GTAI GERMANY TRADE & INVEST

FACT SHEET

The Gaming Industry in Germany

ISSUE 2022

Germany's games market is the largest in Europe and the fifth largest internationally. The sector generated record turnover of EUR 8.5 billion in 2020. Covid-19 lockdown and social distancing restrictions helped increase demand – with almost 60 percent of the population being active gamers.

Germany is home to Europe's biggest gaming market. The Covid-19 crisis had a seemingly propitious effect on industry fortunes in 2020, driving demand to record levels as the population came to terms with strict contact and lockdown restrictions. Total computer and video games and related hardware turnover grew 32 percent to a record EUR 8.5 billion according to game – the German Games Industry Association. Sales of games hardware increased 26 percent to around EUR 3.2 billion, with the computer and video games segment growing to EUR 5.2 billion – equivalent to annual growth of 36 percent.

Silver gamers the biggest player group

Fifty-eight percent of the population – between six and 69 years of age – play video games. According to game, player numbers grew by five percent in 2020, with near gender parity between male and female players (52 percent and 48 percent respectively). "Silver gamers" – players in the 50-59 years of age and 60-69 years of age categories – account for one third of all domestic video game players. The preponderance of older gamers in the country is responsible for an increase in average player age to 37.4 years.

Games "made in Germany"

Germany is currently home to 749 companies that develop and distribute games. Of this number, 403 companies publish and develop, 314 companies develop exclusively and 32 companies publish exclusively. Turnover growth of German games companies currently lags behind the overall pace in the domestic market according to game, with significant potential available to new market entrants who tap into the potential for games made in Germany.

Germany's Gaming Market in Numbers

Number 1
games market in Europe

EUR 8.5 billion
games and gaming hardware turnover

32 percent market growth
games and gaming hardware

749 companies
develop and distribute games in Germany

52 percent increase
in number of games studios active in Germany

60 percent plus
of the population play video games

→ Visit our website for more gaming market information: www.gtai.com/gaming

Source: game 2021

Germany's Changing Games Market

Germany's highly diversified computer and video game market provides excellent opportunities for international investors in a number of segments including online games, in-app purchases and games hardware.

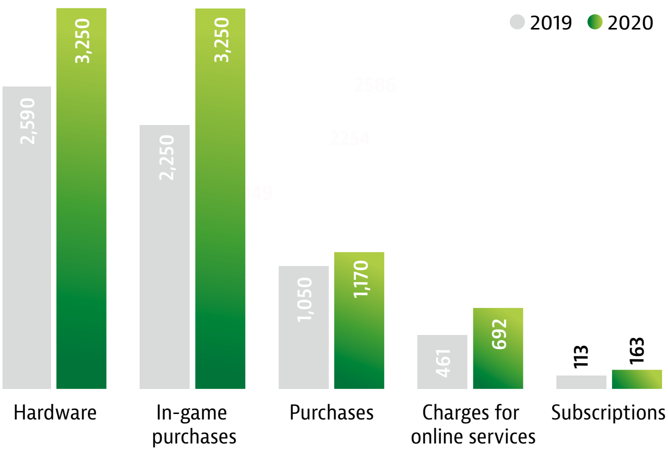
Covid-19 drives demand for hardware and accessories
Demand for games hardware and accessories sharply increased in 2020 as gamers responded to the pandemic year with an enhanced interest in computer and video games. Interest in consoles increased, with many consumers upgrading or buying new consoles. Hardware (consoles, gaming PCs and accessories) turnover recorded an annual increase of 26 percent in 2020, taking turnover to approximately EUR 3.2 billion. Next generation consoles and graphics cards drove high sales levels, with supply chain bottlenecks unable to meet consumer demand in many instances. Germany's games industry has come out of the ongoing Covid-19 pandemic with renewed confidence. A survey of game members showed that seven out of ten companies expected their business prospects to improve in 2021.

Mobile devices, free-to-play games and in-app purchases
Smartphones have become an essential part of daily life in Germany, with almost 61 million users in 2020. High mobile device penetration levels have simultaneously resulted in a steady increase in the number of mobile device gamers. Smartphone and tablet gaming apps generated around EUR 2.3 billion in revenue in 2020 – equivalent to a 23 percent increase on 2019 turnover levels. Combined in-game and in-app turnover for the same period was more than EUR 3.2 billion – equivalent to year-on-year growth of 44 percent. According to game, in-app purchases constitute the dominant business model in the mobile games segment. The easy accessibility of free-to-play games provides game developers with an attractive access point from which to promote in-app purchases to players.

Online game services
Demand for PC, console and smartphone game online services that allow gamers to compete online and access cloud services doubled in size in 2020. According to game, the fees market for online games services for PCs, consoles and smartphones also exhibited enormous growth in 2020, increasing by 50 percent to EUR 692 million. According to game, cloud games services that require high-speed internet connections – popular because users no longer have to own high-performance hardware – grew by 67 percent to EUR 72 million in 2020. Online games services of the kind provided by companies including Nintendo, PlayStation, Sony, and Xbox generated revenue of EUR 439 million during the same period.

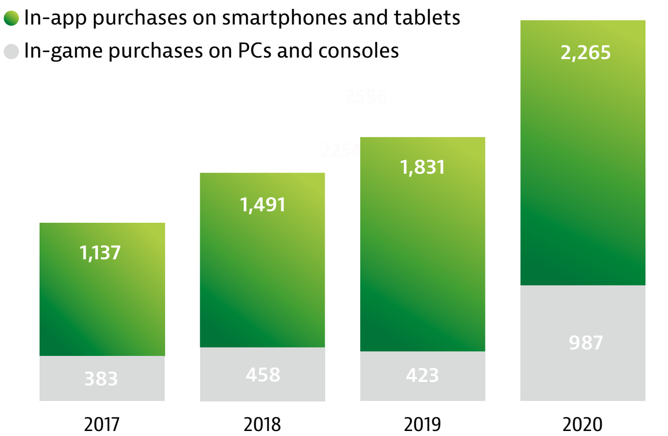
Monthly subscription games services – of the kind offered by EA Play, Xbox Game Pass , Ubisoft+, and Apple Arcade – that provide players with unlimited access to an extensive library of games grew by 44 percent to EUR 181 million in 2020.

Games Market Turnover Development by Segment
in EUR million



Source: game 2021
*calculations based on the GfK Consumer Panel (2019/2020; n=25,000), GfK Entertainment, GfK POS Measurement and App Annie

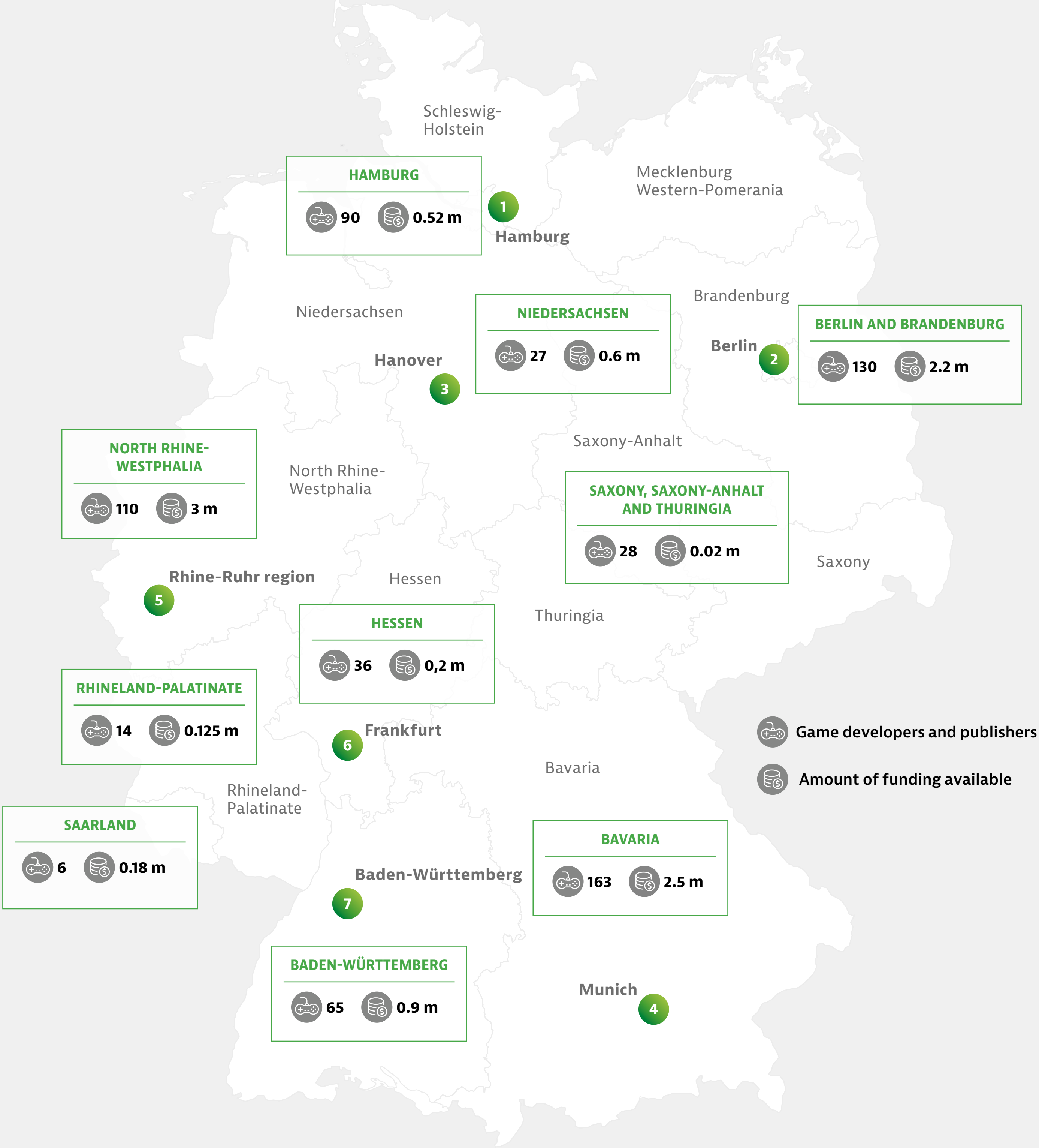
In-App and In-Game Market Revenue Development
in EUR million



Source: game 2021

Gaming Clusters in Germany

Developer and publisher gaming hubs are continuously growing in and around Germany's major cities. All clusters include developer, publisher and supplier companies as well as training and education facilities specialized in gaming. The individual clusters organize major industry events (such as the internationally recognized trade fair gamescom in Cologne) and locally oriented networking events. All regional clusters provide a wide range of monetary incentives, interest-reduced loans, equity capital/financing, consulting/expertise, guarantees, and access to regional funding.



Source: game 2021

1 Hamburg

Hamburg is one of Germany's most dense and active gaming clusters. The city is home to companies drawn from across the complete gaming value chain with all major specializations – including gaming law – represented. A number of international companies (such as Square Enix and Warner Bros. Entertainment) as well as domestic successes (Bigpoint, Innogames and Fishlabs) are part of the local gaming ecosystem. In recent years Hamburg has developed to become an international hub for browser-based games. Since 2009, a master's degree program in Sound, Vision, Games has been available at the local University of Applied Sciences.
www.gamecity-hamburg.de

2 Berlin

Berlin is one of the world's start-up hot spots, while its near neighbor Potsdam (the capital of the state of Brandenburg) is a major center of international film production activity. This winning combination helps make the Berlin/Brandenburg region an important location for the gaming industry. The two locations are major frontrunners in the field of online gaming. German companies like Wooga, Yager and GameDuell are all based in Berlin, with the number of international companies (e.g. Aeria Games, Wargaming and Epic Games) resident in the capital also growing. Berlin also excels in terms of gaming education and training: Games Academy, the Hochschule für Technik und Wirtschaft (HTW), and the Universität der Künste (UdK – "University of the Arts") train potential employees for the gaming industry.
www.medienboard.de

3 Hanover

The Greater Hanover region may not be one of Germany's major metropolitan areas but it is nevertheless home to an active and vibrant gaming scene. One example is the Game Forum Germany, which brings companies from across Germany together. The bi-annual Serious Games Conference also takes place in the city. Hanover is still very much an insider's tip for gaming, so competition for talent remains moderate.
www.nordmedia.de

4 Munich

Munich has been one of the most important German gaming clusters for some years. This is due in large part to the unique combination of local success stories (e.g. Mimimi Productions UG, Travian Games, European Games Group) and the presence of big international gaming companies (such as Activision Blizzard, Koch Media, and Take 2). Another important part of the ecosystem is the German Computer Games Award which is held every alternate year in Munich and Berlin.
www.games-bavaria.com

5 Rhine-Ruhr region

The Rhine-Ruhr region is not only one of Germany's most densely populated urban centers; it is also a hot spot of the German gaming scene. Game companies based in the Rhine-Ruhr area range from major international players like EA and Ubisoft to a raft of local start-ups active in the region. Gaming-specific education and training facilities such as Mediadesign College in Düsseldorf (MD.H), Games Academy, and Cologne Game Lab (CGL) attract fresh young talent to the cities in the Rhine/Ruhr region. International gaming professionals and consumers alike come together annually at the internationally renowned gamescom trade fair in Cologne.
www.medien.nrw.de

6 Frankfurt

Frankfurt is home to more than just Germany's financial center and largest international airport. Today it also counts as a Mecca for the gaming industry. Many international companies (including Nintendo, Sony Interactive Entertainment and Bandai Namco Entertainment) have their German representation in Frankfurt. Germany's world famous Crytek also has its roots here, and remains very much a vital part of the local gaming ecosystem. The region also provides access to a wealth of talent in the form of students matriculated on a range of game-related courses of study including Game Design, Digital Art and Game Programming.
www.gamearea-frm.de

7 Baden-Württemberg

The federal state in the southwest is home to global player Gameforge but is, for the most part, largely dominated by a significant number of small and medium-sized gaming companies. Baden-Württemberg is also home to numerous simulation and serious games developers including B-alive, Korion Simulation-Software and TriCAT. The region has a strong tradition in engineering and entrepreneurship – two factors that are of benefit to gaming companies seeking highly educated employees, many of whom have studied at Gamelab which is a part of Karlsruhe's University of Arts and Design.
www.innovation.mfg.de

Supporting Business Success

Germany is providing funding of EUR 50 million to video game developers active in Germany to consolidate the country's position as a global hub for game production. Innovative start-ups are also identifying the country as preferred location thanks to a winning combination of moderate costs, excellent infrastructure and access to an international talent pool.

International Trade Events
Major international games industry events like gamescom and regional platforms attract thousands of gaming professionals each year, making Germany a focal point for the European and international gaming business communities.

Creative Europe
"Creative Europe" is the European Commission's flagship initiative to support the culture and audiovisual sectors in Europe. The "Support for the Development of European Video Games" subprogram has been allocated a budget of EUR 3.8 million for the development of highly innovative and creative narrative storytelling video game concepts and projects designed for commercial release.

Federal German Games Funding Programme
The "Federal German Games Funding Programme" provides annual funding of EUR 50 million to computer and video game developer activities in Germany. The funding initiative provides support to games developers in order to establish the country as an important international games development location. Funding is provided as a non-repayable grant to prototype and development projects that satisfy program eligibility criteria. Prototype development costs must be between EUR 30,000 and EUR 400,000 while production development costs must be at least EUR 100,000.

Around 190 projects are currently being implemented or about to begin as part of the Federal German Games Funding Programme, with a further 110 or so projects already completed. In the pilot phase, approximately EUR 27 million in budgetary funds were committed to 230 funding projects – 99 percent of which was paid to small and medium-sized enterprises (a further 87 percent of this number consisted of start-ups with 10 or fewer employees). Budgeted development costs for projects already approved range from EUR 35,000 to EUR 10 million.

Federal State Level Funding
The individual federal states also provide funding for their respective gaming industries. Funding levels and eligibility conditions vary according to the individual funding organization. Funds are typically made available to developer and project activities taking place at local federal state level.

Strategy for Germany as a Games Hub
Germany's Federal Ministry of Transport and Digital Infrastructure (BMVI) has launched a new initiative to bolster the country's status as a games development hub, drive it forward and enhance its international visibility. Drawn up in close cooperation with industry stakeholders and the general public, the "Strategy for Germany as a Games Hub" is a complementary strategy to two existing instruments to support the computer and video games industry: the "German Video Game Awards – DCP" (established in 2009 to raise industry profile) and the "Federal German Games Funding Programme" which was launched in 2019. The strategy forms the basis for an ongoing dialogue with all relevant stakeholders within the federal government, the federal states, business, culture, and science to establish Germany as a leading international games location. Additional measures including the restructuring of the BMVI division responsible for video games have also been taken to address current structural challenges. The restructuring will underpin a holistic approach to supporting gaming in Germany that goes above and beyond the provision of financial instruments and support.

Germany Trade & Invest – A Strong Partner
Germany Trade & Invest provides direct access to all of the relevant actors in the German gaming industry. As the hub for a far-reaching network at both home and abroad, GTAI maintains close relations with all clusters, networks and research institutions. Our industry experts support you in finding project partners for your project. Germany Trade & Invest also helps identify relevant funding incentives options for your project in Germany.

game – Verband der deutschen Games-Branche e.V.

game is the association of the German games industry. Its approximately 340 members include developers, publishers and many other games industry actors including e-sports companies, institutions and service providers. The association is also a shareholder in the German Entertainment Software Self-Regulation body (USK), the Digital Games Culture Foundation, the e-sports player foundation, and devcom, the official game developer conference of gamescom. As well as this, game is also the co-organizer of gamescom, the world's biggest computer and video games industry event.

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Our Investor Consulting division of specialist industry teams provide international investors in all sectors with comprehensive consultancy services specific to each individual investment project. Services include:

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- Business and tax law information
- Funding and financing information

All investment-related services are provided entirely free of charge and all enquiries are treated with the utmost confidentiality.

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Imprint

Publisher: Germany Trade and Invest
Gesellschaft für Außenwirtschaft und Standortmarketing mbH
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Executive Board: Dr. Jürgen Friedrich, Chairman/CEO,
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Layout: Danielle Röbbenack, GTAI

Print: Kern GmbH, 66450 Bexbach, www.kerndruck.de

Picture Credits: Cover: ©shutterstock/logoboom;
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Order Number: 20847/2

Supported by:

Federal Ministry for Economic Affairs and Energy

on the basis of a decision by the German Bundestag