

WHITE PAPER ON SPANISH VIDEO GAME DEVELOPMENT 2022

EXECUTIVE SUMMARY

Executive Summary



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Introduction

DEV, the Spanish Association of Video Games and Entertainment Software Producers and Development Companies, once again keeps its commitment to the sector it represents by publishing the White Paper on Spanish Video Game Development, the leading report providing an in-depth analysis of the video game industry in our country and around the world.

The White Paper, **this year celebrating its ninth edition**, is aimed at development studios, current and future professionals, public entities, and also national and international private investors as well as society in general. This report is a perfect tool to get in-depth knowledge of the video game industry and market in Spain and to collect as much information as possible to make decisions and create investment and public support plans for the coming years.

The White Paper has had a huge impact on Spanish society, with the electronic reports downloaded more than 100,000 times, hundreds of views in the media (press, radio, news reports on public and private television stations) and countless references in blogs, websites and mentions or participation in industry events. Moreover, the White Paper is the leading report used in universities and vocational training schools so that future professionals understand the reality of the sector in which they want to start their work career.

The main objective of any White Paper is to delve deeply into the demands coming from its sector. For this reason, the report begins with a list of recommendations and proposals for the government aimed at identifying aspects to be improved or measures to be implemented to ensure a prosperous and competitive future for our industry.

In addition, the report analyses the Spanish video game industry, carried out thanks to information provided by the Spanish video game development studios via an exhaustive survey done during 2022.

Measures to stimulate the economy of the Spanish video game development industry in 2023

At DEV, we advocate adoption of a series of measures that are needed to establish and strengthen growth of the studios and their consolidation and to facilitate a suitable density in the sector, ensuring development of new projects. These proposals are aimed at state government and the autonomous communities, depending on their competences.

1 - Establish a tax incentive for video game production in Spain

- a. **What to do?** Amend Article 36 of Spanish Corporate Income Tax Law to incorporate a new Section 4 so the video game industry has tax incentives for production and acquisition of international projects, like what the audiovisual industry, the performing arts and live music already receive.
- b. **Why?** The main European countries around us (France, Italy, Belgium, the Netherlands and the United Kingdom) have implemented this measure, which is increasing the number of productions, attracting large investments and establishing a significant multiplier effect.
- c. **Impact:** Attract large international productions to Spain and improve the industry's attractiveness for private investors. According to data from the United Kingdom, for every pound invested in the industry, the tax incentive contributed another four pounds to the UK economy. Of the games developed in the country, 68% would not have been made without the government incentive. Similarly, in France it has been found that for every euro deducted in tax credits from video games, eight euros are invested in the sector and the state collects almost 1.8 euros from the tax and social security revenue produced.

Note: This measure, long requested by the sector, has been supported by the parliamentary groups. The new government resulting from the general elections held on July 23rd, 2023 will have the opportunity to push this important measure forward and the parliamentary groups in Congress and in the Senate to strongly support it.

2 - Continue the Support Plan for the Spanish video game development industry with the new government

- a. **What to do?** Maintain the lines of support that were launched within the framework of the Recovery, Transformation and Resilience Plan, increasing the budgetary allocation, and create the necessary new lines:
 - I. **Public aid for promotion of the video game sector and for other forms of digital creation.** These grants, organised by the Ministry of Culture and Sport and endowed with a budget of eight million euros in 2023, are aimed at projects in the video game sector as well as incubation, mentoring or acceleration programs and professional events and cultural exhibitions.
 - II. **Aid for business R&D projects applicable to the audiovisual and video games fields,** organised by the CDTI (Centre for the Development of Industrial Technology) and endowed with 30 million euros in the form of grants.
 - III. **Public-private investment fund:** promote a public-private partnership framework for the growth, development and internationalisation of Spanish video game development companies through ICO's Venture Capital - Axis line.
- b. **Why?** Las convocatorias en 2022 y 2023 fueron un éxito de participación y demostraron la alta demanda en la industria. Es necesario por lo cual mantener la apuesta subiendo los presupuestos para dar respuestas a las necesidades de crecimiento del sector.
- c. **Impact:** Establish a stable support system to promote the growth and consolidation of small and micro businesses and the launch of new projects; promote development of own technology; offer professional guidance to new entrepreneurial projects in the sector; encourage the application of video game technologies and tools to other industries, education and the public sector; encourage investment in the capital of companies.

3 - Encourage employment of young professionals, especially women

- a. **What to do?** Launch initiatives to facilitate doing curricular internships in companies. Establish subsidies in social security contributions for new jobs of highly-qualified professionals. Establish help in the hiring and training of junior profiles for SMEs in the

sector. Design social security contributions for self-employed professionals, taking into account the long production periods without billing or income. Develop equality plans in companies in the sector that promote the hiring of women and their professional growth on equal terms.

- b. **Why?** The current job offerings and curricular internships are insufficient to cover the large number of undergraduate and postgraduate students in video games. Companies need mechanisms to facilitate people's integration into the workforce. Mechanisms are also needed for those professionals who work as freelancers, since a production cycle can easily exceed two years. Likewise, the presence of women in the industry remains a challenge, since female employment is only 24%, which contrasts with the balance that exists in terms of gamers (53% are women). Fifty percent of businesspeople recognize they have problems in covering more specialised professional profiles.
- c. **Impact:** More hiring of junior professionals and greater job possibilities as opposed to the alternative, that is, entrepreneurship without sufficient vocation and business knowledge due to a lack of professional opportunities. More internship opportunities in companies, which increases the professionalisation and employability of students. Increase of female professionals in the industry in equal working conditions.

4 - Design a reinvestment framework in Spanish video games for multinationals

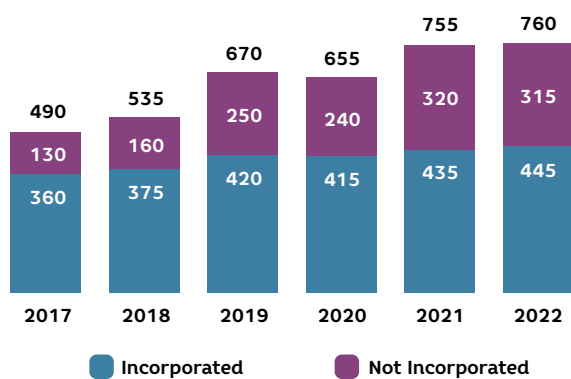
- a. **What to do?** Implement a mechanism that commits investment in national video game production of a small part of the billing from companies that distribute physical and digital video games in our country. This model, which is already used in the Spanish audiovisual industry, has had very significant success.
- b. **Why?** The Spanish video game market is the fifth in Europe. Nevertheless, of the 20 best-selling games in Spain, not one of them has been produced in our country. The big beneficiaries thanks to the strength of Spain as a market, that is, the international distributors, should make a bigger commitment to society, reinvesting a small part of their billing in active support of video games produced in Spain.
- c. **Impact:** The mandatory reinvestment of 5% of gross billing could produce a purse of up to 90 million euros that would go toward producing video games in Spain.

Business Composition

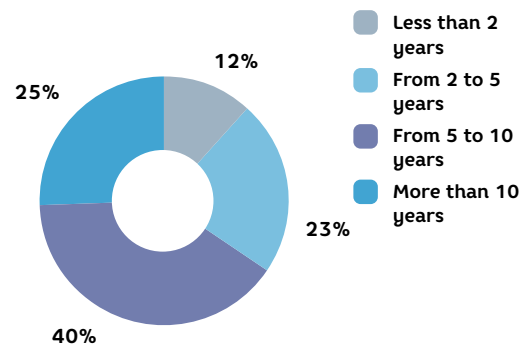
Spain has **760 active studios** of which **445 are established as companies** or other legal entities and another 315 have not done so as yet. Another 160 studios should be added to this figure that, despite being established as companies, show no signs of activity, putting them in danger of disappearing.

The sector has begun to consolidate, as **companies that have been around for five or more years account for 65% of the productive fabric**. The number of studios that have started their activity in the last two years remains stable (12%).

Evolution of the number of active studios registered in Spain | How old the companies are



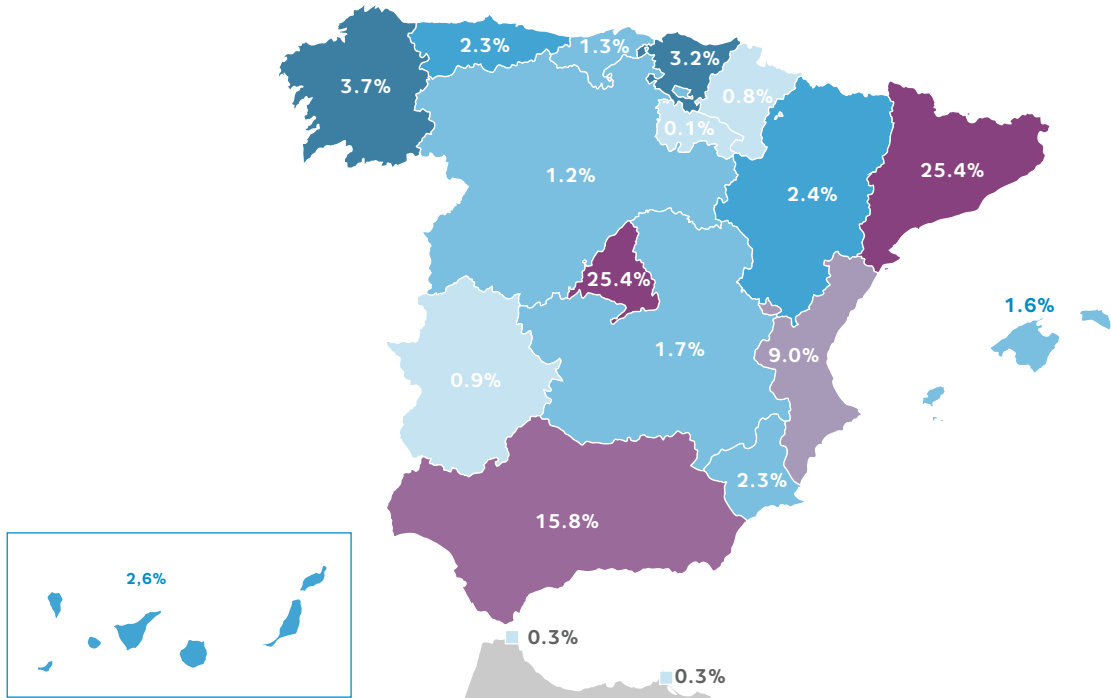
Source: DEV surveys and prepared by same



Source: DEV surveys and prepared by same

Catalonia and Madrid (25.4%, respectively) are home to more than half of Spanish studios. Andalusia's share of business distribution increased (15.8%) and in the Community of Valencia it decreased (9%). The remaining regions are home to less than 4% of the studios.

Distribution of active studios by Autonomous Communities



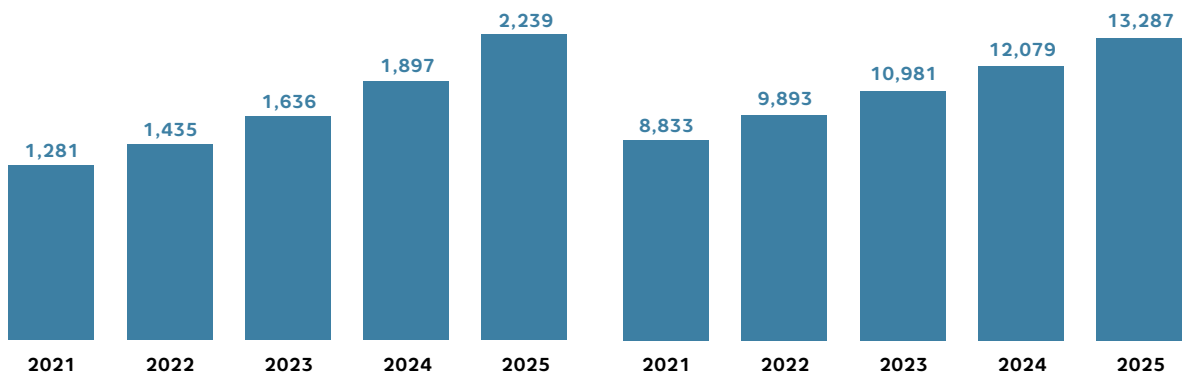
Source: DEV surveys and prepared by same

Billing and employment in the sector

Spanish video games **billed 1.281 billion euros in 2021**, an increase of **16%** over the previous year's figure. Aggregate growth for the period 2021-2025 is estimated to be 15%, so billing at the end of this five-year period would be 2.239 billion euros.

The sector has provided **direct employment to 8,833 professionals**, an increase of

Expected evolution of billing in the sector (B€) | Expected evolution of direct employment in the sector



Source: DEV surveys and prepared by same

Source: DEV surveys and prepared by same

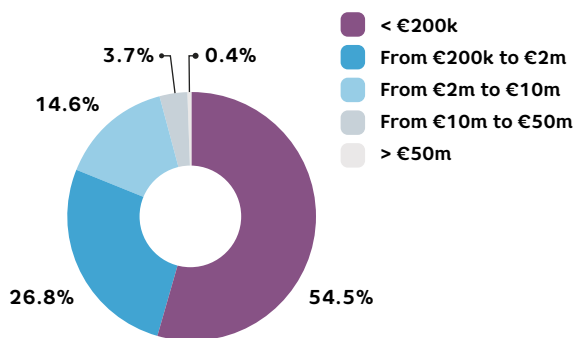
10% over the previous year. Aggregate growth of 10.7% is estimated for the period 2021-2025, so by 2025 it is estimated the sector will directly employ more than 13,000 people. **Women account for 24.3% of studio personnel**, a number that confirms the upward trend shown by last year's data and is above the European average (22%).

Although Spain is still a country with **many small companies that bill less than 200,000 euros per year (54%)**, there is an upward trend in the number of studios that bill more than 200,000 euros, which have grown by five points to almost 27%.

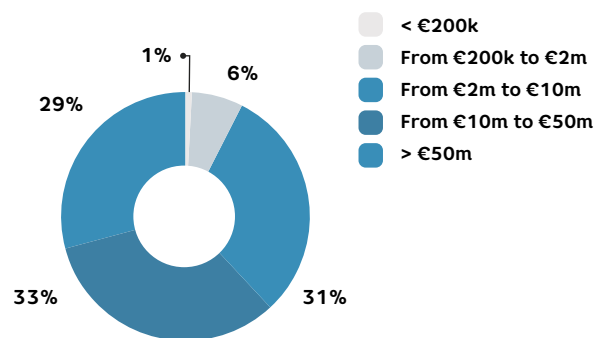
Almost two out of every ten studios (18.7%) have billing of over two million euros.

In our country, the weight of large companies remains considerable. **Those earning more than 50 million account for 29% of billing**, and if we add the group of between 10 and 50 million to this we find that this segment is responsible for 62% of the wealth created in the sector.

Distribution of companies by billing | Distribution of billing according to company size



Source: DEV surveys and prepared by same



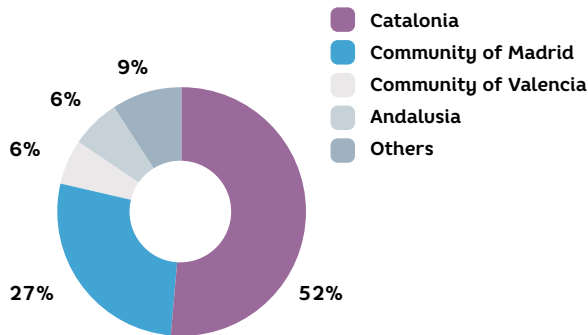
Source: DEV surveys and prepared by same

Number of employees and company size

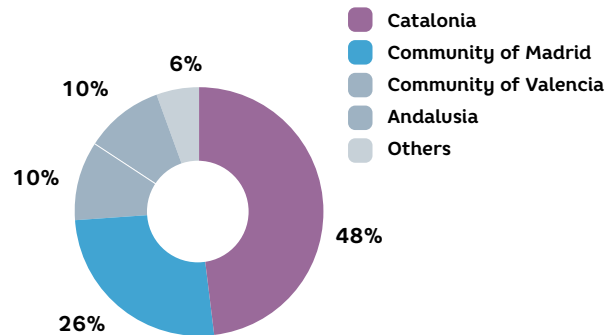
By autonomous communities, **Catalonia is once again the region with the highest billing**, accounting for 52% of the entire industry, and showing slight growth over the figure from 2020. Madrid (27%) and the Community of Valencia and Andalusia (6%, respectively) follow far behind. The rest of the country contributes 9% of total billing.

Catalonia is the main hub for job creation in the sector, accounting for 48% of workers, a figure slightly lower than last year. It is followed by Madrid (26%), Valencia and Andalusia (10%, respectively). The bad news is that only 6% of the industry works in the rest of Spain.

Distribution of billing by Autonomous Community | Distribution of employment by Autonomous Community



Source: DEV surveys and prepared by same

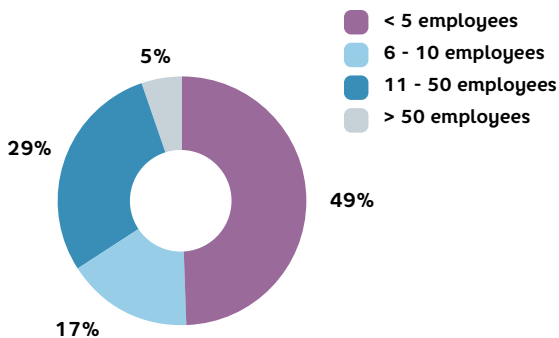


Source: DEV surveys and prepared by same

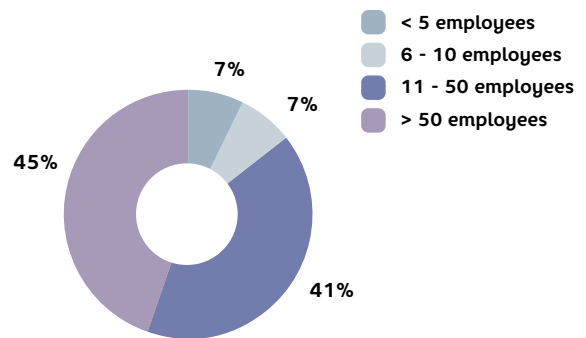
Despite the growth in companies that have increased their billing, we find that **49% of studios have five or fewer employees**, a figure that is similar to previous years. Forty-six percent of companies have between six and 50 employees while only 5% of companies hire more than 50 people.

Those 5% of companies mentioned in the previous paragraph are responsible for employing 45% of the sector in Spain. This is in contrast to companies with less than ten employees, which is where 14% of the industry works.

Distribution of companies by number of employees | Distribution of employment by company size



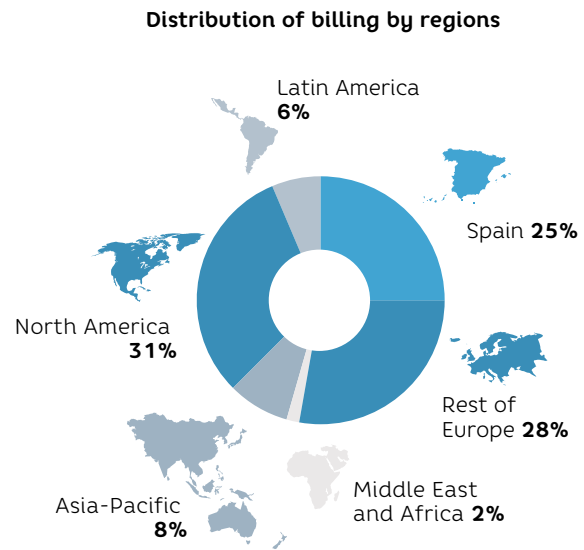
Source: DEV surveys and prepared by same



Source: DEV surveys and prepared by same

International Activity

Seventy-five percent of the sector's billing comes from abroad, with North America (31%) in first place, followed by the European Union (28%). The Spanish market accounts for 25% of sales, a lower figure than in previous years. There are still possibilities for growth in regions such as Asia-Pacific (8%), one of the largest on the planet, or in Latin America (6%), which is experiencing rapid growth.



Source: DEV surveys and prepared by same

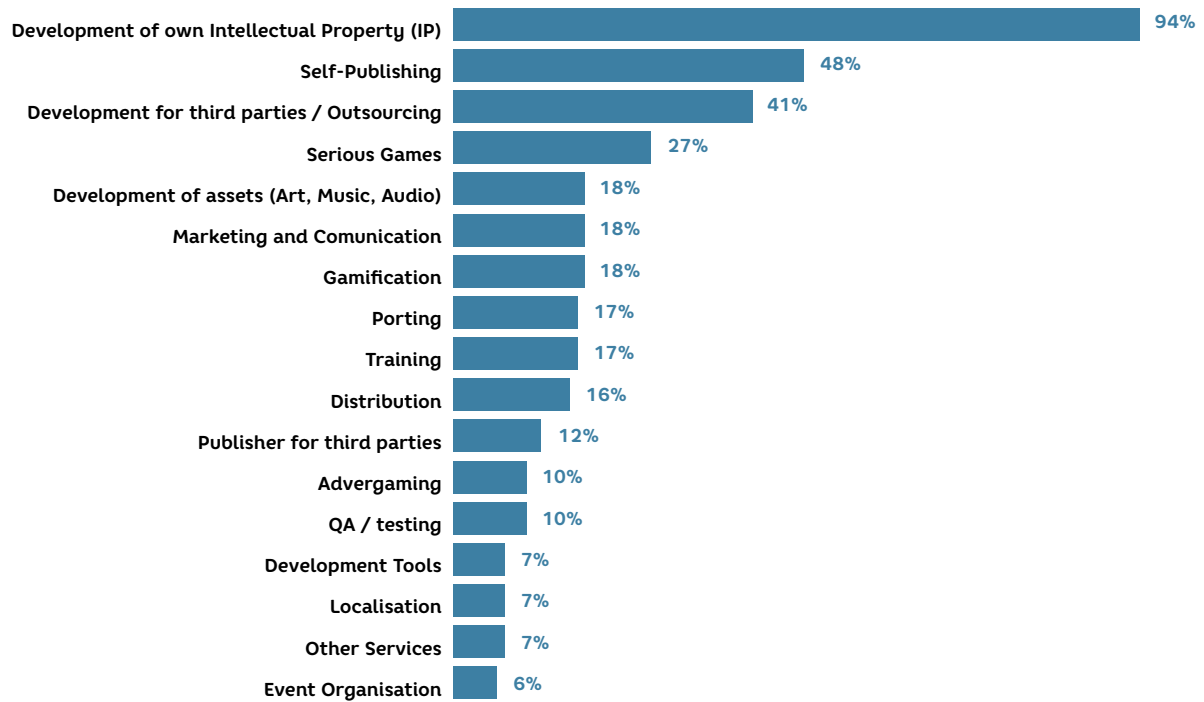
Activity and Business Models

Development of their own intellectual property (IP) remains the main activity of Spanish studios (94%), up six points since 2021. This is followed by self-publishing (48%), development for third parties (down four points to 41%) and serious games (27%), which also rose five points compared to last year's survey.

Just over a quarter of the sector (27%) is dedicated to development of serious games. The education sector continues to be the main driver of this niche (74%), followed by culture (37%) and health (33%).

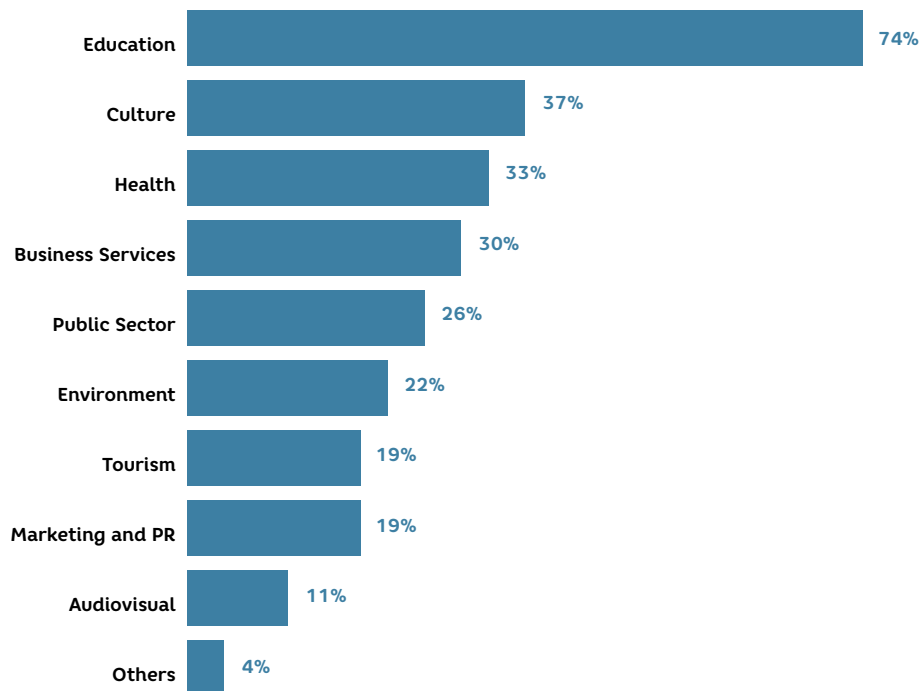
Online sales channels (67%) have consolidated as the main option for Spanish studios, with payment per download (44%) being the most widespread business model in the local industry. The physical video game has stagnated (3%) while almost a fifth of the industry (19%) is dedicated to doing work for third parties.

Typology of activities done (% of companies)



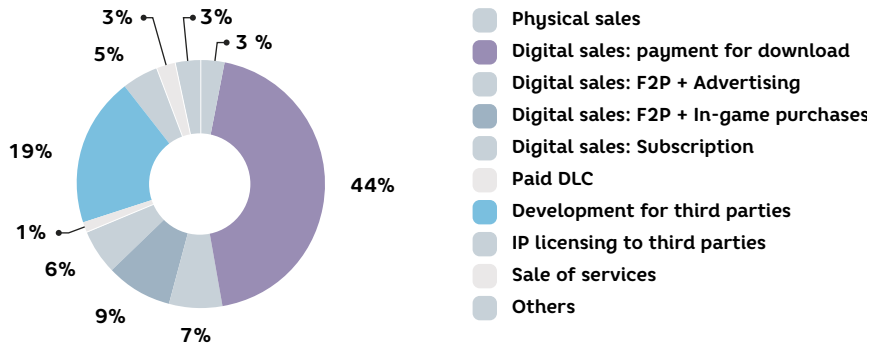
Source: DEV surveys and prepared by same

Sectors targeted by serious games



Source: DEV surveys and prepared by same

Distribution of billing by business model (% of billing)

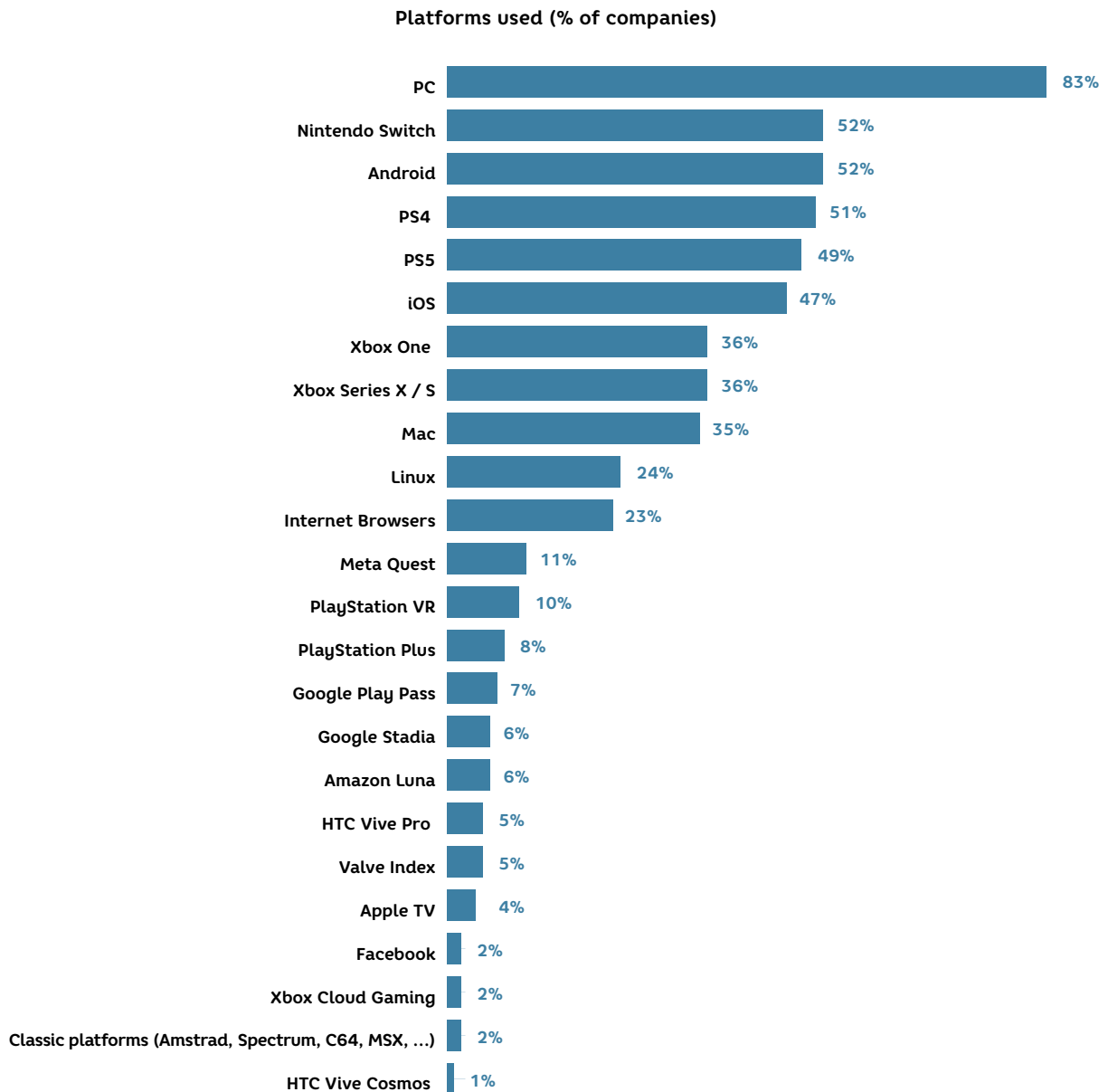


Source: DEV surveys and prepared by same



Platforms and Tools

The PC (83%) continues to be the preferred platform for Spanish video game studios, which have also made a strong commitment to both mobile platforms (Android 52%, iOS 47%) and consoles. In the latter, Nintendo Switch (52%), PS4 (51%) and PS5 (49%) stand out.

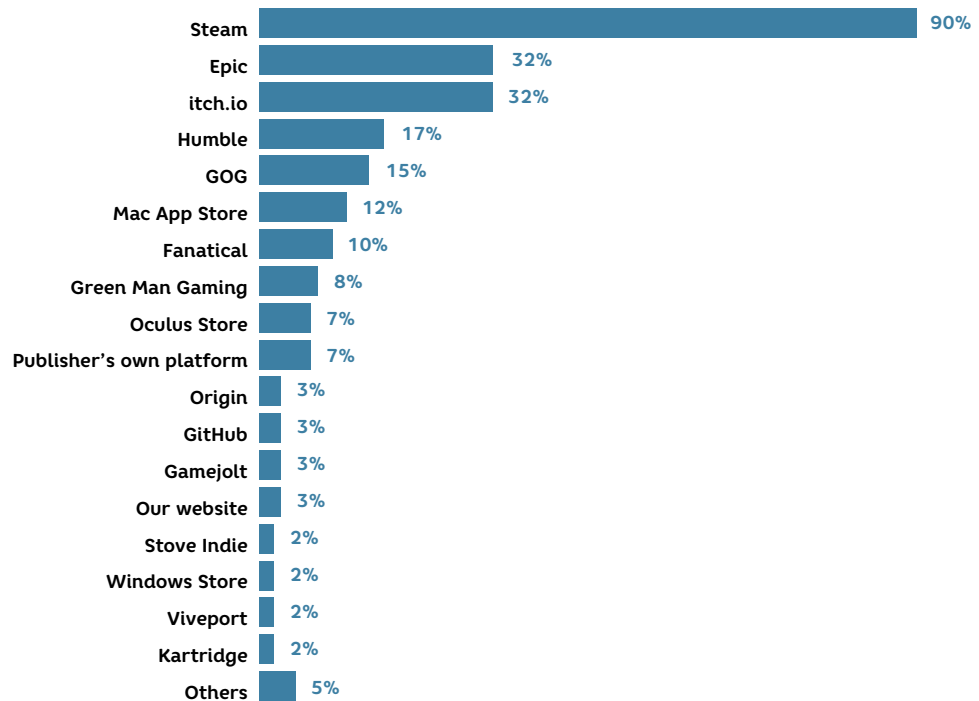


Source: DEV surveys and prepared by same

Steam (90%) is the main platform used by Spanish studios who sell their games on PC. Following Steam, but at a considerable distance, are Itch.io (32%) and Epic Games Store (32%). The latter experienced a notable increase from last year, almost twenty points, and is looking at even greater growth thanks to recent measures to turn it into a

platform that is increasingly open to independent studios.

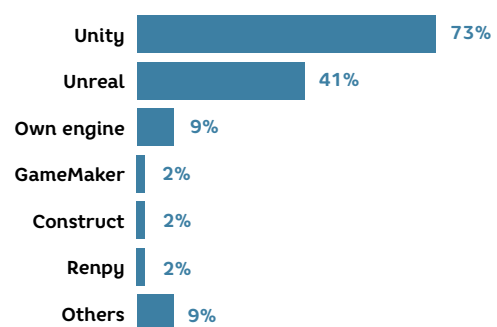
Digital stores for PC / Mac / Linux used (% of companies)



Source: DEV surveys and prepared by same

Unity (73%) remains at the top of the list of programming tools used by Spanish studios, although the number of companies using Unreal Engine (41%) is growing. Forty-seven percent of studios admit that in coming years they will need a significant number of workers specialised in Unreal Engine 5.

Tools used (% of companies)

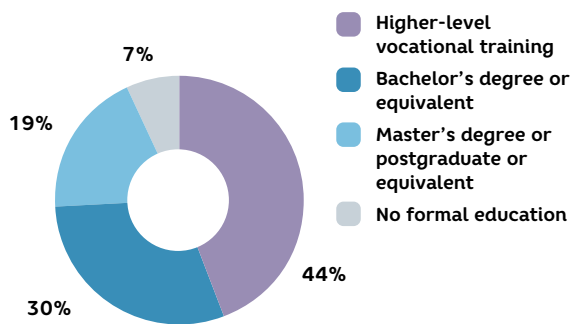


Source: DEV surveys and prepared by same

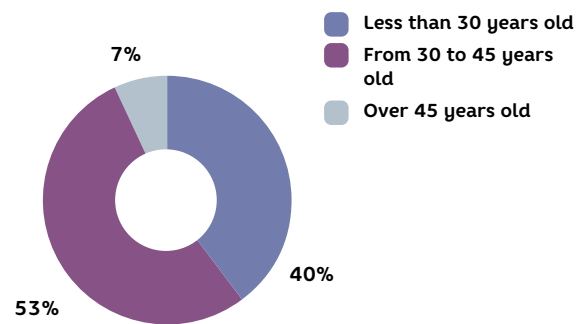
Employment and Professional Profiles

The Spanish video game sector continues to create **young, stable and quality jobs**. Only 7% of workers do not have any degree while **49% have a Bachelor's degree, Master's degree, postgraduate or an equivalent degree**. Ninety-three percent of Spanish workers are under 45 years old, although the group of people between the ages of 30 and 45 (53%) is growing, making them the majority in the sector.

Industry employment by degree (% employment) | Industry employment by age (% employment)



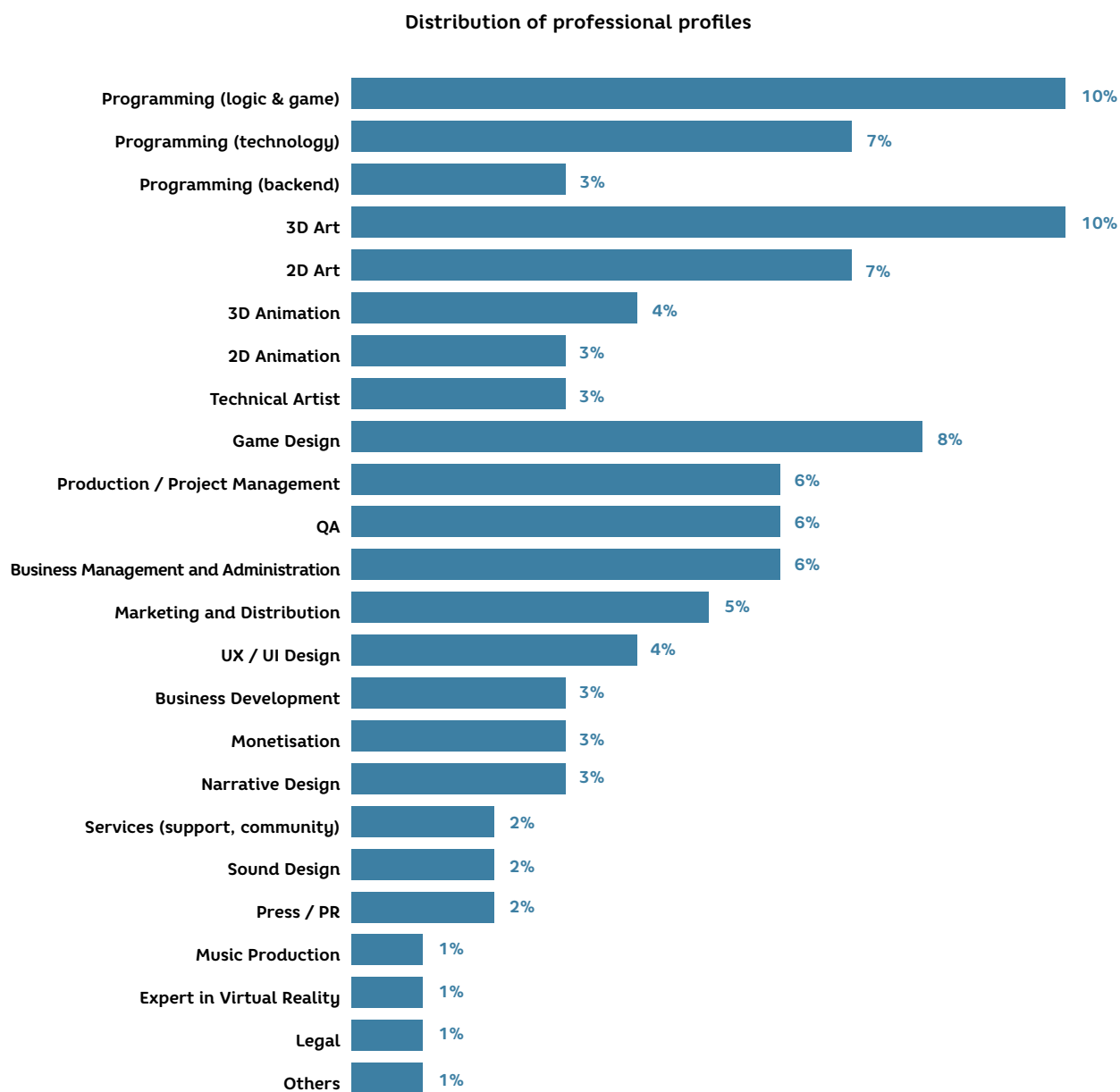
Source: DEV surveys and prepared by same



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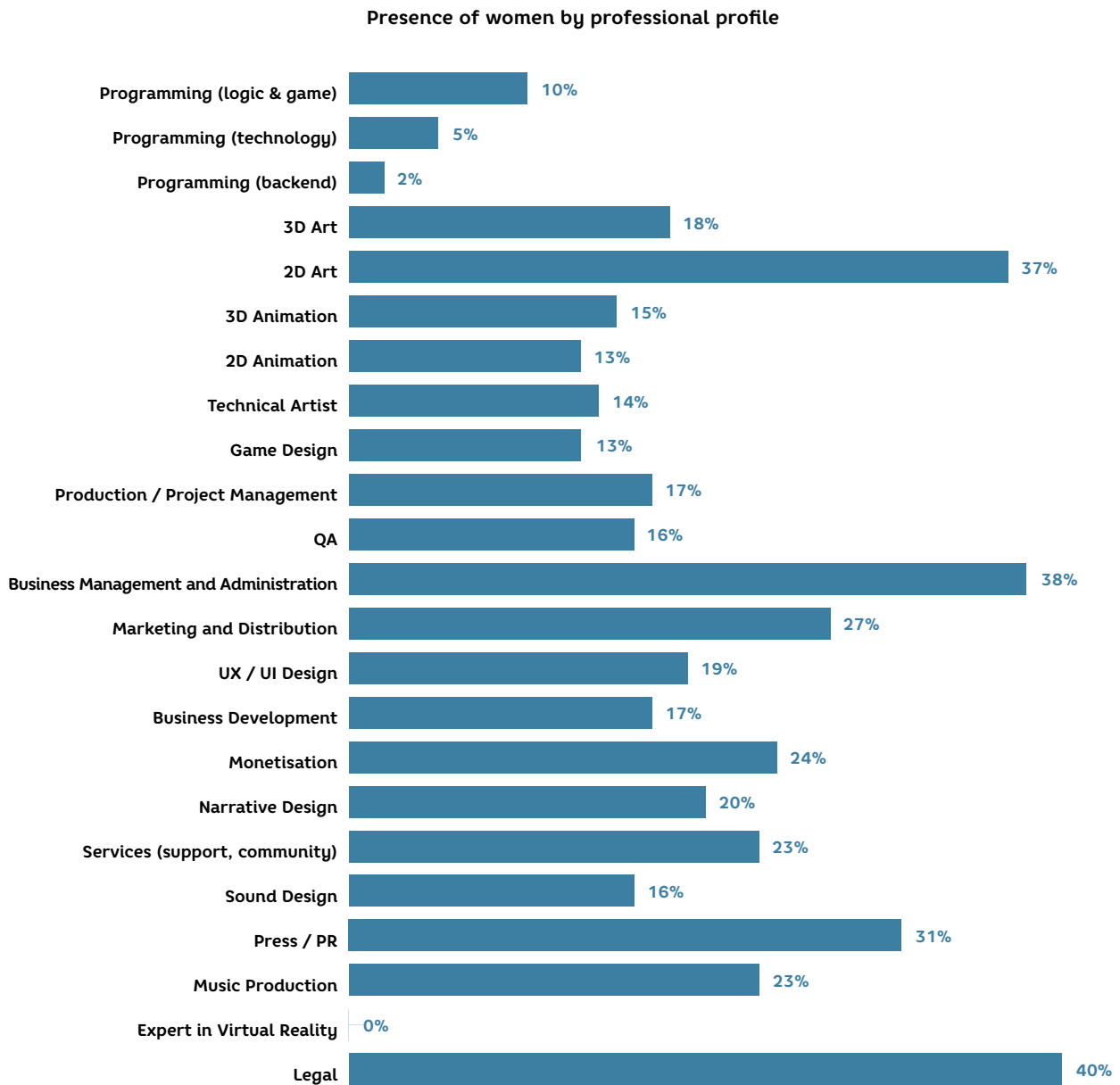


Programmers (20%), artists (17%), designers (8%) and animators (7%) are the main profiles found at the studios.



Source: DEV surveys and prepared by same

The female presence is very uneven depending on the department, but women are not a majority in any of them. Women are more numerous in public relations (31%), marketing and distribution (31%) or monetisation (24%), while in the different programming departments they barely exceed 10%.



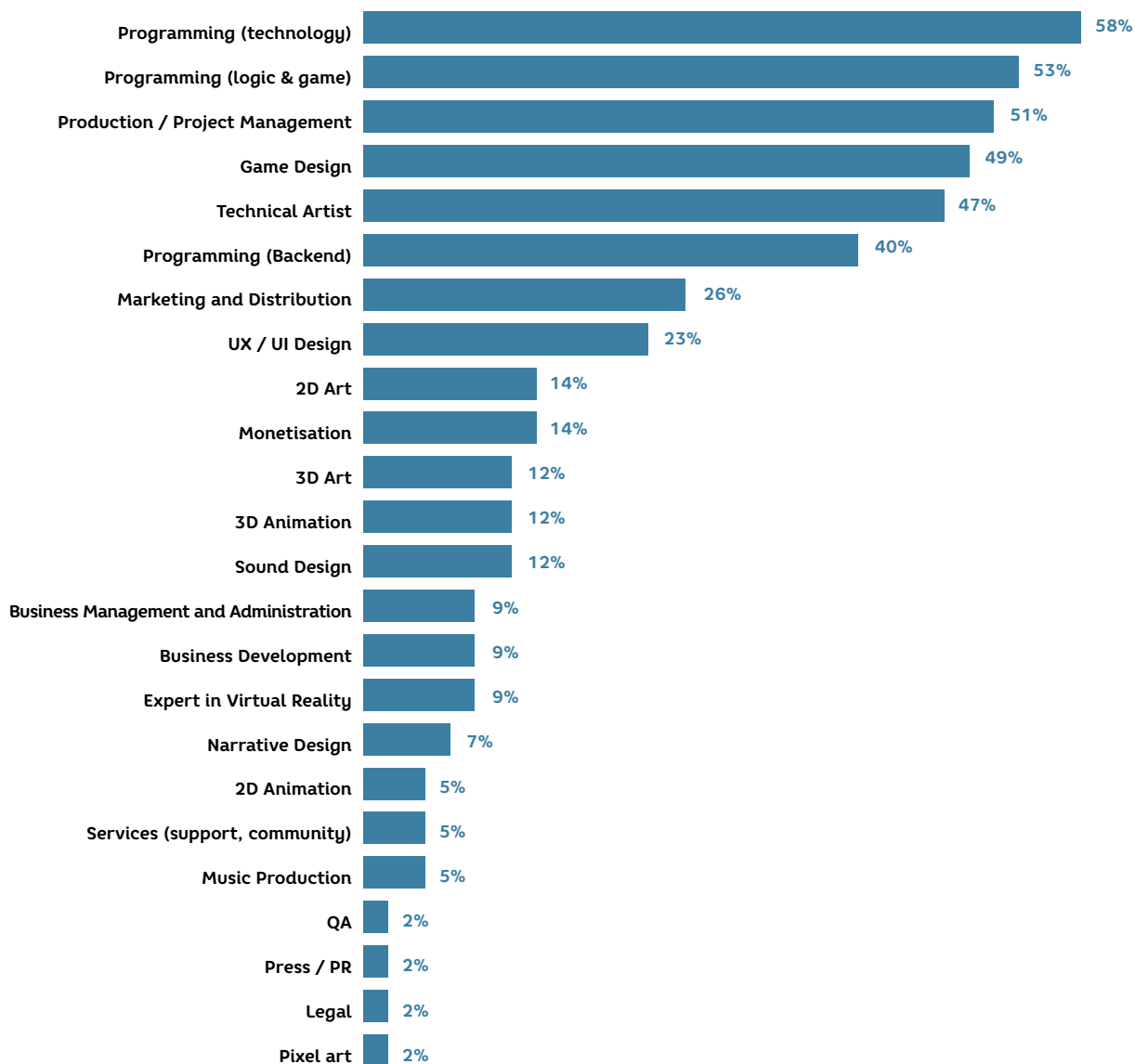
Source: DEV surveys and prepared by same

Training Needs

More than half (54%) of Spanish studios continue to have difficulties when it comes to finding qualified profiles for their studio. The specialisations where studios find the greatest obstacles are with programmers (between 58% and 40%), producers (51%), designers (49%) and technical artists (47%).

The reasons given by companies include a lack of professional experience (76%), overly general training (60%), or an inability to adapt to the needs of the company (56%). Forty-seven percent say the training is not of sufficient quality.

Professional profiles with greater hiring difficulties

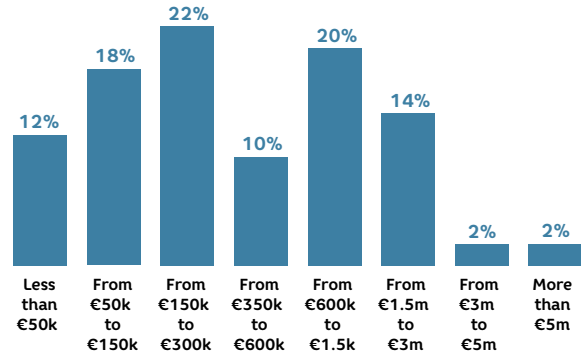


Source: DEV surveys and prepared by same

Funding Requirements

Fifty-two percent of Spanish studios need up to 300,000 euros to finance their next project, a significant decrease from 63% in the previous year. Companies with more ambitious targets are also increasing: 44% have needs of between 300,000 and three million euros, eleven points more than in 2021.

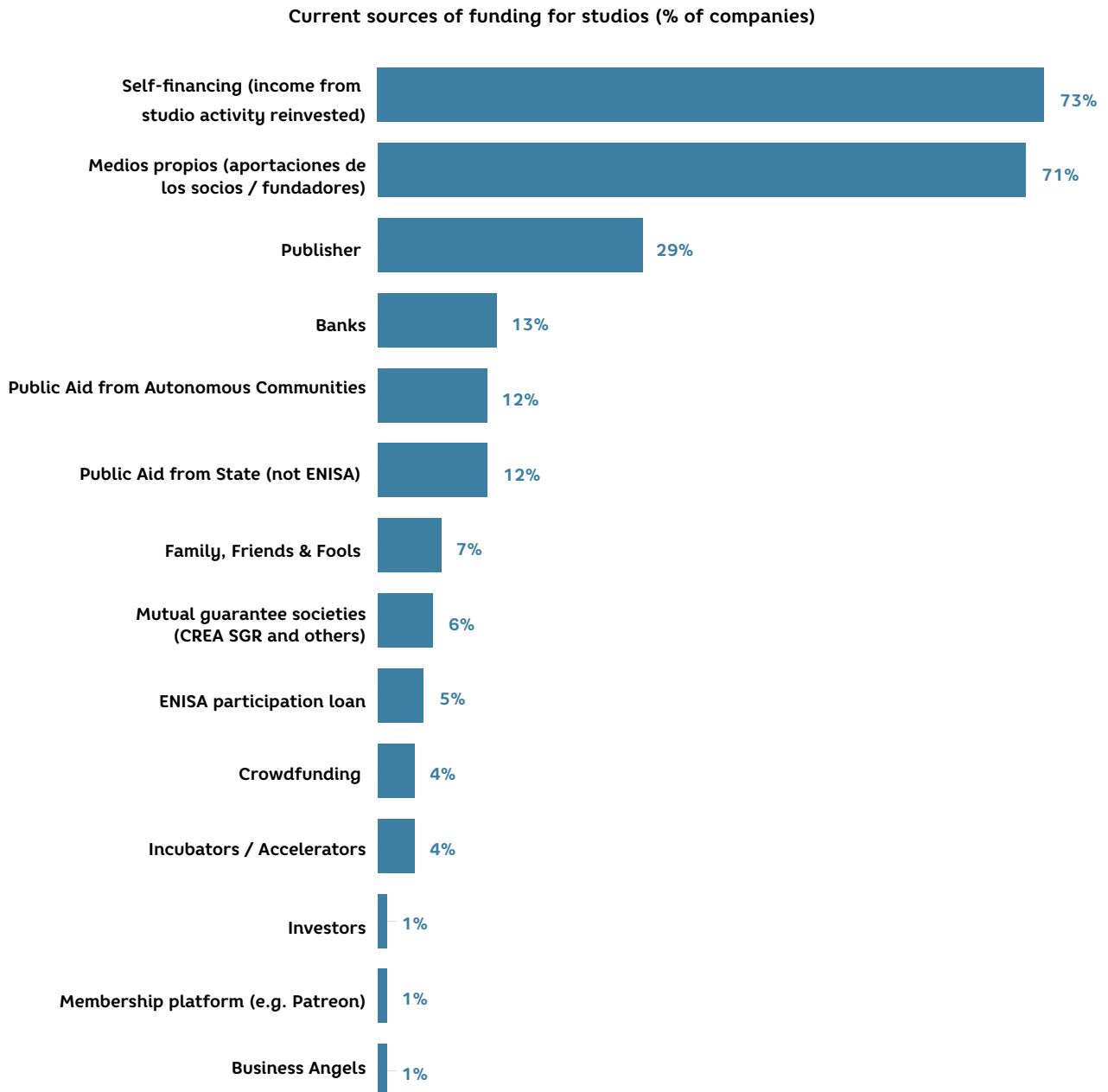
Funding requirements for studios to realise projects



Source: DEV surveys and prepared by same



Self-financing (73%), which refers to income coming from studio activity reinvested in new projects, and personal means (71%), which include contributions from partners and founders, remain the two main sources of financing for the studios. Almost a third of companies (29%) now manage to finance their projects through a publisher.

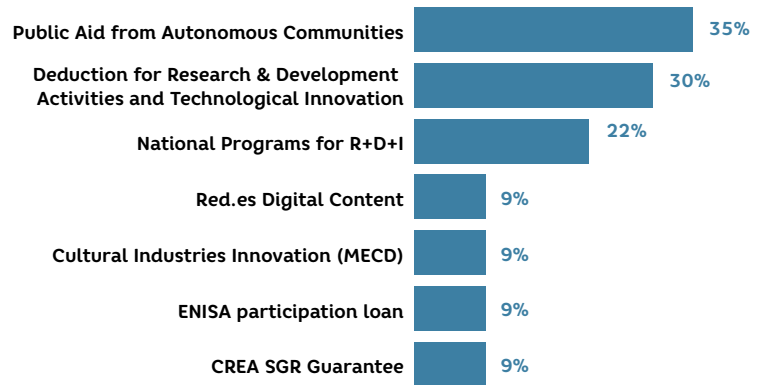


Source: DEV surveys and prepared by same

Public Aid

Twenty-nine percent of the studios surveyed received some type of public aid during 2021. The main source of public aid has come from the autonomous communities (35%), followed by deductions for research and development and technological innovation activities (30%) and national R+D+i (22%). The average subsidy in 2021 amounted to 55,777 euros, the average loan was 130,000 euros and the average tax deduction 138,833 euros.

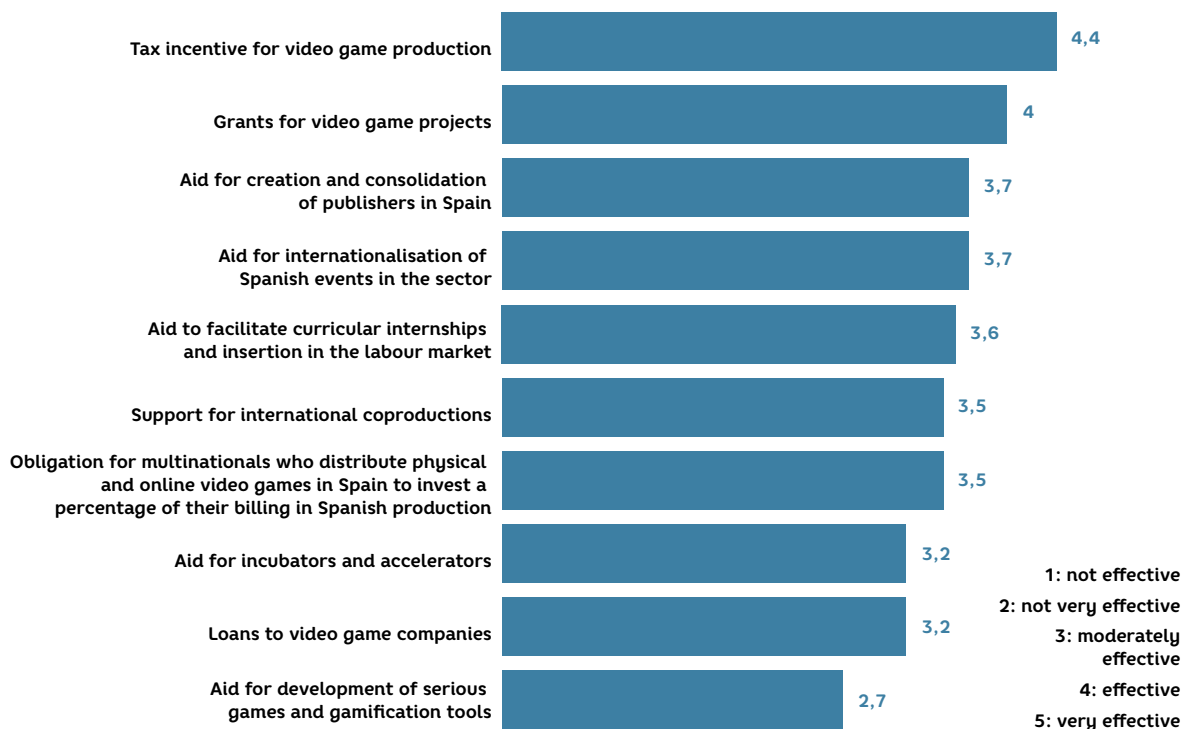
Origin of public aid received during 2021



Source: DEV surveys and prepared by same

Of all the public policies that could be implemented to benefit the sector, **the tax incentive remains the most highly valued by Spanish studios** (with a 4.4 out of 5), followed by grants for video game projects (4.0), aid for creation and consolidation of publishers in Spain (3.7) and aid for internationalisation of Spanish events (3.7).

Assessment of public policies that would be most effective to benefit the video game sector



Source: DEV surveys and prepared by same

About DEV

DEV, the Spanish Association of Video Games and Entertainment Software Producers and Development Companies, represents the interests of both Spanish video game development companies and international companies based in Spain who are committed to the development of this sector. The association advocates for institutional recognition of the video game industry as a strategic, highly technological sector, an engine for new business models, creator of employment and international exponent of our culture.

The governing and representative bodies of the Association are, respectively, the General Assembly and the Board of Directors, currently comprised of:

- **President:**
 - » Valeria Castro (CEO de Platonic Games)
- **Vice Presidents:**
 - » Xavier Carrillo (CEO de Digital Legends)
- **Treasurer:**
 - » Fran Gálvez
- **Spokespeople:**
 - » Antonio Iglesias (co-founder of Kraken Empire)
 - » David Ferriz (co-founder, game designer and graphic artist at DevilishGames - Spherical Pixel)
 - » Eva Gaspar (CEO of Abylight)
 - » Ferran Puntí (CEO of The Breach Studios)
 - » Gonzo Suárez
 - » Jesús Bosch (General Manager of Product Madness)

- » Juan Castillo (co-founder and CTO of GGTech)
 - » Luis Díaz Peralta (independent developer)
 - » Luis Oliván (co-founder of Fictiorama)
 - » Pasqual Batalla (COO and member of the Executive Committee of Socialpoin)
 - » Sergio Prieto (CEO of Gato Salvaje Studio)
- **General Secretary:**
 - » Antonio Fernández
- **Technical Secretary:**
 - » Emanuele Carisio



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