



From Innovation Dialogues to Action Plans

Engaging with Industry and Public Authorities

Part 9 - SWEDEN - STOCKHOLM



 **bgi**

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 9 of 9 - Sweden - Stockholm

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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

SWEDEN - STOCKHOLM



Source: Game Developer Index 2018, by Dataspelsbranschen

Snapshot of the Situation

The Swedish game industry has been growing rapidly in recent years. It has developed from a hobby for enthusiasts into a global industry with cultural and economic significance over just a few decades. There are over 300 game companies in Sweden (2017) and almost a half of them are located in the Stockholm region. Game development is a growth industry with over half of the Swedish companies established after 2010. In 2017 the total revenue of the Swedish game companies was EUR 1.5 bn (this number has doubled in the space of just four years).

One of the strengths of the Swedish game industry is a broad range of the focus of the companies in terms of platforms. There are global leading companies creating mobile games (King, Rovio Stockholm...), PC and console games (DICE, Mojang, Avalanche Studios...) and VR games (Resolution Games, Starbreeze). Swedish game developers are quick to adapt new technologies, such as VR (nearly 10% of the Swedish game companies are developing VR games, and there have been a few cases of high-profile foreign investments in Swedish companies).

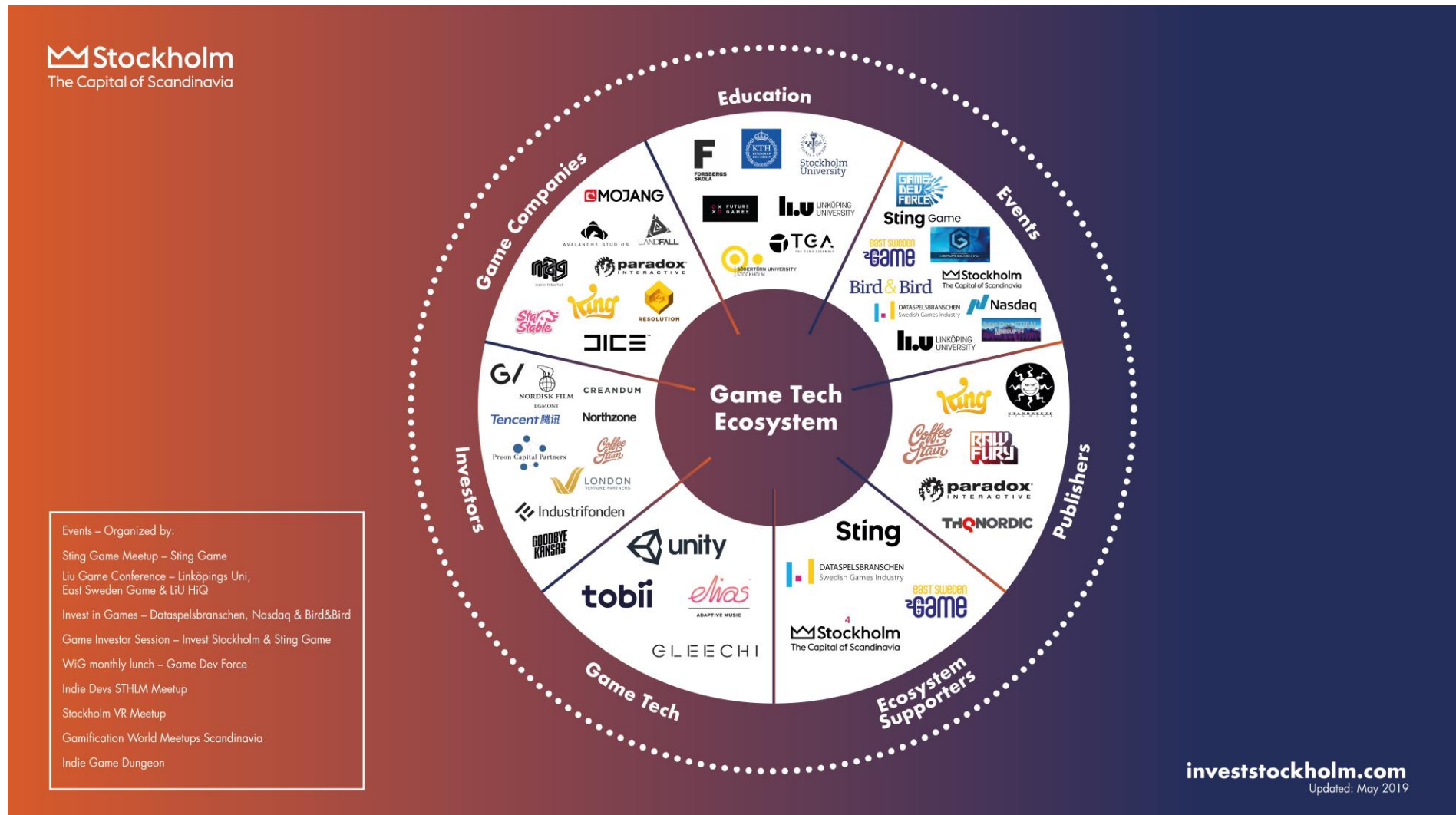
There are only 10 m people living in Sweden so there is relatively a small domestic market in Sweden, therefore the Swedish game developers make games directly for the global market. There is a good ecosystem in Sweden to foster new game developers. Some of the world's best game development schools are located in Sweden and there is a number of incubators that are dedicated solely to games. There are also events for independent game developers which contribute to the creativity of the Swedish game developers (e.g. No More Sweden, Stugan, Castle Game Jam).

The general start-up scene in Stockholm is strong, there are many success stories and unicorns (Spotify, Skype, Mojang, King) and there are many VCs, but game companies have a more difficult position because in general it is harder to invest in games. Games are basically hit-driven and VCs are still rather cautious about investing in game start-ups. On the other hand, several people have become rich with games, and some of these people have become angel investors interested in investing in game companies. There have also recently been a number of senior people leaving their jobs at big companies and starting their own game studio. These start-ups are in a better position when looking for funding, because they already have an experienced team, people who have already 'made it' before. Intellectual property is what has been driving investments in Swedish game companies. There were 53 known business transactions during 2015-2017, and out of these, 68% happened due to the buyer's interest in the seller's IP.

It is rather difficult for game companies to search public funding in Sweden. There are virtually no public funds focusing fully on game companies. However, a game start-up can fit in some public funding that are supporting start-ups in general. These funds often assess companies based on the level of innovation, which is something rather complex when it comes to games, so the game start-ups often need something extra (e.g. diverse team, focus on education/health, etc).

Communication Map

An ecosystem wheel of the game industry in the Stockholm greater area. It includes the most important actors that all together are building up the games industry and are contributing to the prosperity of game companies in this region.



Source: Invest Stockholm

Chosen Approach for the Dialogues

We narrowed down the focus area of this project to improving the opportunities for game start-ups to get funding. Invest Stockholm works primarily with private investors, so we investigated this area in particular. However, we also included public stakeholders and organisations that give funding to start-ups in general for which also game start-ups might apply, and we are trying to make it easier for game start-ups to fit into these public funding schemes.

In order for us to get a better understanding of the needs of Swedish game companies, we have identified four groups that we interviewed and discussed potential next steps and improvements with. We identified the stakeholders that we wanted to involve within these four groups:

Group 1: Small game start-ups to get an idea what kind of needs this specific group has.

Group 2: C-level executives from established game companies in order to find out what do they think about the possibilities for game companies to get financing, and what they think can and should be improved.

Group 3: Public sector that financially supports start-ups in general and companies, and could potentially support game start-ups as well. We wanted to find out how a game start-up fits into their support scheme and lead a dialogue with them on what can be done so that there would be more opportunities of support for game start-ups.

Group 4: Private sector that financially support start-ups in general and companies, and could potentially support game start-ups as well. We wanted to find out how a game start-up fits into their support scheme and lead a dialogue with them on what can be done so that there would be more possibilities of support for game start-ups.

We interviewed representatives from these groups both individually and often in an informal meeting and at a more formal meetings where we each time invited a few representatives from those groups.

SWOT Analysis

Strengths:

- A broad range of the focus of the companies. (mobile game, PC, console games, VR games, publishers)
 - Think globally from the beginning
- A growth industry (more than 50% of game companies were established after 2010)
 - Adoption of new technology, interdisciplinary thinking
 - Swedish game industry brand
- A strong game culture, developed internet infrastructure.
 - A low corporate hierarchy, a strong sense of a collaboration
- An active trade association (Dataspelsbranschen) that actively promotes the Swedish games industry
 - Social welfare program, life balance
 - population happiness, general equality,
 - Transparent business climate,
- Triple helix model (collaboration and cooperation)

Opportunities:

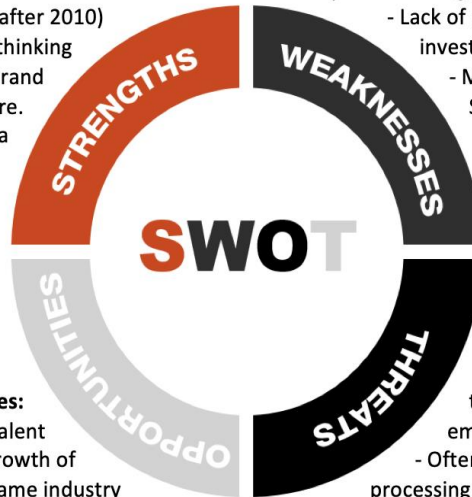
- Talent attracts talent
- A big opportunity to continue the successful growth of the game industry
 - Some success stories have created a few rich people who are ready to invest back into the game industry
 - New initiatives like Sting and Stugan work as a great boost for new games and companies
 - Opportunities for foreign acquisitions.

Weaknesses:

- Limited access to capital (especially for deals around 0.5 – 5 mil EUR)
 - however,
- Very limited access to public funding
- No public funding program dedicated to games
 - Lack of understanding of the games industry among public investors
- Many IPs are owned by companies outside of Sweden (many great Swedish IPs ceased to be owned in Sweden by acquisition of foreign companies)
- Lack of support structures for startups (e.g. tax reliefs, established financing structures)

Threats:

- Lack of talent, there is a significant need for skills and competence (fewer game developers graduate than are employed)
- Often complicated recruitment from abroad (long processing time for work permits, limited access to accommodation)
- Competition (countries like Finland, USA, Canada, UK)
- Access to capital (limited flow of new capital; difficult to find funding in early stages)



Topics Identified



The Innovation Dialogue

Innovation dialogue with experienced serial entrepreneurs

June 28th, 2018

Venue: Invest Stockholm

The target group for this meeting were select serial entrepreneurs who have been working in the game industry for many years and have experience with raising money for their start-ups.

For this innovation dialogue we chose five key questions to be discussed:

Q1: What is your experience with fundraising for game start-ups?

Q2: What are the biggest challenges for games companies when raising capital?

- Different stage of a company - different challenge?
- Lack of understanding games?

Q3: Early-stage funding: Why is this so important?

- What are the different routes (bootstrap, seed, business angels, capital, strategic investor vs financial investor, marketing money, publishers and public funding)?

Q4: Public funding: Should there be better opportunities for game companies to get public funding?

- “Innovation” - how to deal with that?
- Does the state need to understand better how to support the game industry?

Q5: What change would you like to see?

- Top three things to change?

At the end of the meeting we summarised what was discussed and what we learnt and agreed on the next steps.

Innovation dialogue with representatives of public authorities

August 29th, 2018

Venue: Invest Stockholm

The target group for this meeting were select public authorities that invest in start-ups and can potentially invest/have already invested in game start-ups.

For this innovation dialogue, we chose two key question:

Q1: How do you assess a game start-up?

- What are the biggest challenges that you see with a game company?

Q2: What kind of support do you offer to a game start-up?

Outcomes and Next Steps

As a result of the discussions in the innovation dialogue and the parallel informal interviews with different stakeholders, we identified following areas to be investigated for potential improvement activities:

- Risk of using personal money from entrepreneur’s personal network vs an investor that does not invest their own money
- What can a start-up in an early stage with an unexperienced team do to get some funding or keep the business going?
- Example in Sweden: East Sweden Game – free co-working space, guidance, events with speakers and networking; not giving out money but lowering the cost significantly
- Work for hire (consulting, small customers, B2B)
- A smorgasbord: A few small companies build a game together; different companies do different parts of the game; one publisher publishes the game
- Educate angel investors on what does it mean to invest in a start-up (not necessarily just a game start-up)
- Educate game companies on how to talk and pitch to investors
- Build an investment fund that invests only in game companies

- Create meeting opportunities between investors and game companies
- Build an international network of investors that are interested in investing in games
- Create a matchmaking fund (Tekes model)
- If an investor doesn't know games, show a similar game that has succeeded

Public stakeholders have identified the game industry as a very big and significant vertical and game companies have caught their interest, but they consider it as a difficult industry to invest in. Their biggest concerns are:

- Games are very hit-driven – it is hard to predict hits, once it is clear the game will be a hit, the company typically does not need funding anymore
- Game developers often struggle with meeting deadlines and shipping a game on time

Game companies that have a chance of getting a public investment must:

- Have a complete and proven team
- Be trustworthy that they can deliver a game on time
- They have a structured working process
- Have a clear position in the vertical
- Have some commercial traction
- Have a cool game
- Bring something new to the table

It is easier to invest in game related tech, but companies focusing on that area are not very common

Takeaways from the meetings and the information captured from informal talks:

- Public stakeholders need to be educated on why they should invest in games
- Public stakeholders would appreciate an analysis of successful / unsuccessful game investments; what the investors looked at and is there any common factor that can trace why the investment was successful/unsuccessful
- Public stakeholders are more likely to invest in a game company if another authority (e.g. an angel investor who knows games) has invested in it as well
- Another takeaway from our previous meetings with people from the game industry is that there is a need for early stage funding. The public stakeholders do not see how they could invest in such companies, especially if they have a junior and unproven team
- Generally, investments into game companies require a person who knows games and the business of making games, and public stakeholders often lack this competence in their teams.

TOWS Analysis

S/O

USE STRENGTH TO MAXIMISE OPPORTUNITIES

- Use the Swedish Game Industry as an example of a successful vertical when promoting Sweden
- Create infographics of the Swedish Game Industry to use when talking to investors and for talent attraction

S/T

USE STRENGTH TO MINIMISE THREATS

- Take some of the stories of people who have relocated to Sweden to work in a Swedish game company to attract more talents to Sweden
- Continue actively working with game educations so that the schools cater for the needs of the industry



W/O

MINIMISE WEAKNESSES BY USING OPPORTUNITIES

- Encourage and educate angel investors, VCs and public investors on why and how to invest in games, use experience game investors as an example
- Educate game start-ups on how to pitch to investors
- Work on establishing a contact person for a games industry in public organisations that give grants / loans / make investments in game companies

TOWS

W/T

MINIMISE WEAKNESSES AND AVOID THREATS

- Organise more matchmaking events between investors and game companies, and include more foreign investors
- Need for further increased business competency, especially in small and newly formed companies.

The Action Plan

Steps towards an Action Plan

For our next steps in the project, we have divided our focus into three different action areas:

Funding – to be able to provide help to start-ups to raise capital, we need to understand on what areas there is a lack of funding opportunities for different game categories, level of development and also vice versa. Hence, our activities are targeted towards a better basis for supporting start-ups in their fundraising.

Marketing and talent attraction – promoting Sweden as a hotspot to attract talents and investors alike

Knowledge sharing – the aim here is to foster a better understanding of how and why to invest in games.

Our main focus for the rest of the project is going to be on implementing our action plan. We are putting most emphasis on improving the possibilities for game companies to search funding. This topic is closely connected to our other action area – knowledge sharing, which includes informing and educating investors on why and how to invest in games. Our last focus area is going to centre on promoting Sweden as a hotspot for game development and attracting talent to help the game companies with their search for competence.

Summary of the Action Plan

Action Area 1: Funding

Creating a platform for investors to meet game start-ups:

One way to be more hands on with increasing the amount of investments into game companies is to create a matchmaking event where investors, who are interested in investing into game companies, meet game companies who are searching funding. So, the goal is to establish a matchmaking event that happens 1-2 times per year. Each time there will be 7 investors and 7 start-ups and during speed meetings they will meet each other. The event is called Game Investor Session and the pilot was organized in September 2018. Second event is planned for April 2019.

Appoint a contact person for the games industry in public organizations that financially support start-ups (and can potentially support a game start-up as well):

In Sweden there is no public funding that is fully dedicated to games. A game start-up can potentially get funding from a public organisation, but it has to compete with start-ups from other verticals, which puts a games start-up in a difficult position. Comparing to a tech start-up, a game start-up is a bit specific and without having a deeper understanding of games it is difficult to assess it. Therefore, we are going to try appointing a contact person with a bit of knowledge of games and the games industry which will hopefully contribute to increasing the chances for a game start-up to get public funding.

Identify what financial support is available for what stage in gaming companies. Discuss with established game investors to learn how much and on what basis they invest. E.g. Motivational psychology, IPs, target groups etc.

Identify the different game categories and their sub-categories. To illustrate the complexity there are some 5-10 subcategories under each category listed below:

- Action games

- Action-adventure games
- Adventure games
- Role-playing games
- Simulation games
- Strategy games
- Sports games
- Puzzle games
- Idle games

Action Area 2: Marketing & Talent attraction

Create Swedish Game Industry infographics slide deck that can be used for promoting the Swedish game industry and when talking to investors and talents:

We are going to creating and publish a short and visual pitch deck about the Swedish games industry that can be used when talking to public organizations (during Action Area 1 activities), investors, talents etc. The info deck will include all the important data and stats about the Swedish games industry. There will probably be two version, one for talking to investors and one that can be used in a talent attraction context. (Talent attraction: The Swedish games industry is still growing and there are many game companies. Many new companies spawn every year and already established companies are growing and hiring more people. In 2017 there were 11 companies with more than 100 employees. There are not enough alumni leaving games education to fill all the needed talent. Therefore, game companies need to hire people from abroad and/or from different industries.)

Initiate and support Sweden Game Jam:

Game jams are a great way to strengthen the gaming community and boost creativity. New teams and later companies often spawn after a game jam. We would like to initiate an annual game jam in Stockholm. This is something that we are not going to be running ourselves (as it is a bit outside a focus area of Invest Stockholm) but rather we are going to try to get the ball rolling and find partners who can be in charge of running this.

Action Area 3: Knowledge Sharing

Educating investors on how to invest in games:

Publishing an article with tips from experienced game investors:

We have interviewed a few investors who have experience with investing in games and we are summarizing their answers into an article. The article is going to help people, who don't have experience with games, to understand a little bit what is important to think about when looking at a game company from an investor perspective.

Organizing educational workshops for investors:

We are going to gather investors who don't have experience with investing in games and are going to give them an introduction into the games industry and explain what challenges game companies are typically facing and what is the important to know when investing in a game company. An idea is also to take these investors on a tour around Stockholm game companies, that way they get to meet representatives from different game studios and get to learn about the games industry directly from them.

The public version of the action plan can be found at:

<https://www.investstockholm.com/globalassets/documents/bgi-plan.pdf>

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

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