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# THE GAMING INDUSTRY OF POLAND

FLANDERS INVESTMENT & TRADE MARKET SURVEY



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# THE GAME INDUSTRY OF POLAND

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# 1. INTRODUCTION

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This report puts a spotlight on the game industry, with the main focus on Poland. It consists of information on the current state of the sector, factors affecting the industry, recent trends, changes on the market and an overview of game development studios in Poland. The main objective of this study is to show opportunities in the Polish market within the game industry.

## 1.1 GAME OR GAMING?

As the definition in the Cambridge Dictionary (n.d.) states, gaming is 'the activity of playing games on computers and other electronic devices'. The segments within the industry are as follows: (smart)phone games, console games, downloaded/boxed PC games, tablet games, and browser PC games.

The game development industry (gamedev) is a sector of the economy that is related to the design, development, production, and publishing of games. It creates jobs for game developers, designers, artists, and people involved in marketing and sales, etc. (Wikipedia, 2021).

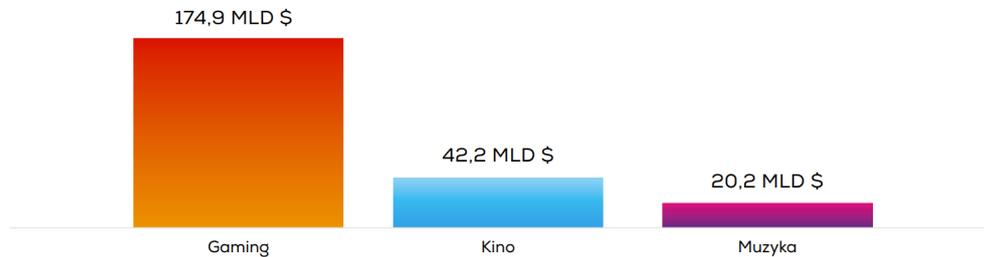
The gaming industry has a much broader meaning. It is the game industry together with tools and equipment for gamers. Sometimes e-sport is considered to be part of the gaming industry.

## 1.2 GAME INDUSTRY GLOBALLY

Over the last years, the game industry has experienced a massive boom. The rapid development of the internet and mobile devices opened the gates to new ways within the industry. It became one of the fastest-growing and developing creative industries globally, placing itself ahead of both the music and film industries. Furthermore, it is expected to grow continuously, reaching USD 200 billion in 2023, at an average growth rate of 8.3% year-over-year. The graph below illustrates the income of the global gaming industry (gaming) 174.9 million in comparison with cinema (kino) 42.2 million and music (muzyka) 20.2 million industries in 2020 (Rutkowski E., Marszałkowski J., Biedermann S., 2020)( Krampus-Sepielak et al, 2021).



Figure 1. Chart illustrating entertainment industry revenue globally



Źródło: opracowanie własne Polish Gamers Observatory na podstawie danych Newzoo, Statista, Music Business Worldwide.

## 2. THE POLISH GAME INDUSTRY IN NUMBERS

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(Rutkowski et al, 2020)( Bobrowski M., Głuszka D., Krampus-Sepielak A., Rodzińska-Szary P., Śliwiński M., 2020)

- 479 million euros industry revenue
- +/- 30% growth every year
- 96% of the income comes from export
- Over 440 development studios
- 9710 people working in the industry
- Almost 500 new game releases annually
- 16 million players in Poland
- 47% of Polish gamers are female
- 596 million dollars consumer market worth
- 11,5 million dollars e-sport market worth
- 54 gaming companies listed on The Warsaw Stock Exchange
- Over 60 courses and university degrees related to games
- Over 3/4 of the Polish Internet users aged 15-65 have played a video game at least once within the recent month (research from May 2020)

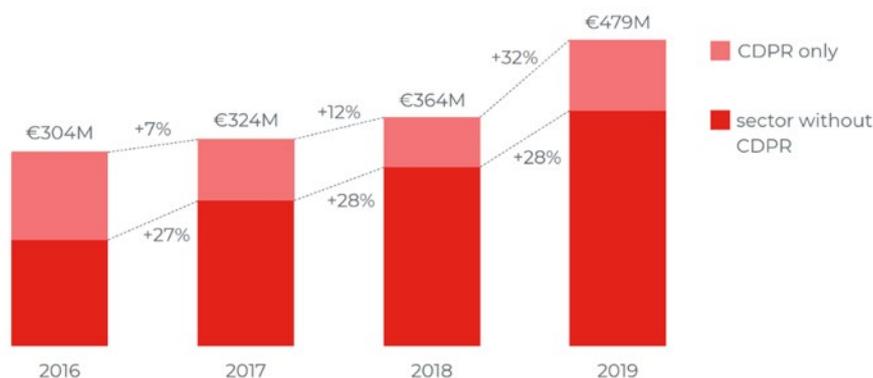
In Poland, the game industry is considered as young, yet one of the fastest developing industries from the creative sector. Over the last years, Poland has experienced massive growth in that industry. What is even more promising is that the the Polish game industry has a high potential to grow even more over the next few years. The Polish game industry focuses its production on foreign markets: 96% of industry income comes from export. The key export destination is the

United States, followed by countries in Europe, mainly the UK, France, and Germany (Rutkowski et al, 2020).

However, the Polish game industry wouldn't be in this state without highly skilled and ambitious programmers, designers, and artists. Poland is well-known for its young and inexpensive workforce as a result of which the costs in the sector are low. The sector mainly employs composers, developers, marketers, and game testers. Additionally, Polish people have good entrepreneurial skills.

As a home for over 440 studios, Poland has a constant demand for well-trained professionals. Different universities in the country offer 60 courses or degrees related to the industry among which 26 are meant for programmers and another 17 for artists. This allows to educate young professionals and prepare them well for the needs of demanding and rapidly changing times.

**Chart 1. Revenues of game developers in Poland**



Source: Game Industry Conference<sup>5</sup>

*Figure 2. Graph describing the revenues of game development in Poland 2016-2019*

On the graph above (Fig.2), you can observe the year-to-year growth of 30% - these numbers account for the Polish game industry and yet do not include revenue of CD Projekt Red (CDPR). The biggest and most recognizable Polish studio's revenues increase slower than the Polish game industry itself. The graph presents growth of 7% in 2017, 12% in 2018 and 32% in 2019 (Rutkowski et al, 2020).



### 3. THE POLISH GAME INDUSTRY GLOBALLY

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Figure 3. Top 10 countries by revenue from video game sales

As it is shown in the illustration (fig.3), taken from 'Polish state of the video game industry '17', in 2017 Poland ranked 23rd in terms of revenues from video games globally. It shows that Poland is on the good path, but there is still a long way to go before they count among the world's major players.

The success of China is supported by its customer base. As stated by GMA Marketing, the country owns its success to the fact of having over 600 million e-sport gamers (Marketing to China, 2021). The e-sport attracts many players country-wise, and while making a trend in the country it encourages game enthusiasts to play themselves as well.

According to research done in the US by Technavio, the growth of the video game market, and especially the mobile game sector, is driven by the 'increasing penetration of smartphones and improving access to the Internet' (Technavio, 2021).

Germany, the first country by revenue from Europe (fig.3), is known for its leading economy and high-quality products. Located in the heart of Europe, the country is a host of the biggest game event in the world 'Gamescom' held annually in Cologne. Additionally, in 2019 government allocated 50 million euros to the federal budget for the introduction of game funding (The German Games Industry Association, 2019).

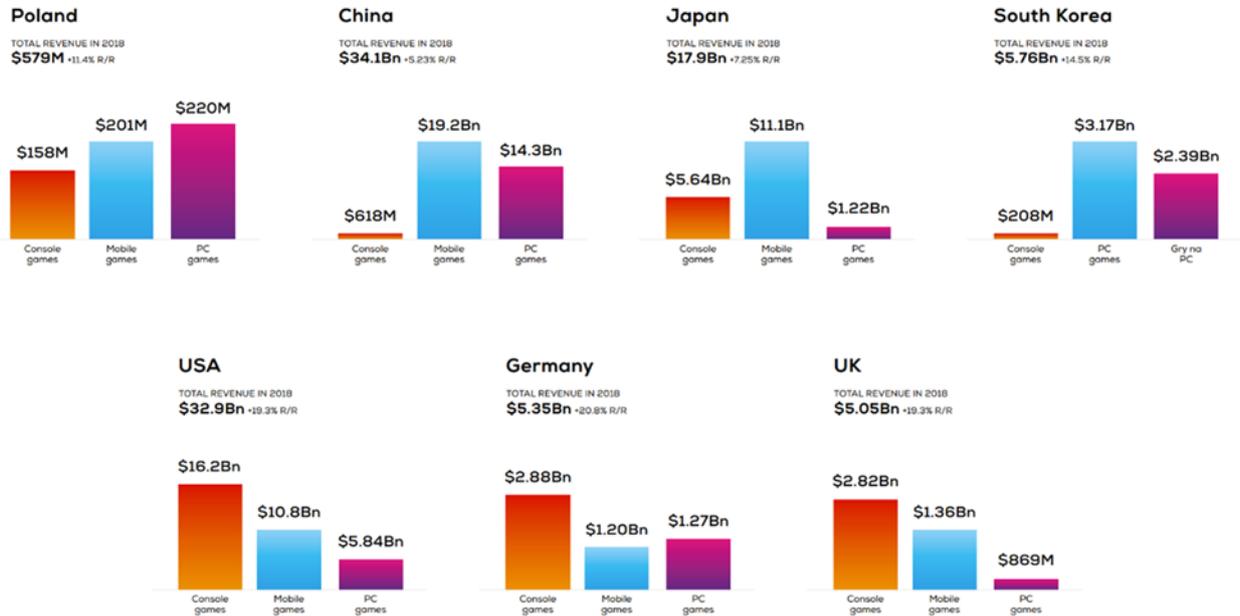


Figure 4. Comparison of the revenues on the selected markets divided into platforms

Data displayed above portray revenues from Poland and the top 6 other countries divided into PC games, console games and mobile games. A Comparison with the leading countries in the industry will allow to draw conclusions and recommendations for the future. Although Poland shows the lowest revenues among portrayed countries, we observe an interesting phenomenon. Unlike other countries, in Poland, PC games account for the highest percentage of revenue. Another factor worth our attention is that mobile games play a secondary role in all of the countries in terms of revenues.

## 4. FACTORS AFFECTING THE INDUSTRY

### 4.1 SUBSIDIES AND INCENTIVES

#### Game INN

A support program offered to Polish game development studios and technology development companies since 2016 by the National Centre for Research and Development. It was created thanks to the Polish Game Association, in the spirit of creating higher competitiveness within the Polish game industry. It is a grant that will partially cover the costs of industrial research and



development works. In 2020, companies were granted over PLN 150 million (Narodowe centrum Badań I Rozwoju, 2020) (Ministerstwo Funduszy i Polityki Regionalnej, 2019).

### **IP BOX**

A tax instrument that enables the reduction of income tax to only 5%, from the sales of the products or services developed based on intellectual property law. Among many conditions to meet in the application process, the most important is having a company that is conducting R&D activities related to the creation, development or improvement of a qualified intellectual property right (Ministerstwo Rozwoju, Pracy I Technologii, n.d.).

### **ARP Games**

Industrial Development Agency (in Polish, Agencja Rozwoju Przemysłu S.A.) together with the cooperation of the University of Silesia (Universytet Śląski) and The Cieszyn city region, twice a year comes up with an offer to teams that create games. The programme they offer is an accelerator supporting game-related ventures. Their help is geared mostly towards young developers, that are taking the first steps in the game industry. They offer financial, substantive and technical support as well as the use of premises (ARP Games, n.d.).

### **Tax relief**

In 2019, the Polish Ministry of Culture was working on a law aimed at financial support for cultural video games. Inspired by other countries, Poland had the idea to introduce tax relief for the production of games based on European heritage and being produced in Poland. The idea was born to support the competitiveness of the industry worldwide. Currently, there is no news about the progress of this project, nor its rapid implementation (Poland in, 2018).

## **4.2 WIG.GAMES**

The stock market is one of the reasons why Poland is leading the way in the game industry. The Warsaw Stock Exchange (WSE) has established a special index: WIG.Games. The creation of the index was a logic result of many game studios listed already on WSE. By the end of 2020, there were 54 companies listed and the number is constantly growing – this makes it the world’s leading stock exchange for game developers (Derdevic N., 2021).

The number of listings being particularly high might be a sign of overheating on the market according to the leading newspaper Gazeta Wyborcza. According to the experts, if the valuations of companies are based on solid fundamentals and remain realistic, there is only a limited threat of





When comparing 4G to 5G, the result is that 5G is 20 times faster in peak times for downloading data. The stability of the connection is better and capacity is up to 100 times bigger. Implementation of 5G plays also an essential role in the gaming industry. It enhances the experience and makes further developments within the production process possible – for example it will give a boost to the production of VR games. The second positive aspect is low latency, with a reduction of 15 milliseconds, to 5 milliseconds – this will prevent from for example lagging. Furthermore, the implementation of 5G will allow consumers to play in the cloud, wherever they are – just by using a phone and access to the 5G Internet (Plus, n.d.) (Tomczyk J., 2020).

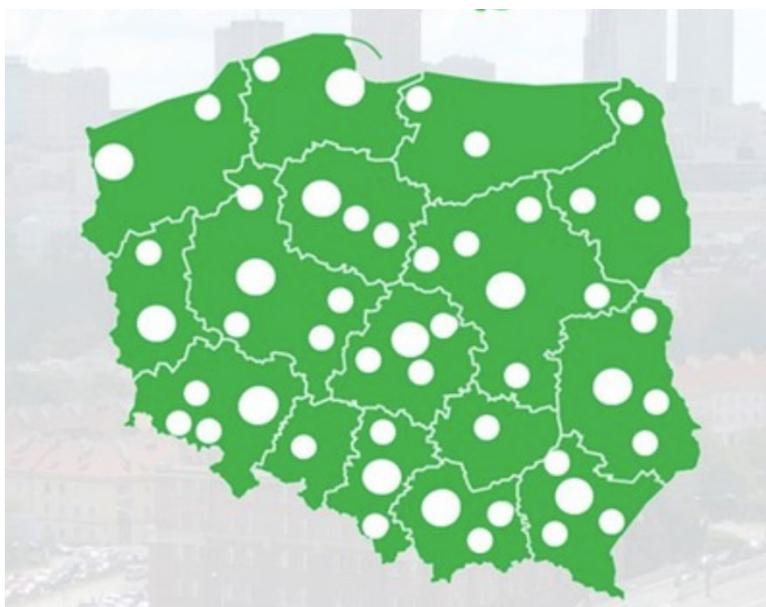


Figure 5. Map of Poland with 5G range

## 5. RECENT CHANGES ON THE MARKET

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### 5.1 COVID-19

While many sectors of the economy are struggling during the isolation and pandemic times, the game industry is blooming. The industry was immediately prepared to serve customers digitally and fulfill the increasing demand for digital entertainment. According to Polish Gamers Research conducted in May last year, 31% of adults admitted playing more often because of the pandemic. In the same report, parents declared that 39% of children played more frequently during the pandemic (Bobrowski et al, 2020).





for themselves – since its launch in 2017, the application was downloaded over 10 million times in 2 years (Bocheński K., 2019).

## 6.2 E-SPORT

E-sport is a sport where Pro gamers are competing in a tournament or a championship, in various disciplines of electronic sports, both single- and multiplayer. The winner receives a prize or/and cash. The most popular games played in e-sport are Counter-Strike: Global Offensive, Overwatch, League of Legends, StarCraft II and Dota 2 (Esport Association Polska, n.d.).

In Poland, the e-sport market is worth PLN 45 million. Thanks to the worldwide success of the Polish e-sport teams and single players, the most popular games are CS:GO and League of Legends, followed by World of Tanks, FIFA and StarCraft II. Over the past years, the favorite channel in Poland to watch e-sports remains YouTube streaming (38%), followed by Facebook (26%) and Twitch (18%). Twitch is a video platform that is dedicated to live-streaming gameplay and competitions. Millions of people visit the platform to watch and interact with each other (Bobrowski et al, 2020).

## 6.3 VIRTUAL REALITY (VR)

According to the Polish Game Research 2020 the popularity of VR games is decreasing from 21% to 10% among Polish gamers. When it comes to the productions of VR games, Poland maintains a steady output level. Superhot VR is a leader of Polish VR games titles. As it is written in 'The Game Industry of Poland 2020' report: ' At least a few five-digit-sales successful VR titles come from Poland' (Rutkowski et al, 2020).

## 6.4 MOBILE GAMING

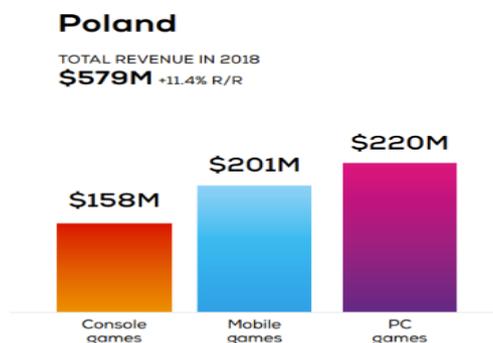


Figure 6. Comparison of the revenues in Poland divided into platforms

Globally, the mobile segment is the fastest-growing of all gaming segments. With most of the people owning a smartphone, it is the easiest and most convenient way of connecting to the virtual world of entertainment. In Poland, in 2018 mobile games were classified in second place when it came to the division of income per industry segment (Krampus-Sepielak et al, 2021). However, when most revenues are generated by the PC games sector, the most titles produced in Poland are in the mobile games sector.

## 7. AN OVERVIEW OF THE POLISH GAME DEVELOPMENT STUDIOS

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From small studios that consist of just a few employees to giants that hire 100+ people and have big budgets to produce AAA games, Poland is a home to over 440 game development studios. Releasing almost 500 games annually and attracting players in the whole world. As Forbes writes: 'In one hundred of the most anticipated computer games, Poles work on every fifth.' Here we put the spotlight on a few of these studios that stand out.

### 7.1 CD PROJEKT RED

CD Projekt Red (CDPR) is a game studio of the famous, top-selling The Witcher series- this is how the company earned its title of being a global brand - to its latest release Cyberpunk 2077. With its headquarters in Warsaw (Poland) and offices in Cracow, Wroclaw and Los Angeles. CD Projekt is home to over 800 professionals. As the company writes in its mission statement and vision: 'We strive to create the best Role Play Games in the world, while always keeping gamers' needs at their core'. The company's market capitalization is 3 times higher than PGE – the largest energy company in Poland (Ostrowski Sz., 2020) (CD Projekt Red, n.d.).

In October 2019, CD Projekt Red was the first and only company from Poland included in the prestigious list of Bloomberg titled '50 Companies to Watch in 2020'

As an article in 'Gazeta Wyborcza' states that, CD Projekt's game Cyberpunk 2077 took 8 years to develop and its release day was repeatedly postponed. Even after such a long preparation time for the developers, gamers experienced difficulties and errors on older consoles. CD Projekt Red apologized and amended some of the errors. Although it harmed the image of the company, Cyberpunk 2077 broke even on the costs of production and marketing within one day after its premiere. After the Board Members officially admitted about knowing that there were errors in the game and still releasing it, CD Projekt Red met with the dissatisfaction of the investors and gamers as well. Additionally, at the beginning of 2021, CD Projekt Red has been hacked and codes to a couple of games have been stolen. The whole situation put the company in a difficult position. It might take time to recover and regain trust from the investors. However, the consolidated financial report of CD Projekt Red shows that the company almost quadrupled their revenue in 2020 – (PLN 2 138 875) compared to the year before (PLN 521 272) (CD Projekt Red, 2021).



## 7.2 11 BIT STUDIOS

11 Bit Studios is a Polish producer, publisher and distributor of computer and console games. It is one of the biggest companies in Poland and its most recognized creations are This War of Mine and Frostpunk. They also published Moonlighter and Children of Morta. This Warsaw-based studio was established in 2009 by a group of people experienced in the industry. Nowadays their motto is: 'We strive to deliver meaningful entertainment' (11 Bit Studios, n.d.). Since the end of the year 2015, the company's shares have been traded on Warsaw Stock Exchange.

This War of Mine was released in 2014 and reached a breakeven point 2 days after its premiere. In 2019, 11 Bit Studios announced that 4,5 million copies were sold. The game also won in total over one hundred awards.

In summer 2020, the Polish government proposed to add the first computer game This War of Mine to the reading list for schools, as optional reading material. This is the first video game that the Polish Government would add to the curriculum. Currently, there are works on how the game can be introduced at schools and how to implement it.

## 7.3 TECHLAND

Techland is one of the oldest and most important game development and publishing studios in Poland. The company started in 1991 as a software distribution company and released its first game Crime Cities in 2000 – that year they entered the game development market. The Call of Juarez brought the first breakthrough. Other giant hits that Techland produced: Dead Island sold over 7,5 million copies and Dying Light sold over 18 million copies. Nowadays, the headquarters are located in Wroclaw. Techland has also offices in Warsaw and Vancouver (Techland, n.d.). The company is privately owned. As the CEO of Techland spoke in the PARP report, independence is important to him, especially when it comes to finances, process and people (Rutkowski et al, 2020).

## 7.4 PLAYWAY

PlayWay is a Polish producer and publisher of games, that are created together with 70 other companies or internal teams. It was established in 2011 by Krzysztof Kostkowski, who has decades of experience in the game industry. The company creates games for PC, Xbox, PlayStation, Nintendo Switch, Android and iOS. During its existence, it has produced and released over 70 games. The company sells its products via the account on platforms as STEAM, AppStore and GooglePlay. Since October 2016 company is listed on Warsaw Stock Exchange and joined the index of 80 largest companies in Poland (PlayWay, n.d.).













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