

A STUDY OF THE EXISTING AND EMERGING BUSINESS MODELS IN THE INDIAN ESPORTS ECOSYSTEM



Tharakesh Dharumaraj, Darni Carapurcar, Shubham Ruhela, Niranjana Raju

EXECUTIVE SUMMARY

Background Information and Problem Statement

Esports is a booming global industry where skilled video gamers play competitively, worldwide around 474 million people watch esports both online and in person. The total revenue generated by esports globally in 2019 was \$957.5M compared to the \$750M generated by FIFA in the same year, making it one of the fastest growing markets. Electronic sports (esports) are gaining importance in terms of popularity and in terms of its recognition. It has now been recognized by the Olympic Council of Asia, which means that we will see an esports segment in the 2022 Asian Games. As esports have grown in importance, many countries have embraced them, leveraging the platform and the unique connect to young customers they provide.

The Esports audience in India is growing immensely and has generated a revenue of approximately \$68 million in the financial year 2020. On average an Indian esports viewer/user spends roughly 22 hours per week either watching streams on the online platforms like Twitch or participating in online games such as PUBG, Fortnite, etc. Esports rise in India has created profitable opportunities for brands as well since they directly approach and communicate with their target customers. Given the current pandemic, companies are looking to adopt non-traditional media channels such as Billboards, Bar/Restaurant Advertising, etc to attract and engage with their audiences. This idea itself has forced us to look at online games as a potential avenue for marketers and their brands.

Though a lot of studies and research papers exist from around the world, very limited information is available in the Indian context. Through this study we have researched and networked with industry experts from India to truly understand the potential esports has or will have in Indian market. We covered diverse areas such as players, tournaments, companies etc. giving us an insight into the total coverage of the sport played in the country. India recorded about 365 million online gamers in the financial year 2020. To capitalize from the growth of esports in India, we look at what are those business models that could truly strike a chord with the Indian ecosystem and if any changes / localization needs to be brought in for maximum market capitalization.

Purpose of the Research Study

- To study/critique existing business models in the esports ecosystem - Study competitors, market landscape, target audience
- Provide suggestions as to how each business model can be localized for India.
- Identify any gap areas in the existing business models that will enable for growth of the businesses employing these business models as well as the entire ecosystem.
- Propose a modular hybrid model formed by integrating these gap areas into existing business models.

Main Arguments

Esports, on the account of being an up-and-coming industry in India, needs the right kind of supporters in its nascent stage. The proponents of the industry need to ensure that growth strategies, essential data and best practices are freely available to all aspiring Esports Entrepreneurs. This is essential to the holistic growth of the ecosystem and industry.

The need of a large number of small Esports businesses in India is justified by the case study of the scale of rapid innovation witnessed in the open-source software industry from the 1990 onwards. By enabling these small-scale entrepreneurs, the Indian Esports industry will see rapid innovation all across the country with respect to business models. In the long run, the learnings accumulated by these entrepreneurs can prove to be a significant advantage to the Esports industry in India when it gets ready to make its mark on the global Esports industry.

Method of collecting data.

A mixed-methods approach was used to collect the data for this study. To get a better understanding of the subject matter, the authors surveyed existing literature in online news articles, academic journals, and books on the esports ecosystem from other countries where the sport has made massive progress and from articles published in the Indian context. The research also interviewed a total of 5 industry stakeholders, deemed relevant to get a practical perspective on the readings. These included gaming café owners, senior management folks from technology companies investing heavily in esports, entrepreneurs who are looking at investing in esports but already run other gaming arenas. Some of the most valuable insights were provided by -

- Kabir Saxena, India on Track (leading new esports division)
- Shrvanth Reddy, LXG (COO and CTO)
- Mahesh Ram, Fettle Sports(Founder)

We also collected secondary data via a survey which included a wide range of audience. These included gamers – casual and professional, bloggers, content creators, students, parents, etc. This enabled the study to gain insights into some vital data points and behavioral tendencies of the target audience.

Overview of Findings

The importance of providing future Esports entrepreneurs with a guide and a modular Business canvas is immense in empowering them and thereby promoting the growth of the Esports ecosystem in India. The main purpose of the proposed modular Esports Business model, apart from the reasons we have already mentioned, is to lead to the formation of ten thousand (10000) Esports business in India valued anywhere between ₹1-10 Crore in the next 10 years. Furthermore, the proposal is not meant to lead to the formation of 10 companies valued at ₹1000 Crores. We firmly believe that such an outcome will lead to the widening of the income gap in the economically weaker sections of India whereas 10000 smaller companies ensure that income is equitably distributed and hence can lead to reducing the income gap in various classes of the society. This will inevitably lead to the growth of the esports market, not just from a financial numbers' perspective but also as a change in the public image of Esports in India which is still developing and is still a major point of friction for the industry. Additionally, the growth of Esports in the manner described above will contribute to the development of India as a country too. We can also conclusively say that there if an individual or group of individuals have the right appetite, many vital administrative and executive roles are up for grabs in this industry. Esports and the various businesses developing around them can take over the traditional sports in terms of its high scalability quality and its wider reach and connect to the younger masses. Esports participating stake holders are many hence there is a potential for work related to it in many of its capacities. 3 of the 4 studied business models, namely sponsorships plus consultation and talent management, grassroots infrastructure and community business are fields that are although emulative in nature but still have an immensely large potential. Game development and businesses related to publishing require very deep pockets and are therefore not recommended for an aspiring Indian Entrepreneur. GenZ is mentally developing faster than any of the previous generations we have seen. The power to decide what future products will work and what will not, is not only squarely in their hands, they also understand that they wield this power in some capacity or the other. The ideal next step after the study done in this report to understand GenZ better and predict how their consumption patterns of internet products will evolve over the coming decade and hence prepare for the future. For now, the proposed modular business model will empower entrepreneurs to build small Esports businesses with their current understanding of the target audience.

Recommendations

The need for a modular business model which can be localised according to region in India is of utmost importance. India is a country with vast diversity and therefore the resources and funds available vary highly. Additionally, different regions have different dominant skillsets which supports the need of such a modular business model.

The modular business model suggested in this report must be used as a reference, not as a guide. It's important to remember that market conditions vary highly over time.

Although the studied business models have great potential individually, we propose the execution and developing of a hybrid business model based on conditions and outcomes that seem most favourable to budding entrepreneurs.

The areas of focus that we jotted down are talent management, coaching, tournaments and community business because these have multiple revenue streams and without being a too heavy on tying up the capital costs and can start small and grow organically over the years too although tech-based start-ups change overnight and can grow exponentially with minimum resources so there is a high possibility in that too. We recommend sticking to an internet-based business model.

Furthermore, to make adequate and appropriate use of the business model, it needs to be supported with granular research into the behavioural patterns of young millennials and GenZ. This would increase the likelihood of the success of the hybrid business models manyfold.