



Hamburg Institute  
of International  
Economics



# From Innovation Dialogues to Action Plans

Engaging with Industry and Public Authorities

Part 2 - GERMANY - HAMBURG



EUROPEAN  
REGIONAL  
DEVELOPMENT  
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These nine reports give the reader an overview about the status of the video, computer and mobile game industry in the Baltic Sea Region as a whole and nine of its hotspot regions. The main goal of these document is to provide several examples of how to approach framework changes for an emerging industry such as the game industry, taking different contexts into consideration.

Part 2 of 9 - Germany - Hamburg

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# EXECUTIVE SUMMARY

## Strategic Highlights

With several success stories, the games industry in the Baltic Sea Region has been booming for the past decade. With exponential increases in turnover, company revenues in the billions, and thousands of people added to its work force, the gaming industry still shows high potentials with already very renowned Nordic and Polish game producers.

The gaming industry is no longer a niche market for a specific consumer segment - gaming has become a viable form of entertainment for players from all backgrounds and ages. Roughly, 1,500 game industry companies exist in the Baltic Sea Region, generating a combined revenue of 5 billion euros. Although this is approximately 5 times smaller than China and 4 times smaller than the US, it shows the importance and the growth potential of the industry in the region. Moreover, with the advent of mobile gaming and improvements to hardware used in playing these games, the regions/companies are looking for ways on how to grow, build more games and impact more lives.

This report gives the reader an overview about the status of the video, computer and mobile game industry in the Baltic Sea Region as a whole and of nine of its hotspot regions. The main goal of this document is to provide several examples of how to approach framework changes for an emerging industry such as the game industry, taken different contexts into consideration.

The snapshot per region introduces their specific context; the communication map delineates the different players, influencers and decision-makers involved in game politics and implementing actions for improving current framework conditions for each region.

To understand the different settings that determined the way for the next course of action, the local dialogue events, where different stakeholders from the industry and the public authorities met to define the strengths and bottlenecks of both the industry and the respective framework conditions are described. The outcomes of



those meetings were SWOT and TOWS matrixes and concrete plans for actions to be performed during the Baltic Game Industry project and beyond.

There were several joint topics/areas of interests that came out of those dialogue events.

For some countries (Denmark, Lithuania), the discussion quickly turned to cluster management or cluster creation. Although cluster development is a difficult concept to define, the idea would be to somehow formalise the cooperation between incubators/accelerators, educational institutions, private companies and public organisations. This would facilitate access to global and national support programmes and incentives for the video games and creative industry and its members. The cooperation in form of a cluster might also support the human resources development/mobilisation among enterprises, or among research systems and enterprises including the attraction of highly qualified human resources.

Other regions are planning to open a game hub or incubator to find the best and the brightest and equip them with entrepreneurial skills, such marketing, management, sales and last but not least game development. The partners from Estonia, Germany and Poland are planning to focus their efforts on building an infrastructure for innovation with game developers as a new instrument in support of the game industry. The idea would be to help indies or non-formal teams, but also young, innovative studios develop a mature approach to business.

Funding-related topics (funding, public support etc.) were discussed by several regions (Sweden, Finland, Germany): the lack of public support, obstacles in accessing information on support instruments targeted for games industry or just knowing which the current bottlenecks to raise the capital are.

Joint marketing efforts were raised by Germany, Finland, Sweden as one of the possible actions to perform as public-private co-operation. This is based on the assumption that improved marketing measures would attract new risk funding and foreign talent to the regions. With the lack of talents in most regions, improved recruiting and marketing actions are necessary to recruit not only local/national level talents, but foremost non-European and Eastern European talents to improve the regional industry's international business performance. Furthermore, if claimed to be important by the city officials, the game industry needs to be more visible in regions marketing statements.

Finally, education-related topics (all the partners). With the objective to increase number of highly qualified specialists for the game industry, the grassroots level of the industry will be tackled. Although global talent is more easily accessible today than ever before, local education and initiatives need to be introduced to allure those talents to the region in the first place. The sooner young industry talents are exposed to business-driven game development and education, the easier it will be to create solid business cases and find artistic vision. So, game education and informal education activities (youth clubs, hackathons etc.) play a crucial role in building local talents.

The above-described process initiated a continuous dialogue in the regions and countries. Although many of the detected areas for improvement require activities the impact of which will only become measurable in the long or medium term, we expect the dialogues to continue and form the gaming-hub of Europe.

Your Baltic Game Industry project team

# GERMANY - HAMBURG

## Snapshot of the Situation

The game development industry in Hamburg is in a comparatively mature stage. The general economic climate in Hamburg is rather good – it is a growing city with regards to economic output and population. Moreover, as a “media city” with lots of large companies related to information and communication industries, Hamburg is also particularly attractive for video game companies. The game industry is also part of the creative and IT & media cluster of Hamburg’s cluster strategy. Indeed, some of the largest game companies in Germany are located here. These global players attract talents from other regions. As some local universities and schools also offer several game education possibilities, there is a highly skilled labour force present in Hamburg. However, due to the rising demand a shortage of qualified people might still be a threat.

Even though Hamburg is a hotspot for game companies, there are no larger game industry related events like e.g. the Gamescom located in Hamburg. Yet, the annual Hamburg Games conference has been a successful regional event for ten years now. Since 2003, a regional network, Gamecity:Hamburg exists, but a vivid exchange between different stakeholder groups remains an exception. In addition, cross-cluster exchange or cooperation is still rare even though this might be a promising field for innovation and growth.

Despite these generally good framework conditions, the situation for game start-ups could still be improved. In contrast to the established ones, new companies might suffer from a lack of experienced specialists with a deep knowledge of the game industry. Up to now, there are no incubators with a focus on game companies in Hamburg. Hence, it is difficult for founders to get access to experienced mentors.

Another area for improvement of the game hotspot Hamburg is the availability of funding. There are currently no regional funds especially dedicated to game companies available. The existing funding schemes often do not match the requirements of game start-ups, or they request criteria which game companies and their projects are hardly able to fulfil. Yet, a newly established national funding programme for the game industry might mitigate the problem in the coming years.

## Chosen Approach for the Dialogues

Up to now, two BGI Innovation Dialogue events have taken place in Hamburg. For the first Innovation Dialogue a more general and broader approach has been chosen in order to obtain a full picture of the current situation of the game industry in Hamburg. Interested stakeholders from various backgrounds were invited and introduced to the BGI project (game companies, regional and national network organisations, investment bank, public authorities, etc.). In addition, first results of a survey on the situation of the game industry in Hamburg and other project regions were presented. As a keynote, the managing director of the Game Hub Denmark presented their incubation approach as a good practice example for a specialised and holistic incubation support. Altogether, these diversified presentations facilitated a lively discussion about challenges and potential areas of improvement with regard to the framework conditions for the game industry in Hamburg. As a result of this discussion further topics of interest for the project were revealed. The aim to get an overview over the current situation of the game industry in Hamburg was fully met.

For the second Innovation Dialogue the leading topic “Cross-innovation potentials of gamification” was chosen as it is of high relevance for future growth of the game industry. The objective was to bring together experts of a field which is still a niche in Hamburg and to deepen the discussions. Due to the healthcare focus of the BGI project, this sector was chosen as a key area for cross-innovation. The potential for the use of game applications in the health sector is huge, but many critical questions still have to be solved in order to fully exploit it (e.g. legal aspects, data protection, ethical questions, etc.). For the Innovation Dialogue, stakeholders with related backgrounds were actively involved, among those game companies with experience in developing applications for therapeutic use and scientists, but again all interested stakeholders were welcome to take part. Two BGI project partners from the Berlin University of Applied Science and the University Medical Centre Hamburg-Eppendorf gave presentations about the cross-innovation potentials of virtual and augmented reality applications within different fields. Two start-ups which created games for therapeutic purposes shared their stories. All participants discussed required framework conditions for cross-innovation potentials and outlined challenges and opportunities.

Due to the thematic focus of the second innovation dialogue, participants showed an eager interest in each other and lots of promising contacts have been made. Hence, the aim to foster exchange and establish cross-sectoral links between stakeholders of the same niche worked well.

# The Innovation Dialogue

**First regional Innovation Dialogue “Improving Framework Conditions and Incubation Support for the Game Industry” in Hamburg**

**August 16<sup>th</sup>, 2018**

Hamburg Institute of International Economics

20 attendees: interested stakeholders and experts from the games community

**2<sup>nd</sup> regional Innovation Dialogue “Cross-Innovation Potentials of Gamification”**

**January 21<sup>st</sup>, 2019**

Hamburg Institute of International Economics

25 attendees (mix of stakeholders from the games community and healthcare sector)

The first Innovation Dialogue in Hamburg on 16 August 2018, served as kick-off to get an overview of the status quo of the game industry and to reveal further topics of interest of stakeholders. In order to fuel the later discussions about the current state of the game industry in Hamburg, the results of the BGI expert survey were presented. Then Mikkel Fledelius Jensen, Managing Director of Game Hub Denmark, gave insights about the incubation programme of Game Hub Denmark. Participants got an impression on what incubation support could look like. In an ensuing round table, all participants discussed current challenges and needs which game companies in Hamburg are facing right now.



In order to discuss the "Cross-Innovation Potentials of Gamification", HWWI hosted its second Innovation Dialogue on 21 January 2019 in Hamburg. Participants from various backgrounds came together to share their experience of combining virtual reality (VR) games with a serious/non-gaming purpose.

Prof. Thomas Bremer from the HTW University of Applied Sciences Berlin presented an overview of good practices in XR applications with various (non-gaming) fields such as archaeology, construction industry and the military.

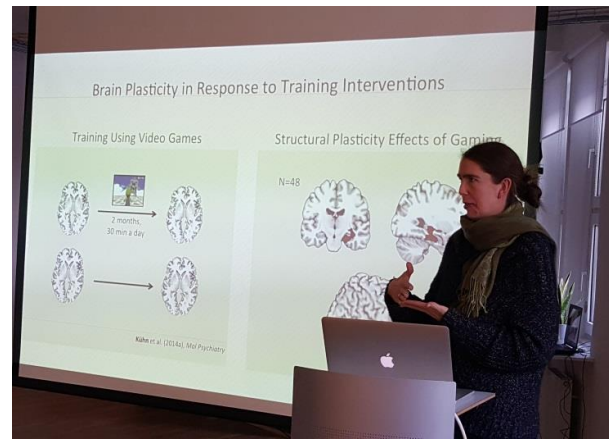




The health sector is the key area for cross-innovation addressed by BGI. Prof. Dr. Simone Kühn from the University Medical Centre Hamburg-Eppendorf (UKE) shared her experiences from her current research on potential applications of VR within psychiatric therapy.

She drew particular attention to certain barriers of implementing VR applications within the health sector, above all data protection issues. Afterwards, two start-ups gave concrete examples of game applications for healthcare.

Markus Käding from VR Rehab presented "Vysio", a rehabilitation tool for injured athletes which combines training with a game experience. Marc Kamps from Birds and Trees shared the positive and negative experiences from creating a therapy game called "Patchie" for children suffering from cystic fibrosis. The presentations were followed by a vivid discussion about issues impeding the cross-innovation potentials like data protection, ethical questions and funding problems.



## Outcomes and Next Steps

The first Innovation Dialogue clearly showed that the most pressing need for game start-ups in Hamburg are improved funding programs and mentoring support. Participants stated that currently existing funding programs often concentrate on unique, technology-based innovations or media start-ups. Hence, game companies often do not fulfil the requirements for these programs or the program's offers are not even helpful for them. Rather schemes are required which are tailored to the specific needs of game development companies, like e.g. long development phases and high investment costs. Furthermore, it became clear that the game industry often does not seem to be seen as a serious field of business which has the potential to create jobs and growth. Due to the broad application possibilities of games, fostering cross-sector cooperation and innovation might be a particularly promising future growth strategy which benefits more than just one sector. Thus, participants were convinced that the economic relevance of the game industry has to be outlined more effectively in order to enhance support. Within the discussions about incubation and mentoring, start-ups wished for more support with regard to the "post-release process" and access to distribution channels as a lack of visibility impedes their success.

As the second Innovation Dialogue focused on cross-innovation potentials with regard to the healthcare sector, revealed challenges were more specific. Participants discussed that there are lots of potentials to combine virtual or augmented reality games with e.g. therapeutic purposes. However, regulatory barriers and issues like data protection currently hamper the development and implementation of applications like these. In the healthcare sector, also hygienic requirements and the certification process play a major role. Thus, in order to exploit the cross-innovation potentials currently still a lot of time, costs and expert knowledge are required to succeed. Again, it was discussed that present funding schemes are insufficient and not suited to support start-ups related to games.

## THE PROJECT

The project 'Baltic Game Industry' (BGI) aims to foster the game industry in the Baltic Sea region - turning an ambitious game developer scene into a competitive and attractive business sector with sound innovation potential and thus making the region a game hotspot with worldwide competitiveness.

The partnership works together on framework condition improvements, on making business support services fit for the special needs of game start-ups and finally on new business opportunities for game developers in other industry sectors, such as health care. The core element is the installation of durable game incubators, programmes and schemes for game start-ups across the region.

BGI effectively combines policy and business development. Tailor-made game business support fosters a durable economic growth of this innovative industry in the whole region. The introduction of VR technologies in non-game industries contributes to boosting innovation beyond games. The common branding of the Baltic Sea region as game innovation hotspot will attract international clients, investors, creative entrepreneurs and qualified workforce.

Read more at [www.baltic-games.eu](http://www.baltic-games.eu)

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