creating a self-owned broadcasting platform will be extremely difficult and highly capital intensive due to the competition resulting in a very high commitment necessary. Furthermore, the most challenging part would be to convince Twitch and YT Gaming users to switch to a different broadcasting platform for certain games. Since it is more convenient to have everything on one platform, consumers are less willing to switch streaming platforms just for one tournament, league, streamer, or genre (Webb 2019).

A similar example was the Ninja x Mixer case in 2019. Ninja is one of the most significant streamers and has about 14 million Twitch followers. Mixer, a competitor of Twitch developed by Microsoft, signed an exclusive deal with Ninja to switch broadcasting platforms. However, this investment paid off differently than expected. Ninja lost viewer numbers, and overall, the increase in Mixer's viewing hours was insignificant (Webb 2019). About one year later, Mixer was shut down, and Ninja returned to Twitch (Favis 2020).

Instead of building its broadcasting platform, AMF1 can create a channel within existing platforms. This low-commitment strategy provides AMF1 with several benefits: it is free of cost to create a channel on those platforms, and infrastructure is already given: interactive community chats and co-streaming, chat moderator options, and monetization through subscriptions taken by the viewers. However, the most critical aspect is that it is more convenient for viewers to use systems they are already familiar with because of the high barrier of change discussed above. On top of that, when operating on Twitch and YT Gaming, the AMF1 channel can attract new viewers since they can simply switch channels within one broadcasting platform. Not only will AMF1 benefit from a more accessible audience on those broadcast platforms but also its partner. Getting more displaced, having a greater reach to various and diverse communities, and increasing overall brand awareness are opportunities that come along. This makes it easier to target specific groups. Though, when operating on third-party broadcasting platforms, its rules must be fulfilled; otherwise, the channel faces a ban from the platform.

Additionally, these broadcasting platforms will take a percentage of the income through subscriptions and display their commercial ads through brief interruptions of the stream since there are plenty of different channels and live-streaming events on those platforms. As a result, channels compete against each other for viewers, and the threat of competition is remarkably high.

Another opportunity is the extension of AMF1's I/AM infrastructure to esports, which is not directly related to broadcasting platforms but rather a platform for fans and communities. An aspect that could be leveraged is that the platform was designed to evoke positive emotions for everyone involved, which is simultaneously a crucial factor for the esports community. This way, the esports community could be included in discussions. However, as mentioned before, business models cannot be replicated without adapting them to the esports world (chapter 4.2). This means that the platform should separate the space for the Formula 1 fan and esports community. Additionally, AMF1 must provide content and entertainment that fits the community. Since the platform already exists, extending it towards esports mirrors a low-commitment level for AMF1.

4.4.6 Trends

To operate in the long term in the esports industry successfully, AMF1 must be aware of and leverage the existing and emerging trends indicated in chapter 3.3.4. The following will describe which opportunities exist to capitalize on these trends and which examples of other companies have already been beneficial. Additionally, this chapter assesses whether developments may be particularly relevant for AMF1.

The analysis of the **demographics** reveals that engagement in esports appeals to a young audience, and a target group can be reached that is difficult to reach through traditional marketing strategies. By appealing to such a young audience, it can be possible to build a bond with AMF1 at an early stage and become part of the top-of-mind brands in the long term. Furthermore, the significant purchasing power described by the target group is a factor that can be favorable for AMF1 as a premium brand, as it could be perceived in a particularly positive way.

When considering **urbanization** and the regions in which the esports market is proliferating, the Middle East stands out remarkably from the point of view of AMF1 and especially from the point of view of its sponsors. With the Saudi-Arabian company Aramco, AMF1 has a long-term partner from this region, which is interested in promoting its brand in other ways besides Formula 1 (Smithson 2022, 3-4). Data demonstrates the tremendous interest in esports in Saudi

Arabia, with one-third of the population showing active interest in esports. Forecasts show that the market is expected to grow by 250% over the next eight years (Raina 2022, 6). This estimate, among other factors, reinforced the Saudi government's goal of becoming the "global hub for gaming" by 2030. Considering the competition and investments in countries with much larger numbers in esports, such as China, Saudi Arabia's goals are very ambitious.
Nevertheless, sponsoring events in Saudi Arabia is attractive, as 81% of respondents believe more esports events should be held there. Additionally, a distinctive feature of the community in Saudi Arabia is that more than half of those interested in esports prefer to watch events in person in event locations. Furthermore, 86% of this group feel that the venue positively impacted their experience (Coliseum 2022). This would imply that on-site presence in arenas would generate immediate brand awareness. In this regard, design elements were identified as the most essential elements. Therefore, an opportunity with a mid-commitment level for AMF1 is to use motorsports' design knowledge to sponsor the event's design elements. With the help of an appealing design, it can succeed in gaining attention and be perceived positively.

China is a desirable esports market, as most esports fans worldwide come from Asia, with China holding the largest share. Sponsors will notice that the Chinese market is vertically integrated, which means that several companies unite into one enterprise with successive stages. In this market, it is Tencent that owns, in whole or in part, games like Lol or Fortnite. Besides, the enterprise owns platforms such as Douyy or WeChat and leagues such as Honor of Kings (Blakely and Helm 2016). Moreover, Tencent is China's most prominent digital agency (Newzoo 2021a, 39). For sponsors, this implies that the high degree of vertical corporate concentration by Tencent contributes to sponsorship opportunities being more favorable than in other markets. Although, at the same time, the cost could be higher due to the monopoly-like market structure (Santomier, Söderman and Kunz 2020, 56-57). Due to the severe cultural differences, managing entry into China from abroad is difficult. Therefore, it is recommended that sponsors set up a staff structure with locals who are familiar with the Chinese market. Furthermore, it is essential to be aware of the structural and cultural differences. It should be emphasized here that esports, similar to Saudi Arabia, is massively subsidized by the government of China. This support ensures that many tournaments can be attracted to the country and the abundance of esports events and the number of teams in all relevant games in China make the market interesting for sponsors.

Schalke 04, which has been active in the Chinese esports market for several years, is one example of a team that has successfully entered this market. Schalke 04 reaches around 1.3 million Chinese people every day via 20 different media channels. Due to the enormous esports audience consisting of over 193 million people in China, this number is predicted to increase further if Schalke's esports teams continue to be successful (Newzoo 2021a, 9, Wilke 2018).

Since China is a mobile-first market, as already described, it is relevant for AMF1 to consider this aspect. However, **mobile esports** is not only on the rise in China but the whole world, and noteworthy disadvantages compared to other consoles have been significantly reduced. The mobile market and especially the games compatible with smartphones are interesting for sponsors because the way advertising can be placed is different and offers advantages, as described in the following. Players of mobile games are more likely to choose to watch an ad break than to pay for a game or make in-game purchases if they have the choice. According to a study executed by Newzoo for anzu, it is more appealing to players to watch an in-game ad to unlock a new level than to pay for that progress. Therefore, it is not surprising that 75% of gamers surveyed are positive or neutral about in-game advertising (Jakob and Jablon 2022, 19). Moreover, it was found that players even expect this advertising. Accordingly, AMF1 can rule out negative connotations from advertising in a mobile game. Furthermore, a different study about

the revenue generated by mobile in-game advertising reveals that the revenue was 42.3 billion in 2019 and will increase to 56 billion by 2024 (Margaritelli 2020, 12).
The mobile market has particular advantages, especially for companies with a limited budget. There is a low-commitment opportunity to advertise in the game itself and, for instance, to use billboards in the game. Such options are less expensive than overall sponsorship but particularly suited to smaller budgets. Especially games that include virtual arenas or racetracks have a large amount of advertising space. The fact that the game flow is not disturbed, and the advertising becomes part of the game environment contributes to the fact that this type of advertising works well. Also, the developers of the games take this possibility into account and build more space for advertising. The less the game flow is disturbed by the advertising, the more positively it is perceived. It is to be thought that the success of advertising panels in games is higher if they are relevant to the context of the game (Margaritelli 2020). For a company like AMF1, which is part of the sports sector, placing such advertisements in sports games would be a logical step to keep the return on investment high.

The relevance of the **metaverse** will massively influence and change the world in the future. Therefore, the technology affine esports scene will feel a strong influence and will develop in new directions. Three key elements are apparent when considering the change brought about by the metaverse. First, the metaverse innovates how content is delivered to audiences or customers. Second, the permanent digital ownership of assets such as NFTs is new. The third key element of the metaverse represents the constant blending of the digital and physical worlds. The metaverse is still in the early stages of its development and is likely to evolve in evolutionary stages rather than as a rapid revolution that will change the world in short order (Nath 2022, 12). The esports audience is excited about the idea of the metaverse and the possibility of using game worlds and game-like environments to socialize and as a creative platform. Especially the target group of younger players is positive and open toward the metaverse (Oh, et al. 2022, 9).

The metaverse creates endless new possibilities for viewers to experience events. As the shift is towards watching such events online, it plays in esports' favor. The next generation is moving away from traditional broadcasting, and the boundaries between traditional sports and the metaverse will increasingly disappear (Taylor, Lah and Pu 2022, 12). Multi-Camera View Technology allows spectators to view events from all possible perspectives in the location and move alongside the players (Lemire 2022). With the help of this technology, virtual events can be held in virtual stadiums. The advantage of sports events in the metaverse is that the potential number of spectators is more significant, and the number of participants does not have to be limited for qualifications. Sponsorship at such events could be relevant for AMF1 as well. It is possible to place virtual advertisements tailored to specific target groups. In addition, sponsored items can be sold as digital merchandise for the player's avatar using cryptocurrencies. Participants of a qualitative study stated that they are interested in watching live sports events or esports events in the metaverse because it will enhance their customer experience (Abed and Rinkevic 2022, 60). Teams such as the NBA's Nets and Manchester City in the UK have already implemented this by transferring their arena or stadium to the metaverse (Cohen 2022). Here, fans already can watch certain matches from a new, highly interactive perspective. The merging of traditional sports and esports is particularly evident in this example, as these events are played out in real life and person, but the broadcast is virtual in the metaverse. Thus, a clear demarcation between esports and traditional sports is harder to make. There are indications that this model of a virtual center where fans from all over the world can gather and engage will be successful. This is because a single physical location could not achieve this scale. It is conceivable that a model like that of Manchester City and the Nets could be implemented in Formula 1 in the future. This would mean using multi-camera view technology to completely translate Formula 1 tracks into the metaverse, creating an entirely new experience for sports fans. At the same time, this possibility would be accompanied by immense costs for implementing the respective track. Hence, in such a project, AMF1 could only be part of it, not the sole implementer.

Companies create more ideas for the audience to display their fandom online (McInroy and Craig 2018, 14-15). For example, many companies invested in esports are now innovating loyalty programs and transferring them to the blockchain. This enables users to trade goods with each other online. It follows that user engagement and connection to an esports brand increase. Another example is that fans can earn digital rewards when interacting with an esports team. This requires chatting on Twitch streams, watching YouTube videos, or commenting on posts on social media. With the help of this type of fan participation, engagement and the possibility for new sponsorship revenue increases (Consensys 2022).

About a quarter (23%) of US gamers have participated in an in-game event in the past 12 months. Furthermore, it is worth noting that 82% of those who participated in live events also made a purchase as a result of the event: 65% bought digital goods and 34% bought physical goods, underscoring the steady softening of the lines between the real and virtual worlds (Takahashi 2022).

The use of digital merchandise is a potential new revenue stream for AMF1. For example, by selling items in the form of NFTs, fans can buy virtual clothing for their avatar from AMF1. The Turkish Fenerbahçe Sports Club launched its latest jersey in the metaverse on the marketplace "Decentraland" (Fenerbahçe Sports Club 2022). AMF1 could take a similar approach and present the new race car or race outfits for the new season in the F1 2022 Game at such marketplaces. This way, modern and innovative ways of presentation would be used and made accessible to a particular target audience.

An interesting example of the use of digital merchandise is the NBA Top Shots. The project, which has existed since 2020, offers video trading cards (Kaczynski and Kominers 2021, 4). These cards show the most memorable and outstanding moments in NBA history. These moments can be collected or traded in the form of NFTs. The sale of the card showing LeBron James' dunk in February 2020 sold for $387,600 shows the potential of such use of digital merchandise (T. Daniels 2021). AMF1 could release special esports moments from its players in the form of NFT trading cards. This creates the low commitment opportunity to leverage digital ownership for fans of AMF1 esports.

Explicitly relevant to AMF1 is the official Formula E blockchain racing game Formula E High Voltage. This game leverages NFTs to create a new motorsports play-to-earn experience. Players take on the role of team boss and decide on strategic issues. To participate, players must own at least one car and driver in the form of an NFT. These can then be modified by purchasing NFT items. In addition, participating in races gives players unique crypto items to upgrade their teams (FIA 2021). This is where AMF1 could come in and release their digital items in the AMF1 design for team and car upgrades, creating an NFT revenue stream with a low commitment strategy (Formula E High Voltage 2022). In 2019, the official Formula 1 blockchain racing game called "F1 Delta Time" was released (McCaskill 2019, REVV Motorsport 2022). However, the publisher REVV Motorsport (2022) announced that the game was terminated in March 2022 because the license extension failed.

These examples show that this digital experience offers lucrative opportunities for rights holders. In addition, entering the metaverse offers the opportunity to learn about emerging topics and benefit from digital monetization (Newzoo 2021a, 48-49). In particular, the idea that virtual items can be "owned" creates numerous new revenue streams for companies.

The explosive growth of the esports industry has also resulted in rapid growth in the **betting** market centered on esports, expanding beyond traditional sports. Revenues generated from competitions are far exceeded by related gambling transactions. Betting on esports has taken various forms. Money line bets[22] and proposition bets[23] are the two common types in esports. Due to most esports games do not have a traditional "score", point spread betting[24] is less popular (Sweeney, Tuttle and Berg 2021, 65ff). Despite the many legal ways of conducting esports gambling, the scene has been subject to the entry and rise of several illegal websites and agents. Due to the lack of governing bodies (chapter 4.1) within esports and gambling, websites can offer gambling without regulation or license, resulting in illegal circumstances. Examples are the lack of age requirements or the following of a country's gambling restrictions. Thus, illegal gambling has become a serious problem, risking the integrity of the entire esports ecosystem (Freitas, Espinosa and Correia 2019, 52). There are business opportunities related to esports gambling, for example, partnerships or sponsorships. However, AMF1 should be careful in engaging in such activities due to the contradicting values associated with betting and the potential risk of reputational backlash.

As introduced in chapter 3.3.4, **pop cultivation** is becoming relevant within esports, actively engaging millions of individuals globally through various platforms, influencers, and social media. The industry's influence has resulted in various commercial activities conducted by endemic and non-endemic companies of the ecosystem. For example, integrating top music acts into esports leagues and competitions while gaming stars and influencers sign with talent management agencies (Rolling Stone 2021). The reach of esports is also present on various social media, illustrated by hashtags such as #gamers and #gamersoftiktok having 16 billion and 894,3 million views, respectively, on TikTok (TikTok 2022). As described in chapter 4.4.2, popular esports influencers also have an extensive reach, with famous individuals such as Tyler "Ninja" Blevins having 12,7 million followers on Instagram (Instagram 2022b). The various social

[22] Money line bets are bets placed on the winner of a specific match that pays out according to a traditional odds system (Sweeney, Tuttle and Berg 2021, pp. 65-68).
[23] Proposition bet is “a bet in craps that a certain number or combination of numbers will or will not appear during a specified series of rolls” (Merriam Webster 2022c).
[24] Point spread betting is when the better places a wager on the difference in score between two teams or players (Sweeney, Tuttle and Berg 2021, 65ff).

media platforms present different business opportunities for non-endemic companies such as AMF1. Most relevant is the increase of brand awareness and fan engagement through content creation and partnerships with influencers or other agents. Furthermore, it is essential to notice the low level of commitment such opportunities present, as most of the required resources/ platforms are already present or easily attainable.

The trend of **co-streaming** has already proven to add value to various tournaments by significantly increasing viewership. In addition, it is advantageous for viewers as they can be confident that the event is promising and worth watching if the individual's favorite streamer accompanies it. Furthermore, co-streaming is becoming an increasingly important part of companies' strategy for providing non-gaming content to the esports and gaming communities. Netflix, the NBA, and Formula 1 have recently partnered with streamers to expand their content distribution channels among game and esports consumers (Newzoo 2022a, 7). It is expected that co-streaming will remain a part of esports as it is the advantage of increased viewership that provides the key value to monetize events further (Carsella 2021, Newzoo 2022c). Co-streaming facilitates various opportunities for non-endemic companies and often presents a low-level commitment. Companies can easily be a part of influencers or teams' streams, thus directly gaining access to their target audience. Depending on the characteristics of any such agreement, co-streaming could present both an increase in brand awareness and a new revenue stream. Streamers could pay a fee to gain access to the stream, or sponsors could provide revenue through sponsorship fees. For example, the ad placement of AMF1's sponsors would present a revenue stream. However, increased brand awareness and fan engagement by activating an untapped audience pose the most relevant opportunities.

4.5 Classification of Business Opportunities

To create an accessible summary and classification of the different business opportunities discussed throughout chapter 4.4, the opportunities and their threats are described within a SWOT framework. A SWOT analysis is utilized to identify the key aspects of a company's situation (Benzaghta, et al. 2021, 56). However, it is essential to note that the SWOT does not provide answers but rather a basis for further consideration, which will follow in chapter 5. Representing a mix of strengths, weaknesses, opportunities, and threats analyses, the SWOT analysis can effectively be applied to develop the commercial options for AMF1. However, the general requirements that AMF1 is advised to make will not be considered in the SWOT. This omission is due to the fact that AMF1 should incorporate these measures regardless of future directions. SWOT analyses have been developing for years, resulting in different possible approaches to applying this framework. This thesis employs the approach described in 2020 in the Journal of Global Business Insights (Benzaghta, et al. 2021, 58): The business opportunities and their threats will be matched in the following with strengths and weaknesses of AMF1 from chapter 4.3. It is essential to highlight that the strengths and weaknesses are the current aspects of AMF1, while opportunities and threats have a perspective looking to the future if the company decides to exploit a particular business opportunity. Regarding internal and external factors, four strategies are developed, "SO" (strengths-opportunities), "ST" (strengths-threats), "WO" (weaknesses-opportunities), and "WT" (weaknesses-threats). These strategies address how to make the most of AMF1's strengths and circumvent any weaknesses, but also how to capitalize on external opportunities and manage threats (Benzaghta, et al. 2021, 58f).

"SO" are the ideal strategies as they represent the optimal fit between available resources and opportunities. The resulting strategy is to take advantage of external opportunities while linking these with internal strengths through a unique combination. For example, AMF1 could leverage its extensive sponsorship knowledge when deciding on potential sponsorship agreements within esports. "ST" describes strategies where AMF1 can utilize its current strengths to avoid future external threats. Thus, AMF1 must be aware of circumstances involving disadvantageous changes in the market on all levels and the competitive landscape. "WO" represents strategies that allow the introduction of new opportunities by the reduction of weaknesses. This is achieved through the ideal investments that turn weaknesses into strengths required to exploit opportunities. The alternative is to abandon the opportunities to rivals. Finally, "WT" strategies are ways AMF1 can avoid future external threats by minimizing its current weaknesses (Andler 2016, 279-281).

In addition to utilizing the different SWOT-related strategies, the different business opportunities are classified by the commitment level required by AMF1. Figure 4 describes the summary and classification of opportunities.

Threats/Opportunities / External Factors	Strengths	Weaknesses
	SO **Low Commitment:** • Engage esports influencers • Create new streaming channels (commentary, co-stream, etc.) • Utilize current partners' esports knowledge to enter market (new opportunities) • Partnerships with universities (research, value creation, etc.) **Medium Commitment:** • Strategic alliance with established esports team • Direct sponsoring of teams/events • Transportation/logistics consultancy (knowledge sharing) • Partnering/sponsoring esports in Saudi Arabia **High Commitment:** • Organize/host competitions/leagues • Direct sponsoring of leagues/tournaments	**WO** **Low Commitment:** • Create a knowledge hub regarding esports for sponsors/partners • Retain and develop talent (development program, new investments) • Sponsoring/advertising (in-game ads, skins in games or metaverse, etc.) • Metaverse opportunities (Marketplaces, sponsoring, digital assets, etc.) **Medium Commitment:** • N/A **High Commitment:** • Create new esports teams for other/new games (acquire vs. establish)
	ST **Low Commitment:** • Careful selection of potential esports influencers (values, content, etc.) • Utilize current partners' esports knowledge to enter market (avoid threats) • Engage with esports communities to understand values/preferences • Expanding current esports team (personnel, financial, organizational) **Medium Commitment:** • Proper due diligence before entering strategic alliances or sponsoring **High Commitment:** • N/A	**WT** **Low Commitment:** • Gain knowledge about authentic content creation related to esports **Medium Commitment:** • Engage a marketing/strategic agency **High Commitment:** • Renegotiate partnerships in order to increase access to capital

Internal Factors

Figure 4: Classification of Developed Business Opportunities
Source: Own Illustration

5 Recommendations and Conclusion

This chapter aims to provide AMF1 with recommendations (chapter 5.1) on how to proceed within esports and a conclusion of the most important findings (chapter 5.2). The recommendations are structured as a roadmap that proposes the successive implementation of essential requirements and the most suitable business opportunities at different commitment levels. An overview of the roadmap, including all relevant business opportunities for AMF1, is provided in Appendix 8.

5.1 Roadmap

The roadmap covers six years. However, the timeline is strongly determined by AMF1's budget developments and their success in terms of esports involvement. The roadmap begins with essential requirements that can be derived primarily from chapters 4.1 and 4.2. These aspects are crucial to implement within the first year to ensure a sound basis for successfully exploiting business opportunities. Following the completion of these fundamental prerequisites and based on the three established commitment levels (chapter 4.4) the roadmap progresses. Considering AMF1ßs restricted esports budget, this takes place from a low commitment during the early phases of engagement to increased commitment levels as time passes. For each of the recommended business opportunities, the field of the SWOT analysis is briefly named by either "SO", "ST", "WO", or "WT". Depending on the categorization, AMF1 should pursue the corresponding strategy for implementing the business opportunity. The roadmap aims to incorporate business opportunities that contribute to AMF1´s esports objectives (Appendix 1). Additionally, mainly aspects from the "SO" field are chosen because AMF1's strengths are then paired with opportunities and hence have the most potential ("ideal strategies", chapter 4.5). However, it is not possible to ignore potential threats. Nevertheless, the business possibilities with the fewest risks were chosen.

Essential requirements (approx. one year): The basis for considering entering the esports market (besides sim racing) is to **be keen on engaging in this industry.** Consequently, AMF1 should ensure that the esports department is very interested in esports, ideally on a personal level. Therefore, the company should look for more esports-interested employees throughout the organization to receive their input (chapter 4.4.1). Having ensured this, AMF1 must agree on one **specific and universal esports strategy** by elaborating on its existing strategy notes.

This roadmap, as well as the best practice examples mentioned, can also be of help when developing a strategy. AMF1 should **increase the allocation of resources** to the esports department. Currently, resources in this area are scarce (chapter 4.3.2), which makes it much more challenging to exploit business opportunities in the future. At this point, AMF1's strategy notes need to be followed up and at least one dedicated esports manager should be hired. The esports manager must be familiar with the esports industry. The expertise, in combination with this thesis, helps the esports department to **gain extensive market knowledge**, to get an overview of the esports market, and to get to know the most important stakeholder: the community. Within the whole esports community, there are various audiences, which mainly depend on the different games. Through market knowledge, two milestones should be achieved: On the one hand, AMF1 will be able to **identify its target audience** within the esports community, and on the other hand, the company will learn to **understand its target audience** and **speak its language**. When approaching the target audience, authentic content creation is key. This is in line with AMF1´s second and third brand pillar. If the questions in Appendix 6 can be answered thoroughly, this phase has been completed successfully. A timeline of approximately one year is expected to meet these essential requirements. However, if AMF1 is confident in the topic, first investments can be made earlier.

Low-commitment level (at least one year): This work defines the low-commitment level with total investments from 0 – $500,000. Given that the company's esports budget is currently limited (chapter 4.3.2), exploring opportunities with low commitment levels is advised. This ensures sticking to the low budget while simultaneously keeping the risk low. Furthermore, these opportunities require significantly less effort to implement, as the necessary infrastructure is often already in place. AMF1 should not proceed to the next commitment level before one year of experience in the low commitment is completed. This ensures that appropriate actions are not carried out too quickly or half-heartedly.

The baseline of this part of the roadmap for AMF1 is to continue **partnering with universities** or similar institutions that provide insights and ideas. For example, a subsequent thesis could deal with creating a business case for establishing a new esports team. This applies to all other presented business opportunities analyzed in chapter 4.4. These partnerships may also create interesting opportunities for AMF1 partners in cooperation with universities.

One opportunity that comes without necessary investments is **establishing a streaming channel** on a broadcasting platform. AMF1 should create such a channel, preferably on Twitch or YT gaming. It is recommended because general brand awareness will increase, it can reach the target group directly, and tailored content can be created. A possible idea would be to use one of the AMF1 drivers as a commentator and thus attract more viewers (chapter 4.4.6), primarily through their broad reach on social media. In addition, there is the possibility of being monetarily remunerated by the broadcasting platform due to high viewer numbers driving commercial income into the business. This business opportunity can be assigned to the SWOT field "SO" since AMF1's social media strength and F1 know-how are ideal for exploiting this opportunity. Establishing such streaming channel does not require investments and is intended to introduce AMF1 slowly to the industry. Additionally, it delivers value and returns to AMF1 partners if their advertisements are placed during a stream.

The next step is to further increase brand awareness through **advertising**, as together with sponsoring this can be seen as one of the most effective instruments for non-endemic companies (chapter 4.4.1). Because AMF1 is unfamiliar with advertising in the esports industry, this business opportunity is allocated to the SWOT category "WO". As described in chapter 4.4.1, there are multiple ways to act as an advertiser. First, it should be done on a small scale. In-game advertisements and the creation of skins in rather small games are the best ways to accomplish this. AMF1 may think of the Chinese market in particular and make mobile in-game ads available there. It is advisable to hire an **advertising agency** (chapter 4.4.1) that is specialized in the respective market (e.g., China). Simultaneously, it is recommended to engage an **influencer** (chapter 4.4.2) who acts on behalf of AMF1.

On the one hand, the company could leverage its strong brand by, for example, providing the influencer with specific merch articles or Formula 1 race tickets as gifts to avoid direct payment. On the other hand, AMF1 has experience working with influencers (chapter 4.3.1), allowing the company to minimize existing threats regarding cooperation. This results in "SO" and "ST" strategies. For the latter, an internal expert in the field could be consulted at times. Increased expertise while reducing the risk of cooperating with an unsuitable influencer. The last step in the low commitment phase concerns the **metaverse**. Since this is an entirely new sector, AMF1 should not invest here initially to allow the metaverse to develop further. It gives AMF1 time to understand this new market better. As of now, a "WO" strategy is necessary, meaning that AMF1 should use the time to build expertise around this topic to exploit the numerous business opportunities summarized in chapter 4.5. At this point, the most relevant opportunity is to create own NFT trading cards for AMF1. The background is that involving a partner, such as Crypto.com, is conceivable. In addition, AMF1 will gain awareness, attract new fans, build up an additional revenue stream through the sale of NFTs and might provide a strong contractual asset for partners. At the same time, this step requires little investment. It is expected that the AMF1 esports team will become much more popular due to these measures while generating additional revenues through more clicks, merchandise sales, and channel viewers. If the AMF1 brand becomes more well-known in the vast esports industry, it will have a direct favorable impact on its partners. Furthermore, additional partners/ sponsors may be acquired. Additional revenues should be invested in AMF1´s esports **talent development**. This will attract and retain more talent, which is also one of the company´s goals (Smithson 2022, 7). **Talent retention** in esports can currently still be seen as a weakness of the company. Accordingly, this is to be assigned to the SWOT field "WO", so the weakness can be improved by exploiting this opportunity. These steps ensure AMF1 gets involved in the esports industry with low risk. If the company considers this market attractive, it may proceed to the next stage of the roadmap.

Mid-commitment level (approx. two years): AMF1 business opportunities of the mid-commitment level display the next step of the roadmap. Two years were chosen to allow AMF1 ample time to properly plan on implementing recommendations. Doing so requires making strategic judgments and acquiring information related to those actions. This thesis defines this commitment with investments from $500,000 - $2 million. Since the Saudi Arabian esports scene is currently growing (chapter 4.4.6), AMF1 should act as an **event sponsor** in Saudi Arabia. The company can embrace this rapid growth as an opportunity to gain brand awareness further and extend its fanbase in another country as an esports brand as well as the racing team due to the popularity of racing in the middle eastern regions. Especially AMF1's leading partner Aramco will benefit from it. It is already well known in this region, and the possibility of positioning itself as an esports-enthusiastic company will create a positive connotation. The cooperation between Audi and Astralis demonstrates that **sponsoring esports teams** is desirable (chapter 4.4.1). If AMF1 identifies a suitable team to sponsor with a lower commitment, it is recommended to do so due to its high effectiveness. If content creation is part of the sponsorship, AMF1 should hand this over to the team itself to maintain the highest level of authenticity possible (chapter 4.1). However, finding a mid-commitment team sponsorship deal can be a major difficulty.

Another option is to become an **organizer** operating with existing broadcasting platforms like Twitch and YT gaming. Hosting an online event has fewer costs and does not need as much effort in organization and logistics. An example can be found in chapter 4.4.4.

Accordingly, all previously mentioned recommendations are assigned to the SWOT field "SO", meaning that AMF1 uses its strengths to exploit those opportunities.

High-commitment level (at least two years): After implementing the mid-level recommendations and establishing a prominent name in the esports community, AMF1 can consider the following steps to manifest its efforts and commitment to esports further. Those business opportunities range from $2 million onwards. The time frame is chosen to be at least two years. This is due to the fact that high-commitment level needs the most strategic planning and are normally long-term investments.

The last step on the roadmap is creating an esports team by acquiring an existing **franchising** team. The most important benefit is that the acquired team roaster stays the same. Therefore, the community is already familiar with the players and their performances. Nonetheless, it is critical to distinguish between teams that operate in a franchising league and those that do not, since this influences the expenses of acquiring such team. A license to participate in a franchising league can cost up to a double-digit million (chapter 4.4.3). However, entering a franchising league via a team acquisition is a long-term investment. Therefore, investing in a new franchising game like Valorant is a great opportunity. To gain greater reach, franchising a Chinese esports team opens the door to this booming market (chapter 4.4.6). This recommendation is assigned at the SWOT table in "WO". AMF1's weakness is the general low budget and the financial stress for the esports department, which could be used for the AMF1 racing team instead. However, through investments into the esports scene, new revenue streams, partners, and sponsorship will unfold for AMF1.

This roadmap acts as a guide for AMF1 to structure its actions realistically. Though, neither the given timeline nor the order of this plan is static and can consequently be adjusted depending on AMF1's approach. Nevertheless, it is not recommended to cut the essential requirements due to the importance of a solid base to work from. Overall, the involvement in esports fits AMF1´s first brand pillar, namely being innovative.

5.2 Conclusion

The main aim of this work is to explore business opportunities for AMF1 within the esports market. Beyond AMF1's previous esports activity in the F1 Pro Championship, numerous business opportunities and threats are identified through research and analysis. These are derived with a structured approach by analyzing the different stakeholders and their roles based on a developed framework of the esports market. After all, AMF1 can take on the role of a sponsor, advertiser, or organizer. At the same time, the company can partner with influencers, create a larger or an additional team, and actively benefit from current trends by leveraging identified potentials. Detailed literature research, Porter´s Five Forces and a competitive landscape assessment contributed to a comprehensive esport market analysis. It showed that the esports industry is growing and has excellent potential to create a point of access to an otherwise hard-to-reach target group. Simultaneously it is a complex, non-regulated, and rapidly changing market. It is crucial to highlight the high bargaining power of the buyers, namely the esports communities, which play a key role within the entire ecosystem. Therefore, AMF1 needs to identify its target audience within that community and engage with them. It is crucial to develop genuine content through a coherent storyline and present it appropriately. A six-year roadmap for AMF1´s involvement in the esports industry is developed, including essential requirements and their most relevant business opportunities. The roadmap is designed to fit into AMF1´s four brand pillars. Essential requirements would need to be established in the first year to ensure a solid basis for subsequent investments. If AMF1 is able to thoroughly answer all aspects of the developed list of questions, the company demonstrates that it is ready to implement first business opportunities. To take account of AMF1's limited esports budget, the business opportunities were classified into three different commitment levels, depending on the level of investment required. In the roadmap, AMF1 is recommended to first become involved in the esports market with a low commitment. This step of the roadmap is scheduled for at least one year and includes the creation of a channel on a broadcasting platform, followed by smaller in-game ads and a partnership with an influencer. In addition, the metaverse trend should be exploited by creating NFT trading cards. If the involvement is successful and the budget allows it, moving on to the next step of the roadmap is recommended. This requires more commitment and accordingly takes at least two years. It comprises the recommendations to sponsor events and, if feasible, a team. Finally, it is advisable that AMF1 takes on the role of organizer of an event. If after these four years the team is still intent in getting more deeply involved, the last step of the roadmap is to buy a new team through the possibility of a franchise. This corresponds to a high commitment and lasts at least another two years. The implementation of the roadmap leads to the achievement of all strategic esports goals.

6 Limitations and Directions for Future Research

Considering that this is a literature analysis, it is impossible to identify and examine every relevant publication, despite extensive research. Primarily English literature was used and current research from emerging markets, where esports has particular popularity, could not be considered due to the faced language barrier. Since the esports industry is still comparatively young, a limited number of scientific articles exist. These were considered and used for the analysis. Nevertheless, it was primarily necessary for the analysis of trends to refer to information from websites. Since two qualitative expert interviews were conducted for this paper, it cannot be ruled out that information used from these interviews may be subjectively biased. Esports research is growing quickly, making it necessary to ensure a continuous review of new literature. The developed framework is based on the esports ecosystems by Newzoo (2021) and Advani et al. (2020) Besides, the framework used in this work is a further development rather than a fundamentally new framework. New connections made within it should have been empirically proven. This framework has not yet been tested holistically. Therefore, it is conceivable that assumptions made in the evolved model will be disproved in future research. Rapid evolutions in esports have an impact on the analysis. On the one hand, the continual occurrence of new trends leads to a partial lack of scientific research on the most recent trends. On the other hand, the fast change means that new agents may become part of the ecosystem in the future.

This work aimed to identify potential business opportunities in the esports market and contextualize them with AMF1's possibilities. However, the work is constrained by the maximum number of pages. As a result, some subtopics of business opportunities could not be analyzed in detail since the focus was on more pertinent aspects. Using the commitment scale/ roadmap, it was possible to scrutinize and rank the relevant opportunities. Further work will be needed to analyze these identified opportunities individually and empirically. This will analyze how AMF1 can leverage and implement the identified opportunities using more in-depth market research and quantitative data from AMF1. It is possible that the designed roadmap will not precisely represent the roadmap for AMF1's future esports strategy. Primarily due to a fast-changing market, the six-year roadmap might be affected. As a result, it is imaginable that other business opportunities may be deemed more relevant by AMF1 and could be pursued preferentially.

Moreover, this could be related to a potential future adjustment of the esports budget at AMF1. If such new business opportunities arise, Aston Martin will need to conduct further research to determine their relevance. An important limitation of this work is that the analysis is a snapshot of the current esports market. AMF1 must continuously be aware of changes in the esports market to react if necessary. Therefore, it will be inevitable for further studies to show and observe the positive and negative effects of upcoming changes and new trends. Additionally, future research should empirically test the framework holistically in light of the adaptations.

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Appendix

Appendix 1: Objectives

1. Provide strong contractual assets for partners to activate in the Esports

2. To deliver value and returns to our Partner portfolio

3. To aid in the retention of key partners

4. To be competitive in at least the mid field of the F1 esports teams - competing for podiums and race wins (to protect the Brand Image)

5. Drive Commercial income into the business via new Partners and commercial opportunities

6. To attract & engage with a younger, more dynamic esports audience globally

7. To increase AMF1 esports channels by developing first class content

Source: Aston Martin F1 2022d

Appendix 2: Main Aspects of Porters 5 Forces

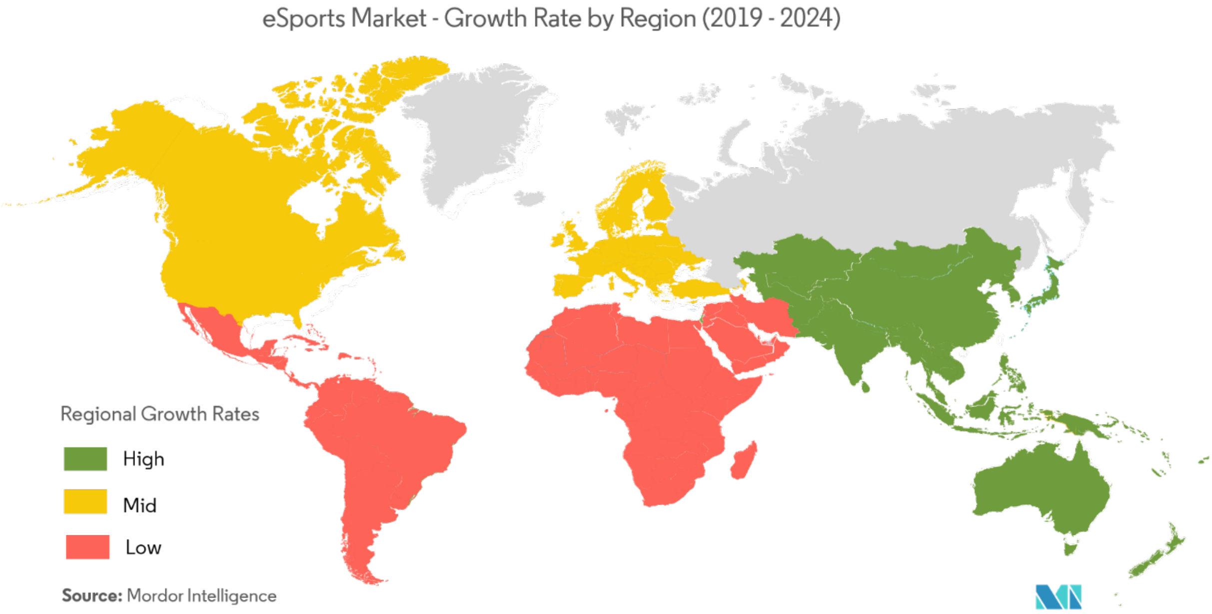
Source: Bruin 2016

Appendix 3: Results Porter´s Five Forces Analysis

Five forces		Publisher	HS
Force 1	Threat of new entry	high	low
Force 2	Bargaining power of buyers (communities)	high	high
Force 3	Threat of substitute products or services	low	medium
Force 4	Bargaining power of suppliers	medium	low
Force 5	Rivalry among existing competitors	high	high

Source: Own illustration

Appendix 4: Esports Market Growth Rate by Region



Source: Mordor Intelligence 2019

Appendix 5: Innovative Ideas

- Gucci and esports organization Fnatic created a limited-edition watch that quickly sold out
- Betway and Blast created a Betway-themed escape room "map for CS:GO, featuring rival CS:GO stars Device and KennyS hilariously collaborating to escape.
- Geico collaborated with TSM to capitalize on star player Bjergsen suddenly shaving off his beard, resulting in a tongue-in-cheek moment with his community.
- Peripheral manufacturer Turtle Beach and esports organization Astralis created a spot around influencer Dr Disrespect, known for his over-the-top persona, teaching the Astralis line-up, who are sometimes criticized for being too polite and quiet, how to trash talk their opponents.
- UberEats did a collaboration with Ninja that issued discounts based on the number of kills he got in a match, and it was so popular that UberEats was forced to stop the promotion early.
- MrBeast, a stunt-based and philanthropic influencer who also has gaming content, collaborated with Virtual Dining Concepts to create the MrBeast Burger virtual restaurant, from which fans could order via online delivery services.

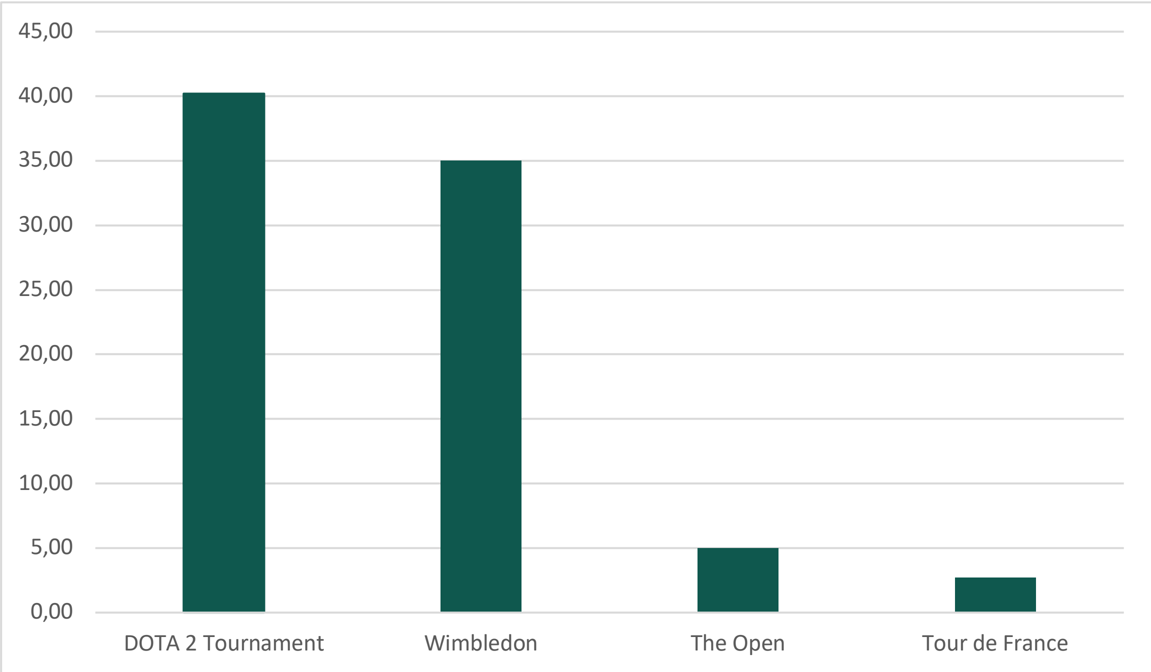
Source: Newzoo 2021a, 47

Appendix 6: List of Questions Before Entering the Esports Industry

1. What does AMF1 wants to achieve?
2. What is AMF1´s strategy to achieve this?
3. Which sub-market/ -audience does AMF1 want to enter within esports?
4. Which games/ teams/ influencers are popular in AMF1´s market and among the audience?
5. How is the content being consumed by these audiences?
6. What are the characteristics of these audiences?
7. Does AMF1 have a story to tell in this space?
8. Does AMF1´s messaging resonate with the audience?
9. Does the brand messaging of this game/ team/ influencer fit AMF1´s brand?

Source: Own questions based on Newzoo 2021, 45

Appendix 7: Price Money in Different Sports



Source: Wilke 2018

Appendix 8: AMF1s Esports Roadmap

AMF1's Esports Roadmap

Phase 1: Essential Requirements (~ 1 year)

- Be eager on **engaging** in the esports industry
- Need to agree on a **specific and universal** esports strategy
- Increase **allocation of resources** for esports department
- Gain extensive **market knowledge**
- **Identify** & **understand** the target audience
- Learn to speak the **language** of the target group

Phase 2: Low Commitment Level (~ 1 year)

- **Partner with universities** or similar institutions to gain insights
- Establish a streaming **channel** on a broadcasting platform
  - Possible to use F1 driver as commentator
- **Advertising**
  - In-game advertising or traditional ads e.g., focus on mobile games
- Hire advertising **agency** (specialized on Chinese market or on metaverse topics)
- Engage **Influencer** acting on behalf of AMF1
- **Metaverse**: Create an own NFT trading Card in cooperation with existing partner crypto.com
- Invest in esports talent development & retention

Phase 3: Mid Commitment Level (~ 2 years)

- Act as an **event sponsor** in Saudi-Arabia
- **Sponsor esports team(s)**
- Become an **organizer of online events** by operating with existing broadcasting platforms (Twitch/ YT Gaming)

Phase 4: High Commitment Level (~ 2 years)

- Acquire existing **franchising team** and benefit from exiting community/ fan base

Source: Own Illustration