FACT SHEET

# The Gaming Industry in Germany

ISSUE 2016/2017

**Germany's gaming market is the biggest in Europe. Mobile gaming continues to grow at a significant pace; creating new opportunities for innovative game developers and publishers alike. The country's thriving gaming clusters provide optimal conditions for both games start-ups and established actors keen to enter new gaming markets.**

## Europe's Biggest Market

Germany is home to Europe's biggest gaming market. Total games industry revenue grew to EUR 2.8 billion in 2015 – equivalent to a 4.5 percent increase on the previous year. The lion's share of this revenue comes from game purchases with sales of EUR 1,207 million. This is followed by hardware purchases (EUR 897 million) including consoles and other gaming equipment. Further sources of revenue are virtual goods (EUR 562 million) and subscriptions (EUR 145 million).

## Diverse Gaming Public

Home to more than 34 million active gamers – around half of the population above 14 years of age – Germany is Europe's largest gaming market. Half of these gamers pay for games or related services. While myths of the typical gamer being a teenage male persist, the actual German gamer is in fact 35 years of age, with almost 47 percent of gamers being women.

## Gaming Platform Prospects

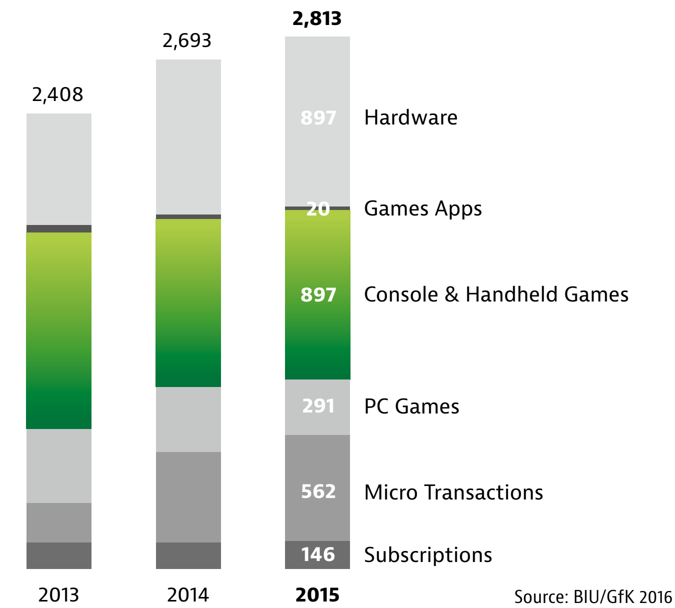
The PC remains the biggest gaming platform with 18.4 million active gamers, followed by smartphones (17.2 million), consoles (15.6 million), tablets (11.5 million) and handheld devices (8.3 million). While traditional platform usage (e.g. PC, console, handheld) is stagnating, the newer tablet and smartphone platforms have been growing steadily in recent years. The number of smartphone gamers grew 14 percent in the last two years, and the number of tablet gamers around 44 percent over the same period. In terms of consoles, the PlayStation 4 was the best-selling system with nearly 1.3 million units sold in 2015. Alongside casual games, German gamers are mostly interested in strategy, brain-teasing, action, and social game formats.

## Global Gaming Hub

Thanks to German companies such as BigPoint, Gameforge and Wooga, Germany has become a global hub 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 across the world to Germany each year, making the country a major focal point for the international gaming business community.

**Market Volume in the German Gaming Industry 2013–2015**

in EUR million




Source: BIU/GfK 2016

# Major Gaming Trends

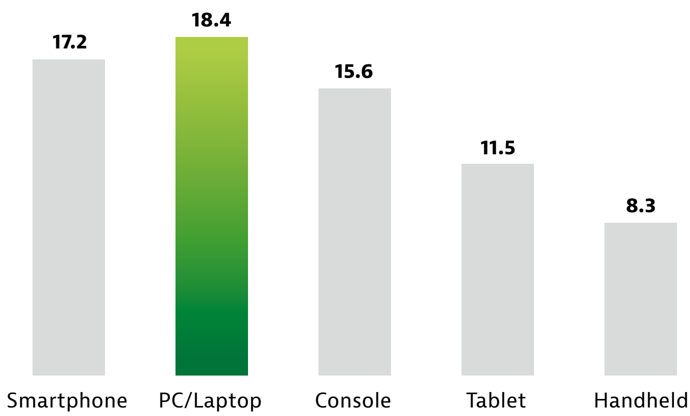
**Virtual Reality**
Virtual reality (VR) headsets allow gamers to leave the real world for virtual worlds once the stuff of science fiction. A number of VR headsets are already available on the market with the number constantly growing. Consumer demand for VR gaming is set to grow, with one recent study finding 14 million Germans are interested in VR games. The number is even higher for gamers, of which 35 percent want to use VR. The younger generation in particular has a keen interest in this technology, with 62 percent of 14- to 19-year-olds and almost half of 20- to 29-year-olds wanting to use VR headsets. One in four people in the 30- to 49-year-old category expresses an interest in VR gaming. VR game developers and hardware producers find a ready market in Germany, with interest levels piqued by German gamers' preference for casual and strategy games.

**eSports**
Germany has a strong eSport fan base. More than 20 percent of German internet users are aware of eSport offerings, with the eSport trend gaining in popularity. This is best observed amongst gamers, where 17 percent are not only aware of eSports but have already watched eSport competitions on platforms such as Twitch, Ustream, Hitbox, and Azubu. With the eSport medium fast establishing itself amongst German gamers, companies seeking to market to this gaming public have a number of attractive options to reach them; be it through platforms or at live events. Germany boasts a number of regular ESL One eSports events, counting among the most important events worldwide with 30 thousand visitors and up to 27 million watching viewers online.

**Gaming Apps**
With a combined number of just over 23 million smartphone and tablet gamers, gaming apps enjoy the greatest reach in the German gaming market. Gaming app turnover accounted for EUR 315 million in 2015, - more than 31 percent up on the previous year. In total there are 23.1 million people playing games on their smartphone or tablet, of which 4.6 million pay for gaming apps and in-app purchases. They account for 76 percent of German app store revenue (95 percent of the downloaded games apps are free to play). The market for in-app purchases and virtual goods in particular is growing at a fast pace. These micro transactions are by far the most important revenue stream for app developers, with 94 percent of revenue originating from this source. This development is mainly due to the rise of free-to-play games and their growing popularity in the eSports sector. In order to generate revenue with free games, developers offer services such as additional levels and game character individualization. Game developers who manage to maintain high player involvement levels have an excellent chance of monetizing their games through in-app purchases. In terms of mobile platforms, Google Play is ahead of Apple's App Store, with 60 percent share of games revenue and 75 percent share of game downloads.

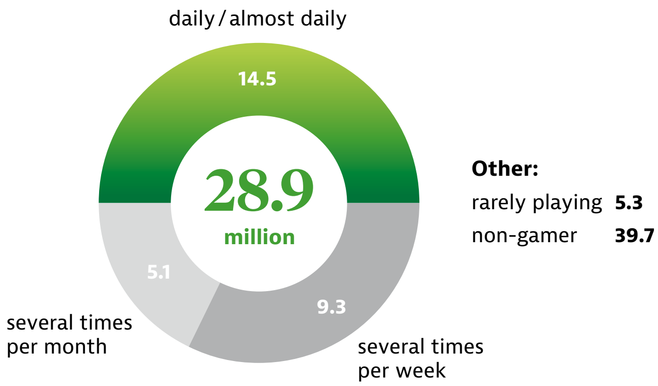
**Vibrant Digital Market**
Although boxed games continue to play a major role for gamers in Germany, more than half of gaming revenue originates from completely digital sources – recording a nine percent increase on the previous year's turnover level. The general move to digital gaming is evident across the board of subsectors, with almost all recording an increase. The strongest growth sectors are micro transactions (e.g. virtual goods and bonus content) and game downloads with growth rates of 18 percent and 7 percent respectively. Browser and online game fees also grew by four percent in the last year.

**Gamers in Germany**
in million




Source: BIU/GfK 2016

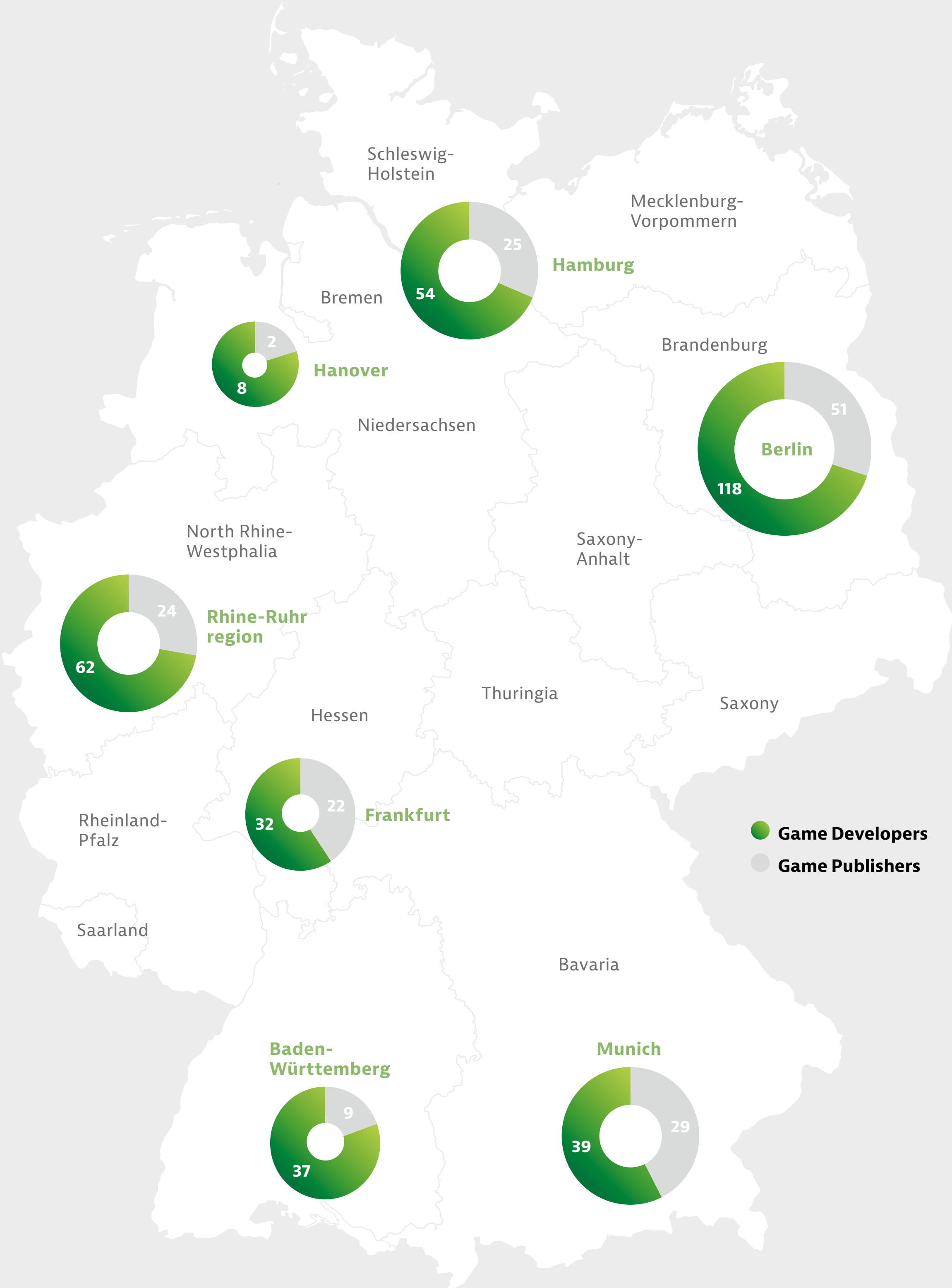
**Frequent Gamers in Germany 2016**
in million




Source: BIU/GfK 2016

# 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: Germany Trade & Invest 2016

**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**

**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, GameGenetics and GameDuell are all based in Berlin, with the number of international companies (e.g. Aeria Games, Gree 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**

**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. 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**

**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. The event brings the best minds of the industry together and highlights the Bavarian capital's importance to the German gaming scene.

**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**

**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**

**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

### World-Class Education Standards

According to the Organization for Economic Cooperation and Development (OECD), Germany has an excellent standard in higher education. In 2014, some 505,000 students – at more than 400 universities – embarked on a course of academic study. Almost 92,000 engineers and over 78,000 mathematicians and natural scientists graduated in 2014. Germany's share of university graduates in sciences, mathematics, computer sciences, and engineering is the second highest in the OECD, accounting for 34 percent of all graduates.

### Specialized Workforce

Germany numbers approximately 510 computer game developers and publishers in its thriving gaming sector. The gaming industry employs a workforce of around 31 thousand people, of which 13 thousand work directly for game developers and publishers. Germany's gaming workforce belongs to the best qualified in the world. Around 150 computer game-related courses of study are offered at public and private universities as well as other education establishments.

### Competitive Labor Costs

Another decisive argument in favor of Germany as a premium location for business services has been the significant closing of the labor cost gap between Germany and its eastern European neighbors. In fact, Germany has gained the labor-cost edge in recent years, recording one of the lowest labor cost growth rates (2.0 percent) within the EU. Since 2006, wages have risen in most European countries – at a rate significantly above that of the EU-28 average increase of 2.5 percent. Some countries, particularly those in central and eastern Europe, have experienced a rise of close to or more than five percent. Labor turnover rates in Germany are significantly lower than in near or offshore locations. A general minimum wage of EUR 8.50 an hour has been in force since January 2015. Transitional rules apply in some sectors (e.g. those with universally applicable collective wage agreements) until 2017, when the minimum wage will be raised to EUR 8.84.

### Open and Transparent Markets

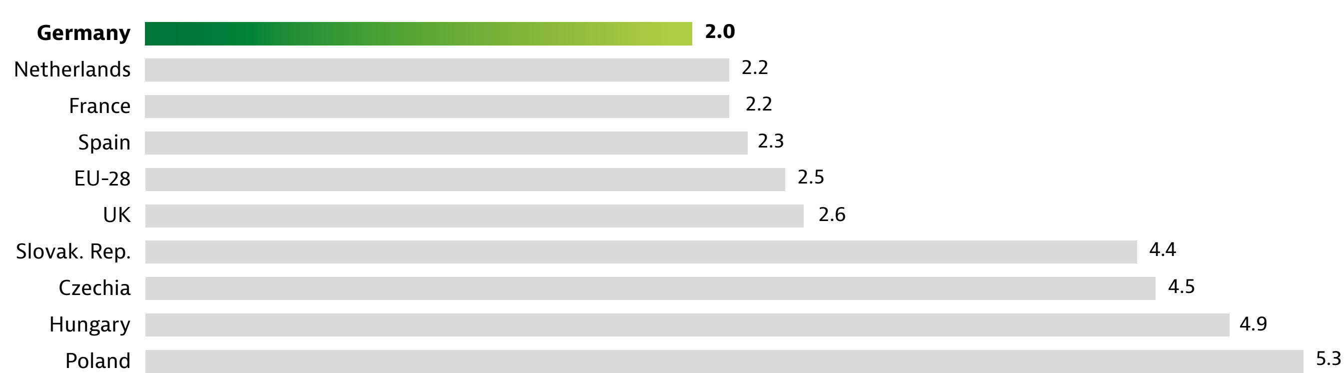
German law makes no distinction between Germans and foreign nationals regarding investments, available incentives or the establishment of companies. The legal framework for foreign direct investment in Germany favors the principle of freedom of foreign trade and payment. Germany is world renowned for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

### Competitive Tax Conditions

Germany offers one of the most highly competitive tax systems of the big industrialized nations. 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, with the trade tax rate varying 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.

**Growth of Labor Costs in the Business Economy* 2006–2015**

yearly average growth in percent




*"Business Economy" includes NACE Rev. 2, B-N
Source: Eurostat 2015

OUR SERVICES

# About Us

Germany Trade & Invest (GTAI) 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**
GTAI 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. GTAI'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**
GTAI supports international companies from market entry to business start-up in Germany. Expert project teams advise and assist in the business establishment phase. GTAI'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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