



European Games Debate

2 December 2020

Summary of the event

Table of content

Introduction:	2
□ Welcome Address by Dr. Tobias Miethaner, Director General – Digital Society, Federal Ministry of Transport and Digital Infrastructure (BMVI)	2
□ Welcoming statement by Felix Falk, Managing Director – Game, German Games Industry Association	2
□ Welcoming Statement by Maciej Szymanowicz, Policy officer – Creative Europe MEDIA unit of the European Commission.....	3
Keynote Speeches: “An analysis of the European game market, investments and challenges in the global context”	3
Panel on Public Funding: Current Initiatives for expanded public financial support for Games production in Europe.....	5
Panel on Publishing: How to strengthen European Publishing as a financing power?	6
Panel on Private Investment: stimulating more private sector funding and investment towards European game productions.....	7
Panel on Professionalisation: What are the best ways to professionalise the European games market and investment environment?	8
Conclusions and Perspectives	9

Introduction:

➤ **Welcome Address by Dr. Tobias Miethaner, Director General – Digital Society, Federal Ministry of Transport and Digital Infrastructure (BMVI)**

Dr Tobias Miethaner introduced the European Games Debate by welcoming the 150 participants. He emphasized that the main intention of the event is to go beyond a one-time experts' meeting and serve as a kick-off for a discussion between key players all around Europe about strategic topics for the European Game Sector: financing, publishing and professionalisation.

After highlighting key dimensions and trends of the European game sector, Dr. Miethaner presented current strategic responses from the policy side in Germany. One of the main objectives of the Federal Government is to strengthen the market share of companies based in Germany. The coalition treaty in 2018 set the basis for establishing a designated funding programme for video game production. With the 2019 and 2020 budgets, the Deutsche Bundestag allocated 250 million euros for the programme, which was established in two steps. In the initial pilot phase, 226 projects were funded with a total grant volume of 27 million euros. In the second step, the main programme started with the first call for proposals in September 2020. By the end of 2020, more than 50 projects are already in the funding process with an estimated total grant volume of more than 40 million euros.

At the same time, Dr. Tobias Miethaner stressed that public funding can only play a kickstarting role for an expanded market environment for the gaming sector. Therefore, it is particularly important to build a dialogue with the financial industry and the investors' community. The European Games Debate is an initiative that intends to start a dialogue and encourage key players of the European game sector to join hands and strengthen the overall market profile in Europe.

➤ **Welcoming statement by Felix Falk, Managing Director – Game, German Games Industry Association**

Felix Falk started by underlining the great timing of the European Games Debate. He spoke about the long and hard work to build a strong industry in Germany as a hotspot for the video game sector. He reminded that Germany was number 5 in terms of video game players, but only 5% of the market share revenues are generated by German companies. Therefore, it is essential to support the industry on the regional, national or European levels.

Felix Falk presented the reasons why building a strong video game sector is essential in the current time:

- Games are the most interesting and the greatest media form right now,
- Positive effect of games on society, economic, technology and innovation has been proven. It was highlighted by the Covid-19 situation: games helped to fight against the virus,
- Video game sector is one of the most innovative sectors in terms of digitalisation.

In Germany, the sector is very dynamic with around 300 members of the German Game association combining all different actors from developers to publishers and esports players.

Felix Falk was proud that Germany host the first European Games Debate and he was very confident about the future of the European industry, because members of the game industry have the occasion and the support to build up this economy now.

➤ **Welcoming Statement by Maciej Szymanowicz, Policy officer – Creative Europe MEDIA unit of the European Commission**

Maciej Szymanowicz started by reminding some facts of the current situation of Cultural and Creative Industry (CCI), and especially of the video game sector from the European perspective:

First of all, in the European CCI, there are around 5000 companies, 80 000 employees and 23.6 billion of revenues in 2019. The estimated value of the CCI is high and the trends are quite positive in terms of growth and employment. In the CCI, the video game sector is at the forefront of digital revolution. The sector is indeed very dynamic and full of success stories. However, the video game sector is one of the most underrated sectors, as it is difficult to assess it and determine its real value. The market set up showed that cultural and creative sectors are not treated as investment opportunities. Financiers feel that investing in creative sector is a very risky investment. The success could be quite low. It's an IP based industry and the evaluation of IP is a difficult topic.

Maciej explained that the European Commission had identified two needs of the video game sector. On the one hand, financial instruments at the European level need to be developed. On the other hand, the education of financiers and investors about trends and opportunities in the video game sector needs to be improved. Maciej Szymanowicz explained that the European Commission already founded the Cultural and Creative Sectors Guarantee Facility (CCS GF) and its impact is a good success. The expectations for 2023 are about an investment volume of 2.5 billion euros during the next two years. Up to now, 700 000 million euros were allocated as guaranteed loans and 3 200 projects were supported.

Maciej Szymanowicz concluded his statement by saying that accessing more finance is the right approach for the sector. Even more on the Invest EU programme, they are planning to work closer with equity and venture capital funds, because they do not invest enough in the sector. At the same time, Asian and American funds are more active. The goals of the European Commission are today to develop a comprehensive approach towards the financiers and bring a more sustainable investment environment to the CCI. The European commission wants to support actions that will develop talents and skills for the CCI and bring new financial resources to the sector and help to access more financing.

Keynote Speeches: “An analysis of the European game market, investments and challenges in the global context”

Speakers:

- [Peter Warman](#) – Co-founder at NewZoo – Netherlands
- [Odile Limpach](#) – Professor Entrepreneurship at Cologne Game Lab/TH Köln – Germany

Peter Warman presented a solid analysis of the video game market with a particular focus on Europe. The full presentation is available on the [SpielFabrique website](#).

The evolution of the video game industry is highly affected by other innovations. For example, Internet boosted online gaming and the apparition of smartphones offered the opportunity to play video games everywhere.

The attractiveness of the video game industry is bringing non-gaming actors in the business, such as traditional tech companies (Microsoft acquiring ZeniMax Media) or media companies (Advance acquiring Newzoo).

“The future of games is not games”, the emergence of streaming platforms has highly impacted the video game market. Developers and publishers have to take into account the importance of the streaming community as well as the expectation of a competitive scene (esport). Charity events, concerts and showmatches are organised and also involve non-gamer celebrities. Traditional broadcasters and telecoms started acquiring positions in the streaming and esport organisation companies (Disney/ESPN acquiring TV broadcast for League of Legends’ Spring Playoffs in the US). Video Games are not just a product anymore but also a service. It leads to a lot of changes regarding organisation, business models and funding mechanics.

Peter Warman predicts that the next innovations that will affect the video game market are cloud gaming and 5G expansion, as well as cross-market disruption. Cloud gaming will change studios’ business models as consumers will be able to play numerous video games using a subscription-based model, similar to Netflix. Smartphone video games are the most demanding apps regarding internet connection. They will benefit first from the emergence of 5G.

The “gamer” profiles have also evolved. Smartphones and online-gaming brought a lot of “casual” players having different expectations regarding video games types. For example, some of them use their free time in the transports to play, while others have a high preference to see people playing on stream (29% of the consumers do not see playing as 1st interest). Also, Newzoo performed a study during the COVID Crisis and the results highlighted that the 2nd factor motivating people to play more at video games was the “social” parameter. Games are not a factor of exclusion anymore, but an opportunity to meet friends (existing or new ones). The recent success of streaming platforms and video games with social interactions (e.g. Among Us) supports the results of that research.

Europe’s multiculturalism and diversity can also be seen as a strength as there is a very large number of studios creating a large amount of popular IPs. 73% of the most popular video games on Google Play come from Europe. Tech and services companies are also performing well and support the development of the video game market. However, the success of European companies attracts well-established entities coming from China and the United States, such as Tencent. They usually acquire those studios/companies at a very early stage, for a low price and it leads to a loss of IP ownership, benefiting other regions worldwide. Some ideas proposed by Peter Warman would be to:

- Foster private funding in Europe, think bigger at an early stage when they need funding,
- Simplify regulations to help companies converting more easily their products into business successes,

- Foster collaboration of European countries, have a better understanding of the markets.

Regarding the last point, it appears that the European market is very complex. Consumer preferences and culture vary from a country to another, thus the market is highly fragmented and difficult to assess. In Asian countries (China, Japan & South Korea), the revenues are mainly absorbed by domestic companies, while in Europe, only 9% of the revenues goes to the European companies. There is a strong need of annualized data in each country to have a better understanding on the trends and consumer preferences. It would certainly help companies to propose an offer better fitting the Europeans.

Panel on Public Funding: Current Initiatives for expanded public financial support for Games production in Europe

Studio Impulse on funding challenges:

- [Marine Lemaitre](#) – *A piece of Cake studio* – France

Panelists:

- [Olivier Fontenay](#) – CNC (Centre National du Cinéma et de l'image animée) – France
- [Till Hardy](#) – Film & Medienstiftung NRW (Nord Rhein Westphalen) – Germany
- [Youri Loedts](#) – VAF (Flanders Audiovisual Fund) – Belgium
- [Carmen Paez](#) – Ministry of Culture and Sport – Spain

Moderated by: [Per Strömbäck](#) – Swedish Games Industry – Sweden

In the first panel, the four representatives presented their respective funds' strategy and characteristics.

They mainly target the small & medium companies, but some mechanisms are available for bigger and/or international companies (e.g. tax break in France).

Regarding the objectives of the respective funds, participants noticed many similarities but also differences that are specific for each country and for selected geographic level (national/regional):

- Sector Enhancement: Improve the job creation, increase the global revenues...
- Cultural Promotion: Promote the local culture at an international level, Help the studios to keep their Intellectual Property (IP), Support the participation to international events...
- Video Games Production: Improve video games quality, get bigger productions...
- Sector Professionalisation: Professionalise the studios, support the training of future video game developers...

Funds are mainly investing in projects through three different ways:

- Grants: No repayment required, but sometimes with some constraints,
- Non-repayable loans: Repayment only if the video game becomes profitable,
- Tax break: Automatic tax rebate on the project spendings.

However, the position of the funds varies a lot according to their main objective. Most of them propose funding to foster production, but there are also initiatives targeting the concept/prototype phase to help independent developers to produce a first draft that will help them to contact other partners. Also, there is an initiative in Belgium to finance the promotion of the video games as cash is required for marketing/sales, while in production, developers can use “sweat equity”.

Finally, the participants expressed a strong interest to attend to other similar meetings, to share experience and best practices.

Panel on Publishing: How to strengthen European Publishing as a financing power?

Studio Impulse on publishing challenges:

- [Andrej Levenski](#) – *Gamepires Studio* – Croatia

Panelists:

- [Jürgen Goeldner](#) – *Fidius Trust* – Germany
- [Nicolas Parpex](#) – *BPI* – France
- [Martin Balawajder](#) – *11Bit Studios S.A* – Poland
- [Dr. Reinhard Gratl](#) – *Koch Media* – Austria

Moderated by: [Per Strömbäck](#) – *Swedish Games Industry* – Sweden

The video game sector grew fast and evolved a lot during the last years, but the publisher-studio relation remained the same. Though, publisher now have their own studios, developing in-house projects.

However, their mission has evolved a lot, with the decrease of physical video games and the rise of online platforms. The marketing strategy also moved from traditional medias (TV) to online medias (social media...).

The publisher acts as a “gatekeeper”, as a first test to the developers. It analyses:

- The market fit (check the content using group testing, etc.),
- The financial forecasts (P&L, etc.),
- The development teams,
- The legal issues (social due diligence, etc.).

Regarding private investments, publishers can act as investors that will spread the risk by funding multiple video games. However, traditional investors have a lack of knowledge regarding the video game market (“What is an IP?”) and the role of publishers. In Europe, this leads to a talent drain to the US, to Canada and Asia.

As the retailers’ position has deteriorated with the rise of online platforms, numerous studios developed their own team to self-publish, but according to the participants, both models will exist: self-publishing studios and studios working with publishers.

To foster the development of the video game market in Europe, additional help is required from other actors:

- Studios need to be more professional, have a better understanding of how to present to investors,
- Public structures should increase their support to avoid talent drain out of Europe,
- Private investors should increase their knowledge in the video game industry and increase the cash invested.

Panel on Private Investment: stimulating more private sector funding and investment towards European game productions

Studio Impulse on private investment challenges:

- [Stella Wang](#) – [Dazzle Rocks](#) – Finland

Panelists:

- [Niclas Holmberg](#) – Nasdaq – Sweden
- [Laoura Ntziourou](#) – European Investment Fund – Luxembourg
- [Harri Manninen](#) – Play Ventures – Finland
- [Mikkel Weider](#) – Nordisk Film Games – Denmark

Moderated by: [Per Strömbäck](#) – Swedish Games Industry – Sweden

Traditionally, the video game market suffered from two major issues: video games were undervalued for a long time by traditional investors (“seen as kids’ hobby instead of real business”) and there is a lack of knowledge on the business plan and strategy.

In the panel, participants identified and discussed four ways to receive private funding:

- Mergers & Acquisitions: Successful and promising studios are often approached by international video game companies (e.g. Ubisoft). Recently, Asian companies expressed a strong interest for European studios (e.g. Tencent). However, the tendency is more to “become as big as Tencent instead of selling to Tencent”.
- Debt Financing: In early stages, it is better for studios to consider equity financing, but later, they might need cash flow to finance their working capital or investments.

However, traditional banks usually do not have a team dedicated to the video game industry and have little understanding of how the business works. Another problem comes from the high risk associated to the lack of collateral (video games are intangible assets, studios usually do not have enough guarantees to put in the balance). However, some public initiatives are developed to secure debt financing and raise awareness of the video game market among the banks (e.g. European Investment Bank, Finnish Government).

- Equity Funding: The growth of the video game market implied the appearance of specialised Venture Capital and Equity Investors. They invest internationally, sometimes by syndicating according to their complementarity.
- Market Capitalisation: Medium/large size video game companies can decide to become listed on the stock exchange. This initiative appeared in the Nordic countries, where the private funding is highly developed. However, it implies costs and cession of shares.

The speakers also discussed the impact of public financing on decision making and highlighted the following issues: Public funding structures usually focus on the cultural aspect of the video games, while investment funds focus on the commercial aspect. It leads to a completely different approach and the private sector is usually not considering public funding as a key factor but is focusing on the team and the project (Will it be profitable?). Therefore, to increase sector's funding, public money should focus more on the commercial aspect or focus on the debt financing.

“Gaming is the dominant form of entertainment of this century and the global pandemic has only accelerated this trend.”

Panel on Professionalisation: What are the best ways to professionalise the European games market and investment environment?

Studio Impulse on professionalisation challenges:

- [Utz Stauder](#) – [Ludopium](#) – Germany

Panelists:

- [Hendrik Lesser](#) – remote control productions and EGDF (European Games Developer Federation) – Germany
- [Davor Svaic](#) – University of Zagreb – Croatia
- [Benedikt Grindel](#) – Ubisoft BlueByte – Germany
- [Adrien Larouzée](#) – Arte – France

Moderated by: [Per Strömbäck](#) – Swedish Games Industry – Sweden

According to the participants, the video game market is not mature yet. It requires more big players to fully build the environment.

The training of future developers is particularly important. There are already many initiatives in Europe, such as the Cologne Game Lab.

However, the training of game developers should not be limited to video games production. Independent developers need to understand that building a video game also means building a company around. They need to have a management perspective (processes management, etc.). Success is not about making a good video game, it is about building a nice and sustainable team, building a company that will grow in the future.

Moreover, participants agree that academic education is not enough, independent developers also need the support of peers, that could share their experience on producing the first video games. The video games environment is changing a lot and developers need to adapt as fast as possible.

According to the participants, the keys to professionalisation are:

- Education: More training on entrepreneurship and more “knowledge jobs” to improve the production processes and the negotiations with publishers and investors,
- Helping programs to foster the maturity of the market (experts-to-studio meetings, studio-to-studio meetings...),
- Market studies to have a better understanding of the evolutions, the needs and requirements,
- European and cross-border collaborations to strengthen the European position and keep the Intellectual Property (IP) in Europe.

Conclusions and Perspectives

All panelists agreed that the video game market is not fully mature yet. There is a lack of:

➤ **Private investment:**

Traditional investors see the video game market as highly risky because of its specificities (almost only intangible assets, constant evolutions, etc.). They do not have the tools to analyse properly a business plan, even though the video game market is booming (and COVID resistant).

Two potential solutions have been addressed during the panels:

- Develop public structures that will support the financing from banks by providing guarantees,
- Foster the syndication of traditional funds with specialised ones to invest in companies' equity.

➤ **Professionalisation:**

As it has been discussed in the 4th panel, young developers need to adapt the theoretical training with the experience of professional ones. In other words, it is necessary to foster meetings between studios through events/platforms/forums.

Another major issue is the difference of perspectives between the developers and investors. Producing a game requires strict processes, a clear business plan that fit to the market with attractive financial forecasts. A special attention must be paid to the entrepreneurship training programs. Another way would be to foster the development of external consultancy firms/acceleration programs.

➤ **Information:**

Even though it is possible to find numerous studies on the video game market, there is still a strong lack of information at regional and national level in most of the European countries. (How many studios? Average number of employees? What is the impact of public decisions on the development of the video game sector?)

An interesting axis of development have been addressed in the 4th panel: the study of successful cases to have a better understanding of the best practices.

➤ **Closing Statement by Dr Christian Schlosser, Head of Unit – Data Innovations/Grant Programmes, BMVI**

In his closing statement, Dr Christian Schlosser from the BMVI thanked all panellists and participants for the engaged discussions. SpielFabrique and BMVI will continue the initiative in 2021. In particular, the next stages of the “European Games Debate” will focus on elaborating the consultations and technical exchange along the four substantive themes addressed in the first session. SpielFabrique will remain in contact with the participants and will send further information on the next steps.

Many thanks to all panelists and speakers of the European Games Debate for their great engagement.

Special thanks to Per Strömbäck for the enthusiastic moderation during the whole day of panels .

Special thanks to Pierre-Jérôme Adjedj from Sur Mesure and the SpielFabrique’s team, Hugo Derivry & Nicolas Etienne, who managed the organisation and the production of the debate.

Special thanks to the teams of the Federal Ministry of transports and digital infrastructure (BMVI) for the preparation of the studio and the support during the debate.