CHALMERS

Value creation and appropriation in the esports industry

Master of Science Thesis
in the Management and Economics of Innovation Programme

SHAHIN ADL ZARRABI
HENRIK NEL JERKROT

Department of Technology Management and Economics
Division of Innovation Engineering and Management
CHALMERS UNIVERSITY OF TECHNOLOGY
Gothenburg, Sweden 2016
Report No. E 2016:090

MASTER'S THESIS E 2016:090

Value creation and appropriation in the esports industry

SHAHIN ADL ZARRABI
HENRIK NEL JERKROT

Examiner:	Sofia Börjesson
Tutor, Chalmers:	Anne Elerud-Tryde
Tutor, Company:	A.A.

Department of Technology Management and Economics
Division of Innovation Engineering and Management
CHALMERS UNIVERSITY OF TECHNOLOGY

Göteborg, Sweden 2016

Value creation and appropriation in the esports industry
SHAHIN ADL ZARRABI, HENRIK NEL JERKROT

Master's Thesis E 2016:090

Department of Technology Management and Economics
Division of Innovation Engineering and Management
Chalmers University of Technology
SE-412 96 Göteborg, Sweden
Telephone: + 46 (0)31-772 1000

Cover:
Spectators watch on as players battle it out at the esports competition *The International (2014)*.

Chalmers Reproservice
Göteborg, Sweden 2016

ABSTRACT

Value, value creation, and value appropriation are concepts that are often discussed on a conceptual level in literature. The discussion comes short in two perspectives. First, it lacks empirical examples of how the concepts are perceived. Second, they are often discussed in the context of mature industries. In this study, esports is regarded as a *nascent industry*, an industry characterized by an ambiguous competitive landscape, a lack of product standards, and uncertain customer demands. The study aims to answer the question of how value creation and appropriation is perceived in the nascent industry of esports. Data was gathered with a qualitative and abductive approach mainly consisting of interviews with key actors in the industry. Following an analysis of the findings in light of existing theory on the concepts, it is suggested that actors in esports perceive value creation as a systematic and iterative trial-and-error process, rather than just innovating and delivering value or overshooting competitors, as suggested by literature. Regarding value appropriation, literature's competitor-focused explanations are found to be unsatisfying in an industry where it is hard to identify competitors, and where points of comparison are lacking. Furthermore, value appropriation seems to be of variable importance for different categories of actors, possibly leading to increased tensions between new entrants and those actors who took part in developing esports. The implications of actors' perceptions are also discussed, concluding that competition organizers, as well as other smaller actors in the industry, will most likely face tough competition from publishers and new entrants in the coming years. In return, the findings suggest that smaller actors will use brand strength and valuable competence among employees to push for cooperation rather than competition.

Keywords: esports, nascent industry, value, value creation, value appropriation

ACKNOWLEDGMENTS

We observe this thesis as a celebration of freedom. It does not only symbolize an end, but also a new beginning. We close one chapter of the book called life and we move into the next one. Our time at Chalmers is coming to an end, and what better than to investigate an industry close to our hearts as our final project. It has been a time of mixed emotions. We have come to live with moments of crisis. At times we have had seemingly unsolvable debates about the most trivial of issues. But we have overcome, we have learned, and we are now wiser.

Of course, we wish to show gratitude to our supervisor Anne Elerud-Tryde for guidance and continuous support. We would also like to give a special thanks to our industry supervisor. We would not have gained access to some of esports biggest and most important actors without you. Finally, we would like to thank all those who has been so kind to us, participating in interviews, and providing us with valuable insights about the esports industry.

"That kid who you thought played too many videogames is potentially going to be on a path where he's earning $250,000 a year salary, he's flying the world, he's going to be endorsed. Gaming's the biggest entertainment industry in the world, so if you're a star you're potentially one of the biggest stars in the world." – James "2GD" Harding.

Gothenburg, Sweden, June 2016.
Shahin Adl Zarrabi and Henrik Nel Jerkrot

Table of contents

1. Introduction

In this section, the theoretical and empirical background of this study is laid forward. This is followed by stating the purpose of the study, further specified by the research question. The section concludes with the delimitations the researchers have chosen for the study.

1.1. Problem background

The notion of value and how it should be used as a concept differs between scholars. Schechter (1984) defines value from a monetary standpoint, suggesting value to be equivalent to the price of a product. In contrast to Schechter (1984), Zeithaml (1988) suggests value is the product of perception – the difference between the perceived benefits of a product and the sacrifices made in order for the consumer to obtain it. Furthermore, Bowman and Ambrosini (2009) state that value is not only perceived by the customer. They suggest that perceptions might differ between a range of actors, such as the firm, its customers, its suppliers, and its investors. It becomes evident that value as a notion can be viewed differently depending on the perspective from which it is presented. This is of importance when discussing two concepts closely related to value, *value creation* and *value appropriation*.

Similar to the discussion on value, authors provide contrasting views when describing the notions of value creation and value appropriation. For example, Mizik and Jacobson (2003) define value creation from the firm's perspective, suggesting that it is the process of innovating, producing, and delivering products to the market. Priem (2007) defines it from the customer's viewpoint, stating that value is created when an innovation is provided by the firm, increasing a customer's valuation of the benefits of consumption. Value appropriation can for example be defined as the process in which a firm competes against other firms to create and protect appropriation stream (Di Gregorio, 2013). But it can also be regarded simply as how much value a firm extracts from the market in the form of profit (Mizik & Jacobson, 2003).

The discourse on value creation and value appropriation is in general characterized by two factors. First, the discussion is highly conceptual and varies with different perspectives. Second, theory often relies on assumptions regarding the competitive landscape of an industry, and the relative stability of it. *Nascent industries*, industries in their early phases, are commonly not characterized by these factors (Porter 1980; Shaver, 2006; Santos & Eisenhardt, 2005; Klepper & Graddy, 1990). Instead, a nascent industry is characterized by an ambiguous competitive landscape, lacking product standards, and uncertain demands. What if we want to understand the concepts of value creation and value appropriation more thoroughly in such an industry?

1.2 The esports industry

The video game industry has witnessed unprecedented growth over the past few years, so much so that it has surpassed both the Western movie and music industries in terms of revenue (IFPI, 2016; Newzoo, 2016a; MPAA, 2015). Since the inception of video games, another industry has grown in parallel: competitive gaming. It has come to be called esports (short for electronic

sports) and is simply explained as video game competitions hosted in an organized fashion (PwC, 2016). While video game competitions existed as early as in the 80's, it witnessed its first boom in the late 90's and early 00's (PwC, 2016; Esportsearnings, 2016a). By then, esports teams had emerged and gamers could start making a professional living out of competing – albeit this was a rare luxury reserved only for the few gamers that could consistently perform. Growing somewhat linearly over a decade, esports experienced a second boom in the 10's as several new video games were popularized for competition (Esportsearnings, 2016a). In 2015, a reported total of $64,939,356 dollars was handed out across 4,371 tournaments and 12,445 professional gamers (Esportsearnings, 2016a). The single biggest event of the year – the League of Legends Season Finals – was watched by over 36 million viewers and a peak of 14 million concurrent viewers (Rozelle, 2015).

Analysts predict a continued rapid growth for esports (Newzoo, 2016b; PwC, 2016; Superdata, 2015). This has attracted investors on a global scale. Large corporate actors are entering the industry in hopes to take part of the potential growth. In 2015, media company MTG acquired the competition organizers ESL and Dreamhack, and Chinese internet company Tencent acquired video game publisher Riot Games (MTG, 2015; Riot Games, 2015). This year, the line of acquisitions continued with major video game publisher Activision Blizzard's purchase of Major League Gaming (Major League Gaming, 2016a). It turns out that the esports industry is characterized by several of the factors that authors commonly mention when discussing nascent industries. As an industry in its nascency, but also on a path to maturity, investigating value creation and value appropriation in esports may perhaps help us to understand the concepts better.

1.3. Purpose

The purpose of this study is to gain a more thorough and empirical understanding of value creation and value appropriation in a nascent industry, by investigating esports as such an industry.

1.3.1. Research question

"How are the notions of value creation and value appropriation perceived by the various actors in the esports industry?"

By looking at esports as a nascent industry, an empirical study on the actors in the study, and how they regard value creation and value appropriation, findings will potentially add to theory discussing the two concepts. The main research question is complemented with two additional research questions. The first regards how we define the esports industry and what actors it consists of, a prerequisite for the subsequent discussion on perceptions of value creation and value appropriation. The main research question is then followed up by a third research question, revolving around discussing the implications of the perceptions for the esports industry.

1. *What is the esports industry and what types of actors does it consist of?*
    - *How do these types of actors interact?*
2. *How are the notions of value creation and value appropriation perceived by the various actors in the esports industry?*
3. *What are the implications of these perceptions for the esports industry?*

1.4. Delimitations

As will be further presented in the empirical findings, esports can be performed both on an amateur and a professional level. This can be compared to other sports, in which there are professional performers and casual or amateur performers. When presenting and discussing esports in this study, it will mainly regard professional esports, due to time and resource constraints in obtaining data.

Furthermore, esports is large and growing in parts of Asia. In South Korea, esports is popular to the point to which it is regarded a national sport. Much of the current growth in esports comes from the Chinese community. One limitation of this study is that both primary and secondary data sources from these two countries, and more countries in Asia, is difficult to obtain due to language barriers. This is not to say esports in Asia is excluded when presenting data in this study, but that data regarding Asian actors and behaviour might be underrepresented.

1.5. Report outline

1. Introduction

The introduction explains the theoretical and empirical contexts of this study, motivating why the research conducted is valuable from an academic perspective. Here, the purpose and research question of the study is stated, as well as explaining the delimitations.

2. Literature review

The literature review provides the theoretical foundation on which the empirical findings in this study are analysed. Here, the notions of nascent industries, value, value creation, and value appropriation are explained. The section ends with a reflection of the theory.

3. Methodology

In this section, the research strategy and design of this study is explained, as well as a discussion regarding the quality of the study and its findings. Topics include what research approaches were chosen and why, and how data was collected and analysed.

4. Empirical findings

The empirical findings contain the findings from the case study in esports. The section starts with a general overview of esports and how value is regarded in esports. It is then divided into four sections for each type of actor identified in the esports industry.

5. Analysis

In this section, the findings are put in contrast to the literature review. Findings confirming, disproving, and complementing theory is highlighted, in order to provide a basis for the answers to the study's research questions.

6. Discussion

In the discussion, the findings and the subsequent analysis are discussed, and answers to the research questions regarding the perception of value creation and appropriation, and the implications of these, are formed.

7. Conclusion

The conclusion restates how the study answers the research questions in brief.

8. Further research

This section briefly discusses what further research in line with the research question might entail.

2. Literature review

By reviewing a range of theoretical areas, this chapter aims to provide the reader with knowledge about several notions relevant to this study. The reader is first introduced to the features of a nascent industry, a concept that is deemed as reflecting the state in which the esports industry is currently in. To explain how actors in the esports industry act in regard to value, focus is then shifted to the concepts of value, value creation, and value appropriation. To complement these concepts, the role of industry architectures is presented, as well as how there is a trade-off between competition and cooperation among firms, especially in the early phases of an industry's life. Together, these concepts provide a foundation on which we can further build upon with empirical evidence from the esports industry in an attempt to bridge the gap identified in literature.

2.1. Nascent industries

In deciding what constitutes an industry, Grant (2008) discusses the notion of industry boundaries. According to Grant, any group of firms that supply the same market constitutes an industry. However, he also mentions that defining the boundaries of an industry is difficult, as firms rarely serve the exact same market. Nevertheless, analysis of an industry's boundaries often provides insight into which phase in which an industry is in. In his seminal book on competitive strategy, Porter (1980) introduces the industry life cycle and describes the "early stages phase" as a period where many alternative product designs exist, and where the boundaries of the industry are still developing. The industry life cycle revolves mainly around the product designs in an industry, and their path from several competing designs to a dominant one. It is therefore valuable when analysing how a product and its surrounding industry evolves from said product's introduction to its eventual decline.

Similar to Porter, Shaver (2006) states that in *nascent industries* – an industry in its beginning phases – technological standards are not fully determined and the competitive landscape of the industry is just forming. Shaver adds to the definition by noting that in a nascent industry, even the customer demands might not be well established. As a result, Shaver suggests that there is uncertainty in what profits a firm can expect. Santos and Eisenhardt (2005) adds to both Porter's and Shaver's suggestions that a nascent industry's competitive landscape is just forming. They add to the discussion that because of the ambiguity in a nascent industry, actors may have a hard time distinguishing between which organizations are suppliers and which organizations are competitors, since there is no well-established value chain. Furthermore, Klepper and Graddy (1990) found that in new industries, the lack of ability for a firm to compare itself to other firms leads to the firm having a hard time predicting if it will be successful or not once the industry matures. As a result of ambiguities in the competitive landscape, Santos and Eisenhardt (2005), suggest that firms will use different mechanisms to claim and control the market that the industry serves. For example, a firm can do this by making the identity of their firm synonymous with the industry, entering strategic partnerships with other actors to deter competition, and acquiring resources from rivalling actors in an attempt to hedge against failure.

By borrowing from several authors and their explanations of a nascent industry, a number of characteristics representative of a nascent industry can be put together to create a broader picture of the term and its meaning. For this study, we use the aforementioned explanations to characterize a nascent industry as one where industry boundaries that are not yet solidified (Porter, 1990; Shaver, 2006), there is a lack of standardization in product design (Porter, 1990), there is ambiguity in the competitive landscape (Santos & Eisenhardt, 2005; Klepper & Graddy, 1990), and there are uncertainties in customer demands (Shaver, 2006).

2.2. Value, value creation, and value appropriation

In management literature, value refers to the worth of a product or service. More times than not, the concept of value is explained from a consumer viewpoint. For example, Schechter (1984) defines the value of a product as equivalent to the price a customer pays for the product. The monetary view on value can be complemented with a perception-based view. Zeithaml (1988) explains value as the the difference between the perceived benefits from a product and the sacrifices made (e.g. search costs, time costs, psychological costs) by the consumer to obtain it. Pitelis (2009) defines value as how a socio-economic agent perceives the worthiness of a subject matter and its use. Bowman and Ambrosini (2000) make use of both views to construct a two-component definition of value. The *use value* is defined as the perceived value of the product by the customer, while *exchange value* refers to the amount paid by the customer to the seller.

Despite the term being used commonly in management literature, academics have different views on how value should be used as a concept. Lezinski and Marn (1997) state that when it comes to management literature, the concept of value is both misused and overused. Other authors, such as Pitelis (2009) and Sanchez-Fernandez and Iniesta-Bonillo (2007), highlight the fact that when value as a concept is used in literature it has often not been clearly defined. This is perhaps a result of value being perceived differently by different actors, in line with what Pitelis (2009) and Zeithaml (1989) suggest. By investigating the notion of value from the perspectives of the firm, its customers, its suppliers, and its investors, Bowman and Ambrosini (2009) suggest several propositions to clarify what value is when in a context including actors beyond only buyer and seller. Using their aforementioned notions of use and exchange value, Bowman and Ambrosini suggest that customers aim to maximize the use value received for the exchange value they paid for a product. In contrast, suppliers aim to maximize the exchange value received for the use value supplied. For the firm itself, which the authors assume operates in the interest of investors, value means maximizing and retaining the exchange value.

A monetary view on value, such as that of Schechter's (1984), may be useful when looking at a transaction in its isolation. In contexts including actors more than those involved in the actual transaction (i.e. seller and buyer), the perception-based views prove useful. It is of great importance then, that when discussing value and related concepts, to (1) take into regard that different actors perceive value differently, (2) understand that depending on the context, different actors have different aims with value, and (3) in each case make it clear how an actor in a specific context regards value in order to avoid any unclarities.

2.2.1. Value creation

Mizik and Jacobson (2003) define value creation as the process of a firm innovating, producing and delivering value to the market. A similar definition is given by Priem (2007), who defines value creation as any innovation provided by the firm that establishes or increases a consumer's valuation of the benefits of the consumption. By building upon the notion of use and exchange value provided by Bowman and Ambrosini (2000), Priem (2007) further pinpoints that value creation is the result of two activities in the firm: increasing use value and/or decreasing exchange value.

Although value creation is a commonly used term with several overlapping definitions, the term may not always be straightforward. Indeed, Lepak and co-authors (2007) state that the notion of value creation is not well understood. They argue that just as value is perceived differently by users, the extent to which value is created depends on how the target user realises the created value. For a target user to actually exchange monetary funds, the perceived value needs to transcend their willingness not to consume. At the other end of the table – the organizational level – the authors further state that a firm needs to have capabilities where it can combine and exchange knowledge creating novelty. The firm needs not only create value (which increases the customer's willingness to pay), but the payment received from customers needs to transcend the cost of creating that value. Lepak and co-authors (2007) conclude stating that in order to be able to create value, the firm needs to provide an innovation that increases the consumer's valuation on the benefits of consumption.

In contrast to the aforementioned definitions, Tsai and Ghoshal (1998) offer a firm-centric take on value creation and where it originates. Their research is in agreement with both Priem (2007) and Mizik and Jacobson (2003) regarding value creation as the result of a firm introducing an innovation that increases a consumer's perception of use value. In line with Lepak and co-authors (2007), Tsai and Ghoshal (1998) also argue that a firm needs to be able to combine knowledge in order to provide these innovations. However, they present another dimension to the notion of value creation in arguing that the role of *social capital* has an impact on the firm's capability to create value. By social capital, they refer to three dimensions consisting of (1) social interaction within the firm, (2) the trustworthiness an actor has in a network, and (3) a shared vision amongst the members of an organisation. Their research shows that when it comes to a firm's ability to create value, these three dimensions play an important role.

Other authors also present non-consumer factors that affect the value creation process. For example, Roberts and Dowling (2002) pinpoint the importance of a firm's brand recognition as an inimitable – and therefore valuable – driver of value creation. Sirmon and co-authors (2007) state that value creation occurs when a firm overshoots their competitors, as long as it maintains or improves its profit margins. It seems as though solely the consumer perspective is not enough to explain the concept of value creation. By complementing it with factors within the firm and its network, a more complete understanding of value creation and its origins can be created: value creation is not only a function of the customers' expectations, but also of the firm itself and its competitors.

There is no doubt a pattern of reoccurring themes in the different definitions and takes on value creation, building largely upon the process of providing a customer with products or services that are perceived as valuable. The different views however seem highly conceptual. Empirical examples of value creation would be helpful in gaining a better understanding of the concept. Yet, Lepak and co-authors (2007) state in their research that while the term value creation is often used in literature, it is rarely about how firms actually create value and manage their value offering, rather focusing on describing the term at a conceptual level. This view is shared by O'Cass and Ngo (2011) stating that from an empirical viewpoint, value creation is an under-researched topic and is rarely presented from the firm's perspective.

In doing such an empirical study on e-businesses, Amit and Zott (2001) found that the value creation potential for a firm is dependent on four factors: efficiency, complementarities, lock-in, and novelty. By increasing the transaction efficiencies between parties, costs are reduced, thereby increasing the difference between use and exchange value for the customer. Through complementarities – complementary products and services that tie into the core products – the use value for the customer increases. Using lock-in mechanisms (such as loyalty programmes or building trust and reputation), customers are dissuaded from leaving to a competitor and instead engage in repeat transaction, increasing the exchange value for the firm. Finally, they refer to novelty, which they describe as introducing new ways of structuring transactions, rather than in the traditional sense of introducing new methods of production, distribution, or marketing. By providing an empirical foundation based on e-businesses, Amit and Zott's findings become valuable when analysing industries with virtual markets.

2.2.2. Value appropriation

Di Gregorio (2013) defines value appropriation as the process in which a firm competes against other firms to create and protect appropriation streams. Pitelis (2009) puts it relation to value creation, and defines value appropriation as how much of its created value a firm extracts from the market. Mizik and Jacobson (2003) add to this view stating that this extracted value comes in the form of profit.

A common line of thought in the notion of value appropriation is that value that is not appropriated by the firm is instead claimed by customers and competitors (Mizik & Jacobson, 2003). Not only is there competition for appropriation from horizontal competitors, but Priem (2007) states that it is equally important for the firm to deny claims from both upstream and downstream actors in the same system. A full reading of Priem's explanation on how value is appropriated then leads as follows: value appropriation occurs when two conditions are fulfilled. First, as previously mentioned, when a firm can dissuade other actors to appropriate the value and at the same time receive payments from the consumer. Second, retaining the said appropriated value from both upstream and downstream actors who are members of the same value system as the firm.

Lepak and co-authors (2007) extend the conceptual view by more specifically discussing how a firm retains value. They explain that a firm's potential of appropriating value depends on the

firm's *isolating mechanisms*, and how well they are functioning. Examples of such isolating mechanisms could be any knowledge, physical, or legal barrier that prevents a competitor to imitate the novelty created by a firm. Lepak and co-authors (2007) explain that the given environment in which a firm is currently within affects how the value appropriation process should be outlined. The main importance is to limit the competition by the use of said isolating mechanisms.

Continuing on the line of isolating mechanisms, Pisano and Teece (2007) suggest that in order to ensure the maximum level of appropriated value, managers in the creating firms should use different intellectual barriers when possible and match them to the underlying architecture of the industry in which the firm is operating within. These barriers, comparable to Lepak' and co-authors' (2007) notion of isolation mechanisms, should serve as protection and allow the value creating firm to appropriate more value. Examples of such intellectual barriers include the use of patents, copyrights, trade secrets, and utilization of the firm's brand.

The use of isolating mechanisms or barriers to enhance the firm's value appropriation seems to be central in the literature. Pitelis (2009) adds to the aforementioned mechanisms of intellectual nature and also identifies entry barriers, absolute cost advantages, economies of scale, and product differentiation as important factors affecting value appropriation. At firm level, strategies such as cost leadership, differentiation, and creating a niche are important factors, allowing a firm to position itself in a way to dissuade competitors to imitate it, increasing the value appropriation as a result. Pitelis also discusses how a firm can appropriate *more* value than it has created. A firm may appropriate more value than it has created as it can appropriate value created by another firm, given that it has a better appropriation strategy and therefore a better position than the other firm does. Pitelis' explanation provides two more useful dimensions alongside the aforementioned isolation mechanisms. First, isolation mechanisms or barriers do not need to be of intellectual nature. Second, the discussion is extended to not only regard a firm protecting its own appropriation streams, but also how a firm can capitalize on *other* firms that do not protect themselves.

Pisano and Teece (2007) suggest another important means to creating barriers. They claim that since an innovation rarely yield a high value by itself, it requires complementary assets such as other products, services, or technologies in order to appropriate the most value possible from the novelty. By doing so, the creating firm claim the required elements in the system as a whole, making it harder for other actors to leech on the firm's value appropriation. By failing to provide complementary assets as means of protection, other actors have the opportunity to provide such assets and ultimately sharing some of the creating firm's value appropriation. Pisano and Teece's suggestion of complementary assets to enhance appropriation is interesting, as it may be interpreted as necessitating more value creation (in creating and providing the complementary asset) in order to appropriate previously created value.

Evidently, some authors suggest value is appropriated by raising intellectual barriers – such as patents – in order to legally deny others from imitating a firm's products or processes. Other authors suggest that, in certain situations, such barriers might not be viable or enough,

necessitating the need of other barriers driven by cost advantages, economies of scale, or complementary assets. The different theories may prove useful depending on the imitability of products and services in the industry. Research-intensive industries – such as the pharmaceutical industry – consistently use patents to stop imitation. In contrast, in an industry where products are imitable regardless of patents or copyright, it would be probable that firms need to utilize other types of non-intellectual barriers to maximize its value appropriation. Reiterating the words of Lepak and co-authors (2007), the environment of a given firm affects how the appropriation process should be outlined. Regardless of the appropriation regime, the discussion seemingly mainly revolves around the concept of isolating other actors from capitalizing on one's created value.

2.3. Nascent industries and value

The concepts of value, value creation, and value appropriation are to some extent well studied. However, they fall short in certain contexts. The discussion on value creation, for example, is highly conceptual and offers little insight into what firms actually do to create value. The discussion on how that created value is appropriated is highly dependent on the observability of specific industry dynamics. More specifically, these theories build upon three crucial assumptions:

1. Knowledge of the inherent dynamics of the industry, such as how actors perceive value and what drives a firm's value creation capabilities (to be able to create superior value).
2. Knowledge of the competitive landscape, both horizontally and vertically from upstream and downstream actors (to protect your appropriation streams).
3. That the inherent dynamics described in (1), and the competitive landscape described in (2), are relatively constant.

By knowing who your customers are and how they perceive value, it becomes easier to know what value creation refers to. By knowing the competitive landscape, the concept of competitive advantage becomes more tangible as it can be put in relation to other actors. Therefore, it becomes easier to identify specific isolating mechanisms that can be used in order to maximize value appropriation. What is problematic then, is when these assumptions are not applicable for the given situation. In that case, the aforementioned theories on value become less useful in answering how firms act to create and appropriate value.

This case is common in the early phases of an industry's evolution. In this phase, there might not be clear lines between supplier, competitor, and customer. The specific factors that drive a firm's competitive advantage might not be distinguishable. Moreover, customer demands might be uncertain or rapidly changing. As such, using the competitive landscape as a benchmark proves difficult, and isolating mechanisms are not easily identified or – as we will discuss shortly – relevant. Consequently, a nascent industry is an industry where the assumptions listed above are equivocal. Not only are several factors not readily observable, they are also highly uncertain even when they are observable. This conclusion falls in line with that of Aldrich and Fiol (1994), who mention that the knowledge of a new industry is informally held as tacit

knowledge by the actors and employees in the industry, making it hard for external observers to simply identify the industry dynamics. As a result of this ambiguity, Aldrich and Fiol (1994) argue that the new industry's growth faces challenges when pursuing capital and markets, and recruiting and retaining employees.

In answering how firms act (and why they act as they do) in the early phases of an industry's evolution, there is a gap in research. How do the firms create value during this phase, and how do they appropriate it? Although no cohesive body of literature exists on how firms act under these circumstances (hence the previously mentioned gap in research), theory that explains the notions of value creation and value appropriation when facing higher levels of uncertainty does exist. For example, to complement and develop Pisano and Teece's (2007) view on value creation and value appropriation, Jacobides and co-authors (2006) ask how a firm can generate value and capture the maximum amount of surplus without the need of isolating mechanisms or vertical integration. Such theories will be discussed next.

2.3.1. Industry architectures and the "guarantor of quality"

The classical view on value appropriation, according to Jacobides and co-authors (2006), focused on two-way relations, while industries consist of more complex relation structures. This structure is what the authors call the industry architecture, and is what determines the organization of an industry. The concept of industry architectures is not exclusive to nascent industries – industry architectures actually become more discernible as the industry matures. However, Jacobides and co-authors (2006) explain that an industry's architecture is formed early on in an industry's life, when several viable architectures exist and might compete. Therefore, it becomes interesting to investigate why an architecture arises and stabilizes. Specifically, it is when the industry architecture is not yet stable that firms have a better chance to affect it in order to create an "architectural advantage", which in turn enables the firm to maximize its value appropriation.

Jacobides and co-authors (2006) explain that the structure of industry architectures depends on three determinants. First, technical reasons play a role in determining the industry architecture. For example, the nature of the technology used in the industry may shape how different actors function and connect with each other. Second, industry architectures are shaped by both legal and regulatory determinants, which in turn can be affected by the firms themselves (e.g. through lobbying). Most relevant for nascent industries however, is the third determinant: the challenge of verifying quality. To explain this rather briefly, the authors reference Duguid, explaining how in any value chain, participants all have distinct views on how the industry architecture should be structured, and fight to be the guarantor of quality. In an example using historical wine trading, Duguid (2003) illustrates that in one wine market, the merchants gained the trust of the public to deliver value to consumers (hence, they "guaranteed the quality"). In another market, the wine producers themselves gained this trust. In becoming the guarantors of quality, a firm or a group of firms can increasingly exercise control over the industry architecture.

The industry architecture ultimately affects which roles are distributed among the firms acting in the industry: shaping value creation and the division of labour (who does what), and value appropriation and the division of surplus (who gets what). By controlling how the industry architecture is shaped, you are essentially controlling an opportunity to skew the industry organization to your favour. Though affecting industry architectures is not trivial, it is more probable and achievable in the formative years of an industry. The authors reiterate that in the ambition to affect and control the industry architecture, gaining the "guarantor of quality" title in the eyes of the consumer becomes a crucial component (Jacobides et al. 2006).

2.3.2. Cooperation and competition

Regarding value creation, Jacobides and co-authors (2006) argue that under some circumstances, a firm might have more to gain in encouraging imitation instead of trying to become the single provider of a product or service. This is mainly driven by the argument that even if imitation intuitively might reduce the profitability of the firm, it might as well also increase the underlying value of the firm's assets. In deciding whether to stop imitation or encouraging it, a firm needs to take into account how much it stands to lose from imitation, versus how much value can be appropriated from its underlying assets that will rise in usage. The authors call this trade-off narrowing or broadening, and they tie the trade-off into the concept of industry architectures.

If the industry architecture in which the firm operates in is expanding, the firm might find if favourable to invest its resources in developing the foundation on which it stands on, even though competitors might take advantage of that foundation (or in their terms, broadening their focus) (Jacobides et al. 2006). In other terms, a firm must ask itself if it is better maintaining its share in a growing industry, or protecting its share in a stagnant or shrinking industry. This line of thought is present also in other areas of research on new industries. Discussing how the legitimacy of a new industry affects the success of a firm, Aldrich and Fiol (1994) conclude that favourable strategies for firms in the industry include collective action rather than individual ventures. They also notice that collective action is more likely to occur in industries with imitable innovations. If innovations might leak to competitors and new entrants, firms in the industry are incentivized to make industry conditions more stable, for example by converging on a dominant product design. In new industries in which this collective action is not taken, it is more likely to inhibit the evolution.

Again, this notion of "coopetition" is not exclusive for nascent industries. For the purpose of this study however, it is assumed that nascent industries are more prone to fast expansion rather than mature industries, and it would therefore not be controversial to deem higher levels of coopetition as a characteristic of nascent industries. Indeed, Jacobides and co-authors (2006) mention that most often, industries emerge when a group of firms engage in a trial-and-error process in which they cooperate and compete at the same time.

2.4. Reflections on theory

It is clear that the discussion regarding value, value creation, and value appropriation is multifaceted – in part because of the subjective nature of value. Fully understanding the concepts solely through theory proves troublesome as there is no single truth in how the concepts should be regarded. Instead, different views vary and complement each other from different perspectives. As previously mentioned, a conceptual level of discussion necessitates the need for more empirical examples of how value is created and appropriated. Furthermore, when faced with the uncertainties and ambiguities of a nascent industry presented in section 2.1, the limitations of the earlier discussions of value are prevalent. Knowing that a nascent industry is characterized by lacking industry standards, an unclear competitive landscape, and ambiguity in which actors are partners, competitors, or customers calls for new perspectives.

The limitations do not mean that the earlier discussions on value are irrelevant. Several authors provide valuable suggestions on how value is created and appropriated. The theories do however need to be complemented with alternative views that fit in the context of the esports industry. By introducing new theory on how actors in an industry behave (and why they behave as they do), a more complete understanding of value, value creation, and value appropriation is created in the context of a nascent industry. This becomes relevant for the esports industry, as the notion of a nascent industry has been considered as representative of the phase in which the esports industry is currently in.

This literature review will serve as a foundation on which this study can build upon. The literature still presents a gap in explaining how firms create and appropriate value, especially in a nascent industry. The presented theories give us a conceptual understanding of value, value creation, and value appropriation. By investigating the esports industry, the actors within the industry, and how they perceive and understand creation and appropriation of value, this study aims to contribute to the theories presented above with empirical data. Outcomes could then range from disproving, confirming, or complementing the existing theories in an attempt to bridge the gap that has been mentioned.

3. Methodology

In this section, the process of how this study was conducted is outlined. First, the research strategy and approach is discussed. Then, the process of generating the final research questions is explained. Given the research strategy and research questions, the research design – including how data was collected and subsequently analysed – is then discussed. The section closes off by discussing the quality of the study along the dimensions of validity and reliability.

3.1. Research strategy

According to Paulsson and Björklund (2003), there are two different types of research strategies used in studies: quantitative and qualitative. Quantitative studies are characterized by using information and measures in a numerical manner. Qualitative studies on the other hand are often used when researchers want to gain a deeper understanding of a specific subject. The authors state that while the use of strategy depends on the situation, qualitative studies are more difficult to generalize in comparison to quantitative studies.

In this study, a qualitative approach has been used. The concepts of value, value creation and value appropriation are difficult to investigate quantitatively due to the abstract nature of the notions. As the researchers of this study sought to gain a deeper knowledge of the esports industry as well as how the actors operating within it perceive value creation and appropriation, the use of a qualitative approach was deemed appropriate. The use of interviews was prominent within this study as a means to acquire knowledge about the industry itself, as well as said notions. The lack of available quantifiable data in the esports industry further motivated the use of a qualitative approach to this study.

There are different types of approaches which can be used in research studies. This study aims not only to confirm or disprove theory, but also to contribute to existing theory with empirical data in a context, nascent industries, not investigated in literature. Thus, the approach used has been of abductive nature. As explained by Dubois and Gadde (2002), an abductive approach is suitable when researchers aim to discover new findings rather than confirming existing theory. Furthermore, this study has continuously interchanged between theory and the empirical world, resulting in redirection of both the literature review as well as adjusting research questions along the study's progress. Dubois and Gadde (2002) define this process as *systematic combining*, where focus is more on refining existing theories rather than inventing new ones. The nature of this study has led to that the theoretical foundations that have been used have been adjusted according to what the empirical world has suggested.

3.2. Defining the research questions

The study was initiated through an initial interview with Company business development director A.A. (both the company and the director, also our supervisor, are anonymized in this study). In this interview, it was brought up that Company as a firm had ambitions to appropriate more value in the esports industry, but that such ambitions were hard to realize as the esports

industry is only forming and as a result, it is hard to know what means can be taken to enhance the firm's value appropriation potential. Throughout the study, an iterative approach has interchanged between investigating literature and investigating the empirical world. In the initial phases of this study, however, focus was on *gap-spotting* in order to examine and construct viable research questions. Gap-spotting, as explained by Alvesson and Sandberg (2011), is the process of searching for aspects in existing literature which are either overlooked, under-researched, or lack empirical support. The findings of the initial literature review suggested that value appropriation as a notion is under-researched in instances where actors are operating in a forming industry. It became evident there are gaps in explaining how actors behave in an industry where the competitive landscape is relatively unclear. As a result of this identified gap, the research question that spawned out of this initial interview and literature review was:

"How can value be appropriated in an uncharted industry?"

The initial interview at Company, complemented with reading industry reports, indicated that esports was an industry that had seen little academic and industrial investigation. For that reason, the esports industry was regarded as a representation of an uncharted industry, and would act as case study in answering how value can be appropriated in such an industry. The process of carrying out the study would then be to map out the value chain of the esports industry and thereby creating a context in which Company's value appropriation processes could be investigated and analysed. Six sub-questions were divided into two different categories, "Mapping out the industry", and "Narrowing down on Company", which ultimately culminated into a final research question of how the company could maximize its value appropriation in the esports industry.

Mapping out the industry

- What constitutes the esports industry, what attributes are specific to it?
- What different actors exist in the esports industry and how do they relate?
- How do these actors regard value?

Narrowing down on Company

- How is value created at Company and for whom?
- How is value appropriated at Company?
- How can Company maximize its value appropriation in the esports industry?

As the study progressed, alternating between investigating the empirical world, through interviews and second hand data, and finding theoretical support, it became more evident that the initial approach was too narrow and the scope of the study needed to be broadened. Further research of existing literature highlighted the close relation between the notion of value appropriation and value creation. While the initial intention of the study was to investigate value appropriation, investigating value creation added a further dimension to the study, as it became more prevalent that it was difficult to investigate one concept without the other. Both concepts also relied on an understanding of the underlying concept of *value*, which also needed to discussed. Furthermore, while the unit of analysis was initially intended to revolve around a

single actor operating in the industry (Company), the scope was broadened to discuss "actors in the esports industry", rather than a single firm. This was the result of initial interviews in phase two (see Table 3.1 in *"3.3. Research design"*), making it clear that different actors have different strategies in regard to creating and appropriating value, and it would be of larger academic interest to investigate how different actors behaved in order to understand the industry as a whole.

As a result of the broadening of scope mentioned above, and several subsequent iterations, a new research question emerged. The new research question included the notion of value creation, as well as having a more general unit of analysis, the actors in the esports industry. Rather than attempting to provide a definitive answer on how value is created and appropriated in the esports industry, the research question was changed to reflect how the concepts could be perceived. Furthermore, the term "uncharted industry" was replaced with "esports industry" because of two reasons. First, the term uncharted industry was vague, and was not used in literature (another term, "nascent industry", was used in the literature review instead). Second, it was changed in order to clearly reflect the scope of the study, leaving the question of generalizability for the authors to discuss.

"How are the notions of value creation and value appropriation perceived by various actors in the esports industry?"

Two further questions serve as complements to the main research question, investigating the industry in order to be able to discuss perceptions of value creation and value appropriation, as well as investigating the implications of these perceptions.

1. *What is the esports industry and what types of actors does it consist of?*
    - *How do these types of actors interact?*
2. *How are the notions of value creation and value appropriation perceived by the various actors in the esports industry?*
3. *What are the implications of these perceptions for the esports industry?*

With the above research questions, the literature review continued, further identifying bodies of literature relevant for the case study of esports. Findings from the literature review were then compared with findings from interviewees and secondary data.

3.3. Research design

There are several different types of research designs that can be used when conducting a study. In this study, where focus on investigating a nascent industry, and acknowledging the existing gaps with the intent of bridging them, a case study was deemed appropriate for the research questions. Yin (1994) states that a case study is generally a suitable method to use when the research question revolves around a phenomenon and it is unclear where it fits in a real life context.

Just as there are different research design approaches, there are different approaches to using the case study method depending on the given situation. As defined by Easterby-Smith and co-authors (2012), a constructionist case method is based on direct observations and personal contact, often using interviews. It also takes place in a low-to-singular sample size, but then involves sampling from a number of individuals within that unit. The constructionist case method also relies on the fact that human interaction in the investigated area provides a deeper understanding, compared to just examining the surface. Due to the nature of the research questions – the lack of empirical data on value creation, and the gap in value appropriation theory – a constructionist case method, with researchers interacting with individuals in esports, was used in this study.

The empirical study was divided into three different phases as shown in Table 3.1. The first phase consisted of acquiring information about esports as a phenomenon in general, understanding the phenomenon as an industry, identifying which actors operate within the industry, and how different actors interact with each other. In this phase, an initial interview with a business developer from a competition organizer was conducted. The focus of this interview was not necessarily connected to any specific topic (although value, value creation, and value appropriation was discussed) but more exploratory in nature as a way to become familiar with the industry itself. In the second phase, the focus of the interviews was shifted to understand more about the concept of value in esports, allowing individuals from different areas of esports to express their thoughts regarding these subjects. This allowed insight on how the real world relates to the identified body of literature, and proved as a basis to further refine and expand the literature review. In the third and final phase, the notions of value creation and value appropriation still had a central role in the interviews conducted. After a further review of existing literature, other themes such as the trade-off between competition and cooperation, as well as diversification and differentiation were of interest, providing further depth in understanding esports and the actors within it.

	Interview focus	Structure of interview	Type of actor interviewed	Position of interviewee	Length, transcription, medium
Phase 1	Esports industry as a whole	Unstructured	CO #1	Business developer	50 min, not transcribed, face-to-face
	VC and VA	Semi-structured	CO #2	Head of unit	45 min, transcribed, face-to-face
	VC and VA	Semi-structured	CO #2	Project manager	29 min, transcribed, face-to-face
	VC and VA	Semi-structured	DP #1	Editor in chief	32 min, transcribed, Skype
Phase 2	VC and VA	Semi-structured	T #1	Manager	30 min, not transcribed, Skype
	VC and VA	Semi-structured	DP #2	Editor-in-chief	31 min, transcribed, Skype
	VC and VA	Semi-structured	CO #1	Vice president	48 min, not transcribed, face-to-face
	VC and VA	Semi-structured	CO #1	CEO	45 min, transcribed, face-to-face
	VC and VA	Semi-structured	DP #3	Manager	31 min, transcribed, Skype
Phase 3	VC and VA + themes of interest	Semi-structured	DP #4	Head of unit	31 min, transcribed, Skype
	VC and VA + themes of interest	Semi-structured	CO #1	Business developer	45 min, transcribed, Skype
	VC and VA + themes of interest	Semi-structured	CO #2	Head of unit #2	28 min, transcribed, face-to-face
	VC and VA+ themes of interest	Semi-structured	CO #1	Project manager	27 min, transcribed, face-to-face
	VC and VA + themes of interest	Semi-structured	DP #5	Head of unit	42 min, transcribed, Skype
	VC and VA + themes of interest	Semi-structured	T #2	Partner	42 min, not transcribed, Skype
	VC and VA + themes of interest	Semi-structured	Other	Manager	30 min, transcribed, Skype
	VC and VA + themes of interest	Semi-structured	CO #1	Business developer	45 min, not transcribed, Skype

Table 3.1. An overview of interviewees in the study. Explanation of abbreviations: T, team; CO, competition organizer; DP, distribution platform. Different actors in the same category are differentiated by a number.

Interviews has been the main method of gathering data in this study. This data has been complemented by continuously gathering secondary data on esports, providing a broader understanding both of qualitative and quantitative nature. The use of secondary data is further discussed in chapter 3.3.1, *"Data collection"*. With data from both interviews and secondary sources, there was a need of structuring and filtering data before analysing and reaching any

conclusions. Through the use of the grounded analysis method suggested by Easterby-Smith and co-authors (2012), the authors could distinguish the most relevant aspects of the findings. This data analysis process is further discussed in chapter 3.3.2, *"Data analysis"*.

3.3.1. Data collection

Data collection has been an ongoing process throughout the study. The main part of the data collected has been of a qualitative nature, through several interviews with individuals working in different areas of the esports industry as highlighted in Table 3.1. It should be mentioned however that no interviewees representing publishers were available for this study. As a result, frequent collaborators with publishers – such as certain competition organizers and distribution platforms – were instead asked of the activities of publishers. The initial interview can be characterized as an in-depth interview. Saunders and co-authors (2009) state that in-depth interviews should be used when researchers are interested in exploring a general area. In this study the in-depth interview served the purpose of familiarizing the researchers with the phenomenon of esports. This interview was conducted at Company, where the interviewee was allowed to speak freely about esports in general, discussing various topics without any particular focus. It is important to note, that in this interview, and the interviews in the subsequent two phases, interviewees were not only regarded as representatives from specific firms acting in esports, but also as industry experts with knowledge of the whole range of activities in esports.

As previously explained in 3.3, the second and third phase served the purpose of investigating the concepts of value creation and value appropriation as well as trade-offs between cooperation and competition in the esports industry. The interviews in the second and third phase were all semi-structured, allowing the researchers to structure interviews according to relevant themes, guided by the literature review. As all interviews in these phases were semi-structured, careful preparations were made in the focus of the themes, in order to achieve the best possible results as well as ensuring that the structure of the interviews were the best possible fit for the desired outcome. For example, research was done on the interviewee and firm (if applicable, all interviewees were not representatives of a firm), in order to avoid prolonged personal or organizational descriptions potentially irrelevant to the study. Semi-structured interviews are described by Easterby-Smith and co-authors (2013) as an interview in which the questions being asked are more guided and open, compared to a completely standardized set of questions. Saunders and co-authors (2009) describe semi-structured interviews as advantageous in situations where the interviewer is interested in a context encountered in relation to the research topic. In comparison, a highly structured interview, as described by Bryman and Bell (2014), where the questions are standardized and decided before the interview, as well as where the interviewers know exactly what information he or she requires from the interview, was not suitable in this study due to a number of reasons. First, the researchers would initially require vast knowledge about the esports industry. Second, while the researchers' knowledge about the industry increased as the study progressed, the interviewees were diverse in the sense that individuals represented different areas and actors of the industry. Furthermore, semi-structured interviews allow the interviewer to probe for answers as well as engaging in a discussion with

the interviewee, rather than having a preconceived notion of what the answers should entail (Edwards & Holland, 2013). Another advantage with semi-structured interviews, as described by Bryman & Bell (2014), is the fact that it allows the interviewees to answer the questions on their own terms while still having an overall basic structure of themes through which the answers can be compared with other interviewees. Edwards and Holland (2013) raise the issue for interviewers to know when to stop asking the same questions to different interviewees. The authors suggest that when new information is no longer provided, interviewers may move on, analysing the answers and when appropriate, and ask other questions based on the information retrieved.

The first interviews were conducted with the study's industry supervisor A.A., and employees at different competition organizers. Each interviewee could then pin-point other individuals and actors of interest for the study and the research questions at hand. This process is commonly known as the *snowball sampling method* (Easterby-Smith et al. 2013). Throughout the empirical study, a total of 17 interviews were conducted. While not all individuals wished to be regarded as anonymous, it was decided to anonymize all the interviewees. The reason for this was the risk of being able to identify anonymous interviewees by deduction based on the non-anonymous interviewees.

The other method through which data was collected for this study was the gathering of data from secondary sources. Easterby-Smith and co-authors (2013) suggest that secondary sources are a good complement to primary data sources such as interviews. The main advantage, according to them, is that secondary data both saves time and effort for the researcher, the prerequisite being that the data is considered to be from a reliable source. Scott (1990) proposes four different criteria for evaluating secondary sources. In this study, such sources were exclusively found on the internet through the use of various searches of terms deemed to be of relevance. Initially, the term "esports" was used along with other keywords such as "market report", leading to sources that included information about the development of esports, and viewpoints and predictions on esports as an industry (market briefs from consulting and analytical firms, for example). Various esports actors' names were also used in search strings, leading to information about individual actors (most often from press releases or news articles from the actors themselves). Interviewees also provided with suggestions in regard to secondary data sources, emphasising the use of sources from established actors in the industry.

1. *Authenticity*, which takes into consideration how genuine the source is.
2. *Credibility*, where one must consider whether the source may have been affected in some way to be perceived to be better than it is.
3. *Representativeness*, where the researchers must be careful to what conclusions that can be made from the information within the sources.
4. *Meaning*, which take into account how well the researchers understand the information within the source.

The framework presented by Scott (1990) has been used by the authors throughout the study in order to distinguish what sources, and which information within the sources, should be used,

and to what extent any analysis or conclusion should build on these sources. In regard to *authenticity* and *credibility*, reports were specifically discussed with some interviewees in order to investigate how authentic and credible they were, beyond investigating who the authors were and what actors they represented. Concerning representativeness, secondary data sources were seldom used as a single source to a statement or conclusion. They were either used in conjunction, or in complement to interview answers. Last, to regard the criteria of *meaning*, the researchers discussed secondary data in order to ensure they have been interpreted in the same way. In cases where data was hard to interpret in regard to usefulness and relevance to this study, they were discussed with the industry supervisor to further comprehend the data and what it represented. These discussions then served as basis for whether or not the data should be included in the study and to what extent they could be used.

As previously mentioned, secondary data has included both quantitative and qualitative data. The quantitative data mainly consists of historical data on the growth of esports and predictions of future growth in terms of revenue. Furthermore, prize money dealt out in certain video games has been used as a proxy for measuring the presence of specific video game publishers in esports. Qualitative findings from secondary data sources have mainly been used as a complement to interview answers as a way to ensure the validity of certain statements that interviewees have made.

3.3.2. Data analysis

Almost all interviews were recorded with a recording device with the permission of the interviewees. After each recorded interview, the recording was transcribed word by word. An overview of which interviews where recorded and transcribed is available in Table 3.1. Transcriptions are useful in several ways for researchers according to Bryman and Bell (2014). For example, researchers can devote their attention to the interviewees instead of taking notes. Furthermore, it allows researchers to thoroughly analyse the content both shortly after the interview but also by looking back at interviews a time after the interview had been conducted. As the data collection process was continuous throughout this study, data has been analysed iteratively as more data was collected and broader range literature was reviewed. Bryman and Bell (2014) state that the continuous interchange between data collection and analysis is common, as findings along the way may lead the researchers into new areas of interest.

The research questions in this study revolved around value creation and appropriation in the esports industry, but interviews generated diverse answers that were not always intuitively categorical with regard to the research questions and the literature review. As Easterby-Smith and co-authors (2012) suggest, the *grounded analysis* framework was used in this study to avoid confusion and ease the process of analysing the findings. The framework consists of seven different steps, (1) *familiarization*, (2) *reflection*, (3), *open coding*, (4) *conceptualization*, (5) *focused re-coding*, (6) *linking*, and (7) *re-evaluation*.

In the first step, *familiarization,* collected data is sifted thoroughly by the researchers. In this step, it is important to take a step back and be reminded of what the focus of the study is, what

the data suggests, and remembering whose view is being expressed. In this study, the transcriptions and notes from interviews were revisited, pinpointing specific passages and identifying themes that could be of interest in regard to the focus of the study. Examples of themes in this study are "diversification among competition organizers" or "importance of human capital in esports actors".

In the *reflection* step, Easterby-Smith and co-authors (2012) claim that the researchers should evaluate the previous research, and put that evaluation in the context of the collected data from the case study. In this study, the literature study was revisited, reminding the researchers of the different views presented, and how the collected data could be interpreted in light of those views. For example, findings that either supported or challenged existing theories were highlighted, as well as *how* they did so.

Open coding describes the process of transforming raw data into comprehensible words or sentences that could be linked with the areas of interest for the study. In this phase of this study's analysis, the researchers distinguished certain categories in which certain parts of the findings could be put into, and consequently coded to make it more understandable. Examples of such categories in this study are "how actors create value", "how actors appropriate value", or "collaborations between actors".

Conceptualization refers to how researchers discover different patterns from the codes created in the open coding phase. Here, it is important to compare the different codes and further identify concepts and themes as way to comprehend the data. In this study, the conceptualization phase consisted of creating a range of themes through which the analysis could be presented.

The fifth step, *focused re-coding,* researchers further narrow down the number of codes into more refined ones. The data should here be framed to simplify the process of analysing parts deemed to be of importance. In this study, with the coding process being iterative, focus lied on understanding what different individuals meant when they described a situation or phenomenon. Several interviewees were asked similar question, and it was therefore of great importance to fully understand in what way they interpreted the question to understand what their answers actually entailed.

In the *linking* step, the distinction of how concepts and key categories relate to each other is made. It is in this stage that the analytical framework as well as explanations become clearer for the researchers. Here, it is also important to validate certain findings with other sources so that the argumentation and findings can be solidified. In addition to doing this in this study, supervision from both Anne Elerud-Tryde at Chalmers and A.A. from Company allowed for more input on the findings and analysis.

The framework culminates in *re-evaluation*. After receiving input from the supervisors, the researchers should overlook which areas may need to be improved, for example if some areas are perhaps over- or understated. In this step, all parts of the findings and analysis were looked

over, and feedback from the supervisors was processed in order to further improve the final analysis.

3.4. Quality

Bryman and Bell (2014) state that the quality of a study can be measured along two dimensions, *validity* and *reliability*. Through these dimensions, it is possible to evaluate the trustworthiness of the findings in the study as well as evaluating the process of it. The validity and reliability of this study is discussed next.

3.4.1. Reliability

Reliability is explained by Bryman and Bell (2014) as to what extent a study can be replicated. The authors further state that when it comes to qualitative research, it is almost impossible to replicate a study as the social environment change over time. Golafshani (2003) state that the concept reliability is more often associated with quantitative studies, but suggests that it is important to evaluate qualitative studies in regard to reliability as a way to ensure the quality. The process in how this study has been conducted has been well documented, explaining how the methodology and different phases has been executed. This is a prerequisite when it comes to replication of a study (Bryman and Bell, 2014).

This case study of the esports industry has been dependent on interviews with different individuals acting in the industry. Edwards and Holland (2013) highlight the fact that it is almost impossible to know how many interviews should be conducted to satisfy the needs of the study, and that it is dependent on the given situation. The authors suggest that the interview process should be continued as long as new information is provided by the interviewees. As a way to increase the reliability, the approach suggested by Edwards and Holland (2013) was used in order to collect a satisfying range of different views, as well as knowing when to change the themes of the interviews, and when to stop interviewing. Using recordings and transcriptions of the interviews further allowed the researchers to not only rely on memory, increasing the reliability of the study.

As previously mentioned, the interviews were conducted in a semi-structured manner with open questions, with the exception of the first interview. In preparations for interviews, it is important to outline the questions in such a way so that they do not imply what answer is sought. As a way to ensure this was not a risk in this study, the interview templates were shared with both the academic and industry supervisor in order to validate that the templates were as objective as possible. Between the second and third phase of the empirical study, the interview template was altered to include themes beyond value creation and value appropriation. Furthermore, slight adjustments were made in between interviews in order to fit the actor being interviewed.

In this study, efforts were made to interview individuals from a broad variety of actors in esports. However, video game publishers proved hard to communicate with, and no interviews were held with individuals at publishers. Instead, information about publishers was collected

from individuals from non-publisher interviewees. Arguably, the reliability of the data collected from interviewees in regard to publishers can be viewed as biased. As a way to complement the data from interviewees, secondary data sources in the form of news and press releases from publishers were used.

3.4.2. Validity

Björklund and Paulsson (2003) define validity as how well the research measures used reflect what they were intended to measure, as well as how truthful the results are. In contrast, Golafshani (2003) state that validity is not a single, fixed or universal concept, but rather a contingent construct that depends on the intent of the research methodologies used. Bryman and Bell (2014) make the distinction of dividing validity into two notions, internal and external validity. Internal validity refers to the conformity between the researcher's observations and the theoretical framework developed from said observations. The internal validity of this study is discussed in chapter 8, "*Further research"*.

External validity regards how well the result of a study can be generalized and used in other contexts and situations. Bryman and Bell (2014) raises the issue of it being difficult to achieve generalizability in qualitative studies as the use of unique case studies are prominent. The authors suggest that the use of descriptive details of the social setting and environment provides further context into how and why actors operate the way they do. By doing this, it enhances the possibility to create general statements. The use of descriptive details has been used in this study as a way to illustrate the social reality of actors in the esports industry in order to highlight not only how actors act, but also why they act as they do.

The concepts of validity and reliability are closely connected. Lincoln and Guba (1985) explain that validity cannot exist without reliability and the reliability of a study is therefore a direct consequence of the validity. The authors suggest that triangulation is one way of improving the reliability and validity of a study. By triangulation, Björklund and Paulsson (2003) refer to the usage of more than one method in investigating a subject. This view is shared by Golafshani (2003), who describes triangulation as a way to strengthen a study by combining different methods and using several kinds of data. Björklund and Paulsson (2003) state that there are four different types of triangulation: method-, data-, theoretical-, and investigator triangulation. Three of these different triangulation methods have been used in this study. Interviews have served as the main source of data in this study. However, secondary data sources have also been used as a means to cross-reference data collected from interviews. This corresponds to data triangulation, as explained by Björklund and Paulsson (2003). Furthermore, this study has been conducted by two different individuals, and has received feedback from a supervisor at Chalmers, and a supervisor at Company, in line with investigator triangulation. In the literature review, different sources and views have been presented to form a comprehensive theoretical foundation, corresponding to theoretical triangulation.

One type of triangulation, method triangulation, has not been used in this study. For method triangulation, Morgan (1988) suggests that it is useful to complement interviews with focus

groups and observations. This study has solely relied on interviews as a primary data source. Observations were not deemed useful since the processes value creation and value appropriation are hard to observe (or even define) in its isolation. Focus groups have not been used for two main reasons. First, it was deemed too difficult to gather several individuals, across the world, representing different organizations, to convene in one place and time. Second, there was a possibility of individuals having conflicts of interest, as many of the interviewees are in competition and/or partnership with one another, meaning data from such a meeting would perhaps not reflect what participants actually think and feel.

4. Empirical findings

In this section, the empirical findings of this study are presented. The findings are in majority based on qualitative data, gathered from interviews with actors in the esports industry, and second-hand data from a range of different sources. The section is divided into three parts. First, the esports industry is defined and the actors within it are identified to prepare for the forthcoming discussion on what different perceptions of value creation and value appropriation exist in the esports industry. The second part of this section is divided into each type of identified actor (as presented in the first part). For each type of actor, a general description of the actor is given. The general description is followed by findings on how value creation and appropriation is perceived with regard to that actor. The section concludes with an overview of the findings, showing how different actors perceive and interact with each other.

4.1. Esports: an overview

As mentioned in the introduction, esports – playing video games competitively against each other – has existed for as long as video games have existed. As early as in 1980, video gamer publisher Atari hosted the "Space Invaders Championships", attracting 10 000 participants in the U.S. (Langshaw, 2012). This kind of event was mostly a marketing tool for the games or consoles being sold, and participants were exclusively hobbyists. The phenomenon gained real traction with the start of the 2000's, when independent competition organizers grew into professional firms as a result of an increasing interest and revenue from sponsors and advertisers who wanted exposure to the hard-to-reach young male demographic. The growth of organizers consequently increased the amount of prize money to compete for, and just as organizers turned professional, hobbyist participants organized in professional esports teams.

Esports experienced its biggest boom in revenue and prize money around the last decade shift (Newzoo, 2016b; Esportsearnings, 2016a). This seems to be attributable to two factors. First, the availability of streaming services spawned a new distribution platform for people to broadcast and watch esports. Streaming services niched on esports appeared, and other distribution platforms – such as linear television and traditional media – paid more attention to esports (PwC, 2016). Second, the publishers of the very games played in esports started investing in esports (Esportsearnings, 2016c), as Atari had in 1980's, the exception being that esports was now not only a hobby, it was a professional sport.

The industry is now gaining the attention of large corporations from the media industry looking to enter esports, and Deloitte estimates a 25% increase in global esports revenues to $500 million in 2016, with regular and occasional viewers amounting up to 150 million people (Lee & Stewart, 2016).

4.1.1. Outlining the esports industry

Neither interviewees, industry reports, or other secondary data provide a fully consistent view of esports. Depending on which perspective is chosen, the boundaries of the esports industry

and what actors act within it change. For example, interviewees representing a competition organizer suggested that a strict perspective would only regard actors that *solely* work with esports, which would limit the esports industry to two categories of actors: competition organizers and esports teams. Competition organizers host competitions, and teams compete in these competitions. However, a broader perspective, as presented by reports from Newzoo (2016b) and Superdata (2015), may include all actors that have activities in esports, whether it is that actor's main source of revenue or not. That would expand the industry to include video game publishers (who create the games that are played), and distribution platforms (through which esports is broadcasted); actors who are involved in esports but earn the majority of their revenue from non-esports activities. One interviewee from a competition organizer, who often collaborate with large brands, explained that an even broader perspective would include advertisers and sponsors – for example corporations such as Red Bull, McDonald's, or Intel – as actors within the boundaries of esports.

An all-encompassing overview of the esports industry therefore does not seem trivial to outline. When asked about esports as an industry however, all interviewees (across different actors) included four discernible categories of actors in a process of activities ranging from creating and publishing the game, to having esports matches in that game broadcasted through distribution platforms. This is not to say that an actor only operates within one activity (e.g. an actor is not limited to only creating games). On the contrary, actors often engage in more activities than one (as is presented later in this section). However, a simplification is needed to gain an intuitive understanding of what esports constitutes. In its simplest sense, a game publisher publishes a game title, which is then played by teams at a tournament organized by competition organizers. The matches are then packaged accordingly – for example broadcasted or written about – and then distributed through one or more distribution channels, in which the end user can then consume esports. Throughout this range of activities, important non-esports-actors are advertisers and sponsors, who enable teams, competition organizers and distribution platform to monetize their activities. In addition to suggestions from interviewees, this categorization is also present in industry reports (Newzoo, 2016b; Superdata, 2015) with minor differences in nomenclature, indicating at least some level of standard across esports actors.

In figure 4.1, the range of activities above is visualized. Each category of actor is connected to one or more other categories of actors, with brief descriptions of their activities shown along the connecting arrows. In the figure, the actors for which esports is the main source of revenue have been circled in grey (i.e. the strict perspective described above). Other actors in the figure also act within esports, but for these actors, esports is not always the main source of revenue. It is to be noted however, that there are actors operating in these activities in which esports *is* the main source of revenue. Interviewees also suggest that there are actors that are not as common. One team representative, for example, mentioned esports agencies, who help teams in scouting and hiring players. For the sake of brevity (there is, for example, only one esports agency in the world), these are left out from the visualization.

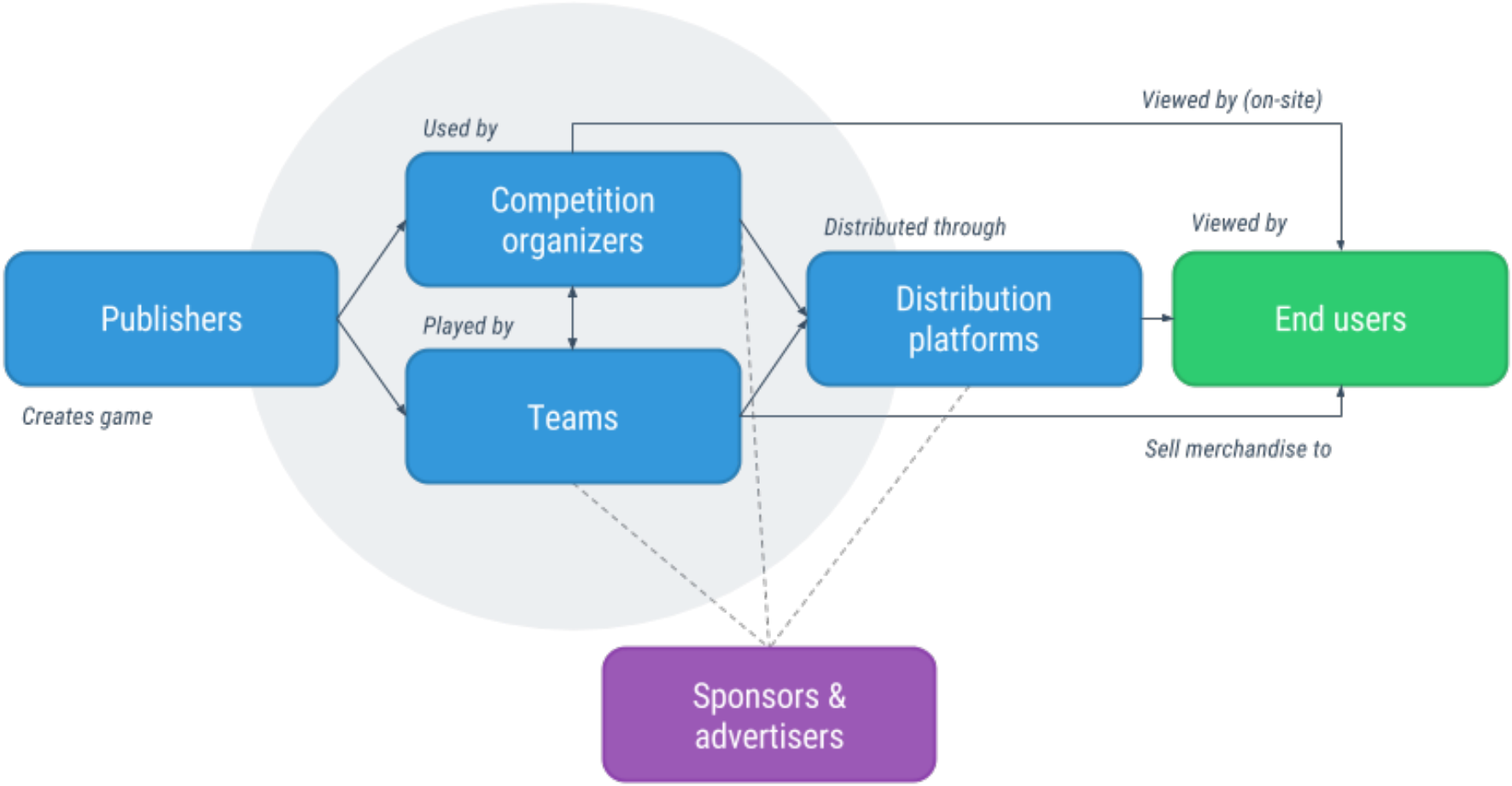

Figure 4.1. A visualization of the actors involved in the esports industry and how they interact.

4.1.2. Gaining a deeper understanding

As discussed in the literature review, the value concepts are dependent on several factors. This includes answering who defines value, who creates it, who receives it, and who appropriates it. A general discourse on esports and value is therefore not enough to fully understand the different perceptions of value creation and appropriation in the esports industry. For example, intellectual properties are often mentioned as an important factor affecting value appropriation in the esports industry. However, the findings show that only one category of actor have the potential to utilize intellectual property in their favour, while other actors must use other mechanisms to protect their appropriation streams.

To understand these concepts in esports more thoroughly, the visualization of actors in figure 4.1 is used to categorize the empirical findings by each category of actor. The coming sections give a deeper explanation of each actor's activities, and emphasizes how interviewees regard the concept of value for each category of actor. This categorization is then continued in the subsequent analysis, in order to find patterns and trends among the findings, ultimately leading back to a series of general suggestions of how value creation and appropriation can be understood in the esports industry as a whole.

4.2. Publishers

A video game publisher (hereon called “publisher”) is a company that publishes a video game (hereon called “game”). Findings show that the size of publishers vary from small independent actors to large multinational corporations (Metacritic, 2016). In comparison to other categories of actors in the esports industry however, publishers tend to be larger in the aspects of revenue, number of employees, and financial resources. Specifically, publishers creating games popular in esports are exclusively large multinational corporations.

	Publisher	Based in	Revenue (2015)
1	Sony Computer Entertainment	Japan	€9.89bn
2	Tencent	China	€7.73bn
3	Microsoft	USA	€7.25bn
4	Nintendo Company	Japan	€3.92bn
5	Activision Blizzard	USA	€3.32bn
6	Electronic Arts	USA	€3.25bn
7	Namco Bandai Games	Japan	€2.05bn
8	King Digital Entertainment	Sweden	€1.7bn
9	Ubisoft Entertainment	France	€1.46bn
10	GungHo Online Entertainment	Japan	€1.26bn

Table 4.1. The largest publicly listed publishers sorted by 2015 revenue in billion euros (Statista, 2016.).

Competition organizers – who collaborate with publishers and use their games in their competitions – mention that revenue is not a good indicator of a publisher's activity in esports. Several of the above actors are not active in esports, nor are their games played in competitively. Instead, some competition organizer interviewees explain that the games that a publisher outputs, and their presence in esports, make a good point of comparison for publishers. In esports, relevant publishers are those who develop games that may be played competitively, with two parties competing against each other. Any game created that can be competed in may be regarded as an esports title. However, certain games have a greater success when it comes to the game being played competitively. The characteristics that make up a good esports game title is outside of this study's scope. It is simply stated that since the inception of organized esports, certain game titles have been more successful than others have. As a result, the respective publishers have therefore also been more successful than others have. As a way to distinguish which publishers are the most prevalent in the esports industry, the top ten game titles and their respective publishers are listed below, ordered by the amount of prize money that has been recorded as dealt out in each game[1].

	Title	Recorded prize money	Introduced	Publisher
1	Dota 2	$59,923,035	2012	Valve
2	League of Legends	$27,355,435	2009	Riot Games
3	Starcraft 2	$18,604,148	2010	Activision Blizzard
4	Counter-Strike: Global Offensive	$12,406,803	2012	Valve
5	Counter-Strike	$10,764,492	1999	Valve
6	Starcraft: Brood War	$6,713,041	1998	Activision Blizzard
7	Smite	$5,390,470	2014	High-rez Studios
8	Hearthstone	$4,208,326	2014	Activision Blizzard
9	Warcraft 3	$4,057,070	2002	Activision Blizzard
10	Heroes of the Storm	$3,530,948	2015	Activision Blizzard

Table 4.2. The top 10 game titles and respective publisher with regard to prize money paid out in competitions for that game (aggregated from Esportsearnings, [2016e]).

Three publishers stand out in this list: Valve, Riot Games, and Activision Blizzard. They are the largest actors in the industry, with Activision Blizzard (listed fifth in table 4.1) publicly traded on NASDAQ and Riot Games recently acquired by Asian internet giant Tencent (listed second in table 4.1). Valve is not publicly listed, and is therefore not included in table 4.1. Indeed, these three actors are commonly referred to as the "big three" by interviewees in the study and recur when dealing with certain aspects of the industry.

Recorded prize money is not the only way in which game titles and publishers can be compared. Other ways of comparing publishers and their games in esports include the number of players

[1] Note that this does not necessarily mean that the publishers themselves have provided the prize money.

in each game and the number of viewers of esports in each game. The number of players in each game however, does not need to correlate with its presence in esports (since games can be played non-competitively), and statistics on this is rarely differentiated between casual and competitive play. The number of viewers of esports in each game would then prove a better benchmark. However, this kind of data is unreliable because of two factors. First, since esports can be distributed in a number of ways (for example both in-game by other players, or through multiple online streaming channels) the numbers are hard to aggregate. Second, these statistics are measured differently by each actor. Furthermore, if esports matches are not organized by the publisher itself (as discussed further in section 4.5), but rather by a range of different event organizers, the complexity of the statistics increases further. Recorded prize money therefore becomes an acceptable indicator of a game's – and consequently the respective game publisher's – presence in esports. When looking at the total recorded prize money throughout all esports game titles ($197,840,635) the aforementioned actors' dominance becomes even more clear:

	Publisher	Recorded prize money in publishers' games	Share of total
1	Valve	$85,492,576	43.21%
2	Activision Blizzard	$45,403,131	22.95%
3	Riot Games	$27,379,555	13.84%
4	High-rez Studios	$5,390,470	2.72%

Table 4.3. Recorded prize money share of total of publishers of games that prize money has been dealt out in (aggregated from Esportsearnings, [2016e]).

4.2.1. Value creation

In this study, when discussing publishers, only their activities in the esports industry will be regarded. As such, the value creation in creating and distributing a game title for *casual* play will not be discussed. As previously mentioned, due to the fact that no publishers were available for interviews, competition organizers and distribution platforms were asked about the activities of publishers. These interviewees highlighted different ways in which publishers created value, and whom they create it for:

1. Teams, by creating and maintaining games they can compete in
2. Competition organizers,
    a. by allowing them to host competition and broadcast the games
    b. by contributing to a competition's prize pool, and therefore increases a competition's attractiveness for teams, sponsors and advertisers, and the end consumer
3. The publisher itself, by organizing competitions. This is further discussed in section 4.4. "Competition organizers".

Point 2 and 3 above represent two different approaches from publishers in esports, beyond just creating the game. For example, publisher Riot Games – creator of League of Legends – is actively denying competition organizers to host competition in their game, and host their own series of competitions in League of Legends (Riot Games, 2016). One interviewee stated that

this position is the most optimal and sought after by other actors in the industry, but is uncommon, seeing as it demands resources and knowledge not often found in-house at the publisher. At the same time, several interviewees representing competition organizers share the sentiment that the Riot approach limits the potential of esports and that they should let actors specialized in esports organize competitions in which teams can participate. The dynamics of competition organizing is further discussed in section 4.5, "Competition organizers", which is treated as a separate category of actor.

In comparison, Valve has used different approaches in using esports as a means of creating value. Creators of both Counter-Strike: Global Offensive (CS) and Dota 2 (Dota), they have utilized different approaches in each game. For Dota, Valve have chosen a path similar to Riot Games in hosting their own competitions in a line of events called "The Dota Major Championships". Three lesser major events are held a year, currently featuring a $3,000,000 prize pool, culminating in "The International", which holds the record prize pool of $18,429,613 in 2015. One difference from Riot Games is that Valve has a more open approach in letting teams participate in competitions not organized by Valve themselves (i.e. a combination of point 2 and 3 above). Therefore, several major Dota competitions are not organized by Valve themselves. For CS, Valve has not organized any self-hosted competitions. Instead, they have collaborated with certain existing competition organizers and sponsored three to four competitions per year with a larger prize pool ($1,000,000 per competition for 2016). Along other competitions with comparable prize pools, Valve calls these competitions "majors" in a similar fashion as in Dota (Counter-strike, 2016). By sponsoring competitions, one interviewee representing a competition organizer explains that publishers create value for the competition organizers in increasing the attractiveness of a competition, which often correlates with the size of the prize pool. Although not necessary, a larger prize pool often attracts better teams, more viewers, and consequently a higher willingness to pay for advertisers and sponsors.

4.2.2. Value appropriation

"Publishers ability to monetize is far greater than other actors thanks to microtransaction earnings."

– A team representative on the potentials of esports for publishers.

"Riot [Games] spends a lot on esports. But for them, it's just a marketing expense. The return is in game sales or microtransactions."

– A major distribution platform representative on why publishers do esports.

"You've got to show them [publishers] that esports drives sales numbers."

– A competition organizer interviewee on how to incentivize publishers in esports.

Regardless of the approaches previously mentioned, interviewees from actors in collaboration with publishers agree that publishers appropriate value through esports acting as a marketing tool. In this sense, publishers appropriate value in esports by:

1. Increasing the popularity of their game titles, which potentially also leads to:
    a. Increased sales of the game
    b. Increased sales of virtual goods in the game

Whomever the competition organizer, publishers capitalize on esports as competitions and the broadcast of them generates exposure for the game. Several interviewees representing competition organizers state that there is a clear correspondence between a competitive event in a certain game and the subsequent sales numbers of said game or virtual goods sold in the game (microtransactions). When acting as a competition organizer themselves, publishers also appropriate value similarly to competition organizers by charging sponsors and advertisers for exposure rights, selling broadcasting rights to distributors, and charging fees from consumers attending the event live (further discussed in section 4.5).

Findings from video game business analyst firm EEDAR (2015) shows that in-game purchases are the most likely esports-related transaction that an esports consumer will make, with 30% of the esports audience making esports-related in-game purchases. It therefore lies in the publisher's interest to increase the amount of people watching competitions. One interviewee representing a distribution platform firm, recognizes that since publishers rely on a different business model than other actors in esports – gaining profits from sales in the video game industry rather than the esports industry – publishers may create opportunities to gain a much larger return on investment. Specifically, the interviewee points to the uniqueness of publishers being able to monetize on microtransactions within the game. While microtransactions in games often refer to virtual goods used in the game, publisher Valve has utilized microtransactions by tying it into their esports competitions in Dota. Valve allows Dota players to contribute to the prize pool of the yearly "The International", by making a specific microtransaction of which 25% of the price goes to the prize pool[2] (Dota 2, 2016b). In return, the players making the transactions gain virtual goods in the game as usual. Furthermore, players, through their collective contribution, reach certain "level awards" in which Valve rewarded all players by making (customer demanded) modifications to the game. Of the $18,429,613 prize pool at "The International" in 2015, $16,829,613 (~91%) was contributed from the players, meaning the microtransactions spurred by Valve's esports competition grossed $67,318,452 over a three-month-period (Dota 2, 2016c).

One interviewee, representing a competition organizer, is unsure of the motive of publishers regarding their activities in esports, stating that the business publishers conduct in esports makes up just a fraction of their revenue compared to their core business of creating and selling games. In some cases, the interviewee continues, the sales numbers of a single game have been bigger than the cumulative earnings of the entire esports industry. However, other interviewees from competition organizers and distribution platforms think that it is not surprising that publishers are getting more and more involved in esports given the recent growth of the industry and its future potential. Explaining why publishers entered the industry after several years "in the

[2] To clarify, this specific microtransaction refers to the "The International Compendium", which is only available in connection to the competition. Other microtransactions did not contribute to the prize pool.

shadows", one interviewee mentions that publishers suddenly realized that other actors were earning money based on the publishers' intellectual property, and that it would be nothing other than wise to enter the industry in order to get a share of that revenue.

As to why there is no standard way of publishers conducting business in esports, one representative from a competition organizer explained that publishers are still searching for the most optimal alternative to make the most of the industry. In that ambition, the interviewee said, they are currently experimenting with several different ways and gathering data for the future.

4.3. Teams

The games are played by video game players (hereon called players). A distinction is made here between casual players and competitive players. Casual players play the game purely for the sake of enjoyment. In this casual play, the game itself can be competitive (i.e. casual players compete against each other in a game locally or online). In contrast, competitive players play against other competitive players in organized competitions (further discussed in section 4.5, "Competition organizers"), in which winners are declared and most often gain a cash prize. In this study, mentions of players refer to those who play competitively. Professional players are those players that play games competitively as a profession.

Players often organize in esports teams (hereon called teams). Professional teams – teams in which the players compete as a profession – may field several groups of players or individuals. These groups or individuals may play the same game, or play a range of different games (a player or a group of players, however, only specialize in one game). For example, professional team "Team Liquid" fields players in ten different games (Team Liquid, 2016). Professional teams – through administrative staff – support their players economically, for example with salary, travel costs, and/or housing costs. In return, the players represent the team when competing.

Unlike publishers, professional teams are small organizations with little to no public information of financials to do a comparison in line with that of publishers. Instead, teams are often compared in other ways, such as how much prize money they have won (Esportsearnings, 2016d) or through ratings based on how the teams have performed against each other in different competitions (Gosugamers, 2016; Hltv, 2016; Joindota, 2016). For prize money, Esportsearnings.com list 362 teams that have recorded prize money wins down to $100 (Esportsearnings, 2016b). Drawing a threshold at $100,000 brings the number down to 143 teams. At $1,000,000, the number is 35. In the same manner, 366 players have ever won above $100,000 and 11 players above $1,000,000.

4.3.1. Value creation

Interviewees representing teams explain that they create value in several different ways for several actors:

1. Competition organizers, by participating in competitions, raising an event's attractiveness for sponsors and advertisers, and the end consumer.
2. Sponsors, by giving them the chance to have their brand associated with the teams and potential successes (e.g. by logotypes on team clothing and team website, product endorsements, sponsored content in social media).
3. Consumers by making available merchandise, such as clothing and accessories branded with the team or player name and logotype, which they can use and wear.

A recurring sentiment among team representatives is that teams create value through having width in terms of players and games in the team. The brand of the team is strengthened when the team has players in different games and therefore visible in more parts of the esports industry. In explaining the value creation of a team, one team representative specified that while diversification is important, it is also important that the team has players in each of the top games. By signing the top players in existing and upcoming games, the interviewee also explained that the team can continuously create value that balances out any players that no longer are good enough to participate in competitions, or decline in popularity for specific games. Table 4.4 lists five top professional teams and the games in which their players are active in.

Team	Games in which players are active in
Counter Logic Gaming	(5) League of Legends, Counter-Strike, Halo, Super Smash Bros, Call of Duty
Team Secret	(6) Counter-Strike, Dota 2, Hearthstone, Super Smash Bros, Street Fighter, Vainglory
Team Liquid	(10) League of Legends, Counter-Strike, Halo, Dota 2, Hearthstone, Super Smash Bros, Heroes of the Storm, Starcraft 2, Street Fighter, Call of Duty
MVP	(5) League of Legends, Counter-Strike, Dota 2, Heroes of the Storm, Starcraft 2
Evil Geniuses	(4) Halo, Dota 2, Starcraft 2, Street Fighter

Table 4.4. The top five teams of 2016 by prize money won YTD (Esportearnings, 2016f), and what games their players play competitively[3].

Although acknowledging that financial resources are important in maintaining a competitive team and thus creating value, one team representative mentions “money is not everything”. An important factor alongside financial resources is how long the team has existed. The interviewee continues by explaining that the age of the team can be used as a proxy for how stable it has

[3] Counter Logic Gaming, 2016; Team Secret, 2016; Team Liquid, 2016a; MVP, 2016; Evil Geniuses, 2016.

been and in many cases how successful it has been in maintaining their players competitive in the professional scene.

4.3.2. Value appropriation

Based on conducted interviews with representatives from teams, this category of actor appropriate value in three different ways:

1. Placing high in competitions, and therefore gain a prize award.
2. Charging sponsors for exposure in relation with teams.
3. Charging consumers for merchandise.

To protect these appropriation streams, team representatives explain that teams need to maintain a high level of success in different competitions in order to strengthen their brands. Through a stronger brand than other teams, more fans are attracted to one team rather than the other. Moreover, team representatives also mention the width of an esports team – i.e. how many different teams, players, and games they actively engage in – create a kind of protection for appropriation streams. They exemplify this by saying that if a team, player, or game decreases in popularity, other teams participating in other games make up for that loss.

Several interviewees representing professional teams, competition organizers and distribution platforms, stress the importance of teams in the industry, as they are the ones playing the games, participating in competitions, and being broadcasted to consumers. At the same time, both teams, players, and other actors in the industry highlight that in the current state of esports, teams have too little influence in the industry. Challenges that were mentioned included:

- Teams having trouble with competition organizers regarding minimum standards in dealing with prize money awards, food and housing during competitions, and travel to the competitions, leading to participation in sub-par tournaments.
- Teams feeling left out of the revenue that is generated from the competitions they engage in and the content that is produced from those competitions. This is often stated in comparison to other sports, such as with European football leagues, in which clubs share the TV advertising revenue from broadcasted matches.
- Team players becoming commoditized as they are often employed young and without job security, risking a sacking after each competition they participate in.
- The saturated market of available competitions – organized independently of each other by different actors without any scheduling coordination – burning out players who need to participate in too many competitions in short time.

One interviewee representing a professional team emphasizes the need for teams to "speak with one voice", in order to get competition organizers and content packagers to cooperate with them in standardizing minimum requirements for tournaments (compare, for example, with the notion of "premier" or "major" events mentioned in section 4.5) and right to revenue sharing with those actors who capitalize on matches they play. In a 2015 letter to competition organizers, ten team representatives (among them Counter Logic Gaming and Team Liquid,

previously listed in table 4.4) announced the formation of what could be interpreted as an embryo to a team union. In the letter, teams demanded consistent standards across competitions with regard to prize money and participation prerequisites (Lewis, 2015).

While revenue sharing between teams and other actors are yet uncommon, the publisher Hi-Rez Studios have begun to share 50% of the revenue from branded team merchandise with the teams (Heitner, 2015). Moreover, in April of 2016, major competition organizer Faceit presented the $3.5 million league Esports Championship Series (ECS) in partnership with the largest distribution channel for esports, Twitch. The league includes teams as co-owners in order to "reap the awards of their hard work and dedication to grow esports". The league is organized by Faceit and Twitch in cooperation with the teams, marking the first time an esports competition will be co-owned and partly managed by the teams that participate in them (Faceit, 2016).

4.4. Competition organizers

Competition organizers are those actors that organize competitions in certain games that players and teams can compete in. These competitions can be held entirely online (i.e. teams partake from wherever they want), at a physical location, or a combination of both. Competitions come in several forms, with tournaments (played over a few days at a location) and leagues (played over a longer time online) being the two main formats. A competition event may consist of competitions in one or more games, with two or more teams in each competition. Competitions generally have a prize money award for the teams that place best.

By packaging and producing the matches that are played in the competition, esports becomes available to the public. Production most often regards recording the matches through features in the game, producing that recording (e.g. with specific camera angles, having commentators, and showing replays), and broadcasting it. Live broadcasting is done on-site (for competitions with spectators at physical locations), and to online viewers through a distribution channel. Live broadcasting is not the only way of making esports available to the public; esports content is also packaged in non-live recorded format (video on demand, often recordings of live broadcasts) or text format (news, blogs, and social media) and distributed accordingly.

Figure 4.2. Picture from the The International esports competition organized by Valve. Spectators watch the esports matches on screens while teams play on the stage in KeyArena, Seattle. The competition is simultaneously broadcasted through an online distribution channel (The International, 2014).

Major competition organizers often produce and broadcast their own content. One competition organizer interviewee puts this in contrast to other sports, such as football, in which competition organizers often provide a non-produced or slightly produced feed of content that is later produced and distributed by several different actors (e.g. regional TV channels). This is seen as impossible in the current state of esports, as the competence of both organizing a competition and producing it is seen as intertwined among the employees in competition organizing firms. The interviewee, however, did not rule out that in an ideal future scenario, a more granular division of labour would occur, with the activities of organizing the tournament, producing the matches, and broadcasting them being separated.

Competitions are regarded by interviewees across all actors interviewed as the core of esports. It is here teams gather to play the games that are then made available for the public. Several interviewees mention competition organizers as the actors that has developed esports to its current state in the eyes of viewers and investors. Aside from the game titles themselves, the brands of these actors gain the strongest ties to the phenomenon of esports. While a range of different actors do competition organizing as a core business, some competitions gain the title of "premier event" or "major event". This title is rather arbitrary and not standardized, but is mostly used by the esports media and community for a competition that has a relatively large prize pool and feature the best teams[4].

One competition organizer representative explained that until the esports boom in the early 2010's, competition organizers were not faced with great competition. With the boom however, publishers entered esports to a larger extent (as previously discussed in 4.3). While some of

[4] Esports' Wikipedia counterpart Liquipedia considers Premier Events as those which: *"offer an outstanding prize pool, are frequently played out offline, and feature the best players from all over the world. They are commonly held by well-established franchises and are considered especially prestigious amongst the community"* (*Liquipedia, 2016b*).

these publishers have entered partnerships with existing competition organizers, a publisher like Riot Games has instead chosen the approach of hosting its own competitions and monopolize esports in the game League of Legends. The interviewee further explained that while Riot Games does this through exclusivity clauses with teams (i.e. deciding what competitions teams can enter), one competition organizer interviewee explains such clauses are not necessarily needed to threaten existing competition organizers. With their financial resources, actors such as Valve and Activision Blizzard inflate the prize money pools of their own and other events, threatening the existence events that do not have the resources to offer larger prize money pools, says the interviewee.

Publishers are not the only actors who are integrating into competition organizing. Competition organizers are also facing competition from distribution channels, teams, and incumbents in the media industry, bringing along strong financial resources. For example, Time Warner subsidiary Turner Media is launching a $1,200,000 league this year (Eleague, 2016), and distribution platforms E-frag and Azubu are hosting a world championship in CS this year (E-frag, 2016). Alongside new entrants, esports saw its first major acquisitions in late 2015 and early 2016. Swedish media company Modern Times Group (MTG) acquired Germany-based Electronic Sports League (ESL) and Sweden-based Dreamhack, while publisher Activision Blizzard acquired the USA-based Major League Gaming (MLG) (Goldberg, 2016). The three organizers, ESL, Dreamhack, and MLG, make up the three largest non-publisher competition organizers in the world. The acquisitions are in line with several interviewees, representing competition organizers and distribution platforms, remarking an increasing consolidation in esports' near future.

4.4.1. Value creation

When asked what value competition organizers create, and for whom, interviewees representing said actor identified four main actors:

1. Teams, by hosting competitions in which they can compete.
2. Publishers, by hosting competition in their games, which then gain exposure among consumers.
3. Esports consumers...
    a. … by enabling watching the competitions on-site.
    b. … by enabling watching the competitions online through distribution channels.
4. Sponsors and advertisers, by creating opportunities for them to gain exposure in relation with the competition and the subsequent broadcasting.

Competition organizers mention diversification as important in creating value. Competitions can cater to different groups, and different combinations of groups. For example, one competition organizer emphasizes that competitions need to cater to both professional and amateur teams in order to create value not only for the small group of players that make a living out of esports. Furthermore, a width in which games competitions are organized in is important in order to create value for different consumer groups. To maintain this width, interviewees representing competition organizers insisted that a competition organizer needs to work by trial and error, continuously trying out new concepts of hosting competitions and making them

available to the public (e.g. new tournament formats, competitions in new games, and new ways of producing the matches). One interviewee working with broadcasting competitions added to this by mentioning that while customer demands are an integral input in choosing which concepts to try, the nascency of the industry sometimes demands novel ideas *not* derived from customer demands but rather from the firm and the employees themselves, since customers do not always know what they want.

> *"Many have tried the hard niche roll, but they have often disappeared. Those with a diversified business model have survived. With time, more actors will become specialized, but I don't see that happening now."*
>
> – A competition organizer interviewee gives his view on having a narrow scope.

Alongside the width mentioned above, another factor mentioned several times when discussing value creation among competition organizers was the competence among the employees in a firm. One interviewee representing a distribution platform, explained that esports is an industry where competitiveness relies on having the top talents under your roof. Several competition organizer interviewees agree that the employees are crucial in generating new ideas and enabling the process of experimenting with new concepts (as mentioned in the previous paragraph). One of the competition organizer interviewees singled out another dimension of importance among employees, explaining that people that are competent in the esports ecosystem of one game are helpful when negotiating with the publishers of that game.

4.4.2. Value appropriation

In line with the different actors that competition organizers create value for, interviewees representing competition organizers suggest that they appropriate value through three main means:

1. Charging spectators in competitions at physical locations (e.g. ticket sales).
2. Charging for exposure in relation to the competition and the subsequent broadcast (e.g. advertising, sponsorships, and endorsements).
3. Selling broadcast rights that distributors can acquire in order to distribute broadcasts from the competition.

Although the growth of esports leads to increased value in all appropriation streams, interviewees agree on that advertising and sponsorships have been and remain the main source of profit for competition organizers. Competition organizers state that ticket sales can only amount to so much (of an estimated $325 million revenue in 2015, Newzoo [2016b] attributed $20 million to ticket sales), while broadcast rights have only become a viable income source in the last year.

The importance of advertisers and sponsors is regarded as inconvenient by several interviewees. While esports grows, so does the opportunities to sell advertising and sign sponsors. However, there is a trade-off in how much advertising a competition organizer can show, versus how

much esports content consumers wants to view. Furthermore, consumers in esports are increasingly using software to block advertising from appearing on their devices while still being able to watch esports. As such, interviewees from competition organizers state that finding new income streams is regarded as of great importance for all competition organizers.

The tougher competitive landscape has made competition organizers more aware of the need to investigate appropriation regimes. Acknowledging that games have limited life-spans, one interviewee representing a competition organizer points out the width of competition organizers in terms of hosting competitions in different games as a way of hedging against a decline in popularity in a certain game (and its respective publisher). By "not putting all eggs in a basket", competition organizers might be able to play publishers against each other, and gain a more powerful role in the development of esports. Said by one employee: "if we play our cards right, publishers will be dependent on us". However, interviewees from all categories of actors agree that the strongest means of protecting the competition organizers' appropriation streams are their brands and their association to the development of esports. One interviewee, working for one of the largest competition organizers in the world, goes further, stating that esports consumers will be able to distinguish between actors "true to esports" and those "in it for the money". In other words, actors with a longstanding tradition and a strong brand built on esports is expected to be favoured over new actors by consumers.

Interviewees representing competition organizers also acknowledge that the route of exclusivity – competition organizers signing teams to solely play in their respective competitions – is not an impossible future development. However, the interviewees also state that this would lead to an "exclusivity war" between actors, inhibiting the development of esports rather than growing it. Consequently, they state the importance of publishers and competition organizers cooperating with each other, growing esports together. Indeed, all competition organizing interviewees stated that it is unwise of publishers to handle esports organizing in-house, and that the existing competition organizers can do a better job helping publishers with esports. Competition organizers are therefore increasingly reshaping their business offerings to convince publishers and other entrants that partnerships are the best way to invest in esports.

The growth of esports has also led to other problems in competition organizing. With more actors rushing to be part of the industry, the number of competitions have risen to a point that some interviewees deem as "oversaturated". This was previously discussed regarding teams, who cannot longer compete in all competitions. Several individuals representing professional teams, competition organizers, and distribution platform providers also mention this saturation from the perspective of the end consumers and call for standardization of the competition schedule. Comparing it to football, one distribution platform representative mentioned that "no one wants to see Barcelona and Real Madrid play each weekend, but rather a few times a year". At the same time, a competition organizer representative mentioned that they need to keep organizing competitions, or be out-competed.

"There is a tragedy of the commons in if the forest should be grown or if we should cut down the trees while we can. There are so many leagues that the market is oversaturated, but if we don't do the league someone else will."

– A competition organizer employee gives his take on the current state of competitions.

With an increasing amount of tournaments, interviewees from all categories of actors expect that players and teams will no longer be incentivized to play all tournaments, but rather practice for fewer competitions that offer larger prize pools.

4.5. Distribution platforms

Esports broadcasts are ultimately distributed through a distribution platform. A majority of the live broadcasts are distributed through online streaming platforms. Amazon-owned streaming platform Twitch is one of the largest distribution channel for broadcasted esports (Superdata, 2016). Twitch has been followed by more esports focused streaming platforms such as Azubu and Hitbox[5]. All three actors actively engage in the esports industry through partnerships and sponsorships of competitions, teams, and players. The growth of video games in general has also seen Youtube launch a special gaming section on its service (Youtube, 2016), albeit with no particular emphasis on esports[6]. Riot Games, for example, broadcast League of Legends esports on both Twitch and Youtube (Cocke, 2015). Competition organizers also have the possibility to host a proprietary streaming platform (publisher Valve does this when organizing competitions, for example), meaning they do not have to adhere to any standards set by available streaming services.

Although primarily consumed through online streaming, esports is also broadcasted on linear TV, with ESPN of the U.S. (Rovell, 2016), SVT of Sweden (Sandberg, 2016), and Yle of Finland (Dreamhack, n.d.) as examples of outlets that include esports in their regular schedule. Non-video content, such as news and blogs, is distributed through a variety of news sites (both those niched on esports, and those who are not) and social media.

It is important to note that while traditional distribution channels such as TV is typically based on acquired broadcasting rights (i.e. channels buy the right to broadcast an event in a certain region or through a certain medium), online streaming platforms do not necessarily work that way. Most often, competition organizers host their own broadcasts through streaming services such as Twitch, Youtube, Azubu or Hitbox (or a combination of them) and make the broadcast available for any viewer in order to reach out to as many viewers as possible. Only recently has broadcasting rights also found its way to streaming services, specifically with smaller actors Azubu and Hitbox signing exclusivity rights to broadcast certain competitions (Ferraro, 2016;

[5] While many esports competitions are broadcasted on Twitch, the platform also hosts a variety of different gaming related streams that do not have a competitive focus (Twitch, 2016).

[6] Note that while Twitch is primarily a live streaming service (i.e. broadcasts are viewed in real-time), Youtube is primarily focused on recorded content, so called video-on-demand. Both services however provide live streaming and video-on-demand services.

Hitbox, 2016). These exclusivity rights rarely regard the main broadcast (produced by the competition organizer, often in English), but rather regional language productions and broadcasts.

4.5.1. Value creation

Representatives from distribution platform providers suggested different ways in which distribution platforms create value, and whom they create it for:

1. Competition organizers, by providing a platform through which they can distribute their broadcast.
2. Viewers, by enabling them to watch and follow esports competitions without being on-site.
3. Sponsors and advertisers, by providing them with an opportunity to get exposure to the viewers.

All interviewees representing distribution platforms agree that distribution platforms make esports available to the broader mass. Distribution platforms often drive their value creation through a distribution infrastructure (e.g. the ability to stream online to millions, or the ability to broadcast on television). While this is what enables competition organizers to get mass exposure in order to generate revenue from advertisers and sponsors, interviewees representing both completion organizers and distribution platforms still emphasize that there is a bilateral dependence between competition organizers and distribution channels. One interviewee specifies this further, explaining that if a certain competition is popular through a distribution channel, it will most likely lead to a greater audience consuming content through that distribution platform. As such, the interviewee explains, competition organizers and distribution platforms create value for each other.

Interviewees at distribution platforms acknowledge that financial resources are important in building and maintaining the infrastructure needed to distribute esports to the many viewers that consume esports. However, one of these interviewees also points out that distribution platforms' expensive infrastructural investments is not the only resource needed to create value. The interviewee emphasizes the need of competent employees, who possess knowledge about the esports industry in order to develop their value offering, as well as cooperating with the right upstream actors (such as competition organizers). It is through the combination of a robust infrastructure and the competence of the esports-specialized employees that value is created.

Although not listed as a way of creating value, it is important to note that while distribution platforms mainly serve as a means for distributing content created by other actors and consumed by viewers, certain distribution platforms may repackage the broadcasts provided by competition organizers. This is especially common for distribution platforms targeting a specific geographical audience. One competition organizer representative explained that it is not sustainable for them to broadcast their esports content in all major languages. For that reason, distribution platforms may also add value through repackaging the content (e.g. by commentating esports matches in a certain language).

4.5.2. Value appropriation

When asked how distribution platforms appropriate value, interviewees from said category of actor identified two main ways:

1. Charging sponsors and advertisers for exposure on the platform.
2. Charging viewers for subscribing to the platform.

While sponsor and advertising revenue serves as the main appropriation method, several interviewees representing distribution platform providers raised the issue of consumers using software to block advertising while consuming esports content. Because advertising is a major revenue stream, ad-blocking software inevitably prohibits the potential earnings of a distribution platform. One distribution platform interviewee stated that this type of software is currently one of the main challenges in the esports industry, as it affects other actors also relying on revenue from sponsors and advertisers. Distribution platforms are currently testing other ways in how to get around ad-blocking software, for example by the use of so called "native advertising" – advertising integrated into broadcasts (e.g. "... brought to you by Company X"). In another effort to combat the challenge of decreased advertising revenue, several of the online streaming platforms provide viewers with the option to subscribe to their service for a certain fee, disabling advertisement and sharing the revenue with the broadcasters (which could for example be competition organizers). Some online distribution platforms have also experimented with providing viewers with a web shop alongside the streamed content, selling esports related merchandise, often also related to the team, competition, or game that is currently played.

In attempts to prevent competition, one activity for distribution platforms is to obtain exclusive distribution rights from competition organizers. These rights might have certain dimensions, such as the time period, country, language, or medium in which the right is exclusive. For example, one distribution platform might acquire the rights to distribute the broadcast of a certain competition in Russian, as the competition organizer might not have the resources to provide a Russian broadcast themselves. One distribution platform interviewee – active in acquiring distribution rights – explained that while the short-term value of exclusive rights was to incentivize distribution platforms to invest in esports, it would also serve as a protection regime against other platforms engaging in esports in the long term.

In the last couple of years, incumbents from the media industry have become attracted by esports (as exemplified earlier with actors such as MTG and Turner Media making major acquisitions and investments in the industry). One interviewee from such a media company explained that the companies are motivated by the potential to monetize esports consumers. In a study conducted by one of the interviewees from a media company who recently entered the industry, esports consumers were deemed "very passionate", with the average consumer watching 2.2 hours of esports per day. In addition, the study found that the willingness to pay of these consumers were higher than other sports such as ice hockey or football, but that they

had not yet been able to capitalize on this willingness[7]. An interviewee from a competing distribution channel did not see this capitalization happen, stating that new entrants from the media industry might not ever see returns on their investments in esports. He states however, that investments in esports are relatively cheap, and that larger actors can simply invest purely on speculation.

4.6. Overview of behaviour and interactions between categories

There is no doubt a range of different core activities in the esports industry in which each actor partakes, regardless of which category of actor it is. Moreover, the empirical findings suggest that actors rarely act on their own in esports. Rather, it is a set of two or more actors who collaborate in providing services in esports. It then becomes important to not only focus on how individual actors act, but also understanding how the different types of actors behave and interact with each other as a way to create and appropriate value. The interactions also show how the current state of the industry affect how actors relate and view each other. This is perhaps difficult to get an overview of. Table 4.5 and 4.6 below aims to provide a more easily reviewable outline of interactions between actors in esports. While the findings in the previous sub-sections have mainly regarded interviewees' thoughts and perceptions, the tables provide actual examples. Table 4.5 lists the categories of actors to the left, and gives examples of where actors are going beyond their core business. The actors outlined on the horizontal axis describe which of the actors outlined on the vertical axis have expanded their core business into. Table 4.6 lists categories of actor to the left, and shows examples of what other categories they have been or are collaborating with in providing services within esports. This table are read in the same way as Table 4.5, the actors outlined on the horizontal axis shows which of the actors on the vertical axis are collaborating with.

[7] On average, an esports enthusiast generated $2.83 in revenue in 2015, while the average American basketball fan generated $15 in the same year (Newzoo, 2016b).

	Publishers	Teams	Competition organizers	Distribution platforms
Publishers			Publishers are hosting their own competitive events, for example Valve yearly host the tournament *The International* and Blizzard regularly host own tournaments in Starcraft (Dota 2, 2016c; Battle.net, 2016) Publishers have acquired competition organizers, an example is the publisher Blizzard acquiring competition organizer Major League Gaming in 2016 ("Activison Blizzard acquires the business", 2016).	Publishers are distributing content through their own platforms, for example Valve, as owners of game distribution platform Stream, distribute content through their platform Steam Broadcasting, as well as in the game itself (Dota 2, 2016a).
Teams			Teams have begun cooperating with each other, one example is the newly started league *Esports Championship League* has teams as co-owners (Faceit, 2016) There are also indications of individual teams organizing their own competitive events; an example is the Russian team Virtus Pro announcing plans of hosting their own tournaments (Mira, 2015).	
Competition organizers				Some competition organizers have their own platforms where content is distributed; Valve, hosts of the tournament *The* International, broadcast tournament streams through their website (Dota 2, 2016a). Another example is competition organizer Major League Gaming who broadcasts content from their competitions (Major League Gaming, 2016).

	Publishers	Teams	Competition organizers	Distribution platforms
Distribution platforms		Distribution platforms have previously had their own teams competing in different games. For example, distribution platform Azubu previously had their own team in the games Starcraft and League of Legends. (Liquipedia, 2016a; Gamepedia, 2016)	There are several examples where distribution platforms have expanded their business into organizing competition. For example, the distribution platforms Hitbox and E-frag hosted a world championship in CSGO (Leberl, 2015). Twitch are involved in the newly formed league *Esports Championship League* in CSGO (Faceit, 2016) There is also examples where distribution platform companies have acquired competition organizers, the major media company MTG acquired competition organizers ESL and Dreamhack in 2015 (“MTG aquires Dreamhack”, 2015).	

Table 4.5. An overview of actors going beyond their core business.

	Publishers	Teams	Competition organizers	Distribution platforms
Publishers		Some publishers have started to share revenue with teams. Branded merchandize is used as way to share revenue between publishers and teams (Heitner, 2015).	It is not uncommon for publishers to collaborate with competition organizers, Valve have for example sponsored several CSGO tournaments with prize money (Counter-strike, 2016). The same publisher are also cooperating with competition organizer PGL in the Dota 2 tournament *The Manilla Major* taking place in June, 2016 (Dota 2, 2016d). Furthermore Blizzard are cooperating with competition organizers, for example having qualification tournaments with non-publisher competition organizers (Dreamhack, 2016).	
Teams		Teams collaborate with each other to create a union as a way to increase the player conditions during competitions (Lewis, 2015).	Teams have begun collaborating with competition organizers. For example, with competition organizer Faceit, teams have partnered and created the CSGO league *Esports Championship League* (Faceit, 2016).	Several teams are sponsored by distribution platforms, where teams often are streaming exclusively on the distribution platform sponsoring them (Donnell, 2015; Smet, 2013; Na'vi, 2013).
Competition organizers			Collaborations between different competition organizers are uncommon. However, in 2012, Dreamhack, ESL, and Major League Gaming announced a partnership to unify and elevate esports on a global scale ("Dreamhack, 2012).	There are examples where competition organizers are collaborating with distribution platforms. One example is that some of Dreamhack's events are exclusively shown on specific distribution platforms. In some cases, language-specific broadcasts can also be exclusively shown on a single distribution platform (Hitbox, 2016).
Distribution platforms				

Table 4.6. An overview of collaborations between categories of actors.

5. Analysis

In this section, the empirical data presented in section 4 is analysed. First, the overview of the esports industry is briefly analysed in order confirm its status as a nascent industry. Second, the categorization of actors is continued to analyse each actor's perceptions on creating and appropriation. These analyses are ultimately used to find patterns and trends, which are then put together to form a holistic explanation of how actors in the esports industry create and appropriate value.

5.1. Esports as a nascent industry

Before a discourse on how value is created and appropriated in the esports industry, it is of interest to investigate how it falls in line with the notion of a nascent industry. From section 2.1, it was concluded that typical characteristics of a nascent industry included not yet solidified industry boundaries (Porter, 1990; Shaver, 2006), a lack of product standardization (Porter, 1990), ambiguity in the competitive landscape (Santos & Eisenhardt, 2005; Klepper & Graddy, 1990), and uncertainties in customer demand (Shaver, 2006). Based on the data collected from the esports industry, table 5.1 summarizes relevant parts of the findings according to these four characteristics.

Characteristic	Findings
Industry boundaries	Although not lacking, industry boundaries are not clear, as some actors are performing activities in several areas of the industry. Several actors are collaborating with each other, further complicating how the industry boundaries should be drawn as it becomes difficult to distinguish a specific group serving a specific market (as Grant [2008] suggests).
Competitive landscape	The competitive landscape is especially ambiguous for competition organizers. On one hand, they are entering partnerships with publishers and selling broadcast rights to distribution platforms. On the other hand, there are examples of both publishers and distribution platforms entering competition organizing and competing. Teams also show signs of coopetition, naturally competing but also collaborating to improve conditions for teams. The lack of an appropriate index with which actors across all categories can be compared falls in line with what Klepper and Graddy (1990) mention as difficulties in benchmarking.
Product standardization	For publishers, no standard has yet been found in their esports offering. Interviewees from competition organizers mention the need to consistently experiment with their activities and how they profit from it.
Customer demand	Only one interviewee explicitly mentioned customer demands, and that they were not always reliable in creating new value. Other findings did not confirm nor disprove this sentiment.

Table 5.1. Relevant findings divided into the four characteristics of nascent industries.

These findings show that the esports industry share several of the characteristics typical for nascent industries. Remembering Grant's (2008) line of thought describing the difficulties to define the boundaries of an industry, the esports industry is no exception to those difficulties. Grant (2008) suggests that an industry can be regarded as a group of firms that supplies a market. In a simplified view, the actors listed in the findings arguably serve several markets. Publishers create games for those who want to play them. Competition organizers organize competitions for teams and consumers. Distribution platforms provide the market of competition organizers and give them a way of distributing their content. In this sense, we may perhaps be discussing *several* industries (e.g. the competition industry, the streaming industry, etc.), rather than *one* esports industry. However, this simplification is problematic. As shown throughout the findings, and further outlined in tables 4.5 and 4.6, actors rarely limit themselves to serving only one of these market. Furthermore, actors often collaborate in a set of two or more actors spanning across different categories. These two factors make it difficult to draw any clear boundaries between actors and highlight separate industries, or in other words say "this group of actors serve this particular market". Grant (2008) suggests that when outlining the boundaries of an industry, the purpose and context of the analysis needs to be taken into consideration. This study set out to discuss perceptions of value creation and value appropriation in the esports industry. As a result, an inclusive approach in defining the esports industry has been chosen, to ensure that perspectives of importance are not excluded, while also acknowledging that there are difficulties in drawing clear industry boundaries in the way theory suggests.

The findings also show that while aspects regarding appropriation on the product might not yet be standardized, the packaging of esports (playing it at a competition and having it broadcasted) seems to be fairly standardized, and a common interface of interaction between different categories of actors is still apparent. This shows that parts of the esports phenomenon is perhaps moving from its nascency and maturing over time. These are future developments however. Judging by the factors and findings listed in table 5.1, it would not be controversial to regard esports as whole – with the inclusive approach previously discussed – as a nascent industry. It is valuable to confirm this, because together with the overview of esports in the empirical findings, it serves the basis to answer to one of the research questions formulated in section 1.1.1, regarding what the esports industry is, and what actors act within it. Consequently, it has bearing on the meaning of the following discussion regarding how value creation and appropriation can be understood in esports, aiming to complement theory that cannot fully explain behaviour in a nascent industry.

5.2. Understanding the actors in the esports industry

The findings have shown that interviewees have several differences and similarities in discussing value creation and appropriation. As seen in the literature review, authors provided different explanations regarding the two concepts. Some provided straight forward definitions, while other problematized the concepts. Before a holistic discussion on how value creation and appropriation can be understood in light of these theories, the findings are analysed sectioned by each category of actor. The behaviour of each category of actor, as well as interactions with

other categories of actors, is primarily discussed. This first-level analysis – a reading-between-the-lines of the data – provides the foundation for the latter suggestions (5.3) on how we may understand perceptions value creation and appropriation in esports industry.

5.2.1. Publishers

The different ways in which a publisher can create value in the esports industry is indicative of an industry with unclear boundaries, as explained by Porter (1980). As it seems, publishers have the choice of either staying out of esports, partially becoming involved in esports (through means of sponsoring), or fully take over esports (as a marketing tool). The difference between the former choice and the latter choice is fundamental. Should esports solely become a marketing tool for publishers, it is arguable that it does not constitute its own industry, but is rather just an activity in the video games industry in order to sell more games or virtual goods in games.

The power of publishers to integrate downwards and take over the activities of organizing competitions comes from the fact that they own the games that are used in esports. In this sense, publishers have a powerful isolating mechanism in the form of an intellectual barrier. As previously discussed, publishers did not utilize this isolating mechanism until it became clear that other actors were appropriating value created by publishers through their games, to an extent that made publishers aware of the potential in esports. Riot Games' activities in esports – hosting own competitions and signing exclusivity deals with teams – is an example of this approach, and becomes the epitome of a firm protecting value appropriation streams by means of isolating mechanisms in the way Lepak and co-authors (2007) and Pisano and Teece (2007) propose.

The second choice publishers have, to sponsor competition organizers' prize pools, however shows a different way of publishers creating and appropriating value. Take Valve, for example. The fact that Valve organizes its own competitions in Dota indicates that it follows along the line of Riot Games. For CS however, Valve has gone the route of sponsoring the prize pools of existing competition organizers. The experimentation of approaches between the games shows that Valve is aware that downstream esports actors are appropriating value created by the publisher, but it also shows that Valve acknowledges that utilizing isolating mechanisms might not be the only way to appropriate value. In line with what Jacobides and co-authors (2006) suggest regarding a firm building a foundation rather than competing, Valve might want to increase the size of the pie rather than protecting its share of it. A potential result would be that the growth of esports – as a result of increased prize pools –has a positive effect on Valve's future appropriation streams, such as increased sales numbers of their games.

Alongside testing different approaches in how to enter the esports industry, Valve's microtransaction tie-in to esports also serves to show that publishers' involvement in esports is currently in an experimental phase, with focus on *what* to do rather than *how* to do it.

5.2.2. Teams

Together with competition organizers, teams make up an important part of esports. Interviewees state that they create value for competition organizers when participating in competitions, and the esports matches in which they compete in create value for the end consumer watching esports. In creating value, interviewees emphasized the need of top talent in a team, both among the players and among the administrative staff. Remembering that value creation was conceptually defined as the process of innovating, producing, and delivering value to the market (Mizik & Jacobson, 2003), it seems that competence is perceived by team representatives as an important factor in creating value for their employers. This is not surprising, seeing as several authors suggest that the innovation part of value creation is the result of combined knowledge in the firm (Lepak et al. 2007; Tsai & Ghoshal, 1998). Tsai and Ghoshal's explanation of trustworthiness as a driver of value creation also gains backing with one interviewee stating that a team that has existed for a longer time is more probable to be stable and trusted.

An important aspect that team representatives bring up regarding value appropriation is the diversity in terms of players and games; having teams in several games strengthens the brand of the team. The brand then acts as a mechanism deterring competitors, enhancing the value appropriation potential of the team. The diversity in games itself is comparable to Pitelis' (2009) non-intellectual isolating mechanisms. However, while Pitelis states product differentiation is an important factor enhancing value appropriating, it seems as the opposite is true here. This is perhaps because the broad range of games in which a team is active in also serves as a hedging mechanism, protecting them from the possibility that certain teams fail to succeed, or a decline in popularity for games. Diversification therefore seems to have a two-folded effect in appropriation value: strengthening the brand as an isolating mechanism, but also by hedging against failure.

Although teams evidently make conscious efforts to strengthen their value appropriation potentials, they make a good example consistent with Priem's (2007) suggestion that a firm needs not only retain value from competitors, but also upstream and downstream actors. The challenges that a team faces (listed in section 4.4.2) is indicative of a situation where other actors are appropriating value created by the team. While teams and competition organizers can be regarded as co-creating value (in hosting and playing matches), it seems as it has largely been other actors that have appropriated value. For example, competition organizers have appropriated most of the value created at competitions by selling broadcasting rights, advertising, and sponsorships, without sharing the revenue or profits with any team.

The challenges are not a lost battle however. Attempts to appropriate value that was previously lost to other down- or upstream actors and consumers in line with (rather than competitors in form of other teams) include complementing their revenue streams with merchandising sold directly to the end consumers of esports. While Priem (2007) suggested this was done by the single firm, esports also show this may be done in a cooperative effort. For example, the newly started team-owned league ECS may also be seen as an effort to counter the unfavourable

position teams have had, and proves as an indicator of a cooperative effort**.** Stating that teams need to "speak with one voice" further enforces the need of actors cooperating in order to strengthen their position in the industry. This is comparable to Jacobides' and co-authors' (2006) notion of coopetition, but is not fully the same kind of behaviour. Jacobides and co-authors suggested that the single firm could find it favourable to invest in its foundation and encourage imitation by other actors, regardless of any cooperation. In this case, collective action is taken by a group of firms solely to appropriate more value, rather than individual firms "developing the foundation they stand on", as Jacobides and co-authors (2006) as well as Aldrich and Fiol (1994) suggest.

5.2.3. Competition organizers

It is understandable that various actors perceive competition organizers as the core of esports, especially when seeing which actors they interact with. Publishers, teams, and sponsors and advertisers are all explicitly stated in this regard. Moreover, it seems as competition organizers may also be seen as creating value for distribution platforms by attracting viewers that then stay and use the platform to watch other content. In creating value for these actors, interviewees stated that it was important to work by trial and error to find what works. Just as publishers experiment with esports, competition organizers need to experiment. Experimentation in revenue streams is seemingly important for all actors in the industry, competition organizers included. This is interesting when comparing to literature. Sirmon and co-authors (2007), for example, simply regard value creation as a firm overshooting its competitors while maintaining its profit margins. This explanation is not satisfying when a firm does not always know whom it is competing with, or what the customers want. As such, the experimental nature of competition organizers provide a deeper understanding of how an actor in a nascent industry creates value.

But the findings on competition organizers is also partly consistent with literature. For example, Tsai and Ghoshal (1998) explain the need of knowledge in a firm, and that the combination of that knowledge creates value. This is in line with interviewees agreeing that competence in the firm is crucial to create value. The suggestion of Tsai and Ghoshal (1998) that an actor's trustworthiness in a network affects the actor's value creation capabilities also gain backing from the fact that employees competent in certain games are regarded as a valuable resource in negotiating with publishers. What the findings add to this is that in-house competence seems to be more important for an actor that utilizes the aforementioned trial and error-process, as top talent is seen as a valuable resource in experimenting with new concepts.

As teams do, interviewees from non-publisher competition organizers mentioned that it is favourable to organize competitions in a broad range of games. Some of the factors mentioned in regard to this are similar to the ones of teams: more games strengthen the competition organizer's brand, and it acts as a hedging mechanism should a game become unpopular. Another dimension is added when regarding competition organizers. Seeing an increased involvement from publishers in esports, a broader range of games also makes the competition organizer less dependent on publishers (given that the games also have different publishers).

For example, if a publisher would choose to go exclusive and host its own events (or sponsor competing events), a competition organizer suffers a lesser loss if it organizes competitions in several games from different publishers.

The hedging mechanism described above might prove valuable for competition organizers looking to protect their appropriation streams in the midst of a rush to invest in esports. Competition organizers are gaining competition from all across the board. It seems as though other actors do not want to only strengthen their position as a publisher, team, or distribution platform, but they also want to integrate into competition organizing. This is most likely because these actors want to appropriate value that they have not appropriated before (and hence competition organizers or consumers have). This is interesting when looking at Jacobides' and co-authors (2006) suggestion that one type of actor becomes the industry's guarantor of quality. In esports, the findings suggest that competition organizers have gained this role. Consequently, they also have the power of shaping the industry architecture, and its division of labour and surplus. It is not surprising then, that other actors want to be involved in competition organizing. Existing competition organizers gained this role by being first in esports (and surviving its earliest years). In contrast, large actors from the video game and media industries – and even teams– are now making conscious efforts in integrating into competition organizing in order to gain the guarantor role and be able to skew the development of the industry architecture to their favour, with the aim of increasing their appropriation potential.

An unwanted effect of this rush to esports is the oversaturation of competitions that several interviewees mention, with many of them also mentioning that it would be hard for actors to capitalize on esports and it currently being a speculative investment. For new entrants, getting a foot into esports is deemed as more important than profiting of it, the latter being a challenge for the future. As a result, this forces existing competition organizers to compete on a new level, leading to an increase in competitions. To reiterate the quote from one interviewee: "if we don't do it, someone else will". It seems as though actors that are getting involved in competition organizing do not focus on value appropriation, but rather creating new value in esports. In turn, teams, players, and competition organizers perceive this as affecting esports negatively.

5.2.4. Distribution platforms

By acquiring exclusive rights to broadcast certain competitions (along certain dimensions, such as a regional exclusivity), distribution platforms seem to exercise protection of appropriation streams in the same way that is proposed by authors such as Lepak et al. (2007) and Pisano and Teece (2007). However, another dimension was added by the interviewee who mentioned that in short-term, it also incentivizes distribution platforms to invest more in esports. This shows a link between value creation and value appropriation that is not obvious when looking at literature: the perceived probability of being able to appropriate value affects how much value a firm is ready to create in the first place. Depending on how this observation is interpreted, it can be seen as contradictory to some authors' statement that an individual focus on value

appropriation might hinder the development of an industry (Jacobides et al. 2006; Aldrich & Fiol, 1994). Here, the perceived probability to appropriate value in the future works as an incentive to create more value in the present. It should be restated however, that the interviewee acknowledged that this was a short-term effect.

As with other categories of actors, distribution platforms interviewees highlighted in-house competence as valuable in creating value in their firms, consistent with the suggestions of Tsai and Ghoshal (1998) and Mizik and Jacobsen (2003). It is interesting however, that distribution platforms unlike other categories of actors also emphasized the importance of financial resources as a factor in creating value. This is not to say that financial resources are not an important factor in other categories of actors, but indicates that it is of greater importance for distribution platforms. This is most likely because the nature of distribution platforms – they make up the medium through which thousands or millions of consumers watch esports – necessitates costly infrastructural investments. Investments to that extent are most probably not needed for other actors involved in esports.

Last, interviewees across all actors mention a focus on getting involved in esports, rather than capitalizing on it. It is not clear, for example, if Turner's or MTG's investments in esports will be properly appropriated (by Turner and MTG themselves). While esports consumers are "very passionate" and watch esports for longer periods than the average sports consumer watches, return on these investments build on the premise that distribution platforms will be able to capitalize on the potential in consumers' willingness to pay. However, the findings in this study indicate that actors are still experimenting in finding the right offerings and revenue streams in esports. For distribution platforms, that question is crucial, as advertising seems to become less of a reliable revenue source, but a golden standard is yet to be found.

5.3. Understanding value in the esports industry

Up until now, the discussion has been focused on the separate categories of actors and how they regard value creation and value appropriation. To gain a more holistic understanding of the actors' behaviour in the esports industry, the findings and above analysis will be used to discuss patterns among the perceptions. These patterns have been divided into six different areas: *Value creation versus value appropriation, Cooperation, Trial and error, Competence, Brand,* and *Diversification*.

5.3.1. Value creation versus value appropriation

Among all interviewees, a recurring opinion is that actors focus more on creating value – going by the definition that value creation is about innovating, producing, and delivering market to the market (Mizik & Jacobson, 2003) – rather than appropriating value. This is not to say that appropriating value and protecting appropriation streams is neglected among actors, but that capitalization and profit is not the main concern for actors. The findings suggest that this is especially true for new entrants. With large viewership, and industry reports that predict a potential to capitalize on esports consumers, new entrants originally from other industries are

incentivized to invest in esports. However, the findings also suggest that there is scepticism regarding if this is beneficial for the industry. For example, both competition organizers and teams mentioned the oversaturation of competitions as a result of an increased interest in investing in esports. But this scepticism does not only seem to reside among smaller and existing esports actors. Even an interviewee from a major distribution platform questioned his employer's and competitors' decision to enter esports. The potential of esports might or might not be fulfilled. Regardless of the outcome, it seems as though current actors in esports see an increased focus on value creation at the cost of appropriating that value – a short sightedness in the industry.

The focus on value creation is not inexplicable however. If actors were to focus on appropriating value rather than creating it, for example by utilizing isolating mechanisms to a greater extent, it would risk hindering the growth of esports. New entrants – some with financial resources to grow esports in a faster rate than before – would most probably have fewer incentives to enter the industry. Instead, a lack of such focus has invited actors to enter esports relatively unhindered. This of course continues the growth of the esports industry in terms of the number of actors, competitions, and prize money. At the same time, the growth of the esports industry begs the question if all actors will be able to capitalize on their investments if focus shifts from creating value to appropriating value. This is a more important question for those actors that rely on profits from esports itself, e.g. competition organizers or teams, whereas publishers have been shown to be able to treat esports as a marketing cost while generating revenue from sales in the video game industry (i.e. not necessarily seeking profit in esports specifically). Such differences may also arise between large actors with the financial resources to withstand difficulties in appropriating value longer than smaller actors, such as independent competition organizers, teams, and smaller distribution platforms. With this in consideration, a continued trend of acquisitions of smaller actors by larger actors such as incumbents in video game publishing (Activision Blizzard acquiring MLG), traditional media (MTG acquiring ESL and Dreamhack), and other related industries (Amazon acquiring Twitch) would not be surprising.

5.3.2. Cooperation

As discussed in the literature review, theory often focuses on putting a firm in relation to its competitors when regarding value creation and value appropriation (Sirmon et al. 2007; Mizik & Jacobson, 2003). This is useful in understanding how some firms in esports behave, especially in the case of competition organizing, in which existing organizers are facing competition from several fronts and need to make efforts to outperform competitors by strengthening their brand or hiring the top talent in the industry.

However, the findings suggest that there are actors that value cooperation alongside competition. Both interviewees and secondary data show that teams see importance in cooperating to become stronger as a group and be able to appropriate more of their created value, while still competing against each other for prize money, sponsorship revenue, and viewership. For a competition organizer, the importance in cooperation lies in the fact that there

is an increasing competition from large corporations. Cooperation then becomes a way for the competition organizer to instead neutralize the threat from these large corporations, such as incumbents in the media industry or publishers, who are integrating into competition organizing. On the other side, a publisher might gain from cooperating with competition organizers by increasing the value appropriation on their game, when value is created in esports. To manage the risk of larger actors entering the market, cooperation is also seen among smaller streaming services such as Azubu and Hitbox, who cooperate with existing competition organizers in order to stay competitive against Amazon-owned Twitch. In other words, cooperation seems to serve esports actors in two ways. First, as Jacobides and co-authors (2006) suggest, by collectively creating more value which leads to more appropriation potential. In addition to what literature suggests, the findings also suggest that cooperation might serve as a mechanism for a smaller actor to neutralize the threat from larger actors.

Although actors see cooperation as beneficial in different ways, it is not always easy to highlight which actors benefit *the most* from a cooperation. Cooperation between different teams may quite easily be understood as beneficial for all participating teams. However, cooperation between competition organizers and new entrants or publishers does not have as clear of a distribution of benefit. In one aspect, it is a way for the smaller firm – the competition organizer – to survive and deter larger actors to integrating into their core business. In another aspect, it is a way for the larger firm or new entrant to gain foothold in esports by utilizing the brand of the competition organizer to gain trust among consumers. In other words, cooperation is of different value for different actors – and different categories of actors, and there is no universal answer to the question of whether it is beneficial, or in what way it is beneficial (e.g. how it enhances value creation and appropriation).

The question of cooperation in esports is important for another reason. Other than the intellectual property that publishers own in their games, and upcoming licensing rights from competition organizers, activities in esports are seemingly imitable. In an industry with imitable innovations, Aldrich and Fiol (1994) argue that collective action is more likely to occur, meaning the actions of teams and competition organizers are to some extent anticipated. According to Aldrich and Fiol (1994), firms need to act together to develop more stable industry conditions, such as finding a dominant product design. Otherwise, the "size of the pie" (Jacobides et al., 2006) might not grow, and the potential to appropriate value would most likely be inhibited. The findings show that such standards would be especially valuable in how to organize competitions, and how to capitalize on consumers who watch the competitions. This could for example mean that competition organizers need to cooperate with each other in order for their events to not collide, but also cooperating with teams in questions regarding revenue sharing. The latter would also become valuable in finding more stable ways of generating revenue in esports overall, becoming less reliant on today's advertising revenue.

5.3.3. Trial and error

Regardless of how value is created or appropriated, the findings suggest that in many cases, creating and appropriating value is dependent on an iterative trial and error process in which

actors try many different ways of doing things. This is perhaps the most common characteristic among all actors that have been identified: in creating and appropriating value, a common standard is yet to be found. Whether it is how publishers should get involved in esports, how competition organizers should organize their competitions, or how distribution platforms should charge viewers, the findings show that actors experiment with different approaches. This is valuable in different ways for different categories of actors. For competition organizers and publishers for example, it is a way of trying to find more standardized ways to do business in esports. For teams on the other hand, it is valuable from a competitive standpoint, with a team remaining competitive as games or players increase and decrease in popularity (and consequently prize money and possible sponsorships).

While there is an essence of trial and error in several activities, finding the right ways to capitalize on esports consumers seems to be the most important activity in which actors are experimenting with the recipe (e.g. introducing microstransactions, selling merchandise, offering broadcasting licenses, or substituting advertising). This is consistent with Amit and Zott's (2001) suggestion that novelty – referring to finding novel ways of transaction – affects a firm's value creation in a virtual market. The esports industry itself is relatively new, but the medium through which esports is often distributed, online streaming services, is not much older. Consequently, the problems of consumers using software to block advertising is not an esports-specific problem, but rather a problem of generating revenue on the Internet. This arguably increases the need of esports actors attempting different ways of structuring transactions. This is especially important for those actors dependent on advertisement revenue (competition organizers and distribution platforms), rather than those investigating if esports is profitable while generating revenue elsewhere (publishers).

By continuously attempting different approaches to both create and appropriate value, actors seem to be searching for a "best fit" for the current situation (i.e. what offers exist, how competition looks like, and what customer demands are). When an actor believes it has found the appropriate method, experimentation becomes less significant, but still important. However, the findings show that esports is constantly facing change in terms of competition, products, and customer demand. Such changes lead the actor to engage in a trial and error process to find the "new" best fit. For example, distribution platforms have historically relied on advertisements as a means to appropriate value. This did not stop them from exploring new appropriation streams. However, the recent surge in use of ad-blocking software makes the need for exploration even more apparent, and efforts to find alternative revenue streams are elevated.

That actors largely utilize a trial and error process is not surprising when looking back at the characteristics of a nascent industry. If there are no standards to go by (Porter, 1980), and customer demand is hard to observe or unreliable (Shaver, 2006) firms must rely on testing different methods of creating and appropriating value. This provides an interesting link between theories on nascent industries and the notions of value creation and value appropriation. In mature industries, value creation and value appropriation was described as a sequential process in which a firm innovated and delivered a product to the market, and then

extracted profits from that market (Mizik & Jacobson, 2003; Priem, 2007; Pitelis, 2009). In nascent industries, value creation and appropriation instead seems to be better understood as an iterative and multifaceted activity in which a firm has two goals. First, to experiment in finding a standard in creating and appropriate value. Second, to have a multitude of approaches to creating and appropriating value to increase the probability of finding the best fit (this line of reasoning is further discussed in 5.3.6, *"Diversification").*

5.3.4. Competence

Across all interviewees, high competence is mentioned as an important factor affecting how an actor in esports creates value. This is consistent with Aldrich and Fiol's (1994) suggestion that it is the employees in a firm that hold knowledge of the industry they are active in. As discussed before, there are rarely any standard ways of creating and appropriating value in the esports industry. What is successful and what is not is information that has not been mapped out, but resides among the people who work in the industry.

But competence is not only an important parameter in creating value. The findings also show that competence in a firm is valued as an important resource in creating barriers against other firms, deterring competition. If competence is crucial in creating value, keeping that competence also works as a mechanism to ensure that competitors do not create superior value (as Sirmon and co-authors [2007] suggest firms do in creating value) or find ways to appropriate the firm's value, as Lepak and co-authors (2007) suggest. Not only does competence prove valuable in creating value, but also in disincentivizing larger actors to enter esports and instead cooperate with existing actors. This was exemplified by competition organizers with employees knowledgeable in a specific game becoming an important factor in negotiating with publishers.

The importance of competence lays up for an interesting tension between different actors. New entrants, such as publishers increasing their esports presence or media incumbents, might use their superior financial resources to attract the top competence in esports to their business. At the same time, existing smaller esports actors such as independent competition organizers or smaller distribution platforms will most probably tighten their grip on their in-house competence to use it as leverage in pushing for cooperation. This tension has already resulted in several acquisitions among competition organizers. And as the findings show, it is most probable that it is among competition organizers that this trend will continue, with larger actors in the industry (publishers and distribution platforms, but also new entrants) engaging in interesting interactions with competition organizers in the future. Such interactions might include more acquisitions, more cooperation, and a fiercer competition in attracting new employees.

5.3.5. Brand

In discussing value appropriation, several authors suggested creating barriers and utilizing isolating mechanisms. More specifically, Lepak and co-authors (2007) mentioned knowledge, physical, or legal barriers that prevents competitors from imitating the novel value created by

a firm. The imitability of esports activities (except the intellectual property in publishers' games) has previously been discussed as an important factor affecting to what degree actors in the esports industry cooperate alongside competing. In the same fashion, actors in the esports industry mention their brand as an important mechanism to solidify their position in the industry, perhaps due to lack of other inimitable resources.

The importance of brand stands in contrast to the importance of financial resources in the esports industry. As larger corporations enter the industry, existing actors seem to rely on brand recognition to compete with actors larger than themselves. In this notion of brand, interviewees not only regard name or trademark recognition. It is clear that for several actors, most importantly teams and competition organizers, brand is also defined by the actor's involvement in developing esports. This is perhaps why one interviewee mentioned that consumers will be able to differentiate between new speculative entrants, and actors that have been part of esports evolution (and consequently favour the latter).

It is too early to tell if a single team's or competition organizer's brand will be successful in protecting its appropriation streams against publishers' recent entry into esports, or large media corporations such as MTG and Turner investing. However, this sentiment sheds light on another aspect of how actors create and appropriate value. Some actors, especially those active in the evolution of esports (as opposed to new entrants in the last couple of years), create value for all parties involved in esports by developing the concept and industry of esports, and hope to appropriate this value by becoming closely associated with that development. The brand strength is then used as a leverage against existing esports actors and new entrants. Not only might it deter competition, but also serve as a way to incite cooperation.

5.3.6. Diversification

The last pattern that is common across the actors in this study's findings is that there is a focus on diversifying rather than choosing a niche and specialize on it. Publishers, competition organizers, teams, and distribution platforms all highlight the fact that they cannot do one thing only. As mentioned before, this contradicts Pitelis' (2009) suggestion that differentiation is a way to enhance a firm's appropriation potential, and possibly suggests that diversification is instead valuable in esports, as described in the empirical findings and further exemplified in table 4.5.

As with the other patterns discussed, the findings show diversification is of different importance for different actors and categories of actors in the industry. For example, publishers continuously releasing new games and teams having players in these different games seems to be a necessity whether or not the industry is nascent or mature. For them, it is simply the way of competing in esports, seeing as games decrease in popularity over time. This is partly true also for competition organizers. However, for competition organizers, the findings also show that they spread out activities throughout different games and players in case a publisher prevents them from carrying out business as usual (e.g. signing exclusivity deals or organizing competitions themselves).

There is also a third dimension to diversification in esports. Favouring diversification over differentiation correlates with the suggestion that actors in the esports industry create and appropriate value through a trial-and-error-process. Before knowing what is successful and what is not, actors need to have a diverse portfolio of offerings. This is applicable to different extents for all categories of actors. The findings show that actors in esports are continuously trying to find a standard way to for example monetize esports or structure competitions over time. Since these standards do not converge overnight, they need to be diverse for a longer period. That there are many alternative standards was mentioned in the literature review (Porter, 1980; Shaver, 2006), but esports show that this is not necessarily the case of firms competing for their standards to be successful, but also works as a way of hedging against failure.

6. Discussion

In this section, the findings and subsequent analysis is discussed in light of the three research questions and the previous research presented in the literature review. Each question is addressed in a separate section, with a discussion on how the analysis answers each respective question.

6.1. The esports industry and its actors

The first research question covers what the esports industry is, what types of actors it consists of, and how these actors interact.

- *What is the esports industry and what types of actors does it consist of?*
    - *How do these types of actors interact?*

In this study, esports has been investigated both on a general level, and on an actor-category-specific level. Together, these levels have helped in gaining an understanding of what the esports industry is. The empirical findings make it clear that it is possible to discern different categories of actors, according to their activities in the esports industry (e.g. creating games, playing games, broadcasting games, etc.) However, the findings and the subsequent analysis also make it clear that while different categories of actors exist and some boundaries can be drawn, it is a more complex issue than simply describing one actor in a categorical fashion.

Furthermore, the findings make it clear that there is a broad range of cooperation among actors. This further adds to the analysis that it is hard to solely regard one firm's behaviour in esports. Several times, it is a set of multiple actors, across categories, that act together in creating and appropriating value in esports (e.g. competition organizer Faceit, distribution platform Twitch, and different teams introducing ECS). Reciting from the literature review, Jacobides and co-authors (2006) mention that when discussing matters of value, focus has traditionally been on two-way relations, while industries consist of more complex relation structures, which in turn constitute the industry architecture. The findings of this study are in line with Jacobides and co-authors' suggestion.

In section 4.1, esports is visualized after interviewee responses and secondary data from industry reports, primarily regarding how esports is delivered to the consumer. In figure 6.1, esports is instead visualized with the purpose of answering the research question, depicting the industry, categories of actors, and interactions between those actors.

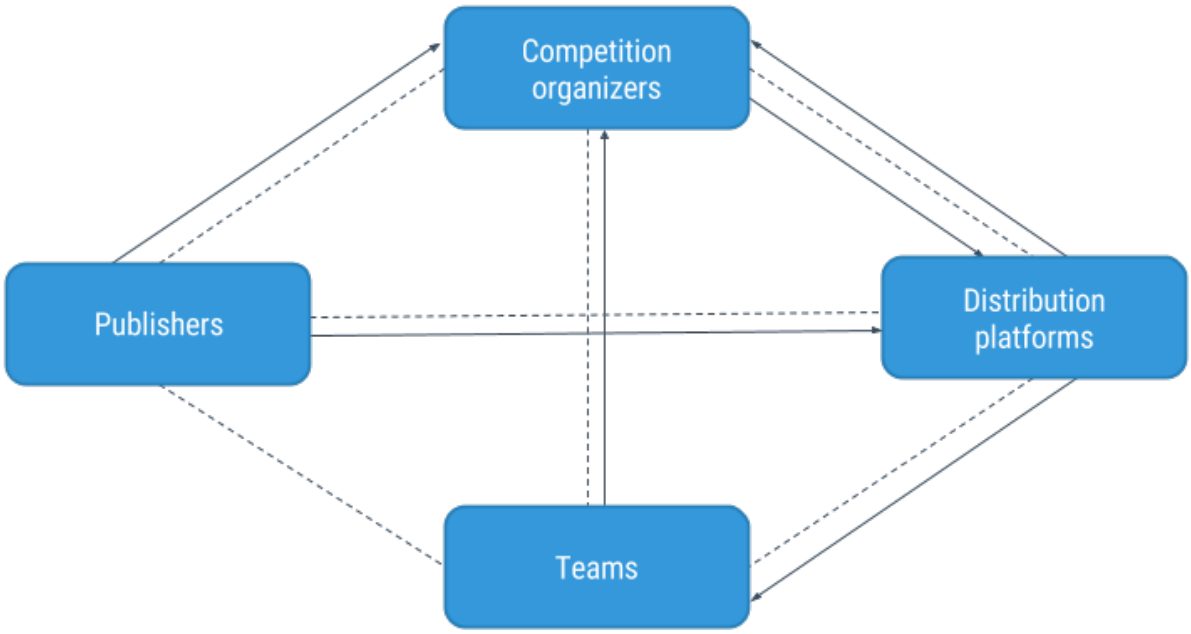

Figure 6.1. A visualization of the esports industry and the actors and interactions within it. Dashed lines represent relations in which cooperation and collaborations have been observed. Solid lines represent observations of actors in a category going beyond their core business.

The answer to what the esports industry constitutes and how actors within it interact consequently has bearing on how we discuss value creation and appropriation in the industry, and what meaning the findings have from an academic perspective. For example, the literature review covered value appropriation theory's strong focus on the competitive landscape, while it is shown here that this focus is problematic in esports. Value creation and value appropriation can simply not be understood with the exact same premises as theory suggests, something that is regarded when continuing to discuss the concepts in the following sections.

6.2. Value creation in the esports industry

In section 2.4, *"Reflection of theory"*, two main line of thoughts were laid forward regarding the gap that was identified in the discussion on value creation and appropriation. First, there is a lack of examples of value creation from the empirical world. To understand the concept of value creation in a more empirical manner, part of the study's second research question regards how value creation is perceived by the various actors in the esports industry.

- *How are the notions of **value creation** and value appropriation perceived by the various actors in the esports industry?*

What the findings show, is that value creation in esports is first and foremost not necessarily a sequential process carried out by the firm, as suggested by some authors (Mizik & Jacobson, 2003; Lepak et al., 2007). Neither is it necessarily the result of a firm overshooting its competitors while improving profit margins (Sirmon et al., 2007). Instead, many actors in the esports industry see value creation as an iterative activity. For actors who highlight the need

for a more standardized way of conducting business in esports, such as competition organizers and publishers, the iterative trial and error process is a way to faster find a good fit to customer demands, such as how many competitions to organize or how to sponsor competitions (e.g. Valve trying out different approaches in their involvement with esports). For a firm, each trial itself may be comparable to Mizik and Jacobson's (2003) suggestion of innovating and delivering that innovation to a market (e.g. Valve trying out different approaches in their involvement with esports), but is part of a higher level activity. In this iterative activity, interviewees from competition organizers rarely focused on comparing a single firm with its competitors. The same views were not voiced by interviewees among other categories of actors. Distribution platforms, for example, have in majority found their niche in distributing esports broadcasts live online, generating revenue through advertisement and subscriptions. For them, the trial and error process might not be valuable to the same extent, as they can be seen as having already found their fit to the customer demands. This might lead to tensions between distribution platforms and other categories of actors. While some actors might favour experimentation in esports, distribution platforms might favour stability in order to focus more on appropriating the value created in esports.

Another pattern found among actors in the esports industry is the emphasis of competence within the firm, brought up as an important factor by interviewees across competition organizers, teams, and distribution platforms. While interviewees mentioned this in regard of examples such as a competition organizer negotiating with a publisher – consistent with Tsai and Ghoshal's (1998) notion of trustworthiness – it also falls in line with Aldrich and Fiol's (1994) notion of tacit knowledge within the employees in an industry. This is assumed to be even more important when having an experimental approach as a firm; that tacit knowledge, consisting of former mistakes and successes, is utilized in creating value in the firm.

Last, interviewees across different actors mentioned cooperation as an important factor in creating value. But as previously discussed, it is not easy to identify which party a cooperation is actually beneficial for when creating value. In cooperation between publishers and competition organizers, for example, is it the smaller actor – the competition organizer – who benefits the most as a result of not being out-competed by the publisher hosting a proprietary competition? Or is it the publisher who benefits the most by gaining access to important competence needed to create value in esports? Moreover, when is cooperation better for the publisher rather than acquiring the competition organizer? Answers to these questions were not covered by the interviewees answers. Instead, cooperation was generally seen as a good thing regardless of the perspective. As more time passes though (notable acquisitions and cooperation have only happened recently), the perception on cooperation may change, and we can gain more understanding in how actors regard cooperation, and its role in value creation.

As seen, there are several general likenesses between how different actors perceive and describe value creation in esports. Several highlight the experimental approach, with systematic trial-and-error process designed to find products and services that better fit the customer demands and other circumstances in the industry. However, equally important are the

differences between actors, which will also have an effect on the future development of the esports industry, further discussed in section 6.4, *"Implications for esports"*.

6.3. Value appropriation in the esports industry

The second line of thought regarding gaps in section 2.4 was that it is hard to understand value appropriation in a context where competition was not as easily observable as in a mature industry. Understanding the concept better in esports is also addressed by the study's second research question.

- *How are the notions of value creation and **value appropriation** perceived by the various actors in the esports industry?*

The reflection that value appropriation is hard to understand in a nascent industry proves true when looking at esports. Academics' focus on the competitive landscape of an industry, and the competitors of a firm, is not enough to understand value appropriation in esports. Comparing a firm to another firm in esports is already difficult, given that there are few points of comparison that are standardized (for example, is viewership, revenue, prize money, or the number of first-places the correct way to compare one team to another?). Comparisons become even more difficult when acknowledging, just as with value creation, that firms in esports rarely act on their own.

The systematic and iterative trial-and-error process recurs when discussing value appropriation. Here, interviewees suggested that value appropriation – in the form of extracting profit from the market (Mizik & Jacobson, 2003) – is currently being experimented with by all categories of actors, whether it is publishers figuring out how to best appropriate on value created in esports or distribution platforms finding new revenue sources. However, this does not seem to be equally important for all actors. For competition organizers, teams, and most distribution platforms, esports is the core business. For these actors, finding ways to appropriate value is decisive in if the firm survives financially. This stands in contrast to publishers, who seem to perceive revenue sources in esports as a *possibility*, rather than a *necessity*. This is driven by the fact that publishers generate revenue by selling games (or through microtransactions). This perception might not affect publishers in any way for now, but seems disadvantageous for other actors. Competition organizers, for example, seem to have been forced to compete against a category of actor who perceive esports as a marketing tool, rather than an avenue for profit.

Moreover, one observation, also highlighted by interviewees from competition organizers and teams, stands in contrast to literature on value appropriation. While differentiation is suggested as a mechanism to protect and enhance appropriation streams; the opposite also seems to be true in esports. Interviewees from teams and competition organizers, as well as actions from publisher such as Valve, show that actors in esports perceive diversification favourable as a hedging mechanism. This is most likely a result of the nascency of the industry; no one knows what will be successful, so any actor must do a variety of activities either to find the right

activity, or to be able to quickly pivot when someone else finds it. For most actors, time will most likely see focus shift towards more differentiated offerings and a more granular division of labour as a result of the industry maturing and standardizing. This does not necessarily have to be the case for all categories of actors however. Publishers and teams, for example, always face the uncertainty in the popularity of a game, and continuously need to stay diversified in order to be relevant when changes in esports games occur. Distribution platforms on the other side do not face this uncertainty. As such, diversification will be a long-term approach for some actors, while less important for others.

But explanations of value appropriation from theory are – as previously mentioned – not inaccurate in esports. In fact, sentiments from interviewees and actions from different actors show that isolating mechanisms are also important, as several authors suggest (Lepak et al. 2007; Pisano and Teece, 2007; Pitelis, 2009). An actor's brand was highlighted by competition organizers and teams as important, especially when competing with larger corporations with substantial financial resources. Intellectual properties were perceived to be a privilege exclusive to publishers by interviewees in this study, but the sale of broadcasting rights and the sale of merchandise indicates that firms among competition organizers and teams also realize the benefits of using their intellectual properties as a way of both appropriating more value, and protecting others from appropriating value from them.

As with value creation, there are several likenesses in how actors perceive value appropriation, especially in how they see the trial and error process as important in finding new ways to capitalize on esports, but also how some actors use diversification as a way to protect appropriation streams. Mizik and Jacobson's (2003) notion of value appropriation as "extracting profit from the market" is not deemed irrelevant, but can instead be put in a broader context when discussing esports. Many actors perceive value appropriation as the best solution in terms of ways to extract profit from the market. The findings show that esports actors believe this solution is found by experimenting with new ways to extract profit from the market, while using intellectual properties, brand, and diversification as tools to protect and enhance existing appropriation streams. However, we also see differences in perceptions, especially between publishers (and larger corporations in general) and other categories of actors in the industry, regarding the importance of value appropriation. Both the likenesses and differences will have an effect on the continued development of esports, which is discussed next.

6.4. Implications for esports

The third and final research question regards the implications of the previously discussed perceptions for the esports industry.

- *What are the implications of these perceptions for the esports industry?*

In the literature review, section 2.3 *"Nascent industries and value",* three fundamental assumptions on which previous value creation and appropriation literature built upon were listed. The first and second assumptions, that an observer had knowledge of the inherent

dynamics of the industry and its competitive landscape, has to some extent been discussed in this study, giving us a new understanding of value creation and appropriation in the esports industry. The third assumption regards the relative stability of these inherent dynamics. Just as it was argued that this assumption would not hold in a nascent industry, it would be naïve to state that the above analysis and discussion on value creation and appropriation in esports is to be constant. As mentioned, esports is in a phase where it is maturing over time, leaving the early phases that Porter (1980) describes. As a result, it is valuable to discuss what implications the analysis and discussion might have on the continued development of esports.

With more actors entering esports, it is likely that we will see existing esports actors cooperating with larger players from other industries. The trend of acquisitions and partnerships is likely to continue. The analysis of the findings suggest that this might be catalysed as competence within the firm is seen by all actors as a driver for value creation. On one side, it is probable that it will drive acquisitions by both existing and new large firms in esports, as a way to assimilate the tacit knowledge within employees to further strengthen presence in esports. On the other side, it is also probable that this will lead to smaller and independent actors to increase incentives for employees to stay, as they are important leverage in promoting cooperation. As competition organizers seem to be regarded as the "guarantors of quality" (Jacobides et al., 2006), these interactions will most likely continue to be seen between existing independent competition organizers, and the "big three" publishers as well as new large corporate entrants.

A surge of actors raising their involvement in esports, especially actors with considerable financial resources, brings an increase of capital in the industry. Consequently, esports will likely experience increased professionalization of activities. With the stakes raised, many independent and smaller actors might see their end as they are no longer able to compete on the same grounds as large corporations. Whether it is profitable or not, this scenario most likely also results in that teams with more capital will be able to offer higher salaries, competition organizers with more capital will be able to attract more teams, and distribution platforms with more capital will be able to buy highly sought after licenses and attract more viewers. Those actors that are not viable as collaborators for larger actors – for example due to geographical or financial limitations – in all likelihood need to close shop.

In the longer term, the challenge of an overt focus on value creation rather than value appropriation becomes apparent. While publishers as a category of actors might see value appropriated in the popularity of their games rising (rather than generating direct revenue), it would not be surprising to see other categories of actors seek profit in esports. Currently, the growth of esports might overshadow the potential to appropriate value in the way Mizik and Jacobson (2003) describe – extracting profit from the marketplace. Smaller, independent, actors are combating increased competition through strengthening their brand or cooperating with larger actors. New entrants however, such as publicly traded MTG, Turner, and Amazon, will probably want returns on their investments in esports. When that time comes, there is a risk of a collective realization that much of the potential value to be appropriated has been

appropriated by consumers. In other words, some firms risk providing more use value than they can receive exchange value, as Mizik and Jacobson (2003) suggest might happen.

Actors in esports however do not seem to be unaware of the situation. By continuing to experiment with new ways of generating revenue, actors from all categories are showing that esports will soon need to capitalize on its huge following. Recent development is seen in merchandising, licensing fees, in-game transaction tie-ins, and subscription programmes. If advertisement revenue continues to be unreliable – as interviewees have suggested – the coming years will most likely see these appropriation streams become increasingly valuable as. As Amit and Zott mention (2001), novel ways of structuring transaction is the single most important way in which firms succeed in a virtual market. We have yet to see if the current revenue streams will prove satisfying, or if the evolution of esports (and the internet) has more to offer in the future.

In conclusion, the short term development of esports seems to be driven by two primary factors, both mainly revolving around competition organizers and interactions within their surroundings. First, publishers operate in esports under different circumstances than most other actors active in esports. The ability to appropriate value from their games rather than their created value in esports, coupled with their ability to inflate prize pools to attract teams and viewers, will probably make the competitive landscape of competition organizers even tougher, if publisher continue to integrate into competition organizing. Second, large corporations entering esports in general (i.e. not *only* publishers) have significantly larger financial resources to develop (and consequently professionalize) esports, at the expense of smaller actors' ability to create and appropriate value to the same extent. As with publishers' presence in esports, this will most probably affect competition organizers the most, whether it comes in the form of acquisition, even tougher competition, or eventual demise. But it is also noted that competition organizers, and other small actors in the categories of teams and distribution platforms, do not stand helpless. The findings suggest that these actors see competence within their firm, as well as brands tightly coupled with the evolution of esports, as valuable assets in pushing for more cooperation.

On a more speculative note, the long term challenges of esports are predicted to be two-folded. First, actors perceive that there is a lack of collective alignment, something that seems to be needed to not let fierce competition inhibit the overall development of the industry. This is already seen with the increasing saturation of competitions for both teams and viewers, which will most likely continue, necessitating the need to cooperate in order for esports to further evolve as an industry. Second, the findings show that all actors believe that it is of importance to find more standardized ways of capitalizing on the end consumers. If the potential in esports consumers is realized, analysts predict rapid growth in the industry, to the point where it reaches the size of household leagues such as the NBA and the Premier League. If it is not realized, esports might continue as a pure marketing tool for publishers to generate popularity for their games. In that case, the future of esports is even more ambiguous, becoming more dependent on each individual publisher's ability to create games that can be played competitively and attract the millions of viewers it has today.

7. Conclusion

This study set out to answer three research questions. The first regarded what the esports industry is, what types of actors it consists of, and how these actors interact. The findings showed that there is no unanimous view of esports, but recurring structures appear both among interviewees and in industry reports. The esports industry was consequently divided into the categories *Publishers*, *Teams*, *Competition organizers*, and *Distribution Platforms*.

The second, and main, research question, regarded how the notions of value creation and value appropriation are perceived by the various actors in the esports industry. Using the above categories of actors, it was concluded that there is no single perception of what these concepts entail. However, there are patterns among actors, alongside notable differences. Value creation in general is perceived by several actors as a systematic and iterative trial-and-error process, in which the actor utilizes in-house competence and cooperation with other firms to experiment with different approaches to innovate and deliver value to the consumers. However, this was found to be of variable importance for different categories of actors. Those who seek more standardized ways to conduct business in esports, such as publishers and competition organizers, favour the trial-and-error process more than those who have found their niche, such as distribution platforms – possibly laying up for unbalanced ambitions from different actors in the future development of esports.

Value appropriation was found to be of different importance for different actors, creating tensions in the industry. Publishers, who generate revenue mainly through selling games, see value appropriation in esports as a *possibility* rather than a *necessity*, seemingly regarding esports only as a marketing tool for their games. This is disadvantageous for actors whose core business is esports, and the ability to appropriate value decides if the firm will survive financially. Furthermore, a contrast to existing literature was found, with several actors favouring diversification rather than differentiation as means to protect their appropriation streams. This was especially important for competition organizers who host competitions in different games, as a result of facing uncertainty in a publisher potentially excluding the competition organizer from organizing competitions in a specific game. Existing literature also proved relevant in understanding how esports actors perceived value appropriation, with strong brands and other intellectual properties regarded as important in protecting appropriation streams.

The third research question regarded the implications of these perceptions for the esports industry. It was concluded that the short-term implications revolve around competition organizers, facing tough competition from publishers and new entrants, possibly leading to more cooperation, more acquisitions, and/or more business failures. To combat unfavourable positions, competition organizers with strong brands and valuable in-house competence will utilize these assets to push for more cooperation in order to not be out-competed. The long-term challenges of esports are believed to be two-folded: finding the ability to collectively align and standardize certain aspect of the industry, and succeeding in capitalizing on esports consumers.

8. Further research

As with all academic studies, both anticipated limitations and new findings give birth to a range of questions that cannot be answered due to resource and time constraints. Future research may entail several approaches to further understand the area of value creation and appropriation, as well as increasing the validity of the study. Such approaches include narrowing down on the single actors, in order to better understand and gain empirical evidence of how *the firm* perceive value creation and appropriation. Another approach would be to complement areas which were delimited from this report, such as investigating the esports industry in Asia or spending more time to acquire primary data from publishers as a way to test the internal validity of this study. A last suggestion regards the external validity and potential for generalization of the findings in the study. This could for example be done by studying other industries that may act as a representation of a nascent industry, with the same methodology presented in this study, comparing findings to find similarities and differences, and investigate if the findings have similar implications as those suggested for esports.

References

Academic references

Amit, R., & Zott, C. (2001). Value creation in e-business. *Strategic management journal*, *22*(6-7), 493-520.

Aldrich, H. E., & Fiol, C. M. (1994). Fools rush in? The institutional context of industry creation. *Academy of management review*, *19*(4), 645-670.

Bowman, C., & Ambrosini, V. (2000). Value creation versus value capture: towards a coherent definition of value in strategy. *British Journal of Management*, *11*(1), 1-15.

Bryman, A., & Bell, E. (2011). *Business Research Methods 3e*. Oxford University Press.

Dubois, A., & Gadde, L. E. (2002). Systematic combining: an abductive approach to case research. *Journal of business research*, *55*(7), 553-560.

Duguid, P. (2003). Developing the brand: The case of alcohol, 1800–1880. *Enterprise and Society*, *4*(03), 405-441.

Easterby-Smith, M., Thorpe, R., & Jackson, P. R. (2012). *Management research*. Sage.

Edwards, R., & Holland, J. (2013). *What is qualitative interviewing?*. A&C Black.

Golafshani, N. (2003). Understanding reliability and validity in qualitative research. *The qualitative report*, *8*(4), 597-606.

Grant, R. M. (2008). Contemporary strategy analysis.

Jacobides, M. G., Knudsen, T., & Augier, M. (2006). Benefiting from innovation: Value creation, value appropriation and the role of industry architectures. *Research policy*, *35*(8), 1200-1221.

Klepper, S., & Graddy, E. (1990). The evolution of new industries and the determinants of market structure. *The RAND Journal of Economics*, 27-44.

Lepak, D. P., Smith, K. G., & Taylor, M. S. (2007). Value creation and value capture: a multilevel perspective. *Academy of management review*, *32*(1), 180-194.

Lezinski R., Marn M. V. (1997). Setting value, not price. The McKinsey Quarterly, 1, 99–115.

Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic inquiry* (Vol. 75). Sage.

Mizik, N., & Jacobson, R. (2003). Trading off between value creation and value appropriation: The financial implications of shifts in strategic emphasis. *Journal of marketing*, *67*(1), 63-76.

O'Cass, A., & Ngo, L. V. (2011). Examining the firm's value creation process: a managerial perspective of the firm's value offering strategy and performance. *British Journal of Management.*

Paulsson, U., & Björklund, M. (2003). *Seminarieboken-att skriva, presentera och opponera*. Studentlitteratur.

Pisano, G. P., & Teece, D. J. (2007). How to capture value from innovation: Shaping intellectual property and industry architecture. *California Management Review*, *50*(1), 278-296.

Pitelis, C. N. (2009). The co-evolution of organizational value capture, value creation and sustainable advantage. *Organization studies*, *30*(10), 1115-1139.

Porter, M. E. (1980). Competitive strategy: techniques for analyzing industries and competitors.

Priem, R. L. (2007). A consumer perspective on value creation. *Academy of Management Review*, *32*(1), 219-235.

Roberts, P. W., & Dowling, G. R. (2002). Corporate reputation and sustained superior financial performance. *Strategic management journal*, *23*(12), 1077-1093.

Sánchez-Fernández, R., & Iniesta-Bonillo, M. Á. (2007). The concept of perceived value: a systematic review of the research. *Marketing theory*, *7*(4), 427-451.

Santos, F. M., & Eisenhardt, K. M. (2005). Organizational boundaries and theories of organization. *Organization science*, *16*(5), 491-508.

Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students*. Pearson Education.

Schechter, L. (1984). A normative conception of value. *Progressive Grocer, executive report*, *2*, 12-14.

Shaver, J. M. (2006). A paradox of synergy: Contagion and capacity effects in mergers and acquisitions. *Academy of Management Review*, *31*(4), 962-976.

Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of management review*, *32*(1), 2 (asf)73-292.

Tsai, W., & Ghoshal, S. (1998). Social capital and value creation: The role of intrafirm networks. *Academy of management Journal*, *41*(4), 464-476.

Yin, R. (1994). Case study research: Design and methods. Beverly Hills.

Zeithaml, V. A. (1988). Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence. *The Journal of marketing*, 2-22.

Electronic references

Battle.net. (2016). Official site for the 2016 StarCraft II World Championship Series from Blizzard Entertainment. Retrieved 2016-05-20 from http://wcs.battle.net/sc2/en#schedule

Cocke, T. (2015, May 27). How to watch the LCS. Retrieved from http://2015.na.lolesports.com/articles/how-watch-lcs

Counter Logic Gaming. (2016). Teams. Retrieved 2016-04-20 from http://clgaming.net/teams/?team=3

Counter-strike. (2016, February 23). Major Growth. Retrieved from http://blog.counter-strike.net/index.php/2016/02/13658/

Donnell, A. (2015, April 21). Fnatic partners with Twitch. Retrieved from http://fnatic.com/content/96412

Dota 2 (a). (2016). Live Games. Retrieved 2016-05-05 from http://www.dota2.com/watch/

Dota 2 (b). (2016). The International Battle Pass. Retrieved 2016-05-22 from http://www.dota2.com/international/battlepass/

Dota 2 (c). (2016). The International Compendium. Retrieved 2016-05-22 from http://www.dota2.com/international2015/compendium/

Dota 2 (d). (2016, March 7). The Manila Major Tickets. Retrieved from http://blog.dota2.com/2016/03/the-manila-major-tickets/

Dreamhack. (2012, November 15). Dreamhack, Electronic Sports League and Major League Gaming partner to unify and elevate esports globally. Retrieved from http://www.dreamhack.se/dhw12/2012/11/15/dreamhack-esl-mlg-partnership/

Dreamhack. (2016, May 26). Dreamhack Zowie Open comes to Dreamhack Austin, featuring $50,000 Starcraft II tournament. (2016, May 26). Retrieved from http://open.dreamhack.se/page/starcraft-2/

Dreamhack. (n.d.). Yle Coverage. Retrieved from http://open.dreamhack.se/news/171-yle-coverage.html

Eleague. (2016, March 10). Eleague announces first six teams to compete in inaugural season. Retrieved from http://www.e-league.com/news/first-six-teams-announced

E-frag. (2016, May 26). Announcing the world championships. Retrieved from https://www.e-frag.net/news/TWC/1464/announcing-the-world-championships-2016

Esportsearnings (a). (2016). History. Retrieved 2016-04-15 from http://www.esportsearnings.com/history

Esportsearnings (b). (2016). Highest Overall Earnings. Retrieved 2016-04-15 from http://www.esportsearnings.com/players/highest-overall

Esportsearnings (c). (2016). Largest overall prize pools in esports. Retrieved 2016-04-15 from http://www.esportsearnings.com/tournaments

Esportsearnings (d). (2016). Teams. Retrieved 2016-04-16 from http://www.esportsearnings.com/teams

Esportsearnings (e). (2016). Top games awarding prize money. Retrieved 2016-04-15 from http://www.esportsearnings.com/games

Esportsearnings (f). (2016). Top Teams of 2016. Retrieved 2016-04-15 from http://www.esportsearnings.com/history/2016/teams

Evil Geniuses. (2016). The Team. Retrieved 2016-05-18 from http://evilgeniuses.gg/The-team/

Faceit. (2016, April 6). Faceit and Twitch partner to launch first esports league with team co-ownership. Retrieved from https://play.faceit.com/faceit-and-twitch-partner-to-launch-first-esports-league-with-team-co-ownership-3/

Ferraro, A. (2016, March 10). ESL taps Azubu for global esports partnership and exclusive collaboration. Retrieved from http://content.azubu.tv/news/esl-taps-azubu-for-global-esports-partnership-and-exclusive-collaboration/

Gamepedia. (2016). Azubu Frost. Retrieved 2016-05-14 from http://lol.gamepedia.com/Azubu_Frost

Goldberg. D. (2016, March 7). Efter Dreamhack-köpet: så mycket drar MTG in på esport. Retrieved from http://digital.di.se/artikel/efter-dreamhack-kopet-sa-mycket-drar-mtg-in-pa-e-sport

Gosugamers. (2016) Rankings. Retrieved 2016-05-19 from http://www.gosugamers.net/rankings

Heitner, D. (2015, December 31). Why 2016 should be a year of tremendous growth for esports. Retrieved from http://www.forbes.com/sites/darrenheitner/2015/12/31/why-2016-should-be-a-year-of-tremendous-growth-for-esports/#275d619e2b96

Hitbox. (2016, April 6). Hitbox partners with Dreamhack for exclusive Russian and Portuguese content. (2016, April 6). Retrieved from http://blog.hitbox.tv/hitbox-partners-with-dreamhack-for-exclusive-russian-and-portuguese-content/

Hltv. (2016). Stats. Retrieved 2016-05-19 from http://www.hltv.org/?pageid=183

Joindota. (2016). Team Ranking. Retrieved 2016-05-19 from http://www.joindota.com/en/edb/teams

Langshaw, M. (2012, February 5). Gaming like a pro: an overview of the esports scene. Retrieved from http://www.digitalspy.com/gaming/news/a363769/gaming-like-a-pro-an-overview-of-the-esports-scene/

Leberl, D. (2015, March 3). The world championships in CS:GO exclusively on hitbox. Retrieved from http://blog.hitbox.tv/the-world-championships-in-csgo-exclusively-on-hitbox/

Lewis, R. (2015, October 3). E-sports team union formalises and reveals demands for 2016. Retrieved from https://www.e-frag.net/news/esports/509/esports-team-union-demands

Liquipedia (a). (2016). Azubu. Retrieved 2016-05-22 from http://wiki.teamliquid.net/starcraft2/AZUBU

Liquipedia (b). (2016). Premier Tournaments. Retrieved 2016-04-18 from http://wiki.teamliquid.net/counterstrike/Premier_Tournaments

Major League Gaming (a). (2016, January 4). Activison Blizzard acquires the business of Major League Gaming. Retrieved from http://www.majorleaguegaming.com/news/activision-blizzard-acquires-the-business-of-major-league-gaming

Major League Gaming (b). (2016). Retrieved 2016-05-22 from http://www.majorleaguegaming.com/about

Metacritic. (2016). All companies. Retrieved from http://www.metacritic.com/browse/games/company/reviewed

Mira, L. (2015, October 15). Virtus.pro gets $100m+ investment. Retrieved from http://www.hltv.org/news/16170-virtuspro-gets-100m-investment

MTG. (2015, November 12). MTG acquires Dreamhack. Retrieved from https://www.mtg.com/press-releases/mtg-acquires-dreamhack/

MVP. (2016). We are team MVP. Retrieved 2016-05-22 from http://www.mvpzine.com/?page_id=36

Na'vi. (2013, February 1). Natus Vincere moves to Twitch.tv. (2013, February 1). Retrieved from http://read.navi-gaming.com/en/team_news/fnatic_fragout_league_navi_vs_nip

Riot Games. (2015. December 15). Riot Comp changes incoming. Retrieved from http://www.riotgames.com/articles/20151215/2132/riot-comp-changes-incoming

Riot Games. (2016, February 16). Worlds return stateside for 2016. Retrieved from http://www.riotgames.com/articles/20160304/2151/worlds-returns-stateside-2016

Rozelle, W. (2015, December 10). Worlds 2015 Viewership. Retrieved from http://www.lolesports.com/en_US/articles/worlds-2015-viewership

Rovell, D. (2016, January 16). Esports is having a moment. Retrieved from http://espn.go.com/esports/story/_/id/14551519/esports-having-moment

Sandberg, M. (2016, May 8). Svt sänder esport under vår och sommar 2016. Retrieved from http://www.svt.se/esport/sa-sander-svt-esport-under-var-och-sommar-2016

Smet, P. (2013, May 24). Team Dignitas sign a long term deal with twitch. Retrieved from http://team-dignitas.net/articles/news/Twitch/3407/Team-Dignitas-signs-a-long-term-deal-with-Twitch

Statista. (2016). Revenue of the largest computer and video game publishers worldwide in 2015 (in billion euros) Retrieved from http://www.statista.com/statistics/273838/revenue-of-the-largest-video-game-publishers-worldwide/

Team Liquid. (2016). Retrieved 2016-05- 22 from https://www.teamliquidpro.com/

Team Secret (2016). Teams. Retrieved 2016-05-02 from http://teamsecret.gg/teams/

The International. (2014, July 21). Retrieved from https://www.flickr.com/photos/dota2ti/14916807681. Licensed under Creative Commons Attribution 2 Generic (https://creativecommons.org/licenses/by/2.0/)

Twitch. (2016). About. Retrieved 2016-05-01 from https://www.twitch.tv/p/about

Youtube. (2016). Gaming. Retrieved 2016-05-23 from https://gaming.youtube.com/

Industry reports

Eedar. (2015, October) Esports consumer analysis whitepaper. Retrieved from http://progamedev.net/wp-content/uploads/2015/11/EEDAR_%E2%80%93_eSports_Consumer_Analysis_2015.pdf

Ifpi. (2016, April 12). IFPI Global Music Report 2016. Retrieved from http://ifpi.org/news/IFPI-GLOBAL-MUSIC-REPORT-2016

Lee, P., Stewart, D. (2016, January) Esports: bigger and smaller than you think. Retrieved from http://www2.deloitte.com/global/en/pages/technology-media-and-telecommunications/articles/tmt-pred16-media-esports-bigger-smaller-than-you-think.html#full-report

Mpaa. (2015, December 31). Theatrical Market Statistics. Retrieved from http://www.mpaa.org/wp-content/uploads/2016/04/MPAA-Theatrical-Market-Statistics-2015_Final.pdf

Newzoo (a). (2016, April 21). The global games market reaches $99.6 Billion in 2016, mobile generating 37%. Retrieved from https://newzoo.com/insights/articles/global-games-market-reaches-99-6-billion-2016-mobile-generating-37/

Newzoo (b). (2016, January 25). Global esports market report: revenues to jump to $463M in 2016 as US leads the way. Retrieved from https://newzoo.com/insights/articles/global-esports-market-report-revenues-to-jump-to-463-million-in-2016-as-us-leads-the-way/

Pwc. (2016, April). The burgeoning evolution of esports. Retrieved from https://www.pwc.com/us/en/industry/entertainment-media/assets/pwc_consumer-intelligence-series_esports_april-2016.pdf

Superdata. (2015, May 4). The worldwide esports market reaches 134 million viewers. Retrieved from https://www.superdataresearch.com/blog/esports-brief/