

Sponsorship in eSports

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The 2018 World Championship for League of Legends is arguably the most popular eSport event internationally. It is an event with an average concurrent viewership of 46.65 million people. eSports is becoming increasingly popular, with an estimated 50 per cent of the world's most wealthy and influential people having invested in eSports within the last few years.

Its popularity across the Middle East is no different. The UAE is one of the Middle East's most popular gaming regions. The mobile gaming market dominates the region's gaming market when it comes to revenue, through sponsorship, advertising, and media rights it is expected to generate \$1.7 billion by 2021, around 1 per cent of the total gaming market.

So, what is eSports, and what is with all the hype? eSports consist of tournaments between high ranking gamers, played in a public venue and attended by fans. They are similar in format to traditional, live sporting events in that organisations and individuals compete at the highest levels of professional gaming. If a player reaches the top, they can also earn up to seven-figure salaries through team contracts, sponsorships, and tournament winnings. However, unlike sports sponsorship, eSports is, in many ways, more accessible, dynamic and diverse due to its high level of audience interaction and the ability for it to be streamed or played anywhere.

How do eSports make money?

eSports competitions make money in ways very similar to more traditional sports game, involving a strategic mix of sponsorship and media rights.

Sponsorship

Sponsorship is, as commonly known, a promotional activity when one organisation provides an investment in the form of a financial and/or a product or service contribution to another organisation in exchange for the ability to promote their brands. This can be witnessed in traditional sports games when a carbonated beverage brand splashes its trade mark across a football field or on massive billboards around the arena, or takes a branded opportunity for a fan site or other associated event. But eSports has something a little different...

Michael Rubinelli, CEO of the New York-based international athletes' representation and sports marketing firm Mogul, stated: "One of [the] drivers of growth in eSports. Interactive gaming is the largest entertainment revenue generating vertical in the world earning more than box office and music sales combined." High profile celebrities are in agreement with that, with Canadian singer Drake announcing his co-ownership of 100 Thieves, a "lifestyle, apparel and eSports" company, and Michael Jordan investing in Team Liquid's (a prominent Dota 2 team) parent company, aXiomatic."

Sponsorship of eSports offers a significantly higher degree of publicity to brands. This is because it can be exercised through sponsoring the game developers, the events, the individual teams or the individual players. Of course, UAE sponsors need to ensure that all advertisements comply with the National Media Council's ('NMC') regulations, the Cabinet Resolution No 23 of 2017 Concerning Media Content, as well as the Federal Law No 15 of 1980 Concerning Press and Publications. They provide an advertising and media guide containing public policy guidelines which would be helpful for any brand within the UAE wishing to sponsor an event.

In traditional sports sponsorship, the sponsorship arrangement is usually between the event (e.g. NBA basketball competition) and the company (e.g. Adidas). However, in eSports, the key sponsorship agreement is between the overall tournament organiser, such as the basketball league or the football association, and the company wishing to obtain brand exposure. It is clear big brands are getting involved. In one example, in the Multiplayer Online Battle Arena ('MOBA') category, luxury brand Louis Vuitton has collaborated with Riot Games, to implement game character "skins" (cosmetic features for in-game characters) for one game, which could be purchased with real money. Skins, which is the fashion for the gaming fantasy characters, costs players up to \$25 to purchase. Louis Vuitton has also spent around 900 hours developing a trophy case for the League of Legends World Championship cup, as part of its overall engagement. Louis Vuitton has a history of designing goods for fantasy characters, and why wouldn't it, when it is able to reach a unique audience of 99.6 million viewers?

Sponsoring events

According to the Interactive Advertising Bureau ('IAB') the eSports audience tends to be higher-than-average earners which naturally implies more spending power. Therefore, participating in sponsorship for eSports provides brands with an opportunity to actively engage with thick-walletted consumers in a meaningful way. For example, MasterCard signed an events' focused deal with Riot Games in 2019. This meant MasterCard assisted with opening ceremonies and had benefits for their cardholders including backstage tours, VIP viewing with pro players, and meet-and-greets.

Contractually, the Middle East does not always have comprehensive laws to address the issue of ambush marketing. With sponsorships, in general, a non-sponsor may attempt to associate itself with an event by using communication that would lead a consumer to believe that the brand acts as an official sponsor when in fact it does not. One complicating factor in eSports, in particular, is the amount of conflicting sponsors all engaged with the same event. For example, in 1996, Linford Christie was individually sponsored by Puma during the Atlanta Olympics. However, the official sponsor of the Atlanta Olympics was Reebok. Puma had given Linford Christie Puma contact lenses to be worn during the press conference preceding the game in Atlanta, which conflicted with Atlanta Olympics' sponsorship agreement with Puma.

Last year, Dubai hosted the world finals of the third annual Girlgamer e-sports festival at the Meydan Grandstand. The event saw nine five- player teams compete in the games League of Legends and CounterStrike Go, one of which was local in order to help promote female gamers in the UAE. Events like this include performers, radio hosts, singers and gamers. Therefore, it can be challenging to cross check sponsors and ensure they do not conflict. This is why sponsorship should be overseen by the event organiser.

In finalising contracts for specific events in the Middle East, both events and sponsors should be aware that the region has strict prohibitions on activities such as, for instance, promotion of alcohol and gambling. Contracts need to address these activities specifically to ensure that any activity by either party that contravenes the laws will have repercussions.

Exclusive sponsorship

\$1.5 billion to \$2.5 billion business within the next few years, it is no wonder that broadcasting companies want exclusive deals. In August this year, Riot Games announced an agreement with Chinese streaming video platform Bilibili allowing it exclusive broadcasting rights to its major League of Legends global events. Bilibili will produce original streaming and on-demand video content around the competitions, and will feature content promoting retired Chinese pro players Jian “Uzi” Zi-Hao and Ming “Clearlove” Kai. It is challenging to secure exclusive broadcasting deals for eSports, as competition is fierce. Those lucky few will need to contend with even more fierce competition from sponsors and advertisers, who are looking to reach the broadcaster’s 44 billion plus audience members.

Google is a company that has taken matters into its own hands. It recently released a game-streaming service called Stadia. Stadia allows people to play games through the internet without having to buy a console or high-powered computer. Additionally, Google’s YouTube secured the exclusive broadcasting rights to some of the biggest eSports leagues, including the rights to broadcast the new Call of Duty League and the already-popular Overwatch League.

Sponsoring individual teams

One particularly valuable option that brands can consider is to sponsor individual gaming teams. An example might be the brand displaying their logo on the team’s shirt in exchange for benefits, or co-branding the teams website. Audi was crowned the first sponsor for Future FC, an online FIFA team recently established by the Australis Group. This deal is reported to be for three years and has a reported annual value of at least \$1 million. In the context of individual teams, there are some legal and non-legal issues which may arise:

- **Shifting teams:** the nature of eSports teams is always shifting, and players are always changing. If it is important in a deal for a player to be a part of a team, it is advised to have carefully drafted terms in relation to their ongoing participation, in the manner of a ‘key man’ clause. Perhaps their loss will give rise to a right of termination but it may just allow for a drop in the consideration paid by the brand;
- **League disqualification:** although sponsors cannot guarantee the success of a team in any one season, they often include extra incentives in the contract based on the progress of the championship, to give incentives and motivation for players to succeed. In addition, a drop of a star player or failure to appear in a key tournament may give rise to a right to terminate or to reduce consideration.

Sponsoring individual players and personalities

With the rise in young audiences engaging online, another way brands can get involved with eSports is by involvement with the online engagement between eSports stars and their fans. Large communities of fans are already following gaming personalities which engage their fan base through livestreams or through personal channels on platforms like YouTube. With the rise of ‘double screening’ (i.e. think watching TV whilst scrolling through Instagram), sponsors are given another opportunity to win the attention of consumers. Perhaps the brand could facilitate the ability of fans to livestream their favourite eSport’s star narration of another competitor’s game.

Engaging with sponsored content

Sponsors may provide sponsored content to the eSport's stars' fans for the purchase of the sponsor's sponsored products. In exchange, the personality receives a share of the net profits of product sales derived through its affiliate code. Similar to the other categories of individual sponsorship, whether in sport, music or otherwise, this particular type comes with its own legal risks. Contracts need to consider the following:

- **Copyright:** There may be a rivalry for ownership over copyright over sponsored content. A sponsor may want to own all the copyright associated with the content created during the sponsorship, while a gamer (or streamer) would want to retain as much as possible of his/her own brand's rights. In this case, each party should assert its rights contractually, and provide a licence to its copyright to the other party;
- **Trademarks:** rights over trademarks are easy to track as these are registered. Each party will register and keep its trademark rights and provide licenses to each other for their respective use;
- **Player Conduct:** as a lot of eSports are exploited and promoted through personalised streaming services live events are becoming increasingly popular. Either way, sponsors should keep an eye on their players' conduct, as this could cause a reputational risk to both the individual and the sponsor. Examples are a player becoming intoxicated, violent or defamatory at an event. This is especially important in the UAE and other MENA countries, where there are strict content laws and modesty norms; and
- **Incentives:** players should be incentivised by the sponsor to do well and perform well, but also to engage and connect with its audience. This can be achieved through financial incentives such as bonuses, and consequences such as termination (as discussed above). Sponsors could also require the player to agree to minimum appearance requirements which, if not adhered to, could also result in termination. As a strategy to keep players 'onside', sponsors could also encourage players to team up with other branded players instead of with players from a competing brand in any team up games.

Conclusion

eSports provide an exciting and innovative opportunity for many stakeholders. In particular, sponsors of all shapes and sizes are able to engage on a large scale with audience members rising into the billions. Broadcasters and media buyers anticipate a shift in the way gaming fans engage with content, but one thing is for sure - eSports and e-gaming is only getting bigger and more popular over time. By successfully navigating the legal sphere, sponsors can increase revenue and tackle new markets in an exhilarating new (virtual) world.

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