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慶應義塾大学大学院経営管理研究科修士課程

学位論文（ 2019 年度）

論文題名

AN ANALYSIS ON JAPAN ESPORTS INDUSTRY:  
KEY FACTORS THAT INFLUENCE THE DIFFUSION AND ADOPTION OF JAPAN ESPORTS

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# 論文要旨

所属ゼミ	浅川 和宏 研究会	氏名	イン シコン
(論文題名)			
AN ANALYSIS ON JAPAN ESPORTS INDUSTRY: KEY FACTORS THAT INFLUENCE THE DIFFUSION AND ADOPTION OF JAPAN ESPORTS			
(内容の要旨)			
<p><i>This study identifies the key factors that influence the diffusion and adoption of Japan eSports.</i></p> <p><i>Esports are now a global form of entertainment and sport. Within last decade, the eSports industry has been growing rapidly in many countries such as China, United States and South Korea. However, Japan, a country with strong game industry and game market, failed to catch up with the trend and a huge gap between Japan eSports and top countries appeared. Consider the potential of eSports market and its contribution to national economics, education, AI research and many other aspects, it is necessary for Japan to develop its eSports industry and narrow the gap.</i></p> <p><i>Diffusion of innovations has been chosen as the theoretical framework to guide the research. This theory involves several key factors as the Innovation, the Communication channels and Social systems (Rogers, 1983). In the case of Esports industry, these factors represent video game industry, media and government. By promoting or improving these three factors, Japan eSports Industry may able to grow faster and catch up with the top ones.</i></p> <p><i>To identify whether they are the key factors or not, we compared and analysis the case of China, South Korea and Japan. The results support our claim, indicating that video game industry, media and government are key factors that can influence the development of eSports.</i></p> <p><i>Moreover, we examined the connections and relationships among these elements, and we realized that these three elements work together and form an ecosystem. We analyzed the eSports ecosystem and introduced a new model. We furthermore successful proves that such ecosystem is the main reason why China and South Korea's eSports industry succeed while Japan failed and fall far behind.</i></p> <p><i>In the last, the solution for Japan's dilemma are found. In order to solve the problem fundamental, a healthy and robust eSports ecosystem must be constructed in Japan in the future. To achieve that, the government, media and game industry should change their attitude, their mind and learn from other countries such as China and South Korea.</i></p>			

# AN ANALYSIS ON JAPAN ESPORTS INDUSTRY:

KEY FACTORS THAT INFLUENCE THE DIFFUSION AND ADOPTION OF JAPAN ESPORTS

By

**Zhikun Yin**

2020/2/10

## Abstract

This study identifies the key factors that influence the diffusion and adoption of Japan eSports.

Esports are now a global form of entertainment and sport. Within last decade, the eSports industry has been growing rapidly in many countries such as China, United States and South Korea. However, Japan, a country with strong game industry and game market, failed to catch up with the trend and a huge gap between Japan eSports and top countries appeared. Consider the potential of eSports market and its contribution to national economics, education, AI research and many other aspects, it is necessary for Japan to develop its eSports industry and narrow the gap.

Diffusion of innovations has been chosen as the theoretical framework to guide the research. This theory involves several key factors as the Innovation, the Communication channels and Social systems (Rogers, 1983). In the case of Esports industry, these factors represent video game industry, media and government. By promoting or improving these three factors, Japan eSports Industry may able to grow faster and catch up with the top ones.

To identify whether they are the key factors or not, we compared and analysis the case of China, South Korea and Japan. The results support our claim, indicating that video game industry, media and government are key factors that can influence the development of eSports.

Moreover, we examined the connections and relationships among these elements, and we realized that these three elements work together and form an ecosystem. We analyzed the eSports ecosystem and introduced a new model. We furthermore successful proves that such ecosystem is the main reason why China and South Korea's eSports industry succeed while Japan failed and fall far behind.

In the last, the solution for Japan's dilemma are found. In order to solve the problem fundamental, a healthy and robust eSports ecosystem must be constructed in Japan in the future. To achieve that, the government, media and game industry should change their attitude, their mind and learn from other countries such as China and South Korea.

*Key Words: eSports, ecosystem, innovation, China, South Korea, Japan*

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## Chapter 1: Introduction

In recent years, eSports industry suddenly appeared in our sight and begun to grow explosively all over the world. There are only dozens of worldwide tournaments around 2005, but the number doubled and now becomes bigger and bigger since 2010. Esports is no doubt the hottest topic among young people in countries all over the world.

However, eSports tournaments and events do not have the same popularity in every region. While young people in China and South Korea are crazy for eSports tournaments and events, eSports is only a minority in Japan. It is until recent years that eSports are recognized by the majority of Japanese people. As eSports industry are developed rapidly in China and South Korea, eSports industry in Japan fall far behind its neighboring countries.

The main aim for this paper is therefore to find methods to narrow the gap between Japan and China, South Korea eSport industry. We will identify the key factors that able to influence the diffusion and adoption of eSports and then try to propose plausible solutions according to the key factors we identified.

## Chapter 2: Background and Literature reviews

### 1. Defining eSports

The academic study of competitive gaming requires a scientific definition of “eSports”. Interestingly, there is no generally accepted definition of this term currently. Michael G. Wagner defines eSports as “an area of sport activities in which people develop and train mental or physical abilities in the use of information and communication technologies. “in her paper “On the Scientific Relevance of eSports”. She believes that “The emergence of eSports can thus be interpreted as a logical and irreversible consequence of a transition from an industrial society to the information and communication-based society of today.” (Wagner, 2006). Similar to her opinion, Juho Hamari and Max Sjöblom defines eSports as “a form of sports where the primary aspects of the sport are facilitated by electronic systems; the input of players and teams as well as the output of the eSports system are mediated by human-computer interfaces. “ (Hamari & Sjöblom, 2017). Moreover, both of those two authors compare eSports with traditional sports in their paper in order to define the idea of eSports. In their paper they claim that there are similarities and connections between eSports and

traditional sports, however they also share many differences and eSports should be considered as a completely separated field of study.

## 2. eSports industry in the world

According to Newzoo's 2019 Global Esports Market Report, eSports revenues will reach an impressive \$1.1 billion in 2019, a year-on-year growth of +26.7%. (Pannekeet, 2019). Moreover, the global eSports audience will grow to 453.8 million worldwide in 2019, a year-on-year growth of +15.0%. The report suggests that this audience will consist of 201.2 million Esports Enthusiasts (+16.3% year-on-year growth) and 252.6 million Occasional Viewers (+14.0% year-on-year growth) (Pannekeet, 2019).

In 2019, China has become the second largest region in terms of revenues. According to Newzoo's report. China will generate revenues of \$210.3 million in 2019 (Pannekeet, 2019). Another report by Tencent's Penguin Intelligence also suggests that Chinese domestic eSports audience is tipped to hit 350 million, and market size to reach \$1.9bn in 2019. (Tencent Interactive Entertainment, Riot Games, TJ Sports, 2019). Both Newzoo and Tencent's reports claims that major cities such as Shanghai, Hainan, Hangzhou begin to invest in eSports infrastructure to encourage their growing industry. During the Global Esports Leadership Summit in June 2019, Hainan is setting up a special development fund worth over RMB 1bn to attract eSports events and businesses (Tan, 2019). Moreover, in November 2017, Hangzhou, the capital of Zhejiang Province, created officially designated "eSports town" that will be operated by the government. The city expects the complex to attract more than 10,000 aspiring eSports professionals and ¥1 billion RMB (\$140 million) in tax revenues (Upton, 2019).

Nonetheless, North America will once again be the largest eSports market, boasting revenues of \$409.1 million. Also, as the report suggests, the 23.9 million Esports Enthusiasts in North America will generate \$17.13 per fan this year, higher than in any other region (Pannekeet, 2019). Competitive video game advertising revenues in the United States are expected to surpass \$200 million by 2020 according to another report by Reuters. Similarly, U.S. eSports and gaming forecast marketing research firm eMarketer said that eSports ad revenue will grow 25 percent to \$178 million this year and to more than \$214 million in 2020. In 2019, 30.3 million people in the United States will watch an eSports event at least once a month, a more than 18 percent increase over last year (Russ, 2019).

Other than China and United States, South Korea is the third largest region in

terms of revenue. According to a chart from Statista, while North America and China hold 37% and 19% share world-wide, South Korea reaches 6%, leaving rest of the world 38% share of revenue. A government report claims that the value of South South Korea's e-sports industry increased 4.2 percent on-year to 97.3 billion won (US\$87 million) in 2017. The average annual salary of a domestic professional gamer was 175.6 million won in 2018, up more than 80 percent from 97.7 million won in the previous year (Yonhap News Agency, 2019).

In the terms of eSports tournaments, there were 737 major events in 2018. According to Newzoo's 2019 "Global Esports Market" report, they generated \$54.7 million in tickets, a small decrease from 2017's \$58.9 million. Compared to 2017's \$112.1 million, 2018's total prize money reached \$150.8 million. The total audience will grow to 453.8 million, reaching a year-on-year growth of +15.0% (Newzoo, 2019). In the terms of professional players, according to [esportsearnings.com](http://esportsearnings.com), the top three countries of professional players' earnings are United States, China and South Korea. 4835 professional players have won over 38 million dollars for United States in 2019, 1003 players have won 18 million dollars for China, and 1028 players have won 16 million dollars for South Korea (Esports earnings, 2019).

Esports also seem to have a brilliant future. Newzoo analysts suggest that the eSports market will reach \$1.8 billion by 2022, as it continues to innovate and attract investment. They explain that "Non-endemic brands in particular present a huge opportunity. While many brands have already entered or are currently planning their entrance, other brands have yet to make the first venture. Both digital broadcasters and TV media companies have already started to compete for eSports content and the extent to which these deals will generate a direct return on investment will impact the pace of media rights growth. Other ongoing developments that have high revenue potential include increased eSports franchising, new content formats and premium passes, the success of mobile gaming, team profitability, and the success of new focus on professionals and streamers as brands." (Pannekeet, 2019).

### 3. eSports industry in Japan

Japan's eSports market grew to ¥4.8 billion (about \$42.5 million) this year, marking a thirteenfold increase from last year according to gaming industry publisher Gzbrain Inc (Japantimes, 2018). Gzbrain also expects that Japan's domestic eSports market would grow further to ¥10 billion or over \$88 million, as

the number of eSports competitions and fans in the country increase (Japantimes, 2018). However, Japan has a big game industry market. Newzoo's report suggest that 67.6 million players in Japan will spend \$19.2 billion in 2018, which makes it the 3rd largest games market in the world (Newzoo, 2018).

According to [esportsearning.com](http://esportsearning.com), only 496 professional Japanese players has won 2-million-dollar prize money in total. Japan ranks 19 among 126 countries, lower than countries such Brazil and Philippines (Esports earnings, 2019). In the terms of eSports online viewership. The most popular eSports in Japan right now is League of Legends (LoL), which is also one of the most popular titles worldwide. However, Japan LoL scene is quite small comparing to China and South Korea. There are only eight teams competing in Japan domestic LoL league, while as much as 16 teams competing in Chinese LoL league. South Korean LoL professional players not only play for teams in Korea league, many of them also joined teams in China, US and also Japan. In contrast, we hardly see any Japanese professional gamers teaming with non-Japanese Players and competing abroad.

According to a report "Esports market sizing: China, Japan and South Korea" by Kadence and Akamai. In the report 1036 Japanese was surveyed and only 48% of them have watched eSports online, comparing to China's 84% and South Korea's 71%. More people prefer normal game live than competitive tournaments or game livestreams (Kadence, Akamai, 2018).

#### 4. Academic Researches

Academic researches on eSports is still rare and dispersed. Most of the literature papers has focused on the qualitative analysis of visible data/phenomene in tournaments. In this research, theory of diffusion of innovation should be the most appropriate one to analysis eSports in Japan. Professor Everett Rogers has published detailed explanation about this theory in his book *Diffusion of Innovations* in 1962. According to his explanation, there are four main elements in the diffusion of Innovations: (1) the Innovation; (2) the Communication channels (3) Time and (4) Social systems. In this research, we will only focus on the innovation, communication channels and social systems. Time will not be discussed as it is hard to explain time as it is a fundamental concept that exists as an aspect of every activity (Rogers, 1983).

## Chapter 3: Data and Method

We will analysis Japan eSports industry by comparing it to China and South Korea. There are two reasons why we choose South Korea and China instead of others. First of all, the eSports industry in China and South Korea are the two of the best in recent years. Not only they have amazing market value and revenues, but also high number of professional players and prize money earnings. United States is the only region which can surpass China and South Korea in the last few years. Secondly, China South Korea and Japan share the same culture. People in these three countries share similar moral standards and needs for entertainment.

As mentioned in Chapter 2, there are three main elements that will discussed in the paper, which are the innovation, communication channels and social systems. According to Rogers, an innovation is an idea, practice, or object that is perceived as new by an individual or other unit of adoption” (Rogers, 1983). In the model of eSports, innovation no doubt refers to video games. Moreover, he “defined communication as the process by which participants create and share information with one another in order to reach a mutual understanding” (Rogers, 1983), which in our case refers to the Media. Last Rogers suggests that “A social system is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal” (Rogers, 1983). As comparing the society of Japan with China and South Korea is impossible to do within one paper, governments of these three countries will be compared, as government policies and laws are more easily to analysis.

The data we use for this paper mainly comes from news articles, government reports and company research reports.

## Chapter 4: Findings

The key features of government, media and game industry in China, South Korea and Japan can be summarized as follows: (see details and data in the Appendix)

### 1. Government:

China government has recognized eSports as one of the official sports and eSports players as occupations that provides by law codes. Esports industry will be the government and managed by Sports Information Center of General Administration of Sport of China. Local governments also begin to promote its

local eSports industries with funds and preferential policies.

Esports is acknowledged and heavily regulated by the government of South Korea. Government established a specific organization KeSPA to improve and manage competitive eSport industry. KeSPA regulates eSports tournaments, distributes broadcasting licenses and also introduces several player welfare policies to ensure that eSports players can make a living by competing in tournaments.

Japan government has recognized the potential of eSports; however, no actual movement was made so far. Esports and games are heavily restricted by several policies and laws. Currently there are only several NGOs actively promoting Japan eSports, while Japan government hesitate to make a move.

## 2. Media

Digital media is the backbone of China eSports. Most competitive tournaments are broadcasted by internet televisions and livestreaming platforms. Moreover, some of those digital media owns eSports teams and organizes global tournaments by themselves. Many eSports focused media appeared in recent years, providing scientific data analysis and interviews to the audience.

Traditional media, on the other hand became the backbone of South Korea. Esports has been broadcasted in TV along with eSports related programs. Major TV companies and telecommunication groups has participated in eSports. Many own their own eSports team and organize tournaments as well.

Both traditional media and digital media in Japan participate in Japan eSport. Traditional media such as revelation occasionally reports news and produce eSports related programs, while digital media providing interviews, news and articles. Most of the traditional media and digital media in Japan do not provide eSports tournament broadcasting and commentary, and none of them owns any eSports team or held tournaments.

## 3. Game Industry

China has the second biggest game market in the world. Mobile games have the most shares of revenues, followed by PC/online games. Most Chinese game companies focus on mobile game and PC game development.

South Korea has the fourth biggest game market in the world. Similar to China, Mobile games have the most shares and pc games follow in second.

Japan, however, has the third biggest game market in the world. Mobile games

have the most shares Japan as well, but console games follow next. PC game market is extremely small in Japan, and the number of PC game users is much lower than mobile games users and console game users.

## Chapter 5: Discussions

By comparing the aspect of government in the eSports industry, it is obvious that government support contributes greatly to China and South Korea eSports development. Both Chinese and South Korean governments recognized eSports as official sports activities and eSports players as an occupation in society. eSports are supported with policies, laws and funds by government. Both China and South Korea use their national strength to speed the development of eSports and ensure that the eSports industry is on the right track.

However, the Japanese government failed to provide enough support to the eSports industry. While China and South Korea governments do their best to ensure enough space and time for the development of eSports, Japanese governments hesitated to make any movement. No actions are taken to promote eSports, and even worse, the Japanese government continues to regulate eSports with strict laws and policies.

In the aspect of media, it is clear that media influences China and South Korea eSports greatly. Though China and South Korea eSports are supported by different kinds of media, we can find out that deep and long-term collaborations are bonded between media and eSports tournaments. In both China and South Korea, media not only served as content distributors, but also participate more directly as a player and organizer.

In contrast, the relationship between Japanese media and the eSports industry is weak and simple. Traditional media does not welcome eSports and is unwilling to put resources, while digital media shallowly participate in eSports. They position themselves as sponsors, observers instead of partners. The difference of attitude and attention between China, South Korea and Japan clearly proves that media, no matter what kind of support is, is one of the key factors that will influence the development of the eSports industry.

Video game markets are quite similar in China, South Korea and Japan lately. Mobile games have the most shares of revenue in all three countries. While PC games remain strong in China and South Korea, the PC game market in Japan is quite small compared to its mobile game market and console game markets. Moreover,

there are not many PC game users in Japan. However, in recent years most famous eSports games are played on PC. As a result, though Japan has a great video game market, it does not help with Japan eSports industry at all. The low number of PC game users causes the lack of professional players. Then the lack of professional players limits the size of tournaments and thus leads to the lack of sponsors, viewers and competition organizers.

From the comparison and analysis above, we can see that China and South Korea share many similarities in the aspect of government, media and game industry. Both China and South Korea government supports their eSports industry with full strength. Both their media have put more resources in eSports bond a long-term connection. The PC game market have a decent share and influence in both China and South Korea. However, Japan have a totally opposite behavior. The huge difference between China, South Korea and Japan no doubt shows that government, media and game industry are key elements that can influence the development of eSports.

However, as we keep discussing and digging into these elements separately, we still need to examine them together at a more macro perspective. We should examine these three elements horizontally to find whether they influence and contribute to eSports equally in these countries.

Within China and South Korea eSports industry, government media and game industry are equally important. All of them are indispensable parts of eSports, and they all made significant contributions to the development of eSports. Government grantees eSport industry running without troubles, media provides propaganda and platforms for eSports tournaments, and game industry providing game, and players to eSports. Moreover, by supporting the development of eSports, they also gain rich return. Esports industry stimulates consumption, promotes economic growth and creates new job opportunities. Media gain more popularity, page views and traffic sources while game industry sales revenue increase as eSports become popular. It is impossible for eSports to success in China and South Korea without any one of these three elements' support. Last but not the least, these three players also have connections among them, and they create value together. Game companies collaborate with governments and help with local economics. Esports town is a great example of their collaboration. Media, both traditional and digital media work with game industry and provide better eSports tournaments viewing experience to audience, and the raise of popularity of eSports events provides them enough revenue and also network flows. We can tell that in the case of China and South Korea, these three players are closely linked

together. They support each other, provide each other players with resources and services that they do not own, and in the meanwhile, they work together to support the development of eSports.

Discussions we made above suggests that government media and game industry together form an ecosystem for eSports industry. Research institutes have already discussed about eSports ecosystems in their research reports. They suggest that some of the key elements includes the publishers, players and teams, events and tournaments, and brand and advertisers (The Esports Observer, 2019). However, their arguments and explanations are not representative enough and can only analysis eSports industries case by case. Based on our observations and discussion earlier in this chapter, we claim that the key elements for eSports ecosystem in China and South Korea are the following three. First one is organizers who manage and regulated eSports. Government, NGOs, professional event organizers game companies are included into this group. Second one is players, who directly participate in eSports tournaments. This group includes audience, professional players and teams. Third one is medium, which connects everything within the system together. Media, brand and advertisers belongs to this group. These three elements support eSports system functioning and also support each other.

To better explain the idea of eSports ecosystem in China and South Korea, we consider these three elements as the three legs of a triangular stool called eSports. On one hand, they are all important and essential within eSports ecosystem. Lacking anyone of these elements will bring problems to the development of eSports industry. On the other hand. They should have the same length so that the stool is flat and can be used. In other words, it is also crucial for the eSports ecosystem that these three elements are equally participated. Though video game is the core of eSports, it should not be pushed by game industry mainly. From what we discussed above, leading roles or priority does not exist in this system, thus all these elements discussed above should participate actively in eSports and move in the same pace. They are equally essential to the eSports and if any one of these three elements drop out or fall behind, the whole system tilts and cannot function properly.

Moving back to our case, we failed to see such successful system in Japan. In the case of Japan eSports industry, though we can tell that these three players exist, they do not function in the same pattern. In Japan, we can see that game companies are the one who organizes tournaments and also broadcast them to the audience. The government provide limited help, while media also failed to

participate actively. In other words, game industry is the leading role who supports the development of Japan eSports industry the most, while the other two players hesitated to make moves. The stool does not function normally in Japan, and thus results the gap between Japan and other countries. In other words, a healthy and robust eSports ecosystem is the key to the development of eSports industry. And the lack of such system is the core reason why Japan eSports industry fall behind China and South Korea.

Furthermore, to expand our discussion, why do Japan government and media hesitate to invest in eSports industry and fail to support its developments. The answer, or the main reason is surprisingly the game industry. As we mentioned in previous chapter, console game market is the second largest market in Japan game market, and it is surpassed by mobile game market just in the last few years. All the famous game companies are focused on console games, and hardly any one of them care to pay attention to PC game market. However, as eSports emerged and begin to grow bigger and bigger in recent years, it is necessary for those game companies to change their mind and focus. But most of them failed to realize that fact and missed their chance. The long history of Japan game industry and its past glory make the changes become impossible to be done. Moreover, the game industry mistaken the idea of eSports as well. As we discussed in chapter 2, eSports is more than a game. It shares many similarities with traditional sports, and it should be considered as a new type of entertainment. But in fact, the game industry still considers it as a genre of video games, and this wrong idea also affects government and media, who also take eSports as part of video games. As a result, Japan government and media are not willing to support and guide eSports industry actively, as they assume that such work should be done by game companies.

The goal for this research paper is to find methods to narrow the gap between Japan and China, South Korea eSport industry. Based on what we have discussed above, the fundamental solution to Japan eSports is to establish a healthy eSports ecosystem in Japan. To achieve that goal, government, media and game industry should change their recognition of eSports. Meanwhile, Japan government media and game industry should also improve themselves, as we have already proven that how large the gap between China, South Korea and Japan are. One possible way to do that is to learn from China and South Korea and apply their experience. Japan government should consider adopting some of the China and South Korea's policies and also make necessary changes to its current law in the near future. Moreover, in the aspect of media, Japan eSports industry need to bring

the connection with media into deeper levels. Both traditional media and digital media should contribute more to promote eSport. Last but not the least, the number of PC game users' needs to grow larger. As the process of enlarging is long and slow, Japanese game companies should put more attention on PC game development immediately.

## Chapter 6: Conclusion and Further Research Suggestions

In this paper, we discussed about eSports industry in China, South Korea and Japan. We identify three key factors that can influence the diffusion and adoption of Japan eSports, which are government, media and video game industry. We furthermore realized that the actual key factors that make China and South Korea eSports industry success is a healthy and robust eSports ecosystem. Thus, the fundamental solution to Japan's dilemma is to build and develop such ecosystem in the future. To achieve that goal, Japan can learn from China and South Korea, apply their successful experiences to Japan and also learn from their failure.

Moreover, this paper provides a different view of eSports ecosystem. Instead of the explanations from eSports magazines and research institutes, we provide a more accurate and representative model based on China and South Korea's cases. We hope that our explanation and discussion will contribute to Japan government and organizations that tend to devote themselves into eSports. Possibly our findings can provide a direction to those people or organizations who struggle in developing Japan eSports.

This research only compared eSports industry among China, South Korea and Japan, therefore whether its conclusion can be used for other countries are questionable. Game society and companies in Europe and United States share different values and moral standards, therefore the model and conclusion needed to testify and before applying to other countries. Also, the discussion and analysis in this research paper based on information of current time. In the future, the conclusion is subject to change due to the development of technologies and the evolution of people's lifestyles. Also, the whole paper does not discuss any particular video games in Japan eSports society. Exceptions with unique ecosystems and totally different behaviors that cannot be explained by our model and conclusions exists. However their case should be studied individually.

## Appendix

Following are findings about government, media and game industry in China, South Korea and Japan in detail.

### Government

China:

- China's Ministry of Human Resources and Social Security (CMHRSS) announced that "eSports professional" and "eSports operator" will be officially recognized as two new professions in the country (Chen, Chinese Government Identifies Esports as a Profession, PUBG Details Esports Plans for China, 2019).
- Esports become official sports in China under the control of Sports Information Center of General Administration of Sport of China (Upton, 2019).
- Both local and national government begin to organize official eSports tournaments and events. In 2008 Chengdu's 11<sup>th</sup> city sports competition, eSports became one of the official competitions. In 2013, national eSports team was formed to compete in 4<sup>th</sup> Asian indoor and martial arts games.
- Chinese cities, including Shanghai, Hainan and Hangzhou are competing to become the next eSports hub. According to China daily, Hainan province announced that a 1-billion-yuan fund will be set up to promote the development of the eSports sector. The money will be used to support related firms and investment in large tournaments. Shanghai also introduced a plan earlier this month to dramatically boost the local cultural industry, with the goal of becoming a global eSports hub within three to five years (Shijia, 2019).
- The ministry of education of China has recognized "eSports management" as an official major in universities.
- Official national media such as People's daily, Xinhua News began to report eSports news, and even CCTV has begun to introduce eSports in the daily show programs.

South Korea:

- South Korean Esports Association (KeSPA) was established in 2000 as a branch

under the Ministry of Culture, Sports and Tourism. KeSPA's goal is to improve the legitimacy of eSports and help manage competitive tournaments (Ozkurt, 2019).

- KeSPA overarching objective is to improve the legitimacy of eSports and help manage competitive tournaments. It regulates eSports tournaments and distributes broadcasting licenses to channels such as OnGameNet (OGN) and SPOTV, in mutual understanding with the publishers (Ozkurt, 2019).
- KeSPA also established a pro-gaming license system<sup>2</sup> where each pro player has to acquire a relevant license (according to the video game) in order for to compete in tournaments. In addition, to maintain transparency and prevent abusive acts, the South Korean government has also enabled a log-in system pursuant to which each player has to submit their resident registration number to play video games. This maintains a link between video game accounts and real persons, the intention being that players are more responsible with their in-game behavior both in legal and criminal manners (Ozkurt, 2019).
- In South Korea, as eSports is acknowledged and regulated by the government, certain integrity issues are punishable under the South Korean Criminal Code. For example, boosting<sup>5</sup> for profit (when a gamer logs into another gamer's account to play a ranked game to increase their ranking) is punishable by up to 2 years in jail and KRW 20 million (\$18,000) fine<sup>6</sup> under the Game Industry Promotion Act 2017 (Ozkurt, 2019).
- Player salaries have been given a lot of consideration in recent years and the KeSPA have now an established a minimum salary for professional players (protected by law) of around USD 12,500 per year. Moreover, eSports player contracts must have a minimum term of one year. This regulation maintains contractual stability and guarantees an income for South Korean players (Ozkurt, 2019).

Japan:

- According to Japan's Act against Unjustifiable Premiums and Misleading Representations, no gaming or eSports tournament prize could exceed 100,000 Yen.
- Organizations such as Japanese Esports Union (JeSU) exists to promote Japanese eSports, however all of them are nongovernmental organizations.

- Ministry of Economy, trade and industry of Japan and some other Ministries of Japan have already noticed the potential of eSports, however specific policies are still in discussion.

## Media

### China:

- Most eSports tournaments and events are broadcasted online through livestreaming platforms such as Douyu.com and Huya.com.
- Similar to traditional sports, broadcasting rights of eSports tournaments are being auctioned among internet televisions and livestreaming platforms. Esportsobserver.com reports that Chinese video and streaming company Bilibili will pay ¥800M RMB (\$113M) to TJ Sports as part of a three-year exclusive broadcasting deal for the League of Legends World Championships. The company beat out other live streaming companies in China, including Douyu, Huya, and Kuaishou (Chen, Report: Bilibili to Pay \$113M for League of Legends World Championships Media Rights in China, 2019).
- Livestreaming platforms not only broadcast eSports tournaments, but also organizes tournaments as well. For example, MarsTV, a Chinese media company, has organized many eSports tournaments since 2014. The most recent one was held in Chengdu, with the support of Chengdu government.
- Internet televisions and live streaming platforms also own eSports teams and players. Bilibili.tv owns a eSports team in China League of Legends(LoL) league.

### South Korea:

- Esports has been broadcast on TV in South Korea since 2000.
- Ongamenet is a subsidiary cable company of OnMedia, which is the largest cable and satellite broadcaster in Korea. Ongamenet was the first online game specialty channel in the world, and it started 24-hour game programs in June 2001 (Jin, 2010, p. 72).
- As of January 2005, it broadcasts eSports and Television Business in the Digital Economy 73 to 10 million cable subscribers, and about 2.5 million subscribers enjoy live game shows and/or video-on-demand services (Jin, 2010, p. 73).

- OGN not only broadcasts various tournaments, but also hosts them itself.
- South Korea major telecommunications cooperation, including KT, SK telecom and Samsung also participate in eSports industry. Many own eSports teams and also provide entertainment programs including online game tournaments.
- Internet televisions such as Afreeca TV also begun to air online game tournaments.

## Japan

- Esports related news can be found in traditional game media such as Famitsu and also online game information websites such as 4Gamer.net.
- Local television broadcasting stations also provide eSports related programs. National broadcasting television stations NHK, only broadcast eSports-related news rarely. There are only 2 eSports-related programs broadcasted in 2019.
- There are several eSports related programs/shows produced by some other television stations such as TV Tokyo and TOKYO MX. Most of them are broadcasted in late night.
- Internet television such as Abema.tv used to provide eSports TV programs and tournament livestreaming services, however it was cancelled recently.
- Livestreaming platforms that broadcast eSports in Japan are Youtube.com and Twitch.tv. Domestic livestreaming platform does not provide any broadcasting services expect OPENREC.com (Kadence, Akamai, 2018).
- Esports tournament are mostly held by its game companies in Japan. Media does not organize tournaments.

## Game Industry

### China

- China has the second biggest games market in the world. In 2019, the total revenue of China game industry will reach 230 billion yuan, increasing 7.7% than 2018 (GPC,IDC, 2019).
- Mobile games contribute over 65% of total revenue in 2019, while PC and online game contribute 23%. Console games only contribute 2% of the total (GPC,IDC, 2019).

- The leading game companies in China are still Tencent and NetEase. And for both game companies, mobile games are the backbone of their game department.
- Chinese game industry and market are extremely globalized. Chinese mobile games achieve great success in not only Japan, South Korea but also in Europe and United States.
- More and more game companies have moved their focus to mobile games. Tencent announced and published 18 mobile titles in 2019 but only 1 PC titles.

#### South Korea

- South Korean game market is the world 4<sup>th</sup> biggest in 2018, with 12 billion dollar of market value (Newzoo, 2018).
- Mobile and PC gaming platforms led in terms of sales in the country. Mobile games have 47.9% share of South Korea game market and players spent a total of \$5.6 billion on mobile titles in 2018. Console games only have 2.8 share to South Korea game industry (neogames, 2019).
- Korean game companies produce mobile games and PC/MMO online games mostly in 2019. Nintendo and Sony take over South Korean console game market completely.

#### Japan

- Japan is the second largest games market by game revenues after China in APAC region and ranked 3<sup>rd</sup> worldwide. 67.6 million players in Japan will spend \$19.2 billion in 2018 (Newzoo, 2018).
- Mobile games also have the biggest shares in Japan like China and Korea. Statista shows that Revenue in the Mobile Games segment amounts to US\$6.5 billion in 2019.
- Japanese mobile gamers are the biggest spenders in the world. They favor games that do not cause too much stress and tend to play games when commuting, while Chinese and Korean players are more competitive (neogames, 2019).
- Console games is the second biggest game market in Japan. Sony, Nintendo and Microsoft divided Japan console market. Other top game companies in Japan such as Bandai, SEGA, and Capcom also produce console games as one of their main business.

- PC is the third largest game market in Japan. The growth of PC game is huge in recent years thanks to the boom of eSports. However, PC game market are still relatively small comparing to console game and mobile game market. According to Famitsu's survey, there are approximately 15million pc users in Japan, while 23million console game user and 36 million mobile app game users (Gzbrain Inc, 2019).

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