

# Picks on Clicks with an RG Schtick: Building Long Term Sustainability in Esports Betting Growth

*Brett Abarbanel*

During the COVID-19 pandemic, esports and its associated betting markets grew — and in some cases, continue to grow — exponentially as consumer entertainment filled the gap left by a sport shut down around the world (Every Matrix, 2020). In the absence of traditional sport, the hugely popular — but still relatively niche — esports space suddenly received significant exposure, reaching new audiences. The vogueish but uncertain Overwatch League, for example, has seen a steady rise in viewership over the past few months (Amenabar, 2020). In addition, new events started occurring online that had never before been considered for broadcast. The dearth of sport that kicked off in March 2020, for example, fostered a new range of remote work for athletes in video game settings. In the racing world, Formula 1 launched their Virtual Grand Prix soon after motorsport was postponed, using driving rigs that mimic the drivers' Formula 1 racing experience in a highly realistic manner (Formula 1, 2020a). The Virtual Grand Prix reached 30 million views across television and digital platforms during its run, and the associated F1 2019 video game saw a 1000% month-on-month increase in streaming hours in June 2020 (Formula 1, 2020b).

As the COVID-19 pandemic continues to limit sport participation and attendance at sporting events, esports are now offered as a serious alternative to sport: not just for spectatorship purposes, but also in betting markets. In addition to the already highly-engaged spectator audience for esports, the sports drought — and thus, sports *betting* drought — is also exposing traditional sports bettors to esports. While approximately 85% of total esports betting volume is attributed to the more “classic” esports titles of League of Legends, CS:GO, and Dota 2, simulated sports games grew in popularity through the COVID-19 pandemic (Eilers & Krejciak, 2020; Every Matrix, 2020). And although esports event wagering

Brett Abarbanel  
University of Nevada,  
Las Vegas  
brett.abarbanel  
@unlv.edu

in the US has not quite matched normal levels of sports wagering, esports and associated wagering has largely been resistant to COVID-19 economic pressures (Eilers & Krejcik, 2020).

What does all this, then, mean for gambling-focused organizations seeking to enter the esports and gaming space? What lessons from gambling should gaming and esports organizations be aware of as they embark on the hunt for gambling-related partners? What potential consumer impacts exist as brands, both endemic and non-endemic to esports and gaming, peddle their gambling wares?

A theme that you'll see throughout *The IGI COVID Papers* series is particularly relevant here. We all, individuals and organizations alike, must be nimble in change and adapting to potentially-unfamiliar spaces. And when it comes to something like esports, a crucial element to adaptation is to open your mind to learn about something that may be quite new. It's ok to admit ignorance and seek knowledge in this space. The esports and gaming community are infamous for being suspicious of outsiders, and "authenticity" is a rallying cry for marketers (Allenstein, Gediehn, Lehmann, & Singer, 2020). That is, marketers encourage brands to become actively involved in the community interests, not just "logo slap" for visibility (Semeraro, 2020). Ensuring that brand outreach connects with and demonstrates value to the community is important, particularly as esports spectatorship has grown through the COVID-19 pandemic and is expected to draw increased interest from outside brands and investors (Semeraro, 2020).

But a word of caution in the face of all this opportunity: it is much easier to get things wrong in a burgeoning gambling space than to get them right. This is particularly the case with esports and betting, since being "authentic" in a way that allows an organization to penetrate a community usually means they are appealing (intentional or not!) to the relatively large proportion of the audience and players that are younger, or even underage (NewZoo, 2020). Such issues are well-known in the gambling world, where long-standing extensive research has demonstrated youth vulnerability to problematic gambling behaviors (Derevensky, Gupta, Messerlian, & Gillespie, 2004). The backlash to marketing that targets youth (again, intentional or not!) is strong. And this backlash is not all moralistic; plenty is grounded in concrete research findings regarding potential harm. Rossi and Nairn (2020), for example, outline the ways in which esports betting advertising appeals to younger audiences in a way that other sport betting advertising does not. As a result, they argue, esports may be harboring a betting vertical that "quietly [spawns] a whole new generation of problem gamblers" (Rossi & Nairn, 2020). Widespread online campaigns can also easily capture audiences in places where it may be illegal to place wagers on esports events.

Problem-gambling-related harm is bad for consumers and businesses — don't get so wrapped up in this incredible growth that opportunity becomes exploitation, and long-term sustainability is harmed. Gambling companies should differentiate themselves from bad actors, much in the same way they do in other verticals. This involves an additional dimension in esports and gaming, stemming from the legal and moral debate surrounding loot boxes. At the core of this debate is the definition of gambling and the chance elements built into certain video game mechanisms (Abarbanel, 2018). The games community has largely pushed back against such practices, and jurisdictions around the world are reviewing the practice to determine if it constitutes legal gambling (see, e.g., Cerulli-Harms, Münsch, Thorun, Michaelsen, & Hausemer, 2020; Department for Digital Culture Media & Sport, 2020). Gambling organizations can differentiate away from the pall of this stigma by showing the ways in which they operate with clear regulatory compliance, and outlining the consumer protection measures they have in place. The same key "authenticity" theme of esports marketing is relevant here, too, as brands can build around safer gambling practices (dyve [dyveagency], 2020) and become, as Salsburg (2020) has so aptly termed, "The Volvo of Gaming". Building a long-term, trusted reputation is more beneficial than short term gain.

The COVID-19 environment was a catalyst in accelerating growth in esports, and brought these coexisting profit prospects and potential harm situations to the forefront of gambling discussions. All that is available at the intersection of esports and betting may seem like endless opportunity, but I urge organizations in pursuit to consider the famous quote from former Nintendo chief executive Satoru Iwata, “Above all, video games are meant to just be one thing: fun for everyone” (Casamassina, 2016). To accomplish this goal, balance in innovation is necessary. The latest, most up to date technologies and platforms can create incredible digital gambling experiences in esports. But don’t forget who your consumers are, and how crucial it is to protect them to maintain a fun, sustainable environment.

## References

- Abarbanel, B. (2018). Gambling vs. gaming: A commentary on the role of regulatory, industry, and community stakeholders in the loot box debate. *Gaming Law Review*, 22 (4), 231–234. doi:10.1089/qlr.2018.2243
- Allenstein, U., Gediehn, O., Lehmann, S., & Singer, D. (2020, July 31). Esports and the next frontier of brand sponsorships. McKinsey & Company. Retrieved from <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/esports-and-the-next-frontier-of-brand-sponsorships#>
- Amenabar, T. (2020, July 15). Overwatch League finds a silver-lining to Season 3 turmoil: tournaments. *The Washington Post*. Retrieved from <https://www.washingtonpost.com/video-games/esports/2020/07/15/overwatch-contenders-cup-tournament/>.
- Casamassina, M. (2016, July 13). GDC 06: Iwata Keynote Transcript. IGN. Retrieved from <https://www.ign.com/articles/2006/03/27/gdc-06-iwata-keynote-transcript>.
- Cerulli-Harms, A., Münsch, M., Thorun, C., Michaelsen, F., & Hausemer, P. (2020). *Loot boxes in online games and their effect on consumers, in particular young consumers*. Retrieved from Luxembourg: [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652727/IPOL\\_STU\(2020\)652727\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652727/IPOL_STU(2020)652727_EN.pdf).
- Department for Digital Culture Media & Sport. (2020). *Open consultation: Loot boxes in video games — call for evidence*. United Kingdom Retrieved from <https://www.gov.uk/government/consultations/loot-boxes-in-video-games-call-for-evidence/loot-boxes-in-video-games-call-for-evidence>.
- Derevensky, J., Gupta, R., Messerlian, C., & Gillespie, M. (2004). Youth gambling problems: A need for responsible social policy. In J. Derevensky & R. Gupta (Eds.), *Gambling Problems in Youth: Theoretical and Applied Perspectives* (pp. 231–252). New York: Kluwer Academic/Plenum Publishers.
- dyve [dyveagency]. (2020, October 13). Q: Why do so many #responsiblegambling or #safergambling campaigns fail? A: They lack the key ingredient of authenticity. Retrieved from <https://twitter.com/dyveagency/status/1315967068739719169>
- Eilers & Krejciak. (2020). *Esports & Gambling Monitor — 1Q20*. Santa Ana, CA: Eilers & Krejciak Gaming, LLC.
- Every Matrix. (2020). *The state of esports betting*. Retrieved from St. Julians, Malta: <https://issuu.com/everymatrix/docs/esports-report-may-2020?fr=sODM1OTEzMzY4ODg>
- Formula 1. (2020a). Formula 1 launches Virtual Grand Prix Series to replace postponed races [Press release]. Retrieved from <https://www.formula1.com/en/latest/article.formula-1-launches-virtual-grand-prix-series-to-replace-postponed-races.1znLAbPzBbCQPj1IDMeiOi.html>
- Formula 1. (2020b). Formula 1 Virtual Grand Prix Series achieves record breaking viewership [Press release]. Retrieved from <https://corp.formula1.com/formula-1-virtual-grand-prix-series-achieves-record-breaking-viewership/>
- NewZoo. (2020). *2020 Global Esports Market Report*. San Francisco, CA: NewZoo.
- Rossi, R., & Nairn, A. (2020, October 1). Esports could be quietly spawning a whole new generation of problem gamblers. *The Conversation*. Retrieved from <https://theconversation.com/esports-could-be-quietly-spawning-a-whole-new-generation-of-problem-gamblers-147124>
- Salsburg, J. (2020). The most perplexing thing about gaming industry brands. Retrieved from <https://dyveagency.com/the-most-perplexing-thing-about-gaming-industry-brands>.
- Semeraro, E. D. (2020, September 9). As esports go mainstream, some important lessons for brands. *tubefilter*. Retrieved from <https://www.tubefilter.com/2020/09/09/esports-coronavirus-viewership-spotify-league-legends-creatoriq/>