

Warsaw's Gaming Sector Gains Global Standing

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North America, East Asia, and Western Europe dominate video game software development and publishing. Consequently, the gaming industry in Eastern Europe is underexplored, even as its development communities and markets are proving significant on a local, regional, and global scale. Within the region, Poland has developed a prominent cluster of commercial gaming enterprises over the past decade, most notably in its capital city Warsaw.

Starting with its liberalization in 1989, Poland transformed its Soviet, state-run economy to a free market environment, leading the way for the private media sector to take root. Poland's application for European Union (EU) membership in 1994, a request that was finally granted in 2004, accelerated this process. Emerging early in this transformation, the Polish video game industry has been a significant but often marginalized success story, helping to arguably make Warsaw one of several gaming capitals of Central and Eastern Europe. Globally, the gaming industry is an important [driver](#) of economic [growth](#) and

job creation. Although still young, Poland's [gaming industry](#) is beginning to stand out as a notable player in the international digital games business, cultivating its own local industry while nurturing relationships with foreign partners and investing in digital portals to develop a global distribution network. As a result, Warsaw has become a place to watch in a still [emerging](#) European gaming market.

Here are five reasons why Warsaw is a place to watch:

1. The Polish media ecosystem has completely transformed in the last twenty years thanks to market liberalization, government cultural policy, and the country's admission to the European Union.
2. Warsaw is the media hub of Poland where the country's leading TV stations and film studios cross-pollinate with other creative enterprises, such as gaming.
3. Many Polish gameshops started as local distributors of foreign games but are now reliant on foreign companies for global distribution of native productions.
4. Western companies are aggressively targeting emerging Eastern European markets, including Poland, in hopes of attracting new consumer clientele.
5. Despite high piracy rates throughout Eastern Europe, Polish gaming enterprises have developed a number of innovative strategies to protect their products and grow their businesses.

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POLISH FILM INSTITUTE

Poland's rebirth as an independent nation ushered in a series of media policy [reforms](#), including the [1992 Broadcasting Act](#), which converted the state-owned broadcasting apparatus into two public service organizations. Policies encouraging commercial radio and TV stations were also crafted. After joining the EU in 2004, Poland was recognized for its burgeoning economy by multinational companies whose investments helped fuel further growth. In the video game sector, some of these companies included [Sony Computer Entertainment Polska](#) in 2007 and [Ubisoft](#) in 2008.

The Polish film industry has also benefited from economic and policy reforms, such as the [2005 Cinematography Act](#) and the founding of the [Polish Film Institute](#). The institute supports local productions and encourages international [co-productions](#).

The Polish government has not, however, offered comparable support to the gaming industry. This is part of a broader pattern across Europe. The European Games Developer Federation has [argued](#) for EU policy to recognize the importance of digital games and support them as a specific model category. Outside of France, the [UK](#), and Sweden, very [few](#) European countries have [crafted](#) policy specific to digital games. Tax breaks for digital game developers are becoming [popular](#) in the U.S. and other countries, but Poland does not currently offer any. Yet

some positive steps have been taken, such as the development of [Multimedia City](#) in the southern Polish city of Nowy Sącz, the [transformation](#) of the Krakow Commission for Audiovisual Arts to include funding for game development, and two creative industries [policies](#) passed by the city of Warsaw in 2012. These initiatives suggest that the national and local governments in Poland increasingly recognize gaming as a potential driver of economic development.

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There are multiple and intersecting forces behind Warsaw's development as one of the media and gaming capitals of Central and Eastern Europe. Warsaw is the capital and largest city in Poland with a core population of 1.7 million and a greater metropolitan population of 3 million. Warsaw is also the center of culture and business in the country. In fact, Warsaw is "[considered](#) one of the most attractive business locations in Europe," encouraging local and foreign investment. At the hub of this financial success is the Warsaw Stock Exchange, which is second only to the London Stock Exchange for the number of IPOs that appear on the market in Europe. Besides its thriving [economy](#), other notable factors in Warsaw's vibrant media landscape include its educational community and its politico-geographic location between Western and Eastern Europe.

Warsaw provides an [educational](#) milieu with almost 80 higher

learning institutes, including the University of Warsaw, the Academy of Fine Arts in Warsaw, and Warsaw University of Technology. Programs specifically dedicated to game design have yet to emerge in Warsaw, but the Krakow-based [European Academy of Games](#) founded in 2008 provides a reliable stream of skilled workers.

Warsaw's cultural scene is also a contributor to the success of its gaming enterprises. Along with the Baltic States, Poland represents a "[cultural meeting point](#), economic gateway and political mediator between East and the West." The city is strategically located to facilitate business and trade. As Poland's busiest airport, Warsaw's Chopin Airport hosts over [9 million](#) passengers every year, most of them traveling to destinations throughout Europe.

Notable development studios in Warsaw include CD Projekt Red, City Interactive, Frontline Studios, People Can Fly (Epic Games), Flying Wild Hog, and Techland, all of which have had games published internationally. The main video game distributors in Poland are CD Projekt, Cenega (1C), Nicolas Games, [Galapagos](#), and [LEM](#). Additionally, international publishers in the city include Sony, Codemasters, Electronics Arts, Microsoft, Nintendo, and Ubisoft. Over all, the city's gaming enterprises range from small start-ups to divisions of prominent multinational media companies.

3. Many Polish gameshops started as local distributors of foreign games but are now reliant on foreign companies for global distribution of native productions.



Two of the oldest [studios](#) in Poland are Techland, founded in 1991 just after the liberalization of Poland, and [CD Projekt](#), founded in 1994. Both Techland and CD Projekt started not as software developers but as distributors. Taking account of the market for foreign PC games within Poland, these studios reached out to developers in other countries, notably the United States, in order to secure the Polish distribution rights to popular PC games. Accordingly, CD Projekt built itself up by publishing the high-profile PC games *Baldur's Gate I and II*, *Warcraft II*, and *Diablo II*. Due to Poland's relatively small [market size](#), almost all international market leaders distribute their products in Poland through local publishers and distributors, creating a market controlled largely by Polish and Eastern European publishing firms. Poland's games industry developed around the PC instead of consoles because consoles were not available there until after liberalization. Moreover, [cheap PCs](#) were plentiful and game development tools for the PC were competitively priced.

In 2002, Polish distributors turned their attention to internal development of new titles. For instance, CD Projekt formed CD Projekt Red, a subsidiary dedicated to game development. Many of the games produced in Poland do not have a distinct "Polish" feel, although some share the same grim aesthetics, dystopian vision, and simulation mechanics as other Eastern European games. Yet, like Sweden, Poland's success largely derives from creating genre-based, exportable games that

appeal to a Western audience, especially in the American market. Of course, local flavor does seep in. For example, the *Witcher* games are based on Polish fantasy novels by Andrzej Sapkowski.

Combining state-of-the-art presentation, familiar tropes of the roleplaying genre, and the works of a local author, the *Witcher* games perhaps represent the ideal product in Eastern Europe. Atari handled the American PC releases of both *Witcher* titles and Warner Bros. Interactive published the Xbox 360 version of *Witcher 2*. One of the most popular and critically acclaimed games to come out of Poland, *Witcher 2* sold 1.7 million copies globally as of June 2012, but had been [pirated](#) over 4.5 million times. *Witcher 2* arguably represents the current pinnacle of the Polish games industry; a position supported by the fact the Polish Prime Minister Donald Trusk [gifted](#) *Witcher 2* to President Obama when he visited in May 2011.

Over the last five years, there has been a shift from international publisher support to local financing as Poland's leading studios, such as City Interactive and CD Projekt, go public on the Warsaw stock exchange. Yet while a certain degree of self-sufficiency is possible, because of the limitations of the Polish market, these companies continue to depend on international partners for global distribution. Noticeably, these relationships have the potential to change with the growth of digital distribution, since CD Projekt's online portal, Good Old Games, gives them cheap access to customers around the world.

4. Western companies are aggressively targeting emerging Eastern European markets, including Poland, in hopes of attracting new consumer clienteles.

Warsaw has emerged as a global competitor in the games industry that offers relatively cheap labor, attracting investments and collaboration from major publishers. It is moreover a regional competitor whose firms are succeeding in the growing market for console games and in digital delivery services. None of the [markets](#) in Central and Eastern Europe quite match those of Western Europe, but they still represent a [significant](#), untapped audience, especially in Poland (with a population of 38 million), Ukraine (with a population of 45.7 million), and Russia (with a population of 142 million). In 2012 Polish consumer spending on computer games was [estimated](#) to be between \$350 and \$400 million. This is up from a 2004 [market size](#) of roughly \$31.2 million. Around [12 million](#) people in Poland reportedly play digital games. Poland's cheaper labor pool and market growth has helped sustain its industry even as it struggles with control over foreign distribution. Consequently, the market for digital games is growing at a brisk pace due to an [expanding](#) appetite for console, Massive Multiplayer Online, mobile, and direct-to-download digital games.

As a sign of its growth, the Polish games industry is experiencing local, regional, and international [consolidation](#). Locally, the largest studios like City Interactive and CD Projekt are buying up smaller developers. Regionally, Russia's [1C](#), sometimes called Russia's Microsoft, purchased [Cenega](#) in

2005, one of the five largest publishers in Poland. This allowed 1C to exploit the growing Polish market with a sea of cheaply produced Russian games. As the Russian games industry begins to expand, they see Polish studios both as a source of content and as competitors for a growing regional market. Internationally, Epic Games [purchased](#) People Can Fly in 2012, a studio that recently developed *Gears of War: Judgment* for Epic.

At the same time, major gaming firms are also spinning off talent to fresh start-ups. For instance, when Epic purchased People Can Fly, founder Adrian Chmielarz left to form a new development house called The Astronauts. In fact, throughout the growth of the Polish industry, developers from powerhouses like CD Projekt and People Can Fly have left to form studios such as Reality Pump. This continual splintering seems to be a slight pushback against consolidation and helps the local industry continue to grow and innovate.

Other [Eastern European](#) cities with significant development clusters include Moscow, Kiev, Prague, and Budapest. Moscow hosts [1C](#), [Game Insight](#), [Akella](#), and Russobit-M. Kiev houses GSC Game World, 4A Games, and Ubisoft Ukraine. Studios that call Prague home include 2K Czech, Bohemia Games, Warhorse Studios, and Amanita Design. Finally, Budapest features Zen Studios, Black Hole Entertainment, and Digital Reality. A short list of notable games to come out of this region include *S.T.A.L.K.E.R.*, *Metro 2033*, *Mafia II*, *Machinarium*, *Arma 3*, and *Sine Mora*.

5. Despite high piracy rates throughout Eastern Europe,

Polish gaming enterprises have developed a number of innovative strategies to protect their products and grow their businesses.

Piracy plagues the Eastern European games industry and limits its growth. In a February 2009 [study](#), the Entertainment Software Association named Poland one of the top five Western European countries for video game piracy. (That the ESA calls Poland a Western European country here further underscores Poland's strategic position between West and East Europe).

Of course, the piracy problem for Poland's eastern neighbors is even worse, with the gaming [culture](#) in Russia being one that is largely defined by piracy. The high cost of console games (\$85 USD) combined with the ease of hacking consoles, downloading illegal copies, and burning them to discs, makes piracy the norm, not the exception, in Russian gaming culture. Even those without the means to perform this process can walk down to their local game shop and pay to have their console hacked in order to purchase and play pirated games. Russia's bad economy and geographic size, which leads to [distribution problems](#), also contribute to high piracy rates. Without these factors, Russia could eclipse Poland and Ukraine as the most important market for video games in Eastern Europe and it may well do so as online and mobile games become more popular. (Recent research suggests piracy rates in Russia are decreasing. One game publisher, for instance, [describes](#) a drop in Russian piracy rates from somewhere near 99 percent of the market in the early 2000s to just 60 percent circa 2009).

Recognizing that digital piracy represents a barrier for growth, the gaming industry has responded with a number of [tactics](#), most notably a turn toward digital distribution. In 2008, CD Projekt launched Good Old Games (GOG) to sell PC titles digitally and fend off the piracy problem in the region and abroad. The distribution platform does this with a [strategy](#) of [DRM-free](#) (digital rights management) games, fair or discounted prices, and customer outreach. These anti-piracy strategies have proven successful, as GOG has [grown](#) 100 percent year-over-year since 2008. Right now, CD Projekt still earns the majority of its revenue in game development, especially with the success of *Witcher 2*, but this will likely change in the next decade if GOG continues its current growth rate. With a name recognized almost as well as Valve's Steam, EA's Origin, and Amazon's digital download service, GOG might represent, at least in form, the future of the Polish and Eastern European gaming industry.