

The Effects of Texas' Esports Industries Growth

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Abstract— We have esports leagues that have begun to rise all over the world. There are esports leagues in Europe, China, and Korea, just to name a few. For example, according to Mr. Hallmann, a researcher who has published many research papers within the subject of esports industry development, “in Germany, the state promotes sports by means of subsidies as well as tax exemptions for sport organizations. This implies that a potential esports federation and their member organizations could get substantial economic benefits if esports would be officially accepted as a sport” [3]. The analysis done by Mr. Hallmann shows that the esports industry has many incentives that allow it to grow in different parts of the world, and therefore, it has effects on the economy of the region and the profitability of the esports industry. This also furthers the importance of understanding how the esports industry grows in Texas specifically since there aren't any economic benefits like tax reductions to encourage people to invest in the industry however, people are still doing it. Also, locally, there are esports leagues in California and Texas that are developing and growing. The existence of these esports hubs show the growth of the industry globally; however, the emergence of a new esports league in Texas is a fascinating and intriguing topic to research in order to develop an understanding of the reasons why these developments are occurring in Texas and what effects they will have. Understanding the reasons for growth in Texas is significant to the flourishing and the more effective incorporation of the industry within the state.

1 Introduction

We have esports leagues that have begun to rise all over the world. There are esports leagues in Europe, China, and Korea, just to name a few. For example, according to Mr. Hallmann [3], a researcher who has published many research papers within the subject of esports industry development, “in Germany, the state promotes sports by means of subsidies as well as tax exemptions for sport organizations. This implies that a potential esports federation and their member organizations could get substantial economic benefits if esports would be officially accepted as a sport” [3]. The analysis done by Mr. Hallmann shows that the esports industry has many incentives that allow it to grow in different parts of the world, and therefore, it has effects on the economy of the region and the profitability of the esports industry. This also furthers the importance of understanding how the esports industry grows in Texas specifically since there aren't any economic benefits like tax reductions to encourage people to invest in the industry however, people are still doing it. Also, locally, there are esports leagues in California and Texas that are developing and growing. The existence of these esports hubs show the growth of the industry globally; however, the emergence of a new esports league in Texas is a fascinating and intriguing topic to research in order to develop an understanding of the reasons why these developments are occurring in Texas and what effects they will have. Understanding the reasons for growth in Texas is significant to the flourishing and the more effective incorporation of the industry within the state. For example, in an article written by the digital producer of the

Atlanta Business Chronicle, it was stated that despite the limited amount of exposure that esports has had on Texas, there are already multi-million dollar stadiums being built specifically for esports teams to use and play in [5]. Also, there are infrastructure projects like the Arlington Esports Stadium estimated to cost \$10 million according to the Arlington County website [2]. The mere existence of this form and magnitude of development shows that the further growth of the esports industry will almost certainly change the economic landscape of Texas if allowed to do so. This is because the growth of a new esports scene has encouraged investors and teams to relocate to new areas and grow their brands in the new location. According to Dr. Yuri Seo, a Senior Lecturer in Marketing at the University of Auckland Business School, “While the phenomenon of esports is still in its infancy, it already promises an unprecedented marketing potential. In July 2012, the Electronic Sports League (ESL) reported more than 3.6 million unique registered users in Europe alone”. Now that number has only risen with the industry growing to even greater heights on a global scale and now beginning to expand into Texas as well [6]. A more local example of this is Team Envy, an organization that was recently admitted into the Overwatch League and as a result decided to base their esports team out of Texas, which has allowed investment firms to begin investing due to the potential growth of the industry in Texas.

2 Topic of Inquiry

My topic of inquiry is the growth of esports in Texas and the reasons associated with its expansion. The esports industry is one that is growing many fold worldwide and therefore, its unprecedented growth in Texas might cause slight alarm due to its unfamiliarity. According to Mr.Funk, Mr. Pizzo and Mr.Baker [1], a group of researchers who have affiliations with the Temple University, School of Sport and Tourism and Hospitality Management, "Consumer demand for eSport and the growth of organized video game competitions has generated considerable attention from the sport, event, and entertainment industries" [1]. Hence, understanding that the growth of the industry in Texas is not completely foreign and has a lot of consumer drive behind it is important because it shows that there are people within Texas who want the esports industry to grow and succeed. Hence, the implementation of the esports scene within Texas will likely change the economic climate of the state due to the increased investments in the industry as well as infrastructure that will be built specifically for sport games. Consequently, the question arises, how will the fast growing esports industry and its effects such as the building of new infrastructure as well as the migration of new esports organizations alter the Texas esports landscape? The Texas esports landscape includes everything in Texas that has to do with the development of the industry and esports in general. Some examples are the collegiate and professional level of esports in Texas as well as infrastructure. In the past, the esports industry in Texas was very discrete as it lacked major infrastructures for the purpose of esports and esports teams or organizations based in Texas, hindering the evolution of the industry until recently. In recent years the esports industry in Texas has grown exponentially. There are currently 2 professional Overwatch League teams based in Texas as well as a very popular and happening collegiate level of esports. There are colleges such as the University of North Texas, UNT, a Texas college with a varsity esports program, Texas A&M University, a college with a very competitive esports club, Baylor University, another Texas college with a competitive esports program. In addition to these college teams there are also state teams and organization such as Envy Gaming, Optic Gaming, and TESPAA, which is an esports organization that enables colleges with funding and esports leagues to play with the purpose of connecting and creating a collegiate esports league for people to compete in and possibly be recognized. Most colleges in Texas now participate in esports as a recreational sport. Professor

Hyland, a professor from the Sport, and Exercise Sciences Department in the University of Kansas, Lawrence, stated that "Robert Morris University's esports program director received over 2,000 emails from interested current and prospective students and was contacted by 35 other schools. University presidents, especially those at schools with smaller enrollments, are intrigued by the ability of esports to attract students, with the president at the University of Pikeville asserting, "In addition to being good gamers, they will be good students and will bring an exciting new dynamic to our campus" [4]. This shows that there is a high demand for esports growth all throughout America. The growth of esports has expanded to places such as Kansas locally and to many global frontiers. Therefore, it is logical that the industry would eventually start to emerge in a growing market like Texas as well. However, this does not answer the question of why the esports industry is growing, making it the knowledge gap that I am researching.

3 METHODOLOGY

In my research a Qualitative Content Analysis was used in which interviews were conducted with various people associated with esports in Texas to gather information concerning their opinions of the industry that will help understand the future implications of its growth. The goal of the questions that I asked to each person were fairly similar, but some changes were made between groups of people so that the focus on the questions still remained relevant to the person that I was asking the question to. For example, investment firms were asked about how they see their investments within the industry growing in the future while college students were asked how they see the collegiate and pro scene for esports growing in the future. This ensures that there is continuity between interviews and questions across the multiple groups of people that I interviewed. I also chose this approach to my research because prior research regarding this topic is very scarce especially since this study is specifically about the growth of the current esports industry in Texas. Hence, getting an opinion from people who are currently a part of the esports industry is very important as it provides inside perspectives of the industry and how it will grow in the future. For the purpose of my research, I interviewed an investment firm, a college esports team and its coaching staff. The data was analyzed using thematic analysis of the interviews where I identified recurring themes in each. The categories are as follows:

Investment: the belief that more investment will put money into the industry which will in turn allow the growing industry to grow even more.

Development: the belief that Texas as a whole will develop more to accommodate the growth of the esports industry as a result of the industry's growth .

Migration: the belief that more people will migrate to Texas for esports as a result of the industry's growth.

Creation: The belief that teams and organizations for esports will be created as a result of the industry's growth.

After organizing the different interviews on a broad basis of their relevance to each category, I differentiated the separate aspects of each interview by quoting all the sections that could be interpreted to fall within one of the categories above. The quotes were then placed into a Google Sheets document for an depth analysis of the information and more specific categorization of the data based on the number of times the topic was brought up as well as the credibility of where the information is coming from. This allows me to look at the different aspects of the same interview in multiple lights in order to understand how the people I interviewed see the esports industry growing in the future. One limitation of my research is that the interviews that I will be conducting are very linear and do not go beyond the opinion of the person being interviewed. Even though their opinion is important, it is not something that is necessarily fact, making it subject to bias. Another limitation of my research is that since this is a very new industry that is growing at a rapid rate, there is not much past research to use as a guideline.. This is because past research was done under different circumstances and is no longer applicable to the present industry making trends really difficult to find and skewed. Another limitation to past research is that the extent of esports and its influences differs drastically from state to state. This is because states have varying populations and levels of exposure to investors. For example, conducting research in an esports hub like California will yield different results than performing research in Minnesota where the esports industry is a lot smaller in comparison comprising of mainly minor collegiate leagues. Another limitation in my research is the coding method that was used to organize the data since the different categories do not provide a completely and all-encompassing range to classify the data that I have. There are some pieces of information that fit into multiple categories and some that don't fit completely into

any making the classification method slightly flawed but still useable to yield a new understanding.

4 FINDINGS

Generally speaking, the managing director from Hersh Interactive Group, an investment firm that has recently invested in an esports organization called Envy Gaming which owns the Dallas Fuel esports team, one of two professional Overwatch teams based in Texas; the second being the Houston Outlaws owned by Optic Gaming, believed that the esports industry in Texas has a lot of potential and that investing in the industry was a good idea. The specific investment firm of Hersh Interactive Group has invested in the Texas Overwatch League. The Overwatch League is a competitive league similar to the NFL. The Overwatch League has teams that are based in states that all compete in a league designed by Blizzard Gaming, the developing company for the game. The Overwatch League has 2 esports teams from Texas. Texas was the first state in the U.S. to have 2 Overwatch teams. The main reasons behind this happening was the popularity of the game as well as a large sum of investment being put into the esports industry of Texas, such as the one by Hersh Interactive Group. Therefore it is understandable why Hersh Interactive Group would feel safe investing within teams that are taking part in the Overwatch League from Texas.

In addition, I was interviewed a few students from Texas A&M University who are currently apart of the esports program there. The understanding that I was able to develop as a result of those interviews is that the esports industry is easily accessible for colleges that want to be a part of the industry and want to encourage their students to participate. However, if colleges do not want to invest time in developing a esports association, then it is not going to happen on its own. The Esports club within A&M has seen a fair amount of success in recent years and is growing a lot as a result. A&M's esports organization currently has 7 games that they either compete in or are planning to compete in. Those games include Overwatch, League of Legends, DOTA 2, CS-GO, Rocket League, Fortnite, and Hearthstone. In the interviews it was also made especially clear that the players had already thought about the pro scene and whether or not they would have a chance within such a competitive industry. This is important to take account of because it shows that the members of the club take the industry seriously and understand how the competitive industry works.

The last place that I went to interview was the University of North Texas. From the University I was able to interview a few of their players, coaches, and managing staff. The structure for the esports organization with UNT was drastically different from the one at A&M. The esports organization within UNT was one that is referred to as a varsity program at UNT. A varsity program is essentially just a label that is given to organizations to certify them as a part of the school and shows that the school is backing and supporting the club to go compete. The organization still did compete before they were officially made a varsity program last year; however, there were some obvious limitations that came with that. In addition to the structure of the organization offering a lot more information regarding how the organization of the college works offering a lot of information. I was also able to learn a lot from the interviews that I got from the students of UNT. A majority of the students that were a part of the program did not plan on being a part of the organization when they first came to the school. This was interesting because it showed that the school did a really good job of advertising the organization and making it available for their students even though it was so new. In addition to that, a lot of the students were really vocal about their future ambitions for both their place within the esports industry as well as how they see the esports organization growing in the future. This showed me that the students at the school have a lot of pride within their organization and see it growing, which is important to take note of. Another interesting aspect of their esports organization is the specific job of esports coordinator being present. Mr. Wray is the esports coordinator for UNT and hence, he is in charge managing all the teams and making sure that the organization grows. The fact that this job was present within UNT goes to show the seriousness of the organization and how much backing the school has put within the esports program at UNT. Most other schools do not have a person hired specifically for the job of managing and developing a esports organization. In most cases, that is done by the president of the organization or in other words a student that is chosen to lead and be the face of the organization by their peers. The existence of Mr. Wray shows that UNT is serious about their esports organization and the results they have proven that. The Overwatch team at UNT placed 1st in Texas and 11th in the nation through the TESPA program. The TESPA program is a organization that was created in order to connect colleges throughout America and

allow for the growth of esports and gaming culture through competitive tournaments being played and spreading knowledge about the gaming atmosphere. Also, according to the TESPA website, there are over 270 chapters for the TESPA program all over America and 102,000 Participants. Ergo, placing in the top of your region and 11th in the nation is a huge accomplishment.

5 ANALYSIS

When analyzing the data gathered from the various sources it is important to remember that all this data was collected over a period of about 2 months and in an industry such as the esports one that is a timeframe that is important to consider. In 2 months you can see shifts in investment, new infrastructure being built, or over league starting and ending. Therefore, understanding that the data that I have is gathered in a timeframe like this shows that there is going to be some percent error within the data because of how people answer questions and what is currently happening in the esports world.

The data gathered from Hersh Interactive group was really interesting to analyse because the data received from that source came directly from a director at the firm. This means that the information that he gave me regarding their investment choices as well as how they went about the esports industry are highly credible and really important to look at. During the interview many questions were asked regarding the state of the esports industry in Texas and how their investment firm decided where they wanted to invest. The answers that I received all essentially stated that the owner of the investment firm is a person from Texas and consequently, when he saw an opportunity to invest within Texas it intrigued him, and after doing some research they decided that there is a lot of growth that has happened in Texas for the esports industry and they foresaw more in the future so they decided to invest within the Overwatch League in Texas and help them establish their brand here. What was interesting about the responses that I got was that not many financials were brought up. The main reasons that they were investing within the esports industry were because of the growth that they saw. Which came in the forms of new teams beginning to show up and branding themselves within Texas as well as huge infrastructure projects like the Arlington esports stadium making huge headway to open up Texas to the esports industry. Also, when talking about the affiliations to collegiate esports the responses that I received were also

really interesting. During our conversation, when collegiate esports was brought up I could notice that there was a lot of intrigue behind how he wanted to see the industry develop. Collegiate esports within Texas is a booming and growing market with more and more 14 universities in Texas alone being a part of the previously explained TESPAs program. It was stated that there is not much that they can do for collegiate esports besides just support them and help them grow in any way they can because it's not possible for an investment firm to buy an entire universities' collegiate team. For this reason, when asked about what reasons they think are contributing to the growth of the esports industry the answer I got was that there is a lot of opportunity in Texas for esports to grow and that there is a lot of development in Texas for the esports industry to capitalize on. There are developments such as the Arlington Esports stadium and extremely famous players being invited to Texas to play exhibition matches for games like the Super Smash Bros franchise which allow for the industry in Texas to grow at a rapid rate.

The information that I was able to learn from A&M university in Texas was also really interesting. The data that I received from A&M came straight from student athletes that were a part of the League of Legends team for A&M. In the interviews that I had with the students, answers that I found really interesting were the ones talking about the amount of importance that was put into playing the game and becoming good enough to go pro. When I asked about their future aspirations within the field or if they ever saw themselves going into the pro scene I got answers that I didn't really expect. They had thought through the option of going pro and/or being a part of the esports industry in any way that they wanted and the answers that I got were that they would if the opportunity for them to go and be a part of the industry arose. They wouldn't go out of their way and become a part of the industry if it wasn't something that was both economically logical as well personally fulfilling. Another thing that was really interesting about their interviews was the outlook that they had for the collegiate esports leagues growth in Texas. The general consensus was that the collegiate esports industry has just started growing in Texas and there is still a lot more room for growth for the industry at just the collegiate level. It was also believed the industry that is developing in Texas has a high possibility of growing bigger than the one in California because of how fast the industry is growing right now. This shows the amount

of growth that is possible in Texas for the esports industry and how important it is for us to understand the reasons for the industries growth. The main reason that can be deduced from the set of interviews from A&M was that people are coming to Texas for the purpose of creating. Investors and teams want to come to Texas and develop an esports industry here because of the opportunity that Texas. There is a lot of space and there is a completely untapped esports industry that just needs exposure to grow. Therefore, people want to come to Texas and invest so that they can profit off of the growth of an industry that is just waiting to explode.

The information that I was able to gather from my Interviews at UNT went even further than the ones I got from A&M because these interviews showed me the intricate structure of collegiate esports how it is growing. At UNT I was able to interview players, coaches, and the director for the entire esports organization there. UNT had specific people like Mr. Dylan Wray hired for the purpose of developing a esports organization and growing it at UNT. This alone shows the amount of growth that has already happened in Texas and its esports industry because we have people being hired for the purpose of esports and are no longer solely dependent on student led organizations for clubs like these to exist. In addition to understanding the makings of the structure for the esports organization at UNT there were also a lot of really interesting interview responses that revealed a lot about the state of the industry and how it was growing. Out of all the players that I interviewed what I found really interesting was that going pro seemed to be something that was a luck-of-the-draw situation. If you make it, your considered one of the lucky ones, which shows that there is still a bit of development that is needed in collegiate esports connecting it to the pro league in Texas to allow for players to feel more confident when thinking about going pro. The current system that is in place is the TESPAs program. Colleges compete all over Texas and the higher you place in that competition the higher your chances are to be spotted and for you to get a offer from a professional team to go and play for them. The system that is in place isn't bad in any means however, there is still a decent amount of development that is needed within the industry if it is to grow. When the students from UNT were asked about how they see the esports landscape growing and changing in the future a majority of the answers referenced the Arlington Esports stadium. The Arlington Esports stadium is a \$10 million stadium that was created specifically for competitions.

Therefore, seeing the amount of importance that is put into that by the organization shows that they know about the current climate of the industry in Texas and they also see growth for the esports industry in Texas. When asked about why they think that this growth is occurring the answers that I got all had a general consensus that the industry is growing because of the surplus of investment that is coming in from all over, creation of infrastructure, and development for esports organizations.

6 NEW UNDERSTANDING

The reasons that I was able to conclude from the various interviews from investment firms, esports organization, coaches and players were that the industry is growing because of the surplus of investment that is coming in from all over, investors and teams wanting to come to Texas and develop an esports industry because of the opportunity that Texas has in the form of space and a completely untapped esports industry that just needs exposure to grow.

The esports industry of Texas is one that was often times metaphorically explained as a gold mine that just needs to be explored and harvested from. There is a ton of potential in Texas for the industry to grow even more than it already has and being able to take it to that next step is the key to the growth of esports in Texas. There is already a lot of backing from colleges to foster new talent and esports teams within Texas and all over America to pick them up and sign them so it is only a matter of time before the esports industry of Texas grows and is able to stand shoulder to shoulder with the already established esports industry of California.

7 CONCLUSION

In conclusion, it is important to understand that the esports industry in Texas is essentially in its infancy. There are still many unknowns for the industry and how the culture of Texas will adopt the change, but understanding that the industry is going to grow and that there is already a lot of investment and a ton of people backing up its growth will ensure that the extremely diverse and interesting industry is able to have its chance to grow as well as hopefully flourish in Texas.

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