

E-Sports in the GCC Market

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E-Sports (also known as electronic sports, esports, e-sports, competitive (video) gaming, professional (video) gaming, or pro gaming) are a form of competition using video games. Most commonly, e-Sports take the form of organized, multiplayer video game competitions, particularly between professional players.

The rise and popularity of electronic gaming has been rapid and organic and has been developing almost entirely independent of the usual sporting framework of national, regional and global associations, federations and regulations. Stadiums are being filled for events, competitors are pursuing growing pots of prize money, sponsors are gravitating towards the events. In addition, as e-Sports are free from the demands of the pay TV ecosystem, e-Sports are being promoted through social media platforms and OTT offerings which allow for more creative content. Accordingly e-Sports is making us re-think the dynamics of how we define, manage, consume and support sport.

While regulators, advisors and even some potential investors wrangle with these issues, e-Sports forges ahead. E-Sports will feature as several demonstration events at the upcoming 2018 Asian Games in Indonesia and are set to be full medal events at the 2022 Asian Games in China. This will create an interface for at least one facet of the sporting framework as the respective National Olympic Committees (NOCs) of participating countries, will pick the team rosters for e-Sports.

The e-Sports industry in the Middle East : Growth Factors

E-Sports in the Middle East is going through a period of rapid growth but it is still a young market with huge potential. We have seen particular strength in e-Sports at the grass roots level although there is still work to do at the more elite level in terms of regulatory support and infrastructure development. A number of successful events have been held in the region (e.g., Omni Universal Gaming, Dubai, October 2017, MEG Overwatch tournament, Dubai, May 2017, GSA E-Sports Cup, Riyadh, March 2018), yet coordination between the various leagues and event organisers has been elusive.

There are many factors which contribute to making the Middle East a region of growth potential for e-Sports, including a relatively young population, good access to technology, high levels of engagement with

social media, connection by a common language, suitability for indoor events and the presence of a solid base of interested and engaged core sponsors.

From a growth perspective, the UAE and the Kingdom of Saudi Arabia currently stand out as the markets to watch. Both have hosted e-Sports tournaments. While the UAE has a strong reputation for developing and setting best practices and infrastructure for tournaments of all description, Saudi Arabia has a large population and its government is now also showing interest in e-Sports through the Saudi Arabian Federation for Electronic and Intellectual Sports (SAFEIS).

As noted, the governments of the UAE and Saudi Arabia currently appear to be taking the lead on e-Sports. By way of example, the Dubai Future Foundation has as among its aims, the development of a purpose built X-Stadium dedicated to holding world class e-Sports events as part of its goal of creating a regional and global hub for e-Sports as part of its broader strategy to transform the UAE into a knowledge-based economy. In KSA meanwhile, SAFEIS and the General Sports Authority have committed to creating an all-inclusive ecosystem around e-sports in KSA – including game creators, graphic designers, publishers, broadcasters, tournament organizers, sponsors and professional players.

The Regulatory Environment is Key for e-Sports in the region

The e-Sports regulatory environment in the Middle East is still in its infancy. Currently, at the amateur level, competition organisers and leagues adopt their own regulations which can vary. Encouragingly, the e-Sports Integrity Coalition (ESIC) a body positioning itself to be the recognised guardian of e-Sports integrity, last year signed up e-Sports Middle East (ESME) as a member organisation. Whether or not ESIC is an ideal umbrella entity, there is an indication that at least some elements of the industry recognize the need for a regulatory component.

While there are many similarities, particularly across the Gulf Cooperation Council (GCC) member states, the Middle East includes a number of countries with distinct legal systems, albeit based primarily on a civil law system. Quite apart from specific sector regulatory issues, we must also be mindful that the laws of the land will apply to the hosting of events and the conduct of participants and stakeholders. Fundamental legal considerations such as compliance with advertising regulations, event safety and security legislation, visa status of players, event licensing and ticketing requirements must be considered in addition to e-Sports specific regulatory concerns regarding governance, anti-doping, match-fixing and other integrity issues.

We take the view that, subject to proper coordination with all stakeholders, it would be beneficial for the growth and development of leagues and competitions (at minimum within the region) to adopt common standards. Like the professional advisory sector, governments have been playing catch-up in recognizing and supporting e-Sports. This factor has previously slowed growth; however, there are encouraging signs that this could soon change and government-led regulatory guidelines could be a significant component of that change and nurturing the development of the e-Sports ecosystem.

Challenges for e-Sports: The Road Ahead

As noted above, regulatory and infrastructure developments will be key drivers in establishing a global base for e-Sports in the region. Over the past several years we have seen purpose built facilities for e-Sports established in multiple cities in the United States, in London and the MLG Gaming Arena on China's Hengqin Island. There is no credible reason why top class facilities cannot be established in the GCC. With respect to the regulatory angle, the relative absence of regulations compared to more traditional sports can be addressed with the stated support of government, working together with the industry stakeholders and advisors, to establish a framework that promotes rather than restricts development.

Tax is a potential challenge for the development of e-Sports in the region, but by no means a unique issue. VAT is currently being introduced within the GCC countries and consumers may be subject to paying VAT for purchasing online content. Telecommunications are also a potential challenge. Governments around the region are both security conscious and vigilant in protecting public morality from inappropriate content, so review mechanisms should be tailored to minimize inconvenience in the transmission of online content between various jurisdictions. Another challenge is potentially a social issue. Traditionally, the main sport in the region has been football and the recognition of e-Sports as a sport in its own right (potentially with different sub-categories for different competitions), is something that some consumers in the region have perhaps been a little slow to accept.

Structurally, in order to foster appropriate investment opportunities and to establish a basis for mid to long-term sustainability, an appropriate legal framework for the events and related marketing, broadcast, sponsorship and other revenues should be set. For a number of reasons beyond the scope of the present article, the writer would suggest this is more likely to take on a contractual rather than a shareholder or franchise model – at least initially. As the industry matures, more investible opportunities may alter this dynamic, but either way the ability to optimise commercial revenues will be central to long-term viability.

We would suggest that none of these issues create insurmountable challenges. In fact, the recent record of rapid growth and flexibility in other dimensions of sports and events activity in the GCC suggests it could be an ideal location from which to lead global e-Sports growth. The more focus, attention and professionalism that is introduced to e-Sports and the supporting advisory sector, the more likely any obstacles to growth and diversification in e-Sports can be overcome.

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