



# The German Gaming Industry

## Europe's Biggest Gaming Market

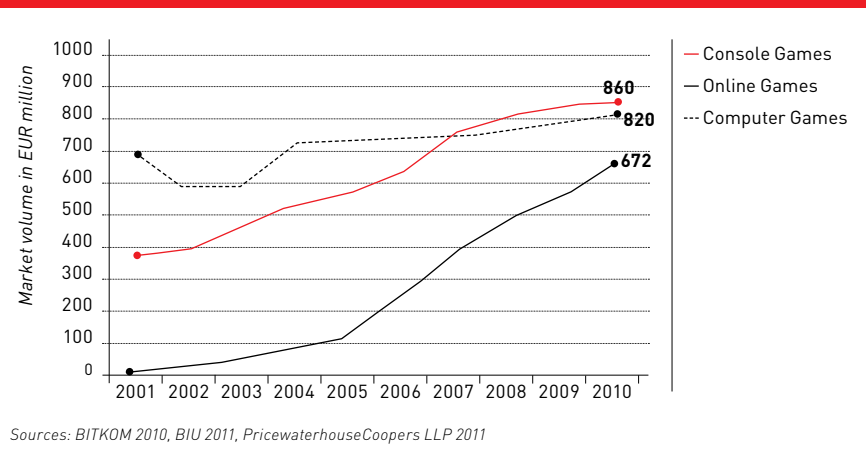
### Traditionally Strong Market

Home to 23 million active gamers, Germany is Europe's largest gaming market. Total games revenue grew to EUR 1.8 billion in 2010. Although in the region of 14.5 million gamers use the internet as their primary gaming platform, German gamers are historically multi-platform users (4.1 platforms per user on average) and continue to maintain high interest levels in traditional boxed games. Gamers in Germany are also expressing increased interest in online digital content. Online and browser games in particular recorded promising two-digit growth rates over the last ten years. Fifty-three percent of game time in 2011 was already spent on online and mobile gaming platforms. Alongside massively multiplayer online (MMO) games, German online gamers are mostly interested in brain-teasing and casual game formats.

### Digital Market Prospects

Gaming revenues continue to result mostly from data carriers and downloads (82 percent). Console games in particular dominate this sector and still exhibit healthy growth rates in Germany. The German games market is also shifting towards digital content in terms of generated revenue. In 2010, most turnover was made in the area of subscriptions and premium accounts (56 percent), with downloads/applications (23 percent) and item-selling (21 percent) also playing an increasingly significant role. Germany is already Europe's leading market for in-game item-selling. Turnover is expected to reach EUR 340 million in 2014.

### Market Volume in the Gaming Industry in Germany 2001-2010



### Specialized Workforce

Germany can count approximately 275 computer game developers and publishers in its thriving gaming sector; of which approximately 40 percent are active in the online, social and browser gaming segments. The gaming industry employs a workforce of around 10,000, with six thousand working directly for game developers and publishers.

Germany's gaming workforce belongs to the world's best qualified. Around 40 public and private universities and other education establishments offer computer game-related courses of study.

### Strong Gaming Infrastructure

Thanks to German companies such as BigPoint, Gameforge and Wooga, Germany has become one of the global hubs for online and browser game production. The country has also become a preferred location for innovative start-ups, offering a winning combination of moderate costs, excellent infrastructure and a large talent pool. International trade events like GDC Europe, gamescom and Casual Connect Europe attract thousands of gaming professionals from all over the world to Germany each year, making the country a major focal point for the international gaming business community.



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# Major Gaming Trends in Germany

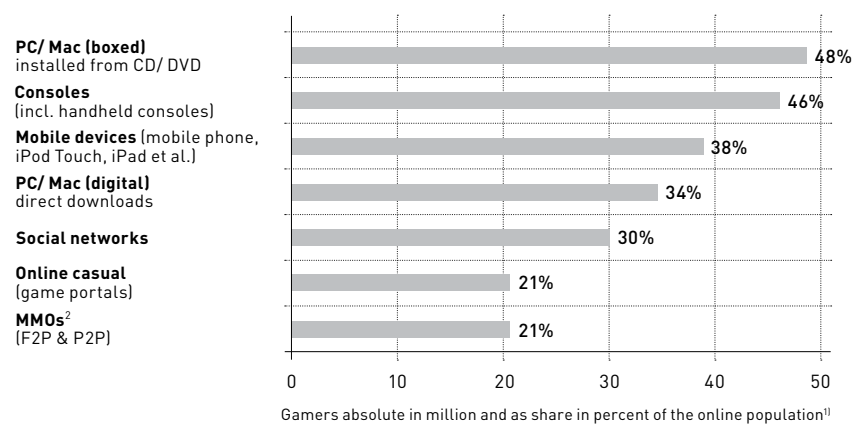
## Online and Browser Gaming

According to the German Trade Association of Interactive Entertainment Software (BIU), approximately 14.5 million Germans play games online. Brain-teasing games are the most popular online games followed by casual games. Online and browser game membership revenue reached EUR 194 million in 2010 with turnover generated in a number of ways. In 2010, sales of virtual goods amounted to EUR 73 million. This so-called "item selling" is an important income stream which can also make free-to-play games profitable. The further development of micro-payment systems is crucial for the future viability of online and browser games. Advertising is another source of income for the online and browser game industry and can be integrated in games or function as conventional website ads. In an extensive survey on online gaming, half of the surveyed gamers indicated to actively notice ads in the gaming environment. One third of all gamers specified to click on ads.

## Social Gaming

Germany is one of the world's biggest social gaming markets. Total industry revenue for 2011 is expected to amount to EUR 127 million - a figure which is expected to rise to EUR 183 million in 2014. Around 40 million Germans are members of online social networks. Of the gaming savvy group of 14-29-year-olds, around 96 percent belong to at least one social network. Facebook dominates the market but German players such as the VZ networks, Stayfriends and Wer-Kennt-Wen ("Who Knows Who?") likewise offer attractive social gaming platforms. Eighty-eight percent of social network users in Germany play online games and 59 percent of them play games on social platforms; with 11 percent of social gamers considering social networks to be their primary gaming destination.

## Gamers in Germany by Platform 2010



Note: 1) total population of 10 years of age and older (with internet access)  
Note: 2) Massively Multiplayer Online 2011  
Sources: National Gamer Survey 2010, Newzoo 2011

## Mobile Gaming

The mobile gaming market accounted for EUR 264 million in 2010. Eighty-seven percent of turnover was generated from games for mobile consoles, with mobile phone games accounting for 13 percent of total revenue. Mobile phone games enjoy increasing popularity in Germany: around 13 million gaming apps for mobile and tablet computers were sold in 2010. Experts expect increasing usage of two or more game platforms - as opposed to the elimination of one by the other. This development is largely fueled by the rapid increase in smart phone sales: more than 12 million smart phones are expected to be sold in 2012 (representing a compound annual growth rate of 32 percent for the period 2008-2012).

## Serious Gaming

The "Serious Games" segment remains very much a niche market in Germany, but one which nevertheless shows enormous potential for the future. Germany counts as one of Europe's most important "serious gaming" markets alongside the United Kingdom, Scandinavia, France, and the Netherlands.

In Germany, 63 percent of serious games deal with school-related topics; 14 percent with societal issues; 10 percent with the obtainment of a professional qualification; 8 percent with health issues, 5 percent with military objectives; and one percent are intended as pure marketing games. Overarching serious game market segment data is difficult to obtain, but the e-Learning subsegment for example, grew to EUR 348 million in 2010 - an increase of five percent compared to the previous year.

## Payment Systems

Secure payment systems are imperative to generating online content revenue in Germany. Approximately two thirds of online turnover in Germany is generated by traditional payment procedures - with the tendency decreasing. In 2011, 660,000 social gamers were already paying using text messaging payment facilities. Important micropayment systems currently operating in Germany include PayPal, ClickandBuy, WEB. Cent, infin, paysafecard, T-Pay, sofortüberweisung.de and giroipay.

# Gaming Clusters in Germany

## Germany's Major Gaming Clusters

Developer and publisher gaming hubs are continuously growing in and around Germany's major cities. The major gaming clusters are illustrated below. All clusters comprise several 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.



### 1 Hamburg

Hamburg is one of Germany's most dense and active gaming clusters. The city is home to companies from the complete gaming value chain, with all major specializations including gaming law represented. Several international companies such as Square Enix, Sega, Virgin Interactive and Hasbro as well as domestic successes like 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](http://www.gamecity-hamburg.de)

### 2 Berlin/Brandenburg

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, Frogster and GameDuell are all based in Berlin, just as a number of international companies are (e.g. Aeria Games, OnNet). Berlin also excels in terms of gaming education and training: Games Academy, University of Movies and TV and Universität der Künste (UdK – "University of the Arts") educate potential employees for the gaming industry.

[www.medienboard.de](http://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 one of the country's most active and vibrant gaming scenes. 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, awarding Serious Games Awards to outstanding serious games. Hanover is still very much an insider's tip for gaming, so competition for talent remains moderate. The city is also internationally renowned as being the host city of one of the world's largest ICT trade shows, the CeBIT.

[www.nordmedia.de](http://www.nordmedia.de)

### 4 North-Rhine Westphalia

The Rhine/Ruhr area is not only one of Germany's most densely populated urban centers; it is also the gaming cluster with the highest revenue levels. One in four German companies active in the field of computer games is based in the Rhine/Ruhr area: ranging from major international players like EA and Ubisoft to the 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 numerous young talents to the cities in the Rhine/Ruhr region. International gaming professionals and consumers alike come together annually at the internationally recognized trade fair gamescom in Cologne.

[www.MEDIEN.NRW.de](http://www.MEDIEN.NRW.de)

### 5 Frankfurt

Frankfurt is not only home to Germany's financial center and largest international airport, these days it is also a Mecca for the gaming industry. Many international companies of the renown of Zynga, Nintendo, Sony Computer Entertainment, and Namco Bandai 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 "Digital Media," "Media & Design Management" and "Animation and Game" at the privately run Games Academy.

[www.gamearea-frm.de](http://www.gamearea-frm.de)

### 6 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 which are of benefit to gaming companies seeking highly educated employees.

[www.innovation.mfg.de](http://www.innovation.mfg.de)

## Sophisticated Business Environment

### World-Class Education Standards

According to the Organisation for Economic Cooperation and Development (OECD), Germany has an excellent standard in higher education. In 2010, some 443,000 students – at more than 400 universities – embarked on a course of academic study. Technical fields of study experienced an undergraduate enrollment level increase of more than eight percent. Germany's share of university students in the sciences, mathematics, computer sciences, and engineering is the second highest in the EU, with 31 percent of all students.

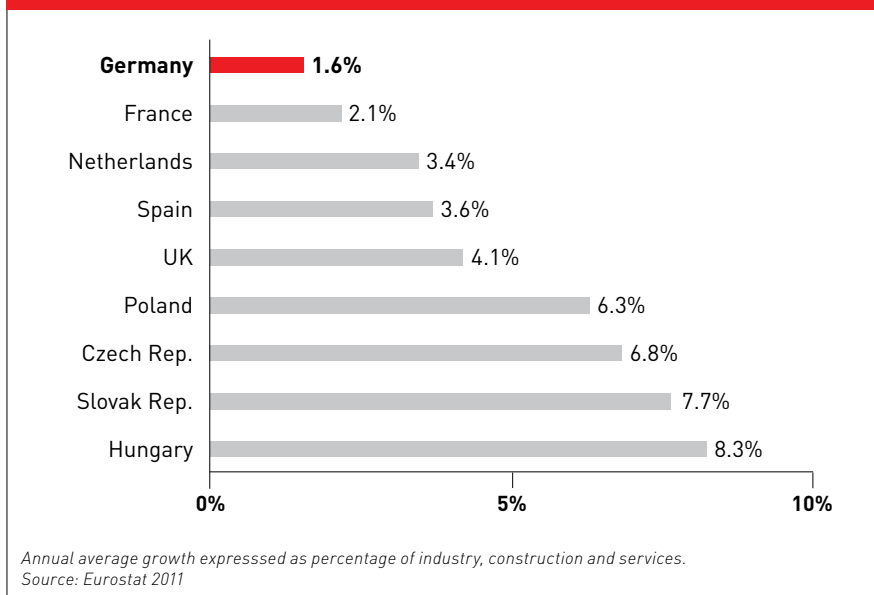
### Outstanding Labor Force

More than 80 percent of the German workforce is in possession of an academic degree or has received formal vocational training. The country's dual education system – unique in combining the benefits of classroom-based and on-the-job training over a period of two to three years – is specifically geared to meet industry needs. Moreover, recruitment services are actively supported by government agencies.

### Competitive Labor Costs

Since 2001, wages have risen in most European countries (EU-27), some countries, particularly those in eastern Europe, experienced a rise of more than seven percent, Germany recorded the lowest labor cost growth within the EU at just 1.6 percent. In Germany, wages are generally negotiated freely; there is no overall statutory minimum wage. Minimum wage regulations exist only in certain industries.

### European Labor Cost Growth 2001-2010



### Competitive Tax Conditions

Germany offers one of the most highly competitive tax systems of the big industrialized countries. For corporations, the average overall tax burden is just below 30 percent, with certain local municipalities offering significantly lower rates still.

Germany does not have a consistent nationwide tax rate for corporate income taxation. Instead, taxation of corporate companies consists of two major components: corporate income tax + solidarity surcharge and trade tax. Corporate income tax and the solidarity surcharge are components with a fixed rate, whereas the trade tax rate varies locally. The total amount of these two taxation components forms the overall tax burden. As a result of the fixed and variable components, the overall tax burden can differ by up to 10 percent between locations. *Germany Trade & Invest* can support you in identifying attractive locations in Germany.

### Open and Transparent Markets

German law makes no distinction between Germans and foreign nationals regarding investments, available incentives or the establishment of companies. The legal framework for foreign direct investment in Germany favors the principle of freedom of foreign trade and payment. Germany is world renowned for its highly developed economic, legal and political frameworks which provide investors – in all industry sectors – with the necessary security for their business investments.

## About Us

*Germany Trade & Invest* is the foreign trade and inward investment agency of the Federal Republic of Germany. The organization advises and supports foreign companies planning to expand into the German market and assists German companies seeking to enter foreign markets.

### Investment Location Germany

*Germany Trade & Invest* provides close-to-market information to international companies looking to enter German markets. Our specialist industry teams prepare all of the relevant information essential to business success in Germany.

*Germany Trade & Invest's* comprehensive range of information services includes:

- Market and industry reports
- Market entry analyses
- Business and tax law information
- Business and labor law information
- Funding and financing information

### Business Location Services

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*Germany Trade & Invest's* range of free services includes:

- Legal and tax-related project support
- Funding and financing advisory services
- Site visit organization
- Local partner and network matchmaking
- Public and private partner coordination

All investment-related services are provided entirely free of charge. Our specialist industry teams have hands-on experience in their respective industries and treat all investor enquiries with the utmost confidentiality.

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