

Abstract

Despite substantial growth in viewership, many esports organizations have struggled financially. This is the paradox at the heart of this paper: audiences keep growing, but the organizations built to serve them keep collapsing. This paper argues that esports organizations are not simply less diversified than traditional sports teams, but rather diversified *without an anchor* — lacking the kind of long-term, contractually secured revenue stream that gives traditional sports teams a buffer against serious shocks. The analysis is organized into two complementary pathways, each addressing a different aspect of financial exposure. The structural pathway establishes the financial architecture that makes esports organizations vulnerable in the first place, while the behavioral pathway examines how that vulnerability translates into observable market behavior. The collapse of the Overwatch League franchise model and the Call of Duty League's 2024 elimination of its franchise fee structure both illustrate how the esports organization's revenue systems are less stable than the traditional sports template it was modeled on. Capital backing can delay the impact of revenue volatility, but it cannot replace the anchor for revenue the paper is describing. What teams actually need is a contractual mechanism that functions the way broadcast revenue does for a traditional club.