

KET Issue Report

e-Sports as a Growing Industry

By Lee Ahn Jae

I. Industry's Potential

The global e-Sports industry has reached the stage of commercialization with involvement of corporate and media giants

e-Sports covers a big area of electronic games and tournaments played on computers as sports. As electronic matches are similar in principle to real, conventional sports games in the sense that they are all based on the idea of competition, they go under the generic term of e-Sports.

Baseball vs. StarCraft

	Baseball Game	StarCraft Tournament
Required devices	Baseball glove Baseball Bat	Personal computer Game software Mouse
Place	Stadium, outdoors	Cyberspace
Competition	Team vs. team	Team vs. team Individual vs. individual
Required competencies	Strategies, operation capability, teamwork	
Similarities	Respect for rules, fair play, competition	

But for a growing size of younger generation Koreans, it's a new form of popular entertainment in this increasingly networked country. A single game of e-Sports can draw as many as 100,000 fans; TV channels specializing in online games command high audience ratings. Popularity of some professional gamers rivals

the power of celebrity entertainers. One such gamer, Lim Yo-Hwan, boasts a fan club of more than 700,000 fans.

Korea has emerged as a global leader in this new e-Sports industry. Other countries have turned e-Sports matches into a festivity, elating gamers and fans alike. Not so in Korea. Koreans treat it as a serious business. In Korea, e-Sports matches are regularly televised, attracting a huge number of corporate sponsors and audiences. They have created new jobs such as gamers, game casters, game commentators and game camera-men recording game tournaments. Korea even hosts large-scale international tournaments like World Cyber Games (WCG) and World e-Sports Games (WEG), producing world-class professional gamers.

Even the government and political parties have shown interest in the e-Sports potential, so much so that the Ministry of Culture and Tourism is investing 14 billion Won for building a stadium and other infrastructures exclusively dedicated for game matches.

Of course, Korea is not the only country interested in the growth of e-Sports. In Europe, Germany and the Netherlands are promoting it after some of their gamers won championships in global e-Sports events. Taiwan and Russia reward winners at WCG events by exempting them from military draft or decorating them with medals. China and Chile have begun to regard e-Sports with the same respect as established sports games.

The global e-Sports industry has reached the stage of commercialization with involvement of corporate and media giants. One such league, the Cyberathlete Professional League (CPL), has

launched a world tour with a prize fund totaling US\$1 million. Another such league, the Electronic Sports World Cup (ESWC), started in France in 2003, even holds overseas tournaments. Recognizing the growing potential of e-Sports, a few global high-flyers like Intel Corporation, Microsoft Corporation, and Hitachi Ltd., have started e-Sports marketing and support e-Sports tournaments.

II. Industry Scope

Korea's professional e-Sports market is estimated to have drawn in 26.7 billion Won in 2004 and this is expected to reach 39.5 billion Won in 2005

Korea's e-Sports emerged in the late 1990s with the spread of StarCraft, a real-time strategy game developed by Blizzard Entertainment of the US. Its popularity, combined with the rising number of Internet cafes and rapidly growing high-speed Internet infrastructure, has lured more and more gamers, professionals and amateurs alike. Korea's e-Sports industry began putting down roots in 1998, the year national leagues such as Korea Pro Game League (KPGL) and Battletop appeared on the scene.

Today, e-Sports in Korea has grown into an independent industry with its own broadcasting capability from 2000. The start of TV game channels like OnGameNet and MBC Game has made it possible to watch games as a form of entertainment, raising their commercial value. The growing popularity among younger people plus broad media coverage has drawn large corporations to join in the wider e-Sports marketing.

Developing into a fully integrated industry equipped with gamers, teams, corporate sponsors, viewers or audiences, companies

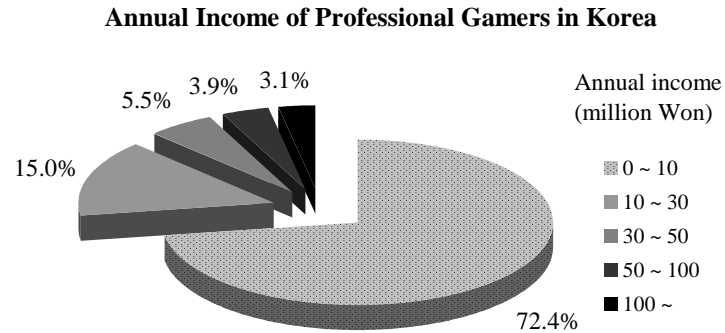
support professional game teams and gamers who, in turn, produce the final game products. They run game teams or provide financial support for game tournaments. Some promote their own brands. Game channels record e-Sports tournaments and develop them into new contents adding higher value with commentaries and relevant information and earn profits from subscription fee, advertisement and financial support from companies. Fans not only visit stadiums or watch game channels but also play the games at home or at Internet cafes.

Korea has more than 100 game tournaments held by game channels, companies and local governments. The scale of tournaments is increasing due to consolidation within the industry: OnGameNet and MBC Game, the two biggest game channels credited with reinventing games into e-Sports, have combined their StarCraft team leagues into one league to launch the "Sky Pro League 2005." Korea has held the world's three largest tournaments of WCG, CPL and ESWC as well as other big-name leagues such as WEG and China-Korea Cyber Games.

There are 240 professional gamers in Korea, of whom 70% play StarCraft. Income of gamers depends on individual popularity or tournament performance. Some earn as much as several hundred thousands of dollars a year while low-profile gamers earn much less.

Korea has 11 professional game teams, with each team consisting of eight to 20 professional gamers. Of these, five teams receive financial support ranging from 300 million Won to 2 billion Won from supporting companies while the other six teams

are supported by related associations and prize money won in tournaments.



Source: Samsung Economic Research Institute

Game channels like OnGameNet and MBC Game lead Korea’s e-Sports industry, broadcasting every e-Sports event. Even Internet websites and mobile service providers relay e-Sports tournaments. On the other hand, network TV-channels have limited their media coverage of e-Sports tournaments to introducing the events in some programs while hesitating to broadcast whole games. The authorities classify e-Sports as games and prevent free-to-air TV channels from transmitting logos of sponsoring companies and indirect advertisement.

With a rapid growth of the e-Sports industry, companies are more likely to step up their marketing efforts via e-Sports tournaments. Korea Telecom Freetel announced that it had garnered 46.8 billion Won after investing only 4.5 billion Won in running its own game team MagicNs for the past five years. e-Sports sponsors are divided into two groups: one consisting of KTF, Samsung Electronics, and SK Telecom has run game

teams while the other group made up of LG Electronics and SK Teletech sponsors e-Sports leagues.

Korea's professional e-Sports market is estimated to have drawn in 26.7 billion Won in 2004 and this is expected to reach 39.5 billion Won in 2005. It is much smaller than the professional baseball market (worth 142.9 billion Won in 1999) and professional basketball market (worth 52.4 billion Won in 1999).

However, it is likely to grow further. When more and more companies participate in the e-Sports marketing, with e-Sports tournaments charging fees from spectators, the industry will generate outstanding profits. Moreover, Korean leagues will see its sales dramatically increase via contents exports and aggressive marketing when they move into the international markets. Against this backdrop, Korea's e-Sports industry is forecast to reach 77.4 billion Won in 2007 and 120.7 billion Won in 2010.

Besides the growth potential of the industry, the e-Sports industry can contribute to development of game, broadcasting, contents and electronics industries. It can improve negative image of games, thus encouraging more people to enjoy them. At the same time, the e-Sports industry can help Korea improve its national image globally by strengthening its status as leader in the digital era.

III. Industry Development

Korea's e-Sports industry should

In order to grow further while maintaining its current leading status in the global market, Korea's e-Sports industry has to

*target global
market in order to
sustain its competi-
tive edge*

strengthen its commercial competitiveness. To do this, the government needs to build a stadium exclusively used for e-Sports and provide legal and other support to the industry. The industry has to pour more efforts into improving its social standing and making e-Sports take firm roots as a form of popular culture by distributing high-quality games and promoting sound game culture. It can lay the ground for further growth of the industry by promoting regular leagues for amateur and young gamers.

The related parties should boost entertainment value of e-Sports. They must constantly upgrade programs and rules of games and offer a variety of events for entertaining spectators throughout the tournaments. Moreover, they should nurture talented professional gamers; they need to connect a game team with a city to draw more fans.

Lucrative business models can be developed to insure that leagues enjoy a degree of financial independence. Even though professional game teams, gamers, the media and tournaments have heavily depended on corporate sponsorship, they need to diversify their revenue sources while charging admission fee and turning to advertising, licensing and merchandizing.

Additionally, Korea's e-Sports industry must go beyond its local market boundaries to take a leading position in the global market. Korean leagues can do this by recruiting top gamers from overseas and holding e-Sports tournaments in other countries. China can be a primary target because it has a high growth potential. Korean leagues can also move into the international markets by making their game, tournaments rules and broadcasting system a global standard.

In order to succeed, Korea's e-Sports need to strengthen its co-operation with the game industry on the basis of understanding that they are interrelated. The two parties can pursue joint game development projects in order to march together to the global market. In order to transform itself into a global test-bed for the industry, it is essential for Korea to enhance e-Sports infrastructure, broaden fan base, and improve technological prowess.

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