



Funding of games and software

Introduction to funding

Funding is the act of providing financial resources, usually in the form of money, or other values such as effort or time, to finance, for example, a project, program, research, startup or development. There are many types of funding including credit, venture capital, donations, grants, savings, subsidies, and taxes. Fundings having no direct requirement for return of investment are described as soft funding or crowdfunding. Examples of this type of funding are donations, subsidies, and grants. (Wikipedia 2017b.)



Public funding in Finland

Funding is strongly based on national solutions and national organisations. In Finland the most known organisations funding, for example, game business or software business are:

- Finnish Funding Agency for Innovation (Tekes)
- Centre for Economic Development, Transport and the Environment (ELY-keskus)
- Finnvera
- Sitra
- Finnish Industry Investment (Teollisuussijoitus)
- The Promotion Centre For Audiovisual Culture (AVEK)
- Employment and Economic Development Office (TE-keskus)

Finnish Funding Agency for Innovation (Tekes) offers funding for research and development work carried out by companies, research organisations, and public sector service providers in Finland. Funding is available for startups, small and medium sized enterprises, large companies, research organisations and public services. (Tekes 2017.)

Centre for Economic Development, Transport and the Environment (ELY-keskus) offers grants for companies seeking new direction or growth. The main focus is the internationalisation of companies. (ELY-keskus 2017.)

Finnvera provides financing for the start, growth and internationalisation of enterprises and for protection against export risks. Finnvera offers also a start guarantee intended for newly launched enterprises that are owned by private individuals and meet the SME definition applied by the EU. (Finnvera 2017.)

Sitra invests in domestic early stage companies mainly through venture capital funds. The main focus of investment activities has shifted towards fund investments, mainly targeted at funds that promote business operations solving ecological, social and well-being challenges. (Sitra 2017a; Sitra 2017b.)



Finnish Industry Investment (Teollisuussijoitus) offers promising growth companies business expertise and international networks for achieving the company’s growth plan. The funding is based on Finnish and international private equity and venture capital funds a responsible, long-term investing. (Teollisuussijoitus 2017.)

The Promotion Centre For Audiovisual Culture (AVEK) offers grants and subsidies. The main emphasis of the support is on creative documentaries, short fiction, animated films and media-art based productions. (AVEK 2017.)

Employment and Economic Development Office (TE-keskus) offers startup grant in order to encourage new businesses and promote employment. The grant provides an entrepreneur with a secure income during the time that getting the business up and running is estimated to take. The maximum time for getting grant is 12 months. (TE-keskus 2017.)

From the point of view of game business the most remarkable Finnish funder is Tekes. Figure 1 presents funding sources for serious game business in 2016.

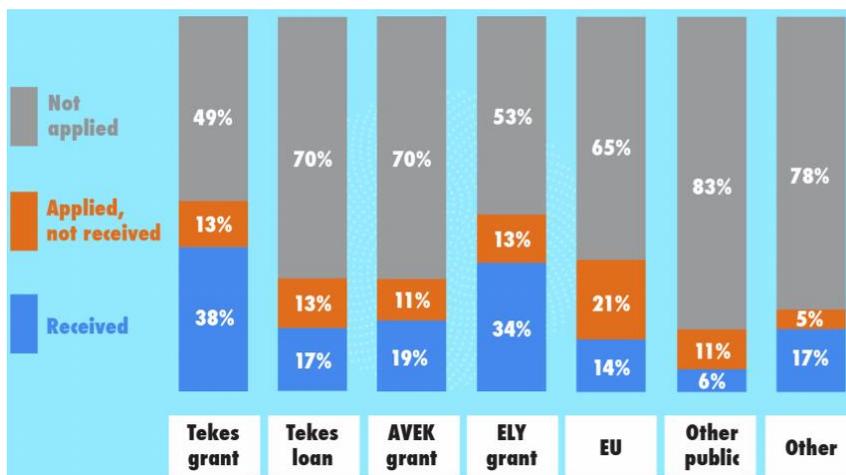


FIGURE 1. Funding sources for serious game business (Tekes 2016)

Private funding

Private funding consists mainly of two different parties: venture capitalists and business angels. One of the main differences between venture capitalists and business angels is the amount of funding and the maturity of a company. Investments made by business angels are targeted at companies that need less funding and are in an earlier stage. (Mäkinen 2013, 54.)

FIBAN (Finnish Business Angels Network) is a non-profit association inspiring private startup investing. FIBAN is one of the largest angel networks in Europe, consisting of over 500 approved investor members actively seeking new growth companies. (FIBAN 2017.)



European Union

The European Union provides funding for a broad range of projects and programmes. Covered areas are, for example, regional development, urban development, employment, social inclusion, research and innovation. Funding is based on strict rules and there is a tight control over how funds are used and that the money is spent in a transparent, accountable manner. (European Union 2017.)



Over 76% of the EU budget for funding is managed in partnership with national and regional authorities. Other funds are managed directly by the EU and are provided in the form of grants or contracts. Small businesses can obtain EU funding through grants, loans and guarantees. Grants provide direct support, while other funding is based on national programmes. (European Union 2017.)

Crowdfunding

Crowdfunding, a form of crowdsourcing, is the practice of funding a project or venture by raising monetary contributions from a large number of people. Modern crowdfunding is generally based on three types of actors: the project initiator who proposes the idea and/or project to be funded, individuals or groups who support the idea, and a moderating organisation (the platform) bringing the parties together to launch the idea. (Wikipedia 2017a.)

There are many types of crowdfunding. The Crowdfunding Centre's report 2014 identified two primary types:

- Rewards crowdfunding: Entrepreneurs presells a product or service to launch a business concept without incurring debt or sacrificing equity/shares.
- Equity crowdfunding: The backer receives shares of a company, usually in its early stages, in exchange for the money pledged.

Other crowdfunding types exist as well. Examples of those are software value token, debt-based, litigation and donation-based. (Wikipedia 2017a.)

The number of crowdfunding platforms have increased rapidly. In 2012, there were over 450 crowdfunding platforms. In 2015 it was predicted that there will be over 2000 crowdfunding sites in 2016. (Wikipedia 2017a.)

Kickstarter, launched in 2009, is the most known crowdfunding platform. It is a global community having a mission to help artists, musicians, filmmakers, designers, and other creators find the resources and support they need to make their ideas a reality. (Kickstarter 2017.)



The CrowdData Center collects data from different crowdfunding platforms. Figure 2 presents fully funded projects by platform between 1.1.2014 – 24.2.2017.

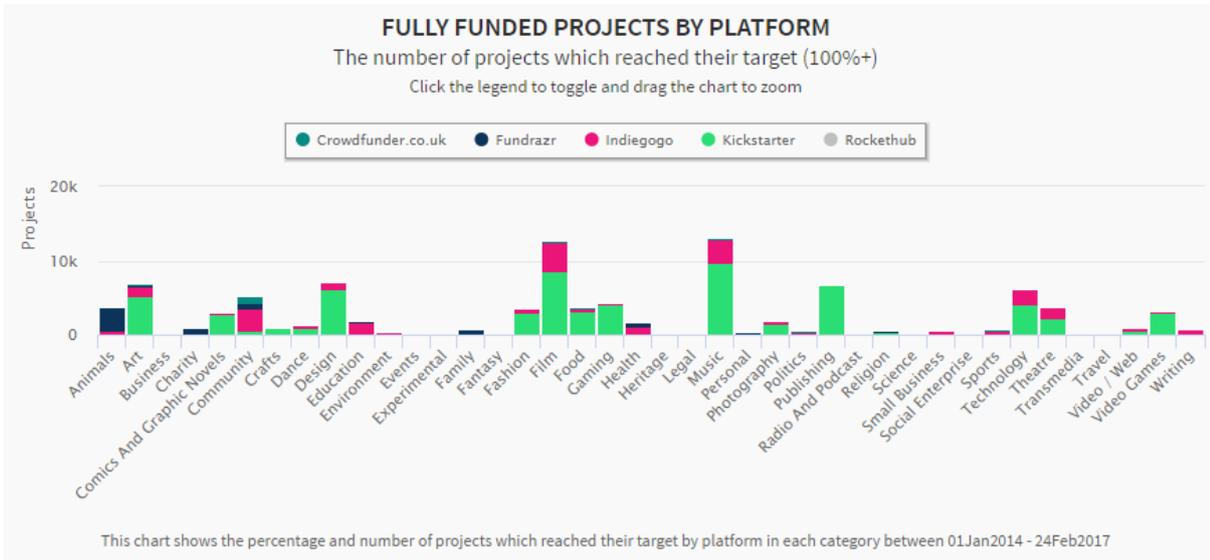


FIGURE 2. Fully funded projects by platform (TheCrowdDataCenter 2017)

Figure 3 shows successful game Kickstarters by year. The number of successful game projects have increased year after year but revenues for game projects have fallen in 2016. (Hall 2017.)

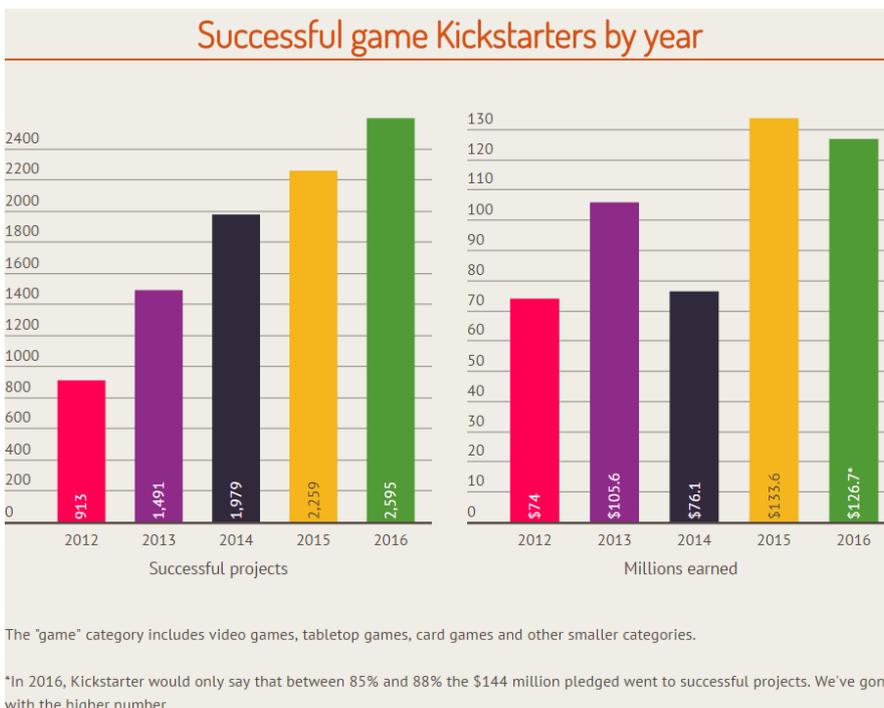


FIGURE 3. Successful game Kickstarters by year (Hall 2017)



Sources

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