

First port of call

Nestled in the northern reaches of Germany a cluster of studios have been pulling in millions of punters that console outfits continue to miss. **Aaron Lee** examines what makes the seaboard city of Hamburg a development haven



Gamecity Hamburg's Achim Quinke (top) and Alexander Goldybin of iLogos (bottom)

IN A BUSTLING port city in Western Europe a revolution is happening. The products are digital and the brands largely unknown – at least to English-speaking audiences. But the growth they've spurred is real.

This is Hamburg, one of Germany's most densely populated areas, where games companies are generating the kind of growth that prompts even the most disinterested of politicians and critics to sit up and take notice.

More than 150 development studios and games-related companies have set up shop in the region, which is already famed as Germany's media and banking core. By mid 2013, the games sector in Hamburg is expected to account for 4,500 jobs.

Dubbed the "harbour of the games industry", Hamburg is home to developers such as Goodgame Studios, Fishlabs and Xyrality. They've made their mark in online and social with the very games that have been subject to derision for years. Whether you accept the products they make or not, it is the infrastructure behind this explosion that makes it all the more curious.

"It's funny because free-to-play and browser games development has been smiled at for such a long time, while the British games industry – developing mainly console titles with triple-A budgets – has been considered the poster child of European games development," says Marius Follert, CEO of Farbflut Entertainment. "Through the rise of connected devices and the acceptance of free-to-play in the West, this alleged handicap is now turning out to be a big plus in terms of experience and player base in the face of change that this industry is going through."

Farbfurt is behind the offbeat free-to-play games *Dossergame* and *Knastvögel*, titles that have attracted millions of users, primarily from German-speaking countries. And it's not alone. Many of Hamburg's studios have ploughed their resources into browser games and free-to-play development, with surprising success.

"Hamburg is definitely the capital city of browser games," says Goodgame COO and co-founder Christian Wawrzinek, whose company has built a successful business on online games.

Goodgame's empire of free games are all about wish fulfilment. Command a starship, become a gang leader in a bid to control the streets, get your hands dirty rearing chickens and milking cows on a farm of your very own – the list goes on.

Such titles hail from well-trodden genres, such as role-playing and time management, but their component parts serve to create an experience that has attracted over 100 million registered users.

ALL FOR ONE

Almost all of Hamburg's developers paint *Develop* a similar picture when it comes to their games. It's no exaggeration to say that the city has browser games running through its veins as freely as the tributaries of the River Elbe, which snakes its way through the heart of Hamburg. Of course, there's no shortage of browser games online covering all manner of popular fantasies and themes.

When another fifty companies on your own doorstep are producing similar kinds of experiences for players, you'd think friction would start. That's not the case, thanks to the



The coastal city of Hamburg has a huge draw for young people, say local employers in the games business. Scenic images for this piece provided by www.mediaserver.hamburg.de. Photo: Sven Schwarze

ecosystem and support network that has been established in the city.

Much of the credit for this goes to Gamecity Hamburg, the trade body responsible for nurturing and promoting the city's developers and service providers.

"Gamecity Hamburg specifically is a great support for the gaming industry in our area," agrees InnoGames CEO Hendrick Klindworth. "They arrange bi-monthly parties for all in the industry, which is a great way to network. They also frequently host HR events in the city and in surrounding countries to support our hiring goals. And they work closely with the local government to champion our issues."

Goodgame's Wawrzinek is equally supportive: "The local firms all form a well-connected network. With Gamecity Hamburg, we have one of the best gaming networks in the world. The initiative provides an exchange of knowledge between the companies, promotes the training of young specialists by introducing gaming studies into the university curriculum and facilitates the recruitment of professionals from all across Europe."

Achim Quinke is the architect behind Gamecity Hamburg, as well as the city's dedicated jobs portal, Games-Career.com. The organisation, which celebrates its tenth year in operation during 2013, prides itself on listening to the needs of developers. That, claims its team, is how initiatives like

“ Mainstream media and many cultural institutions are based here. That's what attracted the gaming industry to Hamburg. ”

Felix Faber, Bytro Labs

recruitment tours to neighbouring European universities were initiated. As a result of its actions Gamecity Hamburg has accumulated an impressive 2,000 individual members across Germany – although studios themselves cannot be single members.

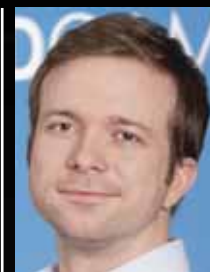
HOME FROM HOME

Hamburg is also a home for the founders of Xyrality, InnoGames and Farbflut. but for others, it was the city's reputation for media and finance that drew them to it.

Bytro Labs is one such company, as managing director Felix Faber explains: "The company was founded in Freiburg but when we started growing it became harder to find qualified employees there, so we decided to move to a bigger city. Hamburg was our first choice due to the big gaming community and the networking possibilities."

Faber continues: "Hamburg has always been a city that has attracted creative and innovative people. Mainstream media as well as many cultural institutions are based here. That's what attracted the gaming industry to Hamburg in the first place. The creation of networks and the many possibilities to connect with others from the industry is what makes Hamburg unique. And the more gaming companies move here, the more attractive it becomes."

While Gamecity Hamburg received lots of positive name checks, some companies



Christian Wawrzinek of Goodgame Studios (top) and Felix Faber from Bytro Labs (bottom)

Hamburg's port area offers a bustling atmosphere attractive to many looking for a job in a vibrant city (Photo: Thomas Hampel)



were far less impressed with the lack of support from national government.

Wawrzinek says that such support "limps behind" that of other nations, and describes it as incomparable to the UK. Tax breaks for games developers don't exist, he says.

Follert agrees: "In terms of financial support, Hamburg or Germany in general could do more to support new studios. The support pales in comparison to what Scandinavian countries invest in this sector, for example."

CASH CAPITAL

Moving on from politics, a number of firms were drawn to Hamburg because of its advertising and investment opportunities.

The high number of developers that have adopted the free-to-play business model has helped to attract a group of support companies that provide an essential symbiosis in the city.

Among these organisations are Game Ad Net, TrafficCaptain, Atlas Interactive and Elblabs. Each of these companies concentrates its efforts on driving traffic to browser game sites, attracting advertisers or creating new revenue streams, which are a necessity for games which really on advertising or the sale of premium content.

For example, Game Ad Net specialises in monetising browser and mobile games, with particular focus on getting non-paying gamers to part with their cash. And

TrafficCaptain works to generate traffic for online and mobile content companies, offering performance-based campaigns and consulting services for the implementation of Google AdWords.

And it was opportunities in the development space as well the services that support it which led venture capital firm iVentureCapital to invest in three Hamburg-based companies,

“Hamburg is the most exciting city in Germany, and that is why a lot of talent is considering moving to Hamburg.”

Michael Reul, iVentureCapital

the previously mentioned Farbflut and TrafficCaptain, as well as MobileBits.

"Berlin is known for its vibrant start-up scene, but when it comes to successful ideas in the long-term, it seems that Hamburg-based companies have a better track record," says iVentureCapital co-founder and CEO Michael Reul. "For me, Hamburg is the most exciting and beautiful city in Germany and that is why a lot of talent is considering moving to Hamburg."

Hamburg has vocal support. But what of Berlin? The German capital, home to social games developer Wooga and a host of tech start-ups, has been lauded as Germany's next bastion of games development. Companies including Unity, Google and Mozilla have set up offices in the city in the last 12 months, with others eyeing it closely.

Wawrzinek is unrepentant: "With the quality of the local gaming companies, Hamburg can easily compete with Berlin, the hyped Mecca of internet start-ups."

Fishlabs marketing director Kai Hitzer adds that Hamburg's industry culture of regular meet-ups makes "it feel more as if you're talking to a peer than a competitor".

iLogos Europe co-founder and CEO Alexander Goldybin is equally as devoted to the city: "The greatest strength is the people working in the industry in Hamburg. They are what makes making games such a thrilling and often fun endeavour. The mentality of the trade hub makes it easy to bridge cultural differences, and creates a multicultural working space that offers a home for all sorts of international talent."

EARLY RISERS

A healthy support network and supportive local investors gives the city's developers a sturdy launch pad, but Gamecity Hamburg's Quinke also believes it's quick-wittedness that got them where they are today. ▶



Hendrik Klindworth of InnoGames (top), and Synthesis Germany's Jan Werkmeister (bottom).



Goodgame's studio, like so many in Hamburg, focuses on social gaming



Xyrality's strategy building MMO Celtic Tribes



A view of one of Synthesis' sound booths, from the engineer's side of the glass



An InnoGames developer hard at work in the studio



Fishlab's Kai Hitzer (top), and Marius Follert of Farbfurt (bottom)

"Hamburg-based developers are successful because of their early move to free-to-play games instead of developing expensive console games with high financial risks," he says.

Follert, who's employer has been making free-to-play titles for nearly five years, agrees.

"Many studios from Hamburg found success in the free-to-play realm long before social gaming took off and studios in other Western markets really started to take it seriously," Follert claims.

InnoGames is among the studios that have benefited from this first mover advantage. Brothers Eike and Hendrik Klindworth created the free-to-play title *Tribal Wars* in 2003. What started out as a hobby rapidly snowballed into a full-time occupation. Since founding InnoGames in early 2007, the company now has about 220 staff, and its games, which also include *Grepolis*, *The West* and *Forge of Empires*, boast over 80 million registered users.

"InnoGames differentiates itself from many other online gaming companies by putting a lot of care into a small amount of titles," says Klindworth. "We put an extremely high priority on quality."

MOBILE GETS MIGHTY

Being first to the new pastures of the online space has meant many of Hamburg's developers have flourished at a time when console development has become increasingly risky.

But as consumers moved in greater numbers to mobile platforms, desktop and browser games makers cannot afford to stand still. Hamburg's developers appear to be staying one step ahead of the competition once again. Many of those same early movers that have hit big in the browser space have been making the switch to the mobile market.

For mobile specialist Fishlabs, the arrival of smartphones has given them the platform to shine.

“ Our business had often been rather tough in the Java days, but it really took off three-to-four years ago, with the iPhone. ”

Kai Hitzer, Fishlabs

"We've been up to our tricks since 2004 and, in the eight years of our existence, we have constantly pushed the envelope in order to bring console-quality gaming experiences to the hottest mobile devices on the market," says Hitzer. "While our business had often been rather tough in the Java days, it really took off three-to-four years ago, when the iPhone got introduced and the App Store got

opened. From that moment on, we finally had the right hardware and the right ecosystem to produce exactly the kind of games we always wanted to make. And our passion and endurance ultimately paid off. Today, our flagship title *Galaxy on Fire 2 HD* is considered a true ambassador for triple-A gaming on smartphones and tablets."

'Free-to-play' and 'mobile' are the buzzwords of the moment, but the recipe for sustained success is about more than that. Hitzer continues: "If you take just one of them, you might already be on the right track. But if you embrace both of them, you've got a good chance to make it big. Just look at the recent success stories of *CSR Racing* or *Clash of Clans*. If you do it right, such titles can go straight through the roof.

"That's something that even a premium developer such as us has noticed – despite the fact that it is not 100 per cent consistent with our pay-to-play business model. Hence, we've been doing quite a lot of research in the field of alternative payment models in the last couple of months"

That's also what dedicated mobile developer Xyrality has been doing. Founded in late 2010 and home to 50 employees, it creates strategy and role-playing MMOs for mobiles, such as the beautifully designed *Lords & Knights*.

"We focus on iOS and Android applications but are also offering browser clients in the ▶



Photo: Ottmar Heinze



Hamburg's industrial heritage (main image) has granted the city a sturdy foundation for games company's like iVentureCapital, which is headed up by Michael Reul (above)

context of our cross-platform concepts that bring players from all devices together in one game world," explains co-founder and co-CEO Sven Ossenbrüggen.

InnoGames see the future in the same way, as it plans to launch two cross-platform titles in 2013.

Additionally, Goldybin says this need from his clients has led his production and creative services outfit, iLogos, to step up its technology when it comes to cross-platform development.

"The boom of mobile-based games definitely cannot be ignored. With Android gaining, it has become more and more important for us as an independent developer to offer our clients true cross-platform and multi-platform solutions for their games," insists Goldybin.

"With the rise of mobile gaming, cross-platform development is something that many developers need to tackle and that is something the studios here have yet to master, too," says Follert, who adds that there needs to be considerable growth in order to address the challenges that cross-platform development presents to studios.

TROUBLE TOWN

However, there may well be rough seas ahead in the bay of free-to-play.

Despite Germany having the highest GDP in Europe – \$3.5 trillion in 2011, according to the IMF – the ongoing financial crisis across

the European continent may threaten jobs in the sector.

Ossenbrüggen is pragmatic: "As with most other industries, the games business does feel the crisis; but in some sectors – such as

“ With the variety of different studios here in Hamburg, there are always companies that can sustain their growth. ”

Sven Ossenbrüggen, Xyrality

iOS and Android – the growth of the market overcompensates for the crisis' negative effects. With the variety of different studios and approaches here in Hamburg, there are always companies that can sustain their growth, while others might feel more pressure."

Goldybin believes the Eurozone crisis may have a negative effect on the earnings of established companies, but expects it to free up potential talent to start-up their own new gaming businesses.

Looking more broadly, Wawrzinek says it will be these young companies that are most at risk: "The users of browser games have

become more demanding. Consequently, the development of new titles has become more complex and more expensive. This translates as a requirement for even more qualified staff and even more money. Ultimately, companies less attractive and, most importantly, less profitable than ours have difficulty establishing themselves in the market."

On the other hand, a number of companies hold the view that the Eurozone crisis has had no effect on them, and that they will continue to sustain their growth.

The region's most immediate threat, says Follert, is adapting to the ever-changing online games market, as recent events have brought cracks to the surface.

In October 2012, Bigpoint, one of the city's most accomplished developers, closed its San Francisco office and let go of 120 staff. The reason, said its founder and CEO Heiko Hubertz, was that the games it had developed hadn't been that successful, and in the highly competitive US market that proved terminal.

Only a few months before, Bigpoint ditched its mobile business plans, stating that it was not the right time to be in mobile because of the difficulty of generating revenue.

These events, along with Zynga's sinking fortunes, have been interpreted as a sign that the free-to-play business model is in trouble.

Even just the perceived threat of the free-to-play model deflating risks starting



trouble for Hamburg's developers, which rely so staunchly on the model.

Follert is surprisingly frank: "The success of free-to-play online games and the predominance of local game studios developing for this genre is the main driver for the jobs growth in Hamburg. But despite all the hype around the business model and all these numbers for open positions in Hamburg that are being thrown around, we need to be realistic. The early days are over and the recent layoffs at Bigpoint proved that. I believe in healthy, sustainable growth. To me, the Eurozone crisis is not as much of a concern as the growing number of competitors in the free-to-play sector and competition for talent in the regional job market."

BRINGING HOME THE BACON

The stigma that surrounds free-to-play browser games has not gone away. But neither have the developers behind them. The ecosystem that has been built up in Hamburg is a testament to the fact these games have the means to enable huge growth.

Then again, looking ahead, there is awareness from part of Hamburg's development community that the platforms and business models that got them where they are today cannot be taken for granted.

Fishlabs' Hitzer is putting his faith in mobile: "Unlike the console and the browser games businesses, which are currently

experiencing a phase of consolidation, mobile keeps growing and advancing at a rapid pace. Hence, the time to enter the industry could hardly be better."

Cross-platform development is the answer for some developers, like InnoGames, and

“If Hamburg-based companies manage to build upon their online experience, I’m sure they will see prosperous years ahead.”

Jan Werkmeister, Synthesis

where they go, service providers such as iLogos will follow. Increased complexity will result in the need for more skilled staff, not to mention new opportunities for external companies to aid production.

Jan Werkmeister, localisation manager and partner at QA provider Synthesis Germany, warns that there will be no room for low-quality titles: "Great games will always work out, I believe, but it seems we are to a point where users don't accept poorly made games anymore. Quality will increase, budgets in the same manner and the number of games brought to the audience will decrease."

In spite of perception of the volatile nature of free-to-play, Quinke is confident that Hamburg will remain Germany's development capital: "Hamburg has a perfect environment for games developers. Even if some of them have to reduce their staff, we still expect growth in terms of the number of jobs. By summer 2013, we will count more than 4,500 people working in our industry."

Bytro Labs' Faber, too, is placing his trust in people's desire to play games: "Our customers live all over the world, so we are not dependent on a certain territory like the EU. In addition, more and more devices, like smartphones or tablets for instance, increase the time budget in which people can play games. Finally, I think people will always play games, no matter what the economical situation of a country is. As a result, I think the games sector is very resilient to crisis."

"In the end it depends on what people are playing and how they are paying for the games they play," says Werkmeister. "I'm confident that interactive entertainment will become the new 'Leitmedium' [key medium] and if Hamburg-based companies manage to build upon their online experience, I'm sure they will see prosperous years ahead. "Germany is a wealthy country and Hamburg is also one of its nicest cities. I'm sure a lot of people would love to work here. However, founding an umbrella factory could bring home the bacon as well." ■



Stefan Klein of Gamecity Hamburg (top), and Sven Ossenbrüggen from Xyrality (bottom)

A HAVEN IN HAMBURG



Photo: Christian Spahrbier

GAMECITY HAMBURG'S MISSION is to create an optimal business environment for the industry in Hamburg. The body is the largest network dedicated to the games industry in Germany, with more than 2,000 individual members to its name. It was established in 2003 as a public-private partnership funded by the City State of Hamburg, and is led by founders Achim Quinke and Stefan Klein.

"Our main strength is that we can provide the whole value chain of the games industry in one city," says Klein.

Gamecity provides studios with PR, affordable office space, consultancy, recruitment support, among other activities. The body puts listening to the needs of its members first, which has led to the creation of new kinds of services, such as recruiting tours to European universities. The importance of ensuring skilled students continue to enter the workforce is also a prime concern for Gamecity, which

has underlined the need for more expert personnel in programming specifically. The network does its fair share to support games education in the city by hosting lecture series, providing advice on games development courses and partnering with local universities involved in technology and games-related research.

Most notably, the network has generated an atmosphere and culture among local studios that has resulted in an increase in jobs for the sector.

"Hamburg counts more than 4,000 employees in our industry, so we are far in front of other cities in Germany," Quinke says.

"Munich is a beautiful spot and Berlin is the place to be for parties and nightlife. But Hamburg is number one in terms of earning money and building sustainable studios. And of course we have a vibrant nightlife too."

www.gamecity-hamburg.de

GOODGAME STUDIOS

Founded: 2009

Headcount: 300+

Previous games: *Goodgame Empire, Goodgame Big Farm*

Current projects: Unannounced



BY ITS OWN account, 2012 was Goodgame's most successful year to date. The studio grew to over three hundred people, and it claims to have increased its turnover by several hundred per cent. Not to mention, declaring itself as the only studio in Germany to have its own swimming pool.

Dr Christian Wawrzinek, COO and co-founder of Goodgame, speaks amicably of his city: "The local firms

all form a well-connected network. The public image of Hamburg as a stronghold of games development is good and consistent."

Goodgame develops and publishes free-to-play browser games through its web portal. Its themed games include fashion, farming and sci-fi titles, among others, and now have more than 100 million registered users.

"We are not driven by investors, and our growth results from our strategy for sustainable growth and outstanding performance," says Wawrzinek of the studio's indie status. "This is why we are looking forward to the coming year – we are convinced that we can increase our turnover even further in the year to follow, and that we will reach the goal that was set in the spring of last year. Namely, to extend our staff to 800 employees by the end of 2013."

www.goodgamestudios.com

XYRALITY

Founded: 2010

Headcount: 50

Previous games: *Lords & Knights, Crazy Tribes, Celtic Tribes*

Current projects: Unannounced



"RATHER THAN A particular studio model or development method, it's more the melting pot character that's typical of Hamburg's gaming industry," says Xyrality co-founder and co-CEO Sven Ossenbrüggen of his studio's home city. "We have a high variety of different companies and entrepreneurs that are either all about gaming or gaming-related."

Xyrality develops mobile MMOs for iOS and Android platforms, and more recently began implementing

cross-platform development for its clients. For Ossenbrüggen, mobile is the strongest trend in the current market, and he says it is more of a platform shift than a straight technology shift.

Ossenbrüggen adds that the city's games trade body, Gamecity Hamburg, has given it good support financially and educationally. And, he says that developers are treated well by Hamburg's local government.

"At Xyrality, we have a corporate culture where all team members can see their commitment contributing to our success every day," he says. "To keep this spirit alive, we are always looking for ambitious employees striving for excellence in their job. In turn, Xyrality places a lot of responsibility on its employees so they can use their drive to create something new to achieve great things."

www.xyrality.com

FISHLABS ENTERTAINMENT

Founded: 2004**Headcount:** 60**Previous games:** *Galaxy on Fire 2, Snowboard Hero***Current projects:** Unannounced multiplayer title

MOBILE DEVELOPER FISHLABS has come into its own since the arrival of the iPhone.

Premium 3D games for smartphones, tablets and PCs are the Hamburg outfit's focus, and it has amassed over 50 million downloads for its titles to date, led by flagship series *Galaxy on Fire*.

"The big browser game companies do no longer just pursue a single strategy, but rather they become more and more interested in new businesses as well," explains Fishlabs marketing director Kai Hitzer.

"The hottest and most spectacular business of the hour is most likely the mobile business – which is quite good for us, because it's been our main field of interest ever since our foundation in 2004, and hence we've

got a lot of unique experience and know-how in that area."

One particular factor that makes Hamburg especially attractive to developers is the infrastructure of the city's gaming scene, he continues: "Not least due to the Gamecity Hamburg initiative, there is a pretty vivid exchange and a rather cooperative workflow between the different companies. Employees and managers of all different kinds of gaming outfits meet each other regularly on industry parties, regulars' tables and other kinds of meetings. And on almost all occasions, it feels more as if you're talking to a peer than a competitor."

Fishlabs is currently working on its first multiplayer title.

www.fishlabs.net



INNOGAMES

Founded: 2007**Headcount:** 220+**Previous games:** *Tribal Wars, Grepolis, Forge of Empires***Current projects:** *Kartuga*, plus two unannounced titles

"HAMBURG IS THE capital of the gaming industry in Germany, especially in the online games market," says Hendrik Klindworth, CEO of InnoGames.

The studio started life as a part-time preoccupation for Klindworth, as he explains: "I grew up in the Hamburg area, and along with my brother [Eike] and our school friend [Michael Zillmer], we created the game *Tribal Wars* at a young age. In 2007, we started InnoGames to support the growing fanbase of the game, and we rented our first office in our hometown of Stade. When we started to outgrow

that office, we knew we had to move closer to the city for better recruitment opportunities."

Today, the studio has over 200 staff working on its roster of free-to-play browser titles.

In 2013, it's moving into mobile apps, and looking to strengthen its business with new cross-platform productions. Job growth may vary from company to company, but Klindworth is confident Hamburg is the place to be.

"We wouldn't think of headquartering InnoGames anywhere else," he concludes.

www.innogames.com

ILOGOS EUROPE

Founded: 2006**Headcount:** 200+**Previous projects:** *Vector, Mega City, 11x11, Starboard Slots***Current projects:** Unannounced

"WE BRING GAME ideas to life," says iLogos co-founder and CEO Alexander Goldybin, by way of introduction. Formed in 2006, the independent outfit provides affordable production services for social, browser, mobile and cross-platform games. Among its customers are international names, such as Wargaming.net, Playdom, Peak Games, National Geographic Games, 6waves, FreshPlanet, Upjers and Youdagames.

Depending on its clients' needs, it can produce complete games, including creative services or work from existing design documents. It

can also provide 2D/3D graphics, QA, testing or simply porting between platforms.

Goldybin's reason for working in Hamburg is practical: "Hamburg supplies an excellent talent pool for any company that grows as quickly as ours. For us, it is also an important factor to be able to offer our clients onshore legal benefits, paired with nearshore pricing. Besides, the quality of living is very high, while the cost of living is reasonable. So, overall, it is just a very good packaged deal.

"Within Germany, Hamburg is probably the most attractive city to live and work in. I would even say, it is rather attractive even on an international scale. This helps tremendously, finding skilled personnel and B2B partners to operate and grow a games business on. The Eurozone crisis might have a negative effect on the earnings of established companies, but it has also freed up potential talent to start up their gaming businesses."

www.ilogos.biz