

Playing on

**The UK games and interactive entertainment industry
during the COVID-19 pandemic**

ukie



Dr Jo Twist OBE

CEO, Ukie

“Since the outbreak of the COVID-19 Coronavirus Pandemic, Ukie has been working to understand the challenges and opportunities presented by the enforced new ways of working. Over the course of the last few months we have conducted 15 roundtables speaking directly to over 50 businesses alongside two online consultations receiving nearly 300 responses. We have heard how the UK games industry is remarkably resilient, turning to a new way of working with minimal disruption, and how the industry has been able to quickly react to the pressures and challenges presented.

The insight and data we have gained from this process has informed this report. The sector is at the apex of technology and creativity, and it is this unique blend that has enabled us to face up to the challenges and innovate accordingly.”

Stuart Dinsey

Chair, Ukie

“This report demonstrates how the UK games industry’s resilience is continuing to deliver high productivity and will help power the creative industries and wider economy out of the current pandemic. We can clearly see that, with the right support, the sector is ideally poised to help turbo-charge job creation and growth. To do that most effectively, we need to focus on future skills training and opportunities, especially for young people.

The report also highlights there is no room for complacency with problems. Investing in targeted financial support now will help maintain consumer demand and unleash UK competitiveness globally.”



ukie

Ukie is the trade body for the UK games and interactive entertainment industry. With over 480 members, we represent games business of all sizes, from small start-ups to large multinational developers, publishers, service companies, charities and academic institutions, working across PC, console, mobile, online, esports and immersive technologies.

As well as supporting our members by connecting them with one another and promoting their innovative games and services, we keep policy makers informed, ensuring essential support and protective measures are provided by government for games companies and players alike.

UK games industry: key facts

2,300+ games
companies in
the UK

50,000 FTE
jobs

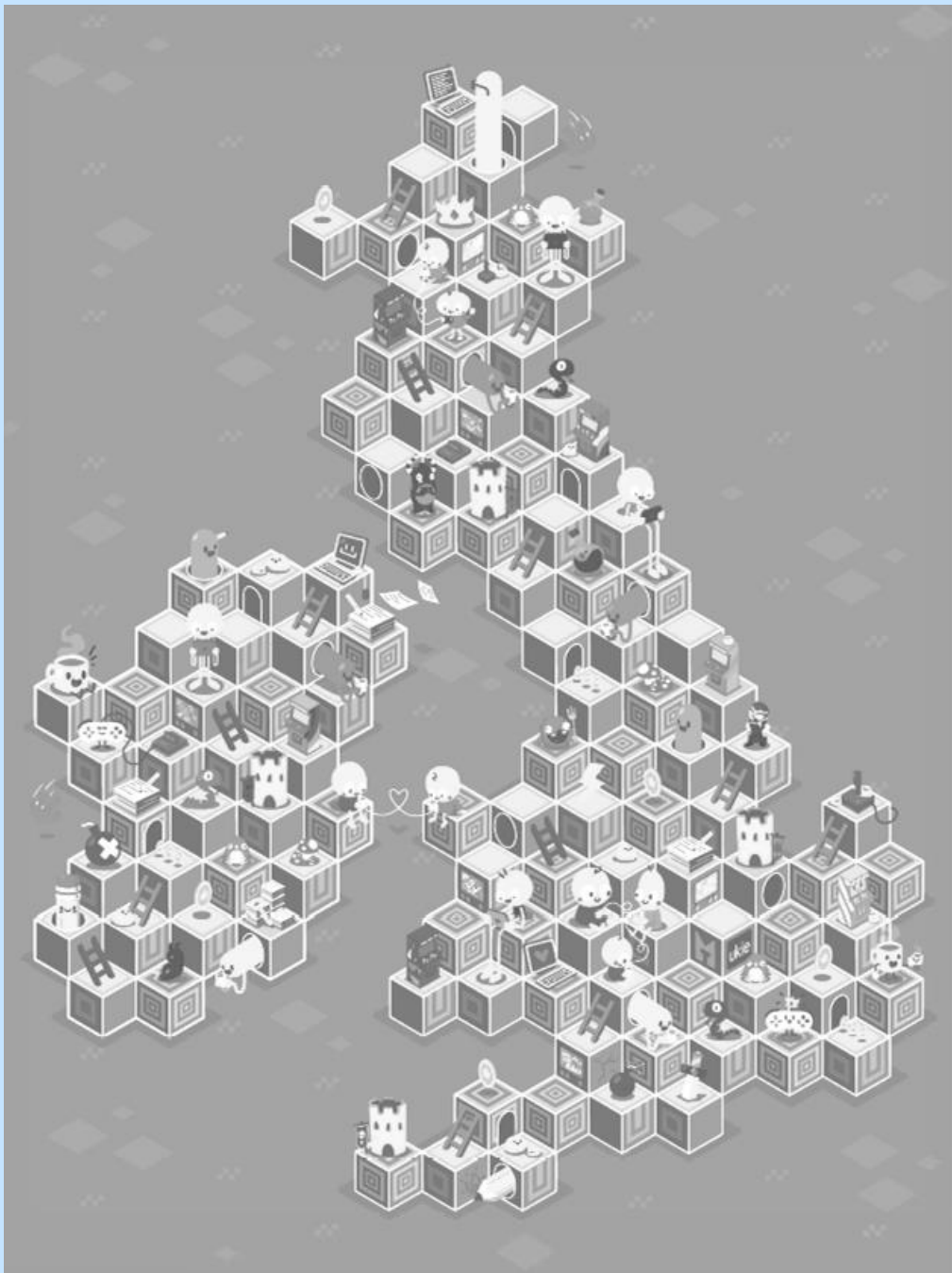
Games
businesses are
99.5% SMEs

55% of games
dev roles are
outside of
London and the
South East

£2.8bn in GVA
to the UK
economy

Home to
international
and European
headquarters
of global
companies

Games clusters
in 23 UK towns
and cities



Introduction

As the pandemic developed we immediately saw the resilience of the sector and its ability to keep going where others were unable. We also saw how this resilience should not be taken for granted if we want to maintain momentum.

In addition to an initial survey in the early days of lockdown, we conducted 15 roundtable discussions with over 50 businesses to hear directly from industry on their experiences, prospects, challenges and plans ahead as the pandemic developed. We then conducted a second survey at the end of May when a clearer picture of the impact of the situation was apparent. We heard from all parts of the industry, including the service sector, critical to the games ecosystem.

The evidence, analysis and case studies we gathered through this process are presented in this report which also sets out our main industry asks to maintain momentum and growth as we emerge from the crisis.

COVID-19 Consultation: Methodology

We spoke to a large cohort, including large developers, medium developers, small developers, esports and events, publishers, and start-ups.

Our roundtables were conducted under the Chatham House Rule. The quotes found throughout this document relate to those sessions but have been anonymised appropriately.

Overall, our findings in this report derive from:

- ★ 15 roundtables with 50 companies
- ★ 2 x industry surveys, 300 responses combined
- ★ 2 x cluster specific roundtables (Leamington Spa and Cambridge)
- ★ 2 x Video Game Tax Relief Working Group sessions

Key findings

- Broadly positive outlook for the sector – productivity relatively high at an average of 80%
- Industry has largely managed without needing government support – 24% indicated they had used it
- Some clear areas for concern including access to finance and new IP creation
- Emerging issues around maintaining the positive mental health of the workforce
- Opportunity to build on the sector's resilience as we emerge from lockdown

Report findings

The impact of COVID-19 on the UK games industry

All findings throughout this report relate to game developers and publishers, unless otherwise stated.

Productivity

Overall, the UK games industry is weathering the pandemic relatively well with **productivity on average remaining at 80%** and the majority of businesses reporting no risk of closure.

However, as a content industry, **creative collaboration** within teams is crucial and this process is being compromised through remote working.

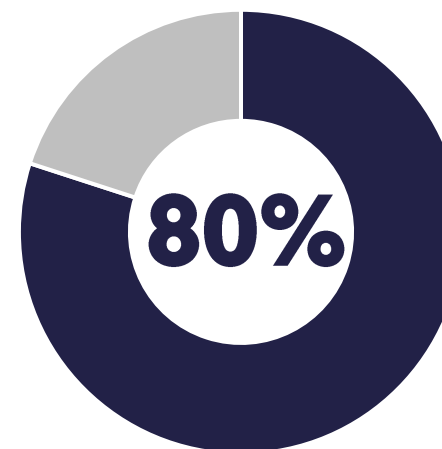
Additional disruptions to productivity such as childcare commitments, younger staff with insufficient living or working space, and the general impact on mental wellbeing will have bearing on how and when the sector returns to office and studio based working.



Mid-size UK developer

“The average productivity being seen is just over 80%, so it is causing problems, which will lead to game delays, but we’re getting through it and can hopefully get that productivity up.”

Industry productivity under lockdown



Resilience

The resilience of the sector is reflected in the low need for Government support during this time with only **24% of companies** reporting recourse to it.

Whilst there are clear challenges to the sector as will be seen later in the report, it has reacted quickly to maintain momentum and adapted to new ways of working.

Publishing and development reported the strongest performance but other parts of the sector were hit hard; in particular, live events, physical retail and the 3rd party services surrounding the sector. **Overall, 63% of games businesses reported no risk of closure.**



24%

of games business have sought COVID-related Government support or funding

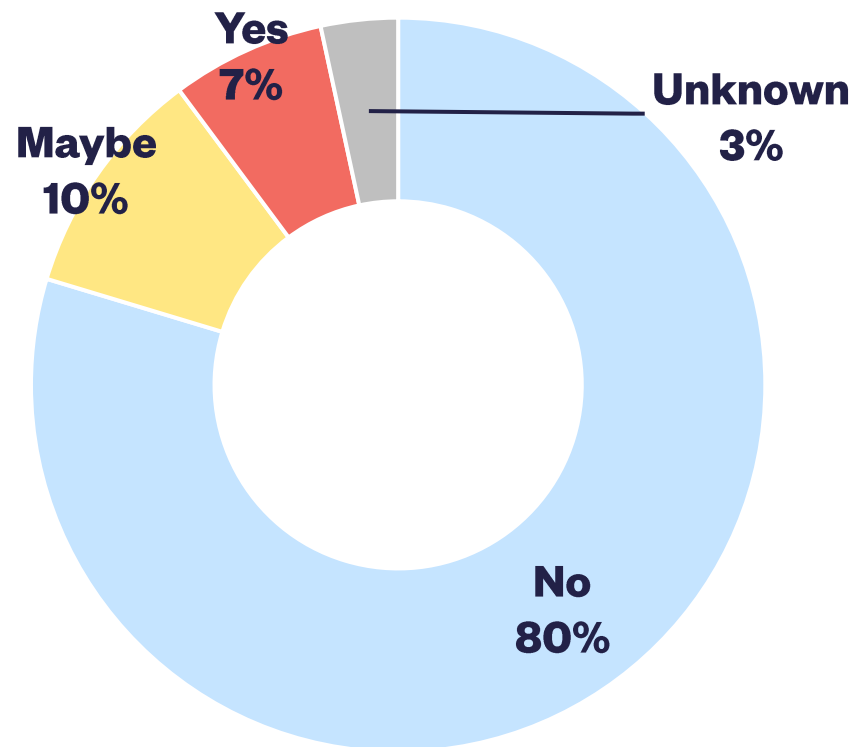


63%

of games business report no risk of closure within the next 6 months

Workforce

Are you anticipating having to reduce your headcount via redundancies?



The majority of games businesses (80%) reported **no planned redundancies** and this was also reflected in the general lack of take up of government support scheme – only 17% of games developers or publishers reported use of the furlough scheme for staff, in most instances for less than a quarter of their workforce.

Thanks to the inherent digital and globally distributed nature of our industry, games companies were able to keep working and thus retain their staff.

Recruitment

22% of businesses have continued to hire during lockdown but there are indications that the recruitment process is still experiencing disruptions due to the pandemic and remote working. Planned expansions have been reconsidered and there have been inevitable delays, barriers and additional costs.

For those reporting difficulties in recruitment, several issues were cited, from onboarding new starters remotely, to hiring international talent which the UK games industry relies on so much.

Games COVID-related hiring difficulties



Mid-size indie developer

“At first we scaled back on recruitment, thinking it would be impossible, but once we got used to it the new challenge was how to embed the office culture when there was no office.”



Large publisher-owned studio

“The issue isn’t with getting people through the door, its adjusting onboarding procedure. But it can be dealt with, with the right processes in place.”

Return to the office



Global publisher

“We are thinking maybe a 60% occupancy going forward, not before September and then only partially and very flexibly.”



Small UK developer

“We are taking a mental health first approach. We are not pressuring anyone to return to the office unless they need to or want to – and we couldn’t fit everyone in anyway.”

Returning to the office will most likely take a phased approach. Even as the Government relaxes lockdown restrictions, it is expected that many games companies will **continue working remotely for the time being**. This is both due to the practical steps needed to ensure an office is safe in a Covid-19 world, and to consider staff wellbeing.

In the meantime, the sector has developed its own guidance concerning all aspects of the development process, sharing best-practice to overcome both specific and generic issues.

Most companies suggested a staggered and flexible approach from September onwards, focussing on staff needs and business critical requirements first.

Revenues

Video games have been recognised as a safe way to socially connect, keep entertained, and maintain mental wellbeing. This has been reflected in the increased popularity of playing games in lockdown.

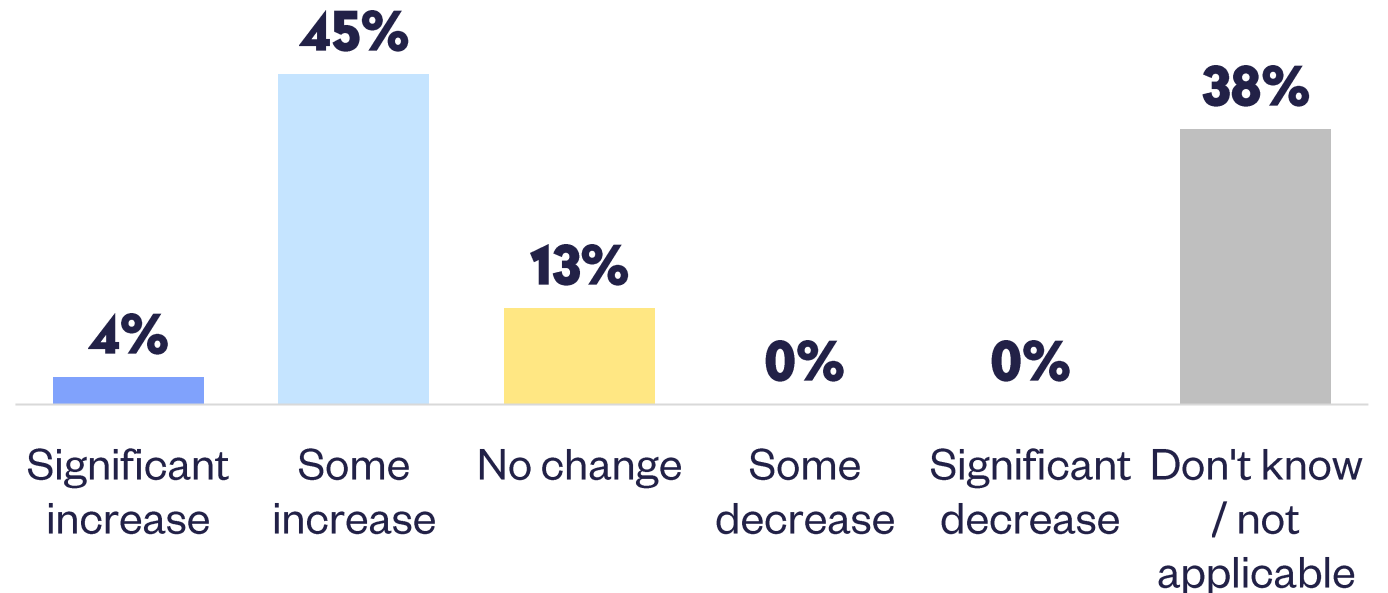
Existing revenues from released titles are mostly seeing “some increase” (45%) with no reports of a decrease. Whilst this is clearly a positive for the sector it cannot be regarded as a sea-change, with only 4% reporting major increases and the majority seeing only minor increases or no change at all.



Global publisher-owned development studio

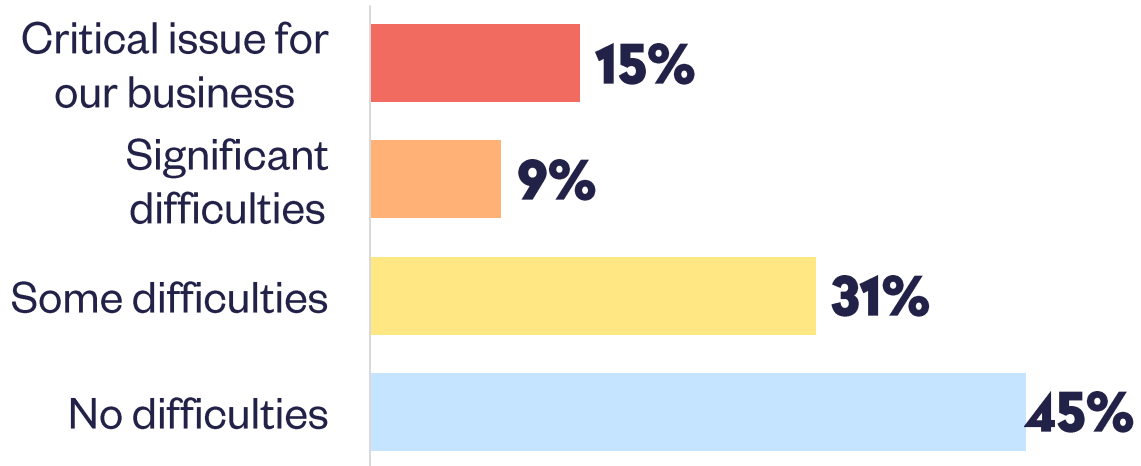
“Some titles are seeing an extended run and sales are generally up, but we are wary of the future, particularly if the economy takes a significant downturn.”

Overall game revenue (all revenue types)



Investment

Games company investment pipeline



International developer with UK base

“There just isn’t the same confidence in investors at the moment but we think things will quickly improve.”

Meanwhile, an immediate drop in the confidence of the investment community was widely reported, indicating challenges for the sector in the future. Over half of companies who responded to us stated they expect difficulties with investment over the next six months.

For smaller companies the impact is more acute: 68% expected difficulties with investment with a quarter reporting this as a critical issue.

Companies providing work for hire are particularly vulnerable with 19% of such companies reporting "severe difficulties".

Impacts on forthcoming games

It should be noted that the games industry has particularly long lead in times – this means that disruption in access to finance now will have long-term impacts in the future. Current delays in production may result in delays to games due to release in 6 or 12 months time.

In fact, most games companies who responded to us reported **negative impacts on the development cycle** from a range of angles – from publishing deals, to press exposure.

And with studios often paid on the delivery of games at given milestone, such **delays will also impact payments**.

Games companies expecting impacts to forthcoming games from COVID-19 outbreak

67% Expect impacts to future publishing deals

62% Expect impacts to press exposure

58% Expect impacts to consumer engagement / audience acquisition

Trade events

The cancellation of trade shows has had immediate financial impact through the loss of travel and accommodation fees. However, more seriously, there are **potential long-term impacts** as well.

The sector has been agile in adapting to digital alternatives. The **overwhelming majority (86%)** of businesses see some value in them, but they are far from sufficient to provide the market coverage for games companies.

The impact is far more acute for the **early stage businesses** who have invested a relatively large amount to attend these events in the first place. Though long-established and larger organisations have sufficient networks in place to continue business virtually, for younger studios, there is a reliance on trade shows to create their networks to begin with.



UK publisher / developer

“We personally aren’t affected by the cancellation of physical events, but the impact on young developers who are still building their networks is so important.”

Do online events meet your needs?

7%
Yes

84%
Some needs

7%
No

Services to game businesses



UK/EU-based indie developer

“With film, TV etc in almost total shutdown, we have been able to access bigger, more established names for voice over work.”



Global publisher-owned studio

“We have had to adapt security policies on the distribution of dev kits to enable remote working.”

Businesses who provide services to developers and publishers have experienced the **most disruption**. The key issues were seen in areas such as quality assurance (QA), motion capture and audio recording where third-party suppliers faced specific challenges to their businesses such as managing IP security or effective social distancing. Parts of the sector reliant on physical retail have also encountered some disruption.

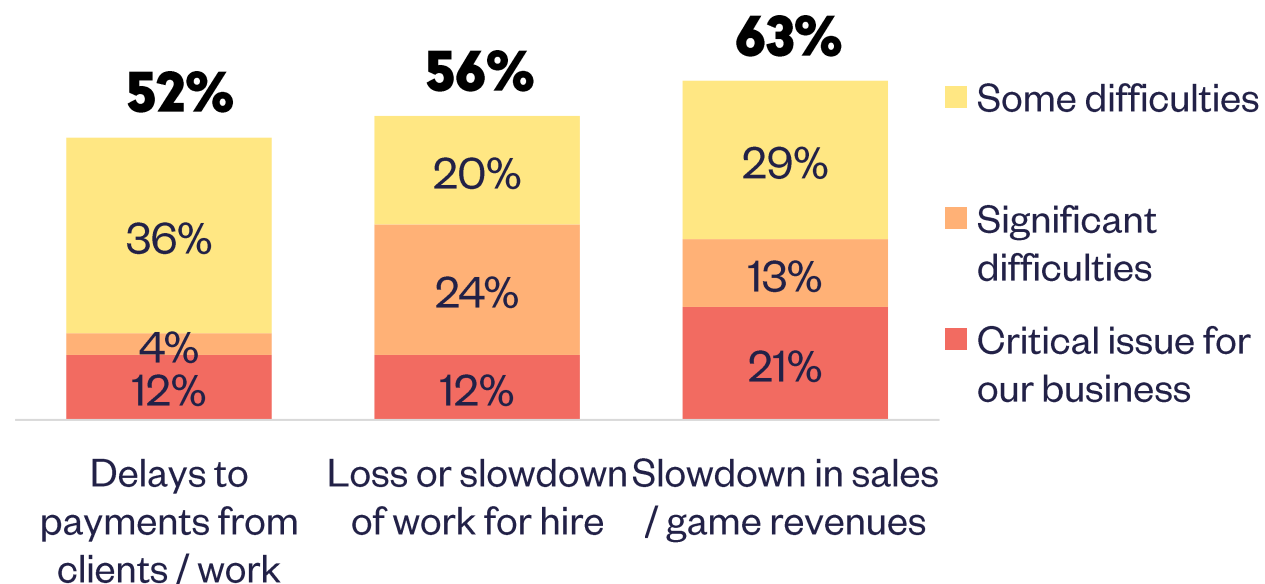
The impact of this disruption may not yet be fully appreciated as new ways of working are also seeing an increased reliance on outsourcing services. Some development normally completed in-house may now be delivered through third parties – which bring additional time and financial costs.

Wider games ecosystem

Another part of the industry significantly impacted by the pandemic includes marketing and PR, legal and financial services, consultancy services, physical distribution and events which are reporting significant and, in some cases, **critical issues** which are expected to continue through the rest of the year.

In particular, issues relating to new contracts, sales and payment delays means uncertainty is prevailing for this part of the sector.

To what extent will the following issues affect the financing of your business over the next 6 months



Third-party service provider

“Talent are very nervous about bookings due to the uncertainty on their contractual obligations. For example, it is unclear whether bookings that have been disrupted by COVID-19 are cancelled or postponed.”

Esports



Esports event organiser

“While there appears to be a roadmap for some industries re-opening, it's very unlikely that events will be able to continue in 2020 in a physical format.”



Esports team

“Making start-up grants easier to access will help ensure early stage businesses can still thrive.”

During lockdown, the **cultural reach of esports has been accelerated**, with mainstream broadcasters covering events, well known figures participating and the benefits of playing games online becoming increasingly recognised for **bringing people closer together** when they can't meet up physically.

Esports businesses that operate in the digital space have in most cases successfully shifted over to digital-only models.

However, businesses that operate only in the live space have not fared so well. **Venue owners and event organisers have little or no flexibility** to shift their business models, and in some cases saw their businesses disappear overnight. Guidance and ongoing support is needed, especially due to the longer lead times required to re-establish events post-lockdown.

Opportunity

The sector has demonstrated a 21st century ability to be **agile, innovative, and creative.**

Games development has largely been able to continue remotely, nearly a quarter of companies have continued to hire, and new audiences have found games as a source of connection through isolation. Despite this resilience there will be **medium and long-term challenges: access to finance, deal flows, the talent pipeline** will all take a hit.

As the nation recovers, we have an opportunity to turbocharge areas of real **national strength.**



Games entrepreneur

“Holistic investment as well as financial investment.. What makes the UK games industry stand out is its inherent creative, innovative and pioneering spirit. Support should nurture this.”



Small UK-based developer

“If there ever was a time to invest in the UK games fund, it is now. It’s tried, tested, and does what it says on the box. That’s the next generation – and they need it.”

The way forward

The video games industry is central to the creative industries' economic recovery post the COVID-19 pandemic. As a key part of the **Fourth Industrial Revolution** it is driving advances in emerging technologies such as AI, AR, computing science, and engineering. If the UK is to be a world leader, our strengths in **technology** should be further supported. It is not only in technology that games lead the way – but of course, **culture** and **creativity** as well.

With a relatively small amount public support the Government can ensure the resilience the sector has demonstrated and incentivise the creation and scaling of games businesses along with their valuable intellectual property. This will in turn help to create **high-paying jobs**, boost **national prosperity** and cement the UK's reputation as the **place to invest** in Europe.

Key recommendations:

UK Games Development Fund

Significantly increase investment in IP through the creation of a Content Development Fund

Video Games Tax Relief

Continue to support sectoral tax reliefs to ensure UK competitiveness

Trade

Scale up support for trade and investment activity, showcasing the UK content and development globally

Skills

Match fund an industry led skills programme

Resources and support

Our industry has fared better than other many other creative sectors during the lockdown period and has been well-equipped to handle remote working. Ukie has worked with a number of partners to create a range of resources supporting both business and players during this challenging time:

Navigating Now & Beyond, in partnership with Ukie member **Sports Interactive**, is a series of informative guest guides providing technical and practical advice for games companies in navigating working both during and after the crisis. .

Ukie has collated a wealth of games industry-focused **COVID-19 advice and guidance** on the routes of support put in place by the Government to help business during this period.

Ukie and the Department for International Trade have collaborated on a series of **practical talks from industry experts**. Offering insight on growing your business, topics include PR, marketing, community management, IP, finance and international trade.

The **UK games industry** has launched and supported a range of national initiatives promoting **public health messages** and healthy play, and provided additional resources via the **AskAboutGames** website including the launch of the **Family Games Database**.

Thanks:

Ukie would like to thank everyone who took part in our surveys, roundtables and direct consultations for their participation in this analysis.

To find out more, please contact:

hello@ukie.org.uk +44 207 534 5800 @uk_ie ukie.org.uk

The logo for Ukie, consisting of the lowercase letters 'ukie' in a white, sans-serif font, positioned in the bottom right corner of the light blue background.