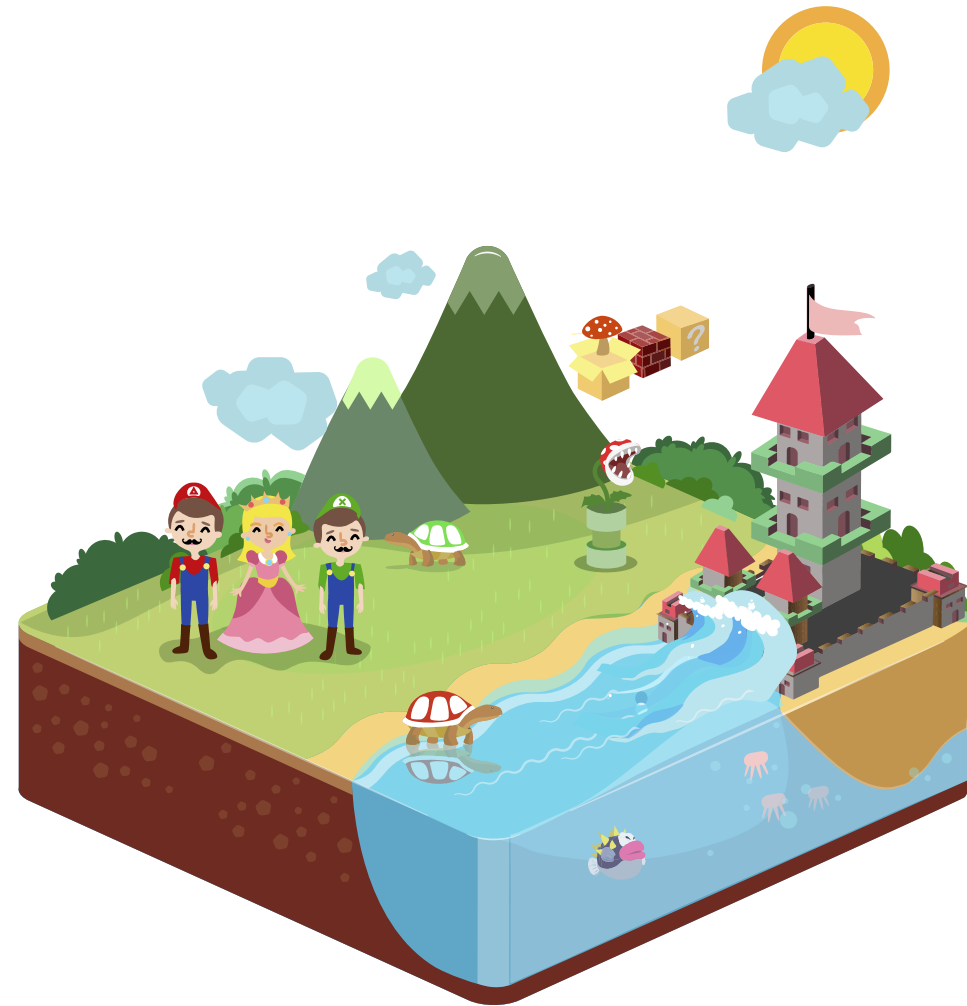


# WHITE PAPER ON VIDEO GAME DEVELOPMENT IN SPAIN 2016 Executive Summary

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## INTRODUCTION

The White Paper on Video Game Development in Spain is the first report of its kind in Spain that aims to show and explain in depth the position of the gaming industry in our country. It is a comprehensive document that illustrates the full potential of this sector in Spain and abroad.

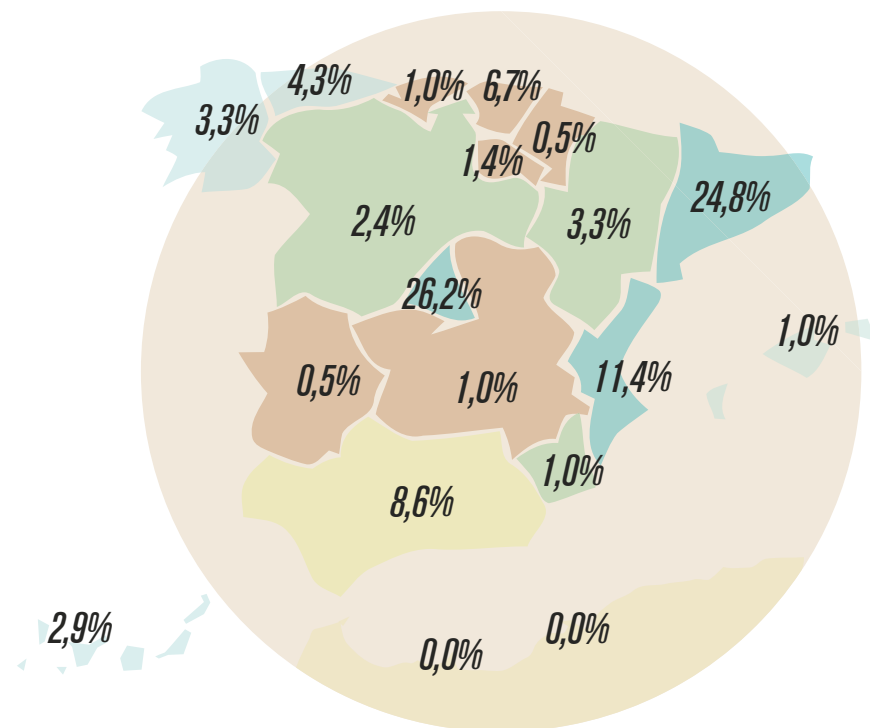
The White Paper is aimed at development studios, current and future professionals in the sector, public bodies and also Spanish and international private investors. It is the best possible tool for gaining an in-depth knowledge of the video game industry and market in Spain and collecting all possible information for decision-making and for being able to draw up investment and public support programmes for future years.

This third edition of the report has been produced thanks to information provided by Spanish video game development studios, collected through an exhaustive survey carried out during April 2016.

## The video game production sector, leader in business creation

Over **480 active video game companies** are registered in Spain – 20% more than in 2015. Moreover, the activity of more than **125 business initiatives and ventures** – yet to become established as companies – has been identified.

### GEOGRAPHIC DISTRIBUTION OF VIDEO GAME COMPANIES

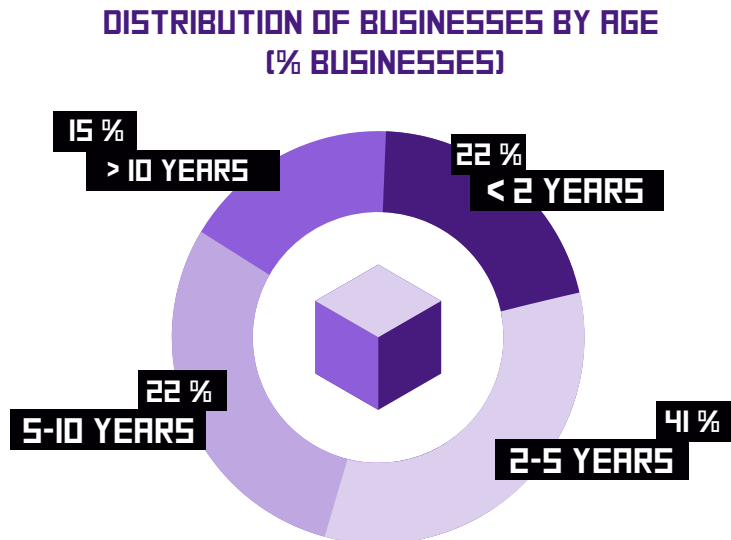


Source: Own elaboration. DEV Survey 2016

## A young, growing industry

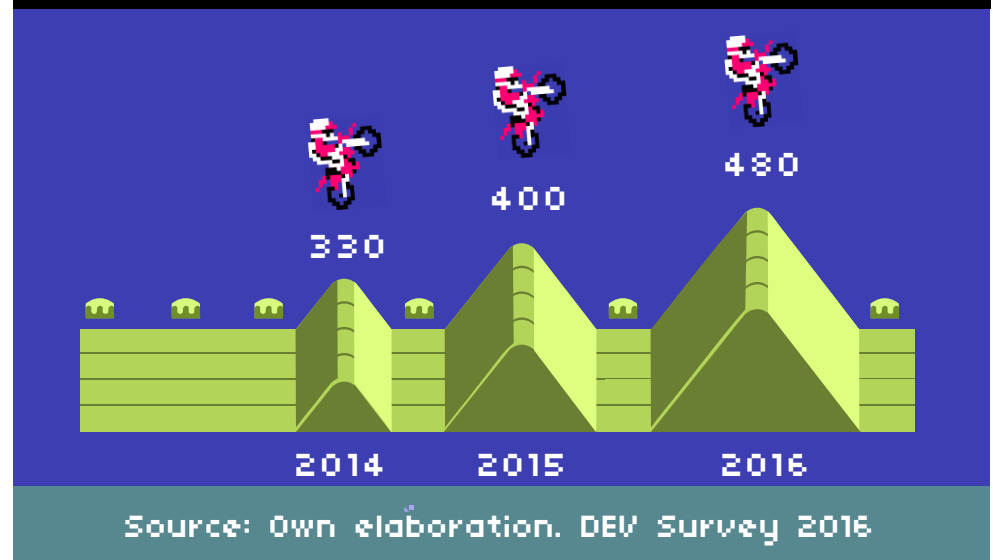
**85%** of the businesses active today did not exist ten years ago.

This growth has speeded up **over the last 5 years**, during which **63% of current businesses have been set up**.



Source: Own elaboration. DEV Survey 2016

## DEVELOPMENT OF ACTIVE VIDEO GAME BUSINESSES IN SPAIN

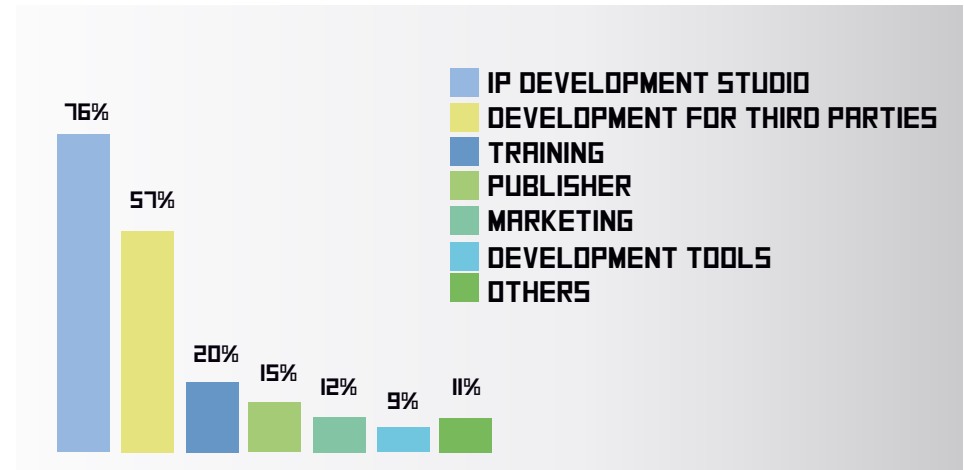


## Businesses largely with Spanish capital generating intellectual property

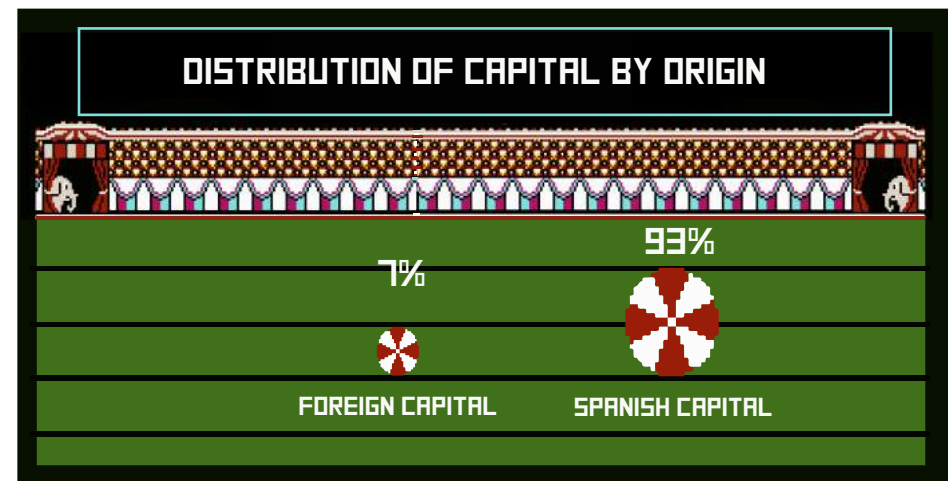
The video game industry is highly creative, generating new intellectual property. Most businesses work on **developing their own IP** or develop for third parties.

**93%** of the total capital invested in Spanish studios consists of resources from **private Spanish sources of finance**.

### DISTRIBUTION OF BUSINESSES BY ACTIVITY (% BUSINESSES)



Source: Own elaboration. DEV Survey 2016

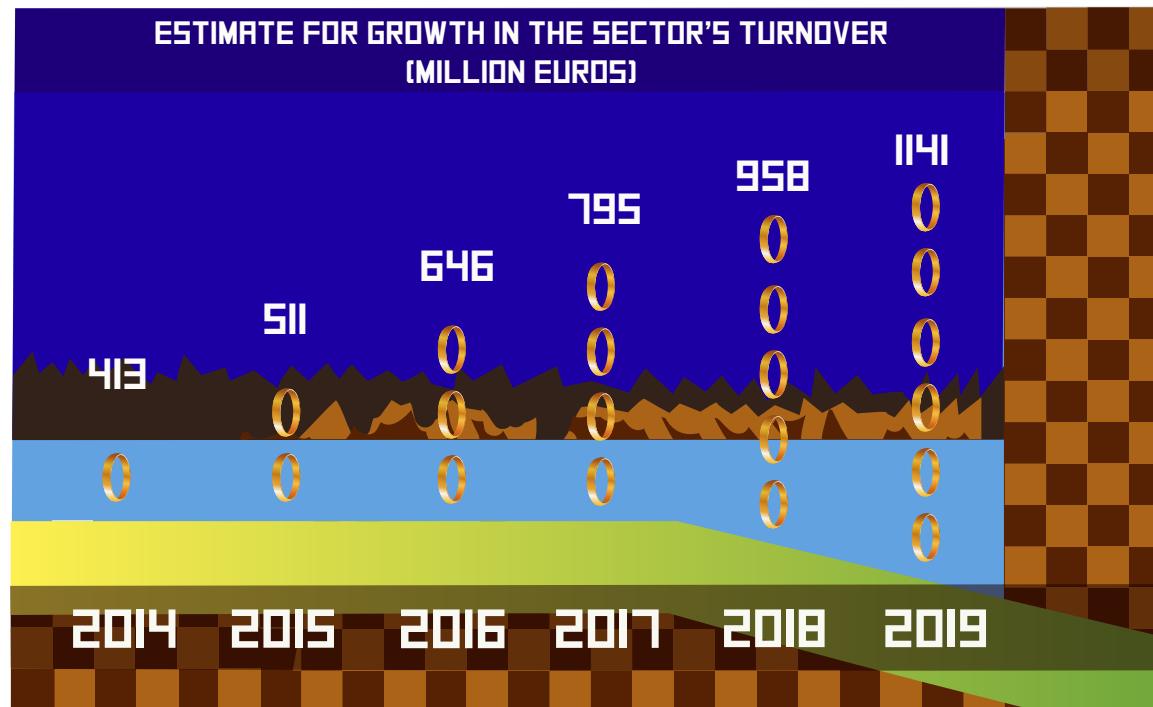


Source: Own elaboration. DEV Survey 2016

## An industry worth 500 million euros

The video games industry turned over **510.7 million euros in 2015**, 24% more than in the previous year.

Annual growth of 22.4% is estimated (CAGR 2015-2019), which would mean **turnover reaching 1.14 billion euros in 2019**.

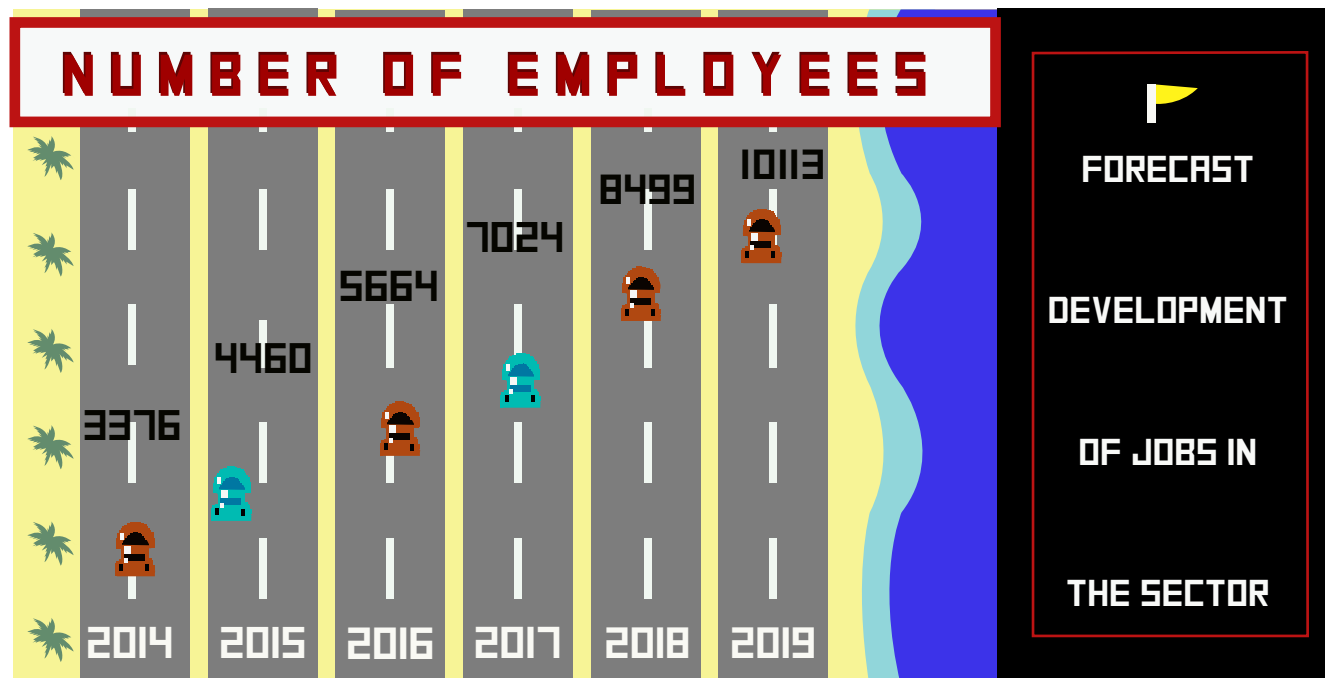


Source: Own elaboration. DEV Survey 2016

## Employment increased by 32%

The Spanish video game industry increased its workforce by 32% in 2015, reaching a figure of **4,460 professionals**, including employees and directly contracted workers. Including estimates of jobs generated indirectly, the total figure reaches **7,849 professionals linked to the sector**.

The job growth forecasts in the sector are positive, leading us to estimate growth at an annual compound rate (2015-2019 CAGR) of 22.7%, **exceeding 10,000 jobs in 2019**.



Source: Own elaboration. DEV Survey 2016

## The gap between the market and the industry

Internationally, Spain represents an important **market**, occupying **fourth place in Europe** and **eighth in the world** in terms of income.

However, taking into account the industry's turnover, Spain's position is **very low compared to the market**. Industries in countries like **Finland, Sweden, Germany** and **France** obtain much higher turnover despite consisting of fewer businesses.

### VIDEO GAME INDUSTRY IN THE PRINCIPAL COUNTRIES

COUNTRY	COMPANIES	TURNOVER (M €)
US	NO DATA	3.700
FRANCE	250	3.677
CANADA	472	2.800
GERMANY	320	1.820
UK	1092	1.490
SWEDEN	213	952
FINLAND	260	800
SPAIN	480	511
NETHERLANDS	352	190
DENMARK	171	148
BELGIUM	NO DATA	41

Source: Own elaboration. DEV Survey 2016

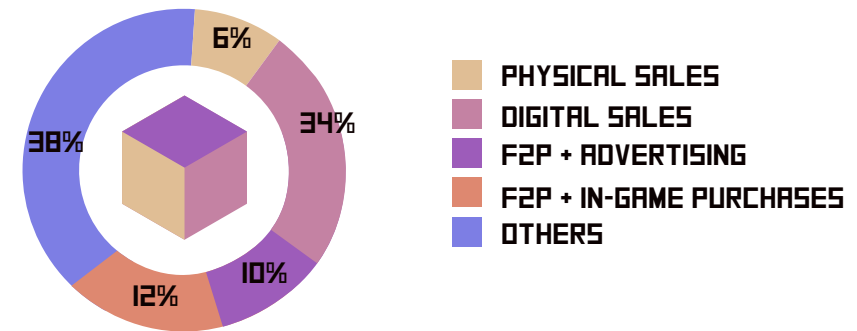
Almost 40% of turnover now comes from sources other than the sale of video games

The importance of the **physical sale of video games in turnover remains low**, accounting on average for just 6% of the total.

About one third of turnover comes from **direct digital sales** (34%), followed by the free to play model financed by advertising (10%) and the **free to play** model with purchases integrated into the game itself (12%).

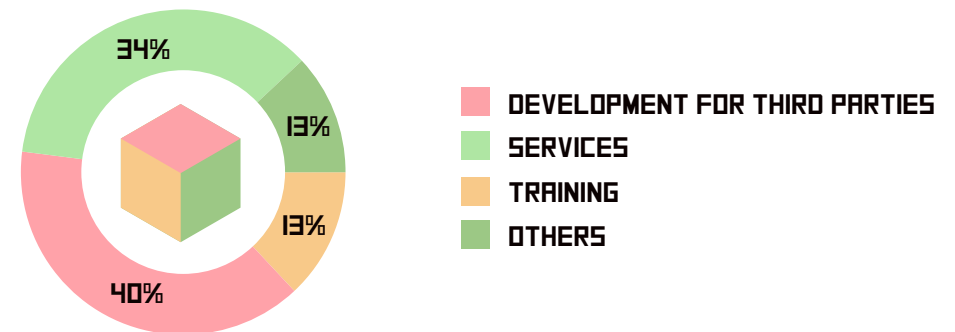
The other sources of finance, such as **development for third parties, sales of services** and **training**, doubled their importance in terms of turnover compared with 2014.

DISTRIBUTION OF TURNOVER BY BUSINESS MODEL  
[% TURNOVER]



Source: Own elaboration. DEV Survey 2016

DISTRIBUTION OF TURNOVER BY OTHER BUSINESS MODEL  
[% TURNOVER]



Source: Own elaboration. DEV Survey 2016

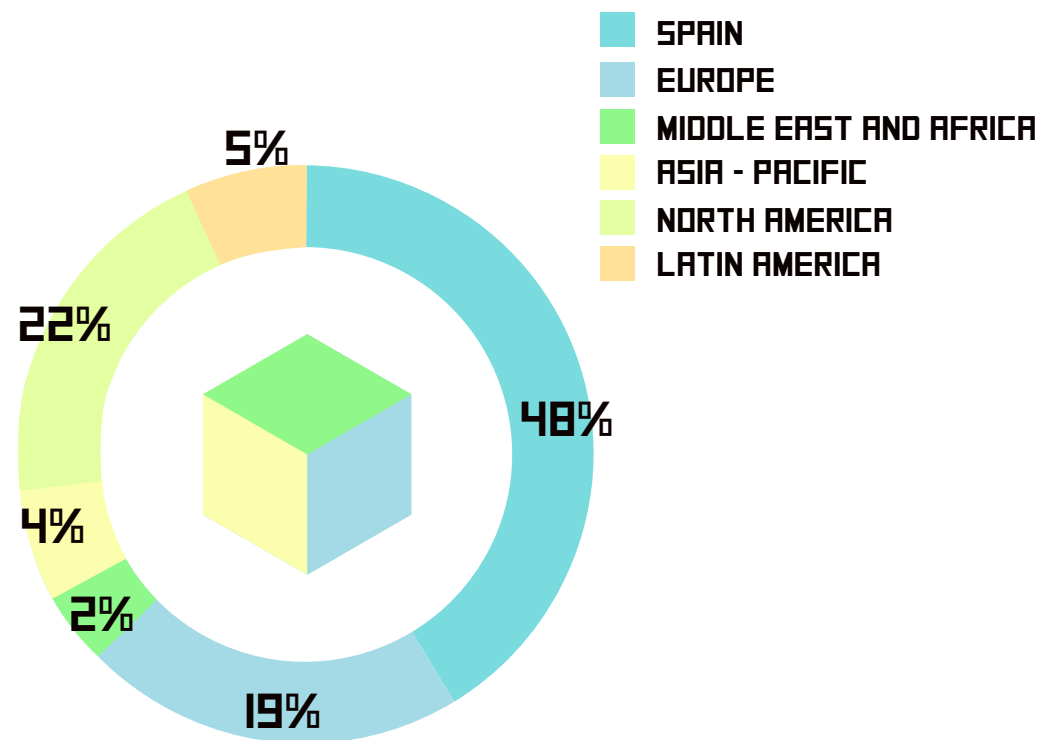
The Spanish video game development industry is largely an exporter

The Spanish industry is definitely taking advantage of the lack of barriers to international sales as, on average, **52% of total turnover comes from beyond our frontiers.**

North America, with 22%, and Europe, with 19%, represent the most important international markets in the turnover of our businesses.

The Asian market, with 4%, and Latin America, with 5%, continue to represent opportunities for future growth.

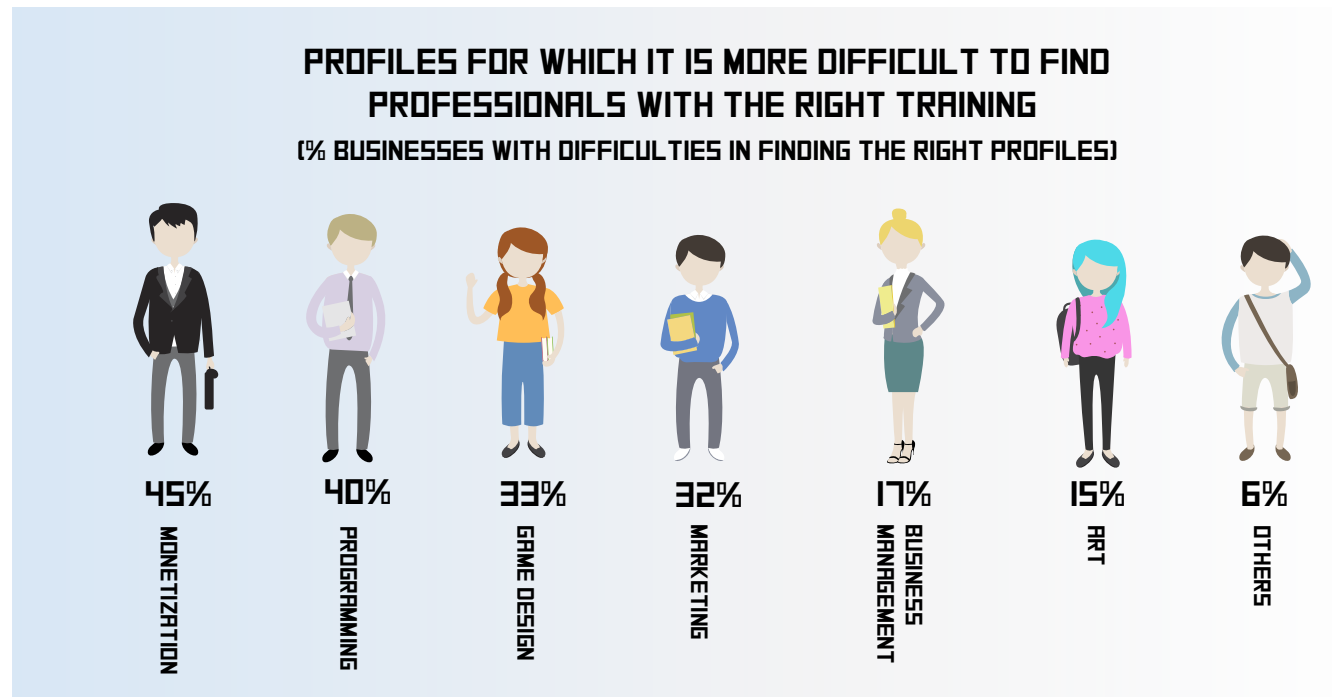
**DISTRIBUTION OF TURNOVER BY REGIONS  
(% GLOBAL TURNOVER)**



Source: Own elaboration. DEV Survey 2016

55% of companies say they have difficulty finding suitable staff in the Spanish labor market

**Monetization** is in first place when it comes to profiles difficult to find in the labor market, ahead of **programming**. This clearly shows the urgency of businesses looking for ways of generating income for their games.

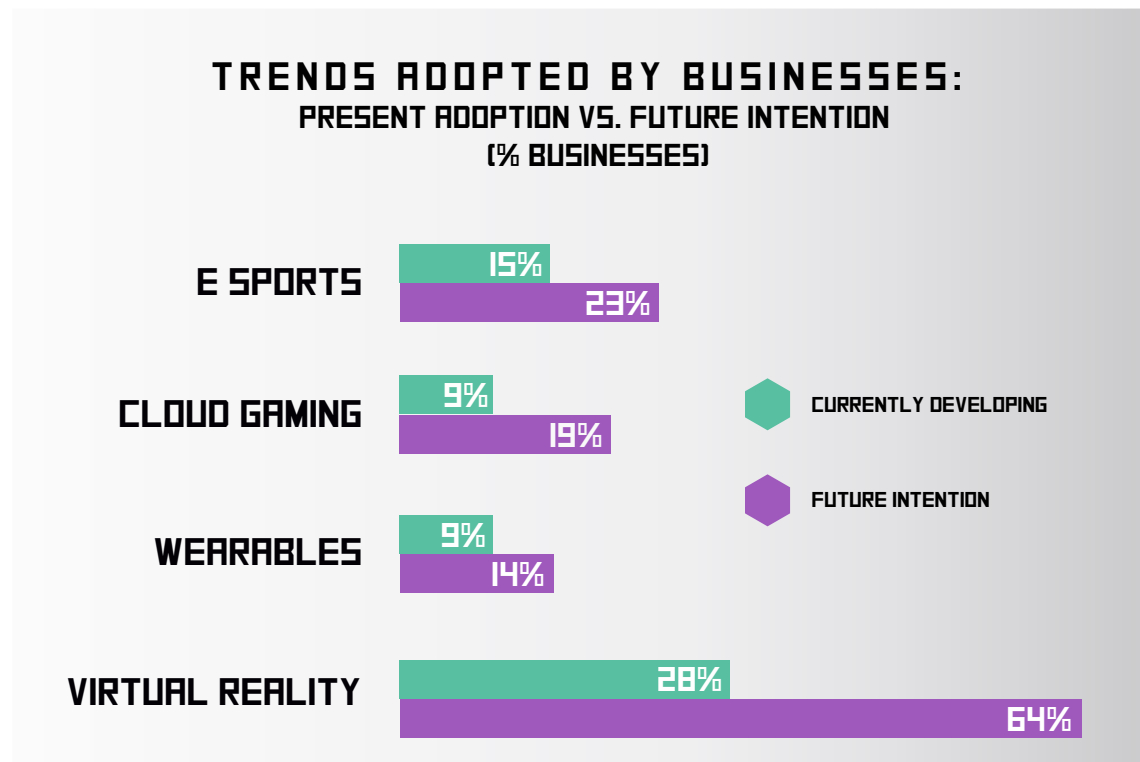


Source: Own elaboration. DEV Survey 2016

Virtual reality, the most keenly anticipated future trend

**30% of companies are already carrying out developments in virtual reality**, while almost two-thirds of them want to do so in the short- or medium-term.

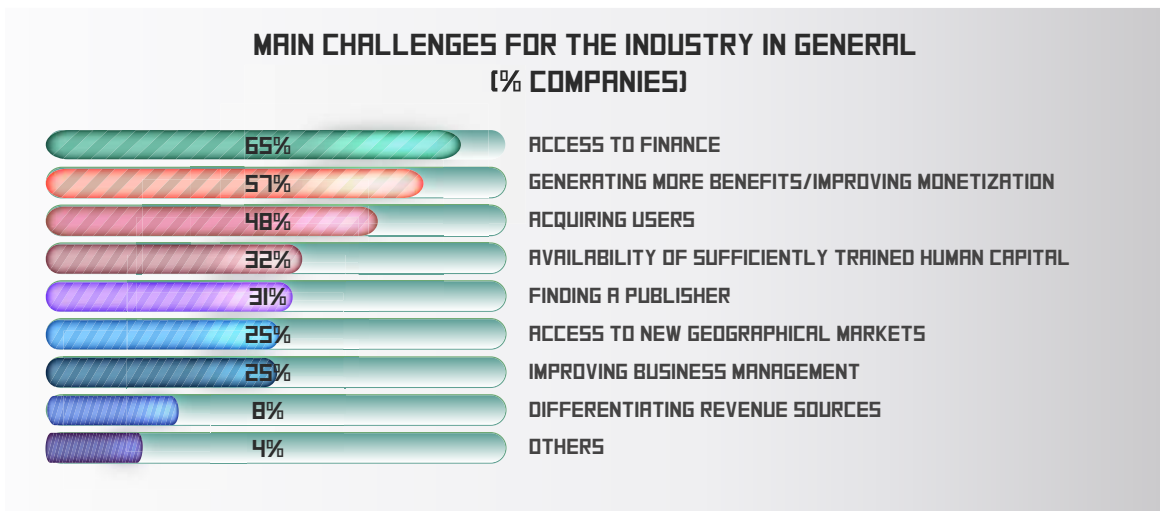
Meanwhile, the companies declare that they are ready to adopt other trends, such as **e-Sports**, **Cloud Gaming** and **Wearables**.



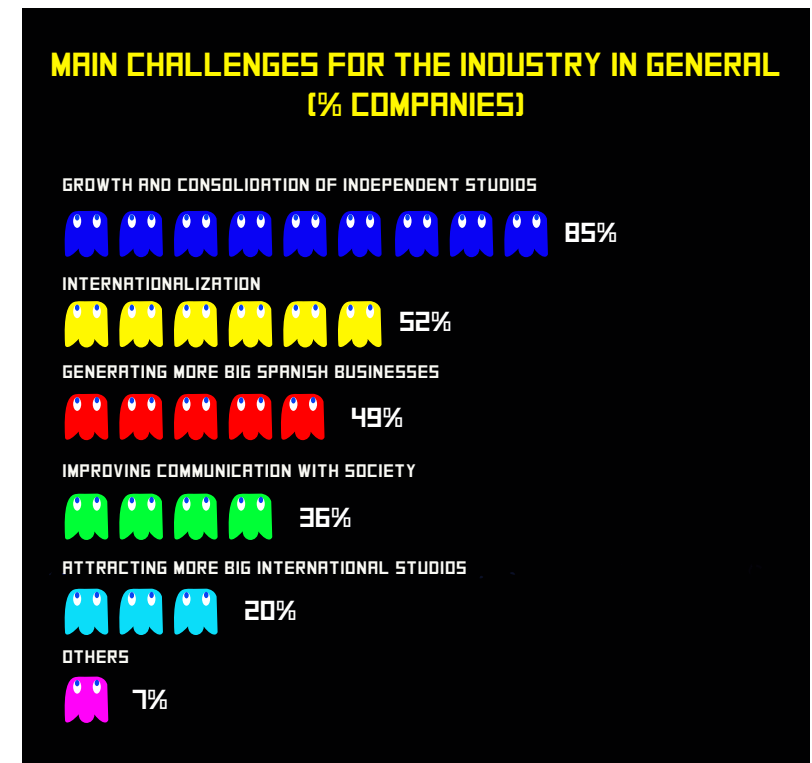
Source: Own elaboration. DEV Survey 2016

## The challenges and needs of the Spanish video game development industry

According to the results of the sector survey, these are the main challenges and needs.



Source: Own elaboration. DEV Survey 2016



Source: Own elaboration. DEV Survey 2016

## Recommendations from the sector to the Government and all public authorities.

### **1. Incentives and measures supporting business competitiveness**

- ▶ Assimilating, for the video game industry, grants and tax incentives for production and the attraction of international projects of which benefits the Spanish audiovisual industry.
- ▶ Implementing a system of tax incentives aimed at encouraging the establishment of new business projects and the consolidation of SMEs.
- ▶ Improving the tax treatment of R+D and developing more rational criteria in valuing intangible assets.
- ▶ Reviewing the Business Finance Promotion Act 5/2015 to include *crowdfunding*. Establishing more flexible, less bureaucratic and more competitive taxation.
- ▶ Continuing the public programme to support the production of video games through subsidies and loans set up by the Ministry of Industry in 2014.
- ▶ Creating specific programmes to seek and capture foreign investment in Spanish development studios.
- ▶ Establishing a specialised agency to unify the management and coordination of all these initiatives.

### **2. Measures supporting internationalization**

- ▶ Redesigning institutional support for the ICEX *Games from Spain* brand by benchmarking successful countries and promoting aid for investment in communication and promotion to capture players worldwide.
- ▶ Encouraging coproductions by including the video game sector in the treaties, agreements and cultural cooperation agreements maintained by Spain with many countries.

### **3. Job creation support measures**

- ▶ Studying the establishment of social security contribution discounts and income tax reductions, which could be extended to other digital industries, for new highly qualified professional employees and those aged under 30.
- ▶ Simplifying and creating a fast track for obtaining visas to attract talent from other countries. Establishing agreements for temporary exchanges of professionals.

## Recommendations from the sector to the Government and all public authorities.

### **4. Training support measures**

- ▶ Creating a Lifelong Learning Plan for the video games sector with an effective policy of grants and/or aid for all phases of training based on excellence.
- ▶ Designing training plans for the different degrees, master's degrees and vocational training cycles in accordance with the demands of the video game industry to promote both artistic and design capacities and the technical side of programming, without forgetting business management.
- ▶ Promoting communication channels between the businesses in the sector and the training organizations to create a fund of grants with public-private finance to promote the finance of internship jobs for students.

### **5. Support measures for communication and increasing the visibility of the industry, its creators and its content**

- ▶ Promoting the video game creation industry through institutional campaigns in Spain and abroad, highlighting talent, creativity and professionalism.
- ▶ Incentivizing agreements with big digital communication platforms to promote the visibility of products created in Spain.
- ▶ Including specific aid to carry out marketing and communication campaigns in the economic support for development and publishing companies.
- ▶ Promoting, together with private initiative, a big event to position Spain on the calendar of the sector's important international dates.
- ▶ Promoting the organization of meeting forums to improve relations between companies in the sector and private investors.
- ▶ Creating technology clusters specializing in video games, with the support of the public authorities.

### **6. Promoting synergies with other sectors**

- ▶ Backing projects in the publishing sphere in which developers can prepare content for electronic publication.
- ▶ Introducing initiatives to make use of video game technology in education and transversal industries, such as serious games, smart cities and the applications of Industry 4.0.

### **7. Raising awareness of intellectual property from an early age**

- ▶ Implementing a plan of talks and seminars at primary and secondary schools aimed to transmit values of respect for intellectual property, based on the experience of what the development of a video game means.

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