

CHAPTER I

INTRODUCTION

The introduction of a research is essential in order to explain the need of the research. Without any benefit or need, a research will not be useful in any way. This chapter consists of research background, problem statement, research problem, research objectives, benefits of the research, scope of study, and chapter outline.

1.1 Research Background

The business world is always evolving. There is always a new innovation to be found and a new industry to emerge out of the unthinkable. One famous example of such phenomena is the emergence of social media. Maryville University explains the start of the phenomena by the founding of the internet and the launch of “social sites” in the 1980s and 1990s. Initially, it started as a platform for people to communicate online through the use of email, bulletin board messages, and real-time online chatting (Maryville University). Two of the first big emergences of social media are Friendster and LinkedIn. Nowadays, two popular social media of the past, Friendster and MySpace, are shadows of their former past. However, new social media has emerged overtime to replace them, starting from Facebook, to Instagram, and the latest phenomena, TikTok. According to Clement (2020), there is currently around 4.14 billion active global media population, with global social media penetration of 49%.

The phenomena of the emerging new industry due to the development of technology do not only affect how people live their lives to the extent of new habit or new way of communication. The emergence of e-commerce changes the way of how people shop. According to Statista, the revenue of e-commerce in Indonesia went from 8.459 billion US dollars in 2017 to astonishing 30.3 billion US dollars in 2020. In fact, Manuturi (2016) wrote about how traditional retail stores are pressured to start selling in e-commerce platform in order to survive. The increased data security and ease of use of current e-commerce platforms have enabled people to be more comfortable shopping online.

The development of technology does not only affect common people's life, but also how businesses operate. An example of such innovation coming out from the development of technology is digital banking, or sometimes called e-banking. According to report from PwC about digital banking (2018), although digital banking is mostly used by the mass market (70%), it starts to expand to small medium enterprises (48%) and corporate (36%) too. The convenience of having banking services from the office instead of having to go to bank branch is a comfort that many people and businesses want to have.

One phenomenon that has recently emerged from the rapid technology of development, especially internet and streaming, is electronic sports, or sometimes called e-sports. Willingham from CNN described e-sports as “the world of competitive, organized video gaming” and listed several most popular games in the world as part of the e-sports industry, such as “Fortnite, League of Legends, Counter-Strike, Call of Duty, Overwatch and Madden NFL”. In fact, Willingham mentioned the fact that the so called e-sports athletes “are watched and followed by millions of fans all over the world” either live or online streaming platform. It is an industry with huge global market potential due to its ability to deliver content online like no other industry. According to 2018 annual report about e-sports industry created by Newzoo, e-sports industry’s global market revenue grew approximately 23.3% from 2018 to 2019 and it is expected to continuously grow steadily over time.

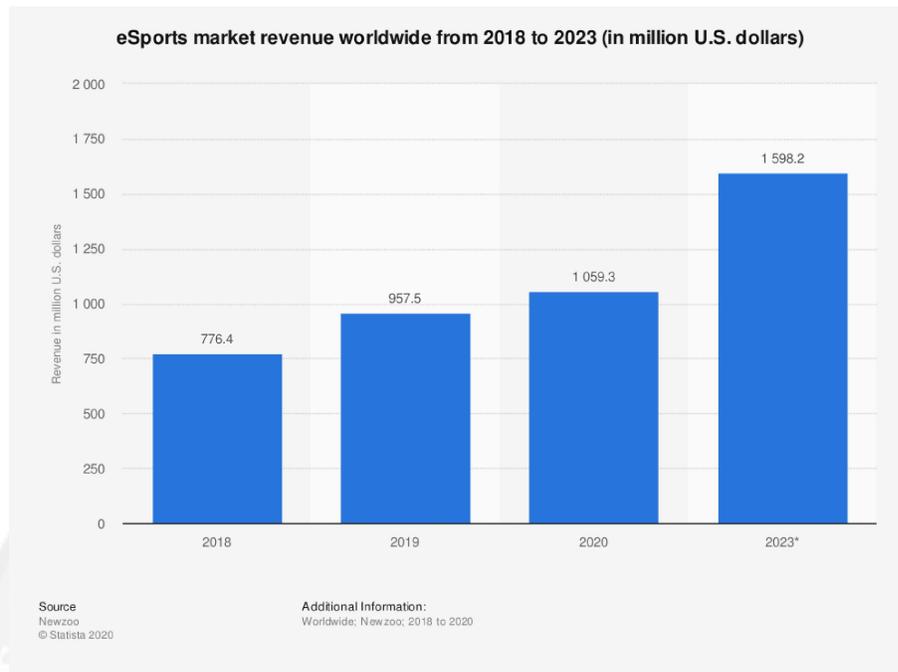


Figure 1.1 e-Sports Market Revenue Worldwide from 2018 to 2023 (in million U.S. dollars)

Source: Newzoo

While Jenny et al. (2016) and Willingham (2017) simply describe e-sports as organized and competitive video gaming, Holden et al. (2017) describe e-sports in a more complex, sporty definition. Holden et al. (2017) defines e-sports as a part of sport that makes people train and develop mental or physical capabilities with the use of information technologies. The comparison of e-sports as part of traditional sports is also made by sports organization, such as Olympic Council of Asia and many sports organizations, such as Paris Saint-Germain. The comparison between e-sports and traditional sports is understandable due to size and success e-sports have in some countries.

One example of such success is a story published by BBC. BBC published a story of how, on 26th of August 2019, Johan “N0tail” Sundstein, a 25-year-old gamer from Denmark, became the person with the highest prize winning from e-sports of all time. The so called “e-sports athlete” has approximately earned 6.9 million USD in prize winning of a game he played for his living: Dota 2. This earning excludes other incomes that an e-sports athlete usually earns, such as sponsorship, salary, and tutorials. This fact explains just how fast and enormous the e-sports industry has become. The annual main tournament of the game Dota 2, The International, has 34.3 million USD as its prize pool for The International 2019 edition. The International 2019 saw 16 teams competed for a lion-share of the prize pool. Sundstein is only one player in a team that competes in Dota 2 tournament. One can only imagine the size of the team, which is a business, which backs 5 players and a coach to compete in a 34.3 million USD tournament.

According to British e-sports Association, e-sports origin can be traced back as far as the 1980s, in which the first tournament of gaming of then-famous game Space Invaders was first held in Japan. E-sports started to grow even more in the 1990s, with several major gaming tournaments being held in the United States and Japan. However, the real boom started in the 2000s, in which professional gaming teams started to be established in order to give e-sports players proper infrastructure and salary to earn their living through competing in video games. Moreover, major e-sports tournament organizers, such as ESL, were mostly founded in the 2000s too (British e-sports Association). The 2010s onwards saw e-sports becoming an

economic force to be reckoned with, with prize pools of e-sports competitions can actually reach millions of US dollars, such as the case of Sundstein.

According to a research by Parshakov & Oskolkova (2015), characteristics, history, and cultures do matter in the successfulness of e-sports in different countries. Parshakov & Oskolva (2015) identified that out of the 10 countries with most successful e-sports industry, 6 countries are from Europe (Sweden, Germany, Russia, Denmark, Poland, and France), 2 countries are from Asia (South Korea and China), one country from North America (United States), and one country from South America (Brazil). According to a report by Badan Koordinasi Penanaman Modal Indonesia (BKPM), Indonesia is placed as the 16th biggest gaming market globally. Despite of the fact that Indonesian gaming market is indeed significant, Indonesia is not included in the 24 countries that Parshakov & Oskolkova (2015) included in their research, while some countries with similar characteristics of Indonesia, such as Philippines and Vietnam, are included in the research. The lack of success of e-sports in Indonesia can also be seen by the number of professional e-sports players in Indonesia and the earnings they earn. According to Esports Earnings, Indonesia only has 836 professional e-sports athletes, which is not in top 20 globally and only ranked 46 in terms of the prize these athletes earn globally.

However, this statistics does not mean that e-sports cannot be successful in Indonesia. Indonesia has adopted new technology and industry late compared to other countries in the past, such as e-commerce. Once the people and entrepreneurs started to see the value of having a new technology from another country, they will start to accept and use the technology. The statistics shown above does not tell the progress of e-sports in Indonesia. E-sports in Indonesia is actually growing and started to be accepted. Ring (2018) informed about Mineski, a Philippines-based e-sports organization, 2 million US dollar investment to Indonesia in order to support and grow the e-sports ecosystem in Indonesia. Ring (2018) reported that the investment will be mostly used for organizing e-sports events in Indonesia. Two million US dollar investment to country where e-sports has not been fully established yet as an industry is a huge commitment, and yet a foreign e-sport organization is willing to invest in Indonesia. E-sports can bring benefits to all countries, including Indonesia, due to its potential of job creations, talent creations, and a new potential alternative to leisure activities for the people of Indonesia. However, the awareness of e-sports within the people of Indonesia needs to be increased in order for e-sports to develop and investments towards e-sports in Indonesia to be maximized.

A study by Dwitama and Rita identified several factors that affect brand awareness in the case of Rajawali Citra Televisi Indonesia (RCTI) in Indonesia. They identified a positive and significant influence of marketing strategies towards brand awareness. They also identified marketing communication positive and significant influence towards RCTI's brand awareness in Indonesia.

According to a study by Shojaee and bin Azman, there are three factors affecting brand awareness when the context of social media is used: brand exposure, customer engagement, and electronic word-of-mouth. Shojaee and bin Azman estimated strong, positive correlations between all the factors towards brand awareness of a product in Malaysia, while finding no multicollinearity problem within all the independent variables.

In this study, the researcher aims to find out whether brand awareness in Indonesia is indeed positively affected brand exposure in Indonesia, one's customer engagement in Indonesia, and the frequency of word-of-mouth about one's brand in Indonesia, similar to the result of the study by Shojaee & bin Azman (2013). Moreover, the research will add a new independent variable due to the relatively new nature of the e-sports industry: familiarity of the e-sports industry.

1.2 Problem Statement

The rapid growth of e-sports globally has made the industry attractive for developing country, including Indonesia. The benefits e-sports can bring to the economy of a country and creating new job opportunities made it a phenomenon that can be capitalized in Indonesia. It can be seen by the support of Indonesian government in e-sports, Indonesian participation of the e-sports section of the Asian games, and the entries and creation of e-sports organizations in Indonesia. However, e-sports is still not as recognized in Indonesia compared to other countries, such as Denmark, despite its entrance to the Indonesian soil in as early as 1999. The researcher wants to find out the possible factors that creates brand awareness of e-sports in Indonesia. Based on previous research by Shojaee & bin

Azman (2013) on brand awareness and social media, the researcher wants to particularly find out whether brand exposure, customer engagement, electronic-word of mouth, and familiarity to the e-sports industry have positive effects on brand awareness of e-sports in Indonesia.

1.3 Research Problem

1. Does brand exposure have a positive effect on brand awareness of e-sports in Indonesia?
2. Does customer engagement have a positive effect on brand awareness of e-sports in Indonesia?
3. Does frequency of electronic-word of mouth have a positive effect on brand awareness of e-sports in Indonesia?
4. Does familiarity of the e-sports industry have a positive effect on brand awareness of e-sports in Indonesia?

1.4 Research Aim and Objectives

1. Determine whether the existence of Indonesian players affect brand exposure, customer engagement, and frequency of word-of-mouth of an e-sports team in Indonesia
2. Determine whether an e-sports team's brand exposure affects its global brand awareness in Indonesia
3. Determine whether an e-sports team's customer engagement in Indonesia affects its global brand awareness in Indonesia

4. Determine whether the frequency of word-of-mouth in social media about an e-sports team in Indonesia affects its global brand awareness in Indonesia
5. Determine whether the level of familiarity about the e-sports industry affects an e-sports team's global brand awareness in Indonesia.

1.5 Benefits of the Research

The researcher hopes that this research can bring benefits towards:

1.5.1 The Researcher

This research can give an understanding of how brand awareness of e-sports is created in Indonesia, especially investigating factors that have been proven to increase brand awareness in other industries and products: brand exposure, customer engagement, e-WOM, and familiarity to the e-sports industry. Through this knowledge, the researcher hopes that he can help change the stigma of e-sports in Indonesia and makes e-sports in Indonesia grow.

1.5.2 UPH Business School

This research can bring benefits to UPH Business School in order to add a new catalog on research in a relatively new field of e-sports in order to enrich the collection UPH Business School has. Moreover, this research can give an insight to UPH Business School about how awareness of a new industry might have been affected by brand exposure, customer engagement, e-WOM, and familiarity of the industry.

1.5.3 Stakeholders and Potential Stakeholders of e-sports in Indonesia

This research can bring benefits to current and future potential stakeholders of e-sports in Indonesia by advancing the knowledge on how to make Indonesia people aware of the existence of e-sports in Indonesia, especially investigating whether increasing brand exposure, customer engagement, e-WOM, and familiarity of the e-sports industry can have an effect on brand awareness of e-sports in Indonesia. With this knowledge, current and future potential stakeholders of e-sports in Indonesia can hopefully help growing the e-sports industry in Indonesia and become successful in running e-sports business in Indonesia.

1.5.4 Future Research

This research can hopefully bring benefits to future researches related to the topic of e-sports, especially e-sports in Indonesia. It can hopefully become a future reference and help in using brand exposure, customer engagement, e-WOM, and familiarity to the industry as variables that can possibly have an effect on brand awareness.

1.6 Chapter Outline

This research consists of 5 chapters:

1.6.1 Chapter I: Introduction

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1.6.2 Chapter II: Literature Review

This chapter will explain the relevant concepts and theories about the topic of this research and the variables of the research, which are: brand awareness as dependent variable, and brand exposure, customer engagement, e-word of mouth, and familiarity towards the industry. This chapter consists of sections explaining the concepts of: International Business, E-Sports, Technology Acceptance Model (TAM), Research Variables, Relationship between Variables, and Theoretical Framework and Hypotheses.

1.6.3 Chapter III: Research Methodologies

This chapter will explain the research methodologies used in this research. This chapter consists of: Research Method, Research Paradigm, Research Object, Research Design and Type of Research, Population and Sample, Sampling Design, Sample Size, Extent of Researcher Interference, Study Setting, Unit of Analysis, Time Horizon, Variables, Conceptual Definition and Operational Definition, Data

Collection, Measurement Scale, Software Analysis, Data Analysis, Initial Test (Pre-Test), and Actual Test Methodologies.

1.6.4 Chapter IV: Data, Results, Analysis, and Discussions

This chapter will discuss the result of the questionnaire through PLS-SEM, which is used to determine whether there is a relationship between the independent variables (brand exposure, customer engagement, e-word of mouth, and familiarity towards the e-sports industry) and the dependent variable (brand awareness of e-sports in Indonesia). This chapter consists of: Respondent Profile, Actual Test, Descriptive Analysis, Outer Model Evaluation, Inner Model, and Discussions

1.6.5 Chapter V: Conclusion and Recommendations

This chapter will discuss the result of the research and compare it with the hypotheses previously mentioned. It will also give conclusion from the research, the limitations of the research, the implications, and suggestions for future researchers in this field. This chapter consists of: Conclusion, Research Limitation, Theoretical Implications, Managerial Implications, and Suggestions for Future Researchers