

**Ukie response to
the DCMS
Commitee
inquiry on the
impact of
Covid-19 on
DCMS sectors**

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Digital, Culture, Media and Sport Select Committee inquiry on the impact of Covid-19 on DCMS sectors

Response from Ukie, the Association for UK Interactive Entertainment

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UK Interactive Entertainment response to the Digital, Culture, Media and Sport Select Committee inquiry on the impact of Covid-19 on DCMS sectors

About Ukie

1. Ukie is the trade body for the UK's games and interactive entertainment industry. A not-for-profit, it represents more than 480 games businesses of all sizes from start-ups to multinational developers, publishers and service companies, working across online, mobile, console, PC, esports, virtual reality and augmented reality.
2. Ukie welcomes the opportunity to respond to this inquiry. The games industry has demonstrated its resilience through this crisis and is well-placed to be a driving force of economic recovery across the UK once the pandemic subsides. We stand ready to work with the Department of Digital, Culture, Media and Sport; the Government, and other bodies to help in the period of rebuilding.
3. Despite the relative resilience of the games industry, for several years the UK economy has been operating in an environment of political and social uncertainty. The current global epidemic has brought a whole new additional level of complex and unique challenges. Confidence must be restored in the business and financing environment to reenergise investment into the UK economy. Though in the short to medium term the games sector is performing relatively well, uncertainty lies ahead and there is a risk of long-term damaging impact.

About the UK games industry

4. The games industry is a key driver in the Fourth Industrial Revolution. Whether it is in AI, data analytics or virtual reality, we develop and put into practice some of the innovations that can and will be increasingly applied elsewhere in the economy. On top of this, it is a major exporter, with 90% of the UK games industry exporting their products¹.
5. The UK is home to nearly 2,300 games companies, including a high number of international and European headquarters². Though large organisations are a significant contributor to the UK economy, it is also equally important to note that the UK is host to a vibrant scaling and start up environment with 99.5% of the sector consisting of SMEs (employing less than 250 people)³.
6. These businesses are spread across the entirety of the UK in high productivity, highly skilled and jobs creating clusters. The sector, as a result, can act as a strong vehicle for regional development by bringing investment to all four nations of the UK. 55% of games development roles are based outside of London and the South East, with over £60m in GVA being generated in local economies in eight games hubs such as Newcastle and Edinburgh. The regional economic impact is further outlined in our

¹ 'Think Global, Create Local: the regional economic impact of the UK games industry', Ukie, https://ukie.org.uk/sites/default/files/cms/docs/Ukie_Think_Global_Create_Local_Jan2020.pdf

² <https://gamesmap.uk/#/map>

³ 'Think Global, Create Local', Ukie

‘Think Global, Create Local’ report⁴.

7. The games industry is also a rich ecosystem of not only developers and publishers, but additional third-party businesses that support the production of games – from PR, to events, as well as dedicated cultural spaces for video games. When including spillover impacts, the industry supports nearly 50,000 FTE and contributes over £2.8bn in GVA to the UK economy⁵.

How evidence has been gathered

8. This consultation response reflects two phases of impact surveys Ukie has undertaken, totalling nearly 300 responses, as well as the findings from numerous roundtable discussions with our members during this time.

What has been the immediate impact of Covid-19 on the sector?

What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

9. Video games have been recognised as a safe way to socially connect, keep entertained, and maintain mental wellbeing in this time, and this has been reflected in the increased popularity of playing games in lockdown worldwide as well as in the UK⁶.
10. Research has further demonstrated this. For example, Michelle Colder Carras, a public health researcher at Johns Hopkins University, stated that games can help with mental recovery and Mark Griffiths, Professor of Behavioural Addiction, Nottingham Trent University said that “friendship, social support, and being in a like-minded community are just some of the reasons that online gaming is going to be so popular at a time when we are being asked to stay indoors as much as possible”⁷.
11. However, there have been immediate negative impacts on the sector, which hold long term implications. Though the sector has performed well with games already released, in some instances, there have been disruptions to games currently in development or planned for development soon. It is expected there may be delays to such projects, and with most contracts in the industry being milestone based, this may have further negative consequences to the industry’s productivity and growth.
12. Global trade shows and conferences have traditionally been crucial set pieces in the games calendar for business development. These are large scale events where games

⁴ ‘Think Global, Create Local’ built upon the findings of the British Film Institute’s ‘Screen Business’ report; this is the single most authoritative economic analysis of the UK games sector to date thanks to the application of HM Treasury’s Green Book principles.

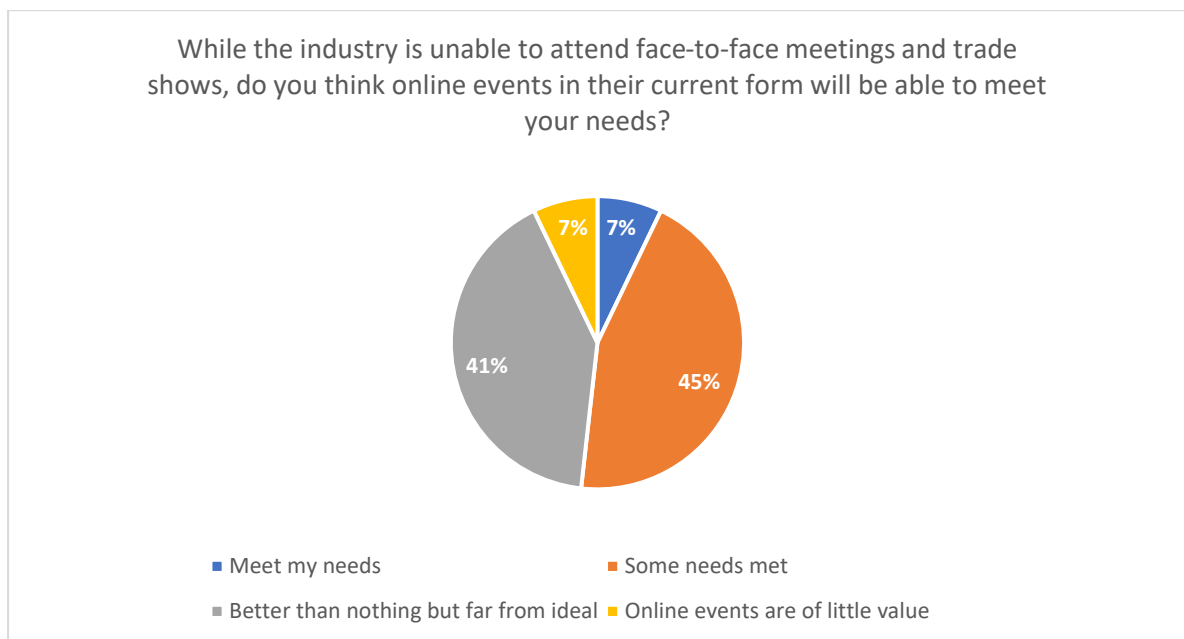
⁵ <https://www.bfi.org.uk/education-research/film-industry-statistics-research/reports/uk-film-economy>

⁶ <https://www.bbc.co.uk/news/business-52555277>; <https://www.bbc.co.uk/news/technology-52453296>

⁷ [https://www.vgr.com/gaming-helping-people-cope-covid-19-lockdown/ \[vgr.com\]](https://www.vgr.com/gaming-helping-people-cope-covid-19-lockdown/);
<https://theconversation.com/coronavirus-making-friends-through-online-video-games-134459>
[theconversation.com]

companies network, strike deals, and promote their games on the world stage. The cancellation or move to digital only versions of such shows for most of the year has had an immediate financial impact on games businesses who have invested significant expenditure on travel, accommodation and more, which has been difficult to recuperate. This has especially impacted SMEs and start-ups who will have lost a relatively significant amount of capital.

13. The cancellation of trade shows has not only had an immediate financial impact to some companies, but the long-term effects manifest in potential loss of investment, deals, and opportunities in marketing & promotion of products. All businesses, from small to large, will experience impacts. The sector has been agile in adapting to digital alternatives, and though these are useful, they are far from sufficient to provide the market coverage for games companies.



14. Though long established and larger organisations have those networks in place to sufficiently continue business virtually, for younger studios, there is a reliance on these trade shows to create their networks to begin with. Even so, that is not to say that larger organisations won't experience any impacts, as often they themselves rely on smaller businesses.

*"We personally aren't affected by the cancellation of physical events as we can simply arrange digital alternatives. But it is so important to remember the impact **on young developers** who are still building their networks and **rely on these events to do so.**"*

- Roundtable attendee.

15. Even for those who have established connections, it was frequently cited that virtual alternatives were simply not as effective. Companies have missed out on the natural incidental meetings that are a staple of such physical events, and which are an

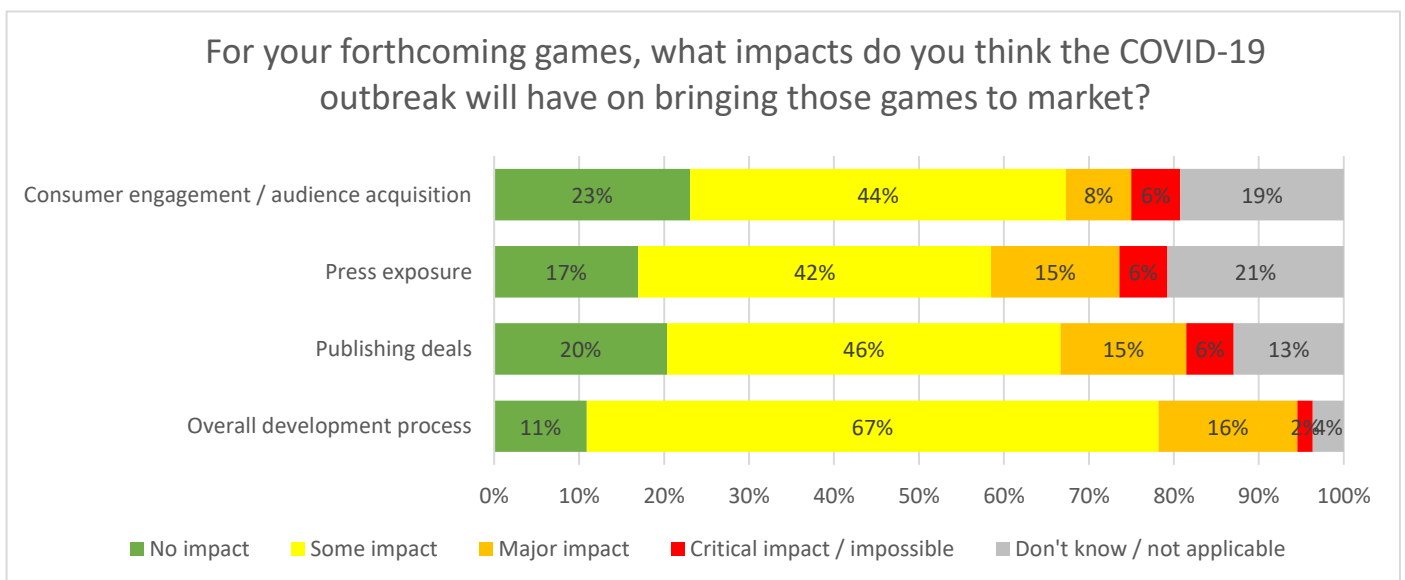
essential part of the deal-making process.

16. Though overall the industry appears to be coping well with remote working compared to other sectors, there is a reported slight decline in productivity averaging 80% across the sector. However, as a content industry, creative collaboration within teams is crucial and this process is compromised through remote working. In addition, there are issues with employees with childcare commitments, younger staff with insufficient living space, and the general impact on mental wellbeing which impact negatively on output. The effects of these are expected to increase as enforced remote working continues.

*“The **mental health impact** has been huge on our team. Some are really struggling, for example, those who don’t even have access to a garden. Our HR team are now doing frequent ring rounds of the whole team.”*

- Roundtable attendee.

17. A sizeable percentage of games companies have reported both in our survey and through the roundtables that recruitment is ongoing at this time. However, businesses are facing understandable disruptions especially in the onboarding process, which may have a knock on effect on project timelines and productivity. This relates to both the difficulties in determining if someone is a cultural fit for the team remotely, but also when it comes to hiring employees from outside of the UK during a time which there are strict travel restrictions.



18. As a result, it is unsurprising to see the predicted impacts on forthcoming games from the companies surveyed. Such impacts are particularly more severe for young, small development studios (of less than 25 employees) where over 20% predicted major impacts for both negotiating publishing deals, and the development process. For reference, such small games businesses comprise 95% of games companies in the UK industry.

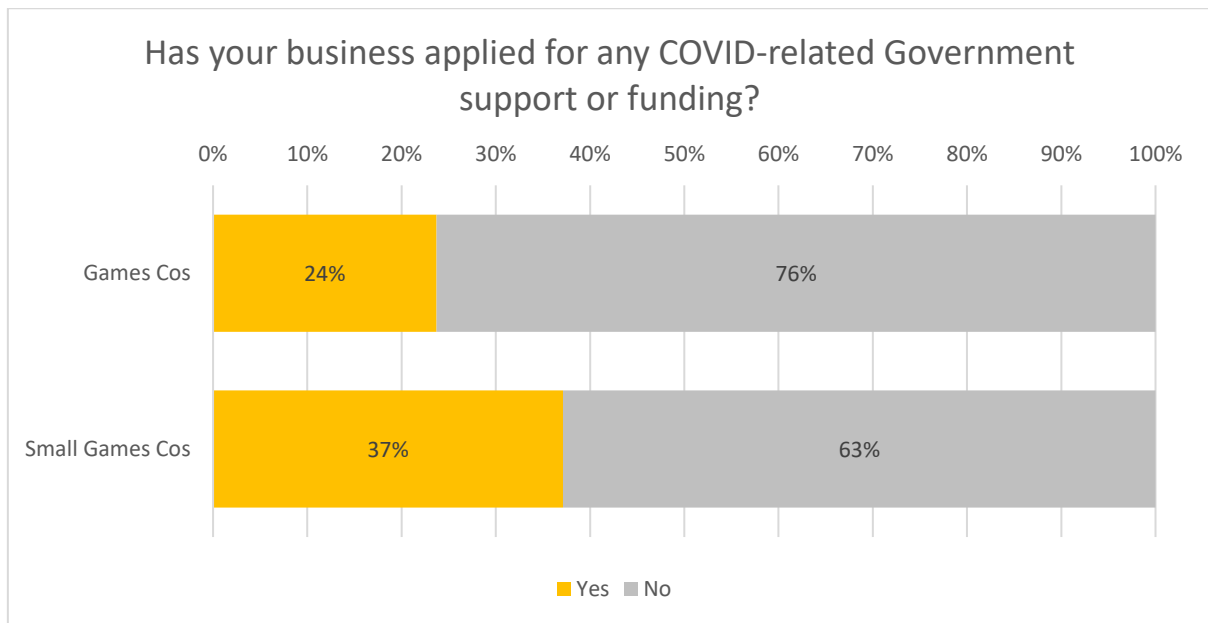
19. With the lockdown in place we saw an immediate drop in the confidence of the investment community. This is logical given the downturn in the economic outlook and fear of recession. This has a significant impact on video game production, particularly where long lead times are required to complete a game. Funding now will lead to the release of a game 6, 12 or 18 months down the line.
20. This is a clear issue amongst our members. 70% of games companies responding to our survey foresee moderate to critical difficulties with investment over the next 6 months. For small companies, again companies with less than 25 employees, 68% expected difficulties with investment, with 25% reporting this as a critical issue.
21. Beyond developers and publishers, special attention must also be given to games-specialist retail stores and other cultural buildings of the industry. Like much of our high street, game stores have so far been unable to open throughout this crisis with no alternative ways to generate revenue, and as a result face closure risks. Despite the increasing popularity of digitally purchasing games, there is still a consumer need for traditional video games stores as physical sales are still an important percentage of the UK consumer market. In 2019, over £650m was spent on boxed and pre-owned games⁸.
22. The National Videogames Museum is another example of a games-specific physical building that is facing risk of closure. A unique cultural asset that commemorates the UK's historical contribution to the worldwide games industry, it is another example of the dire need for support for the museum sector. Even as we enter later phases where cultural hubs can re-open, social distancing measures may mean that the NVM is not financially viable. The UK has always been a world leader in the development of games, and it is vital that we preserve our heritage and means of inspiring the next generation.
23. In summary, despite the sector's resilience, there is still considerable economic uncertainty and we need to build and support confidence across the investment community. If we can achieve this, then games can help to drive an economic recovery. The best ways the Government can help support the games sector and in return the UK economy is by cushioning the impact on new studios, whilst building long-term investment to return pre-Covid confidence as soon as is reasonably possible.

How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

24. Financially, in general the games industry has not needed to rely on Government funding to continue operating. Despite the inevitable impacts, this period has demonstrated the sector's sustainable independent business models and its flexibility to cope with market fluctuations. As expected, smaller games companies were more likely to have accessed Government funding, presumably due to the greater immediate

⁸ Ukie 2019 Consumer Market Valuation | <https://ukie.org.uk/news/2020/04/uk-consumers-spend-%C2%A3535bn-games-2019>

financial impacts experienced.



25. The Job Retention Scheme, Bounce Back Loan scheme and the Coronavirus Business Loan Interruption Loan scheme were the most often cited support mechanisms accessed.

26. However, there were concerns over ongoing rent payments for unused office space. For companies who were using co-working spaces, not uncommon in the games sector, there was often no support at all.

What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

27. It is important to note how the games industry mobilised swiftly in response to Covid-19, launching a number of initiatives to protect players and public health. Despite the challenges that games companies have experienced as a result of the crisis, they have still recognised their commitment and responsibilities to their communities and beyond.

28. Our [Get Smart About P.L.A.Y.](#) was amplified in response to the current situation. Our campaign provides guidance for parents and caregivers on how to help set parameters around play, and includes advice on effectively utilising safety controls in order to limit potentially harmful interactions. We have invested additional funding in this period into strategically targeted digital advertising to ensure our safety messaging is reaching more parents and caregivers as the nation spends more time indoors, and online.

29. This campaign exists in addition to the industry funded www.askaboutgames.com resource and parents' guides, operated by the Video Standards Council, another example of how we ensure parents, players and carers are kept informed. AskAboutGames has specifically [developed advice](#) for families on safe online play in lockdown. On top of this, it has also been commissioned by ParentZone to [produce advice](#) on finding suitable games for families, including tips on only accessing age appropriate content which will be released during the Covid-19 period.
30. The industry also launched the [Family Game Database](#) in the early period of lockdown. The database provides information for parents on games suitable for families, whilst also linking back to key tips on activating family controls on devices to limit spending, screen time, online chat, and age inappropriate content.
31. The games sector is equally concerned about the mental wellbeing of its players, especially during the Covid-19 period. That is why we have worked with the Campaign Against Living Miserably (CALM) to produce resources on [how to play with friends online](#) during this period safely both to reduce loneliness, and to offer practice advice on avoiding harmful interactions.
32. Of course, supporting the physical wellbeing of players during this time is also imperative and that is why the industry has been working together alongside the UK government and international bodies do to so.
33. Leading games companies have [been working with the UK Government](#) to promote public health messaging within their games, social media platforms, and online tournaments to millions of players, as well as encouraging players to take breaks and exercise.
34. On top of this is the global [#PlayApartTogether](#) campaign. Over 60 games companies have agreed to share key public health guidance from the World Health Organisation to prevent the spread of Covid-19. Under this umbrella is also crucial support for the mental wellbeing of players in lockdown. Companies such as Jagex have [developed advice](#) in collaboration with mental health charities on how players can maintain their wellbeing in lockdown.
35. For further reading, the APPG for Video Games and Esports recently published a report outlining these initiatives [here](#).
36. The UK games industry stands ready to help the economic recovery, and to do so, confidence in the UK as one of the best places in the world to make and sell games must be maintained. It is not necessarily financial support that is needed, but rather measures which restore both business and consumer confidence.
37. In terms of **long-term changes and support needed**, parts of the sector may continue with more flexible and remote ways of working in the future. To support this the UK's

digital infrastructure will need significant improvement.

38. The experience of remote working during this crisis period has led to some companies considering recruiting employees to work outside of the UK remotely – however, such a situation would be far from ideal for both UK games companies and the wider UK economy. Further consideration must be given to both talent pipeline as well as an effective immigration system to secure the UK's reputation as the best place to make games.
39. As a result, there is no greater time to boost the UK's attractiveness to businesses and maintain its stable regulatory environment. We will continue to work with the Government, and DCMS specifically, in the development of Online Harms legislation and the Age Appropriate Design Code to help in ensuring they are both practical and effective.
40. We also believe in the preservation of VGTR and the continuation and expansion of the UK Games Fund. The former was frequently cited in our engagement with members as an important source of financial support and a convincing reason for doing business in the UK. For the latter, seeing how micro-studios and small studios have been adversely affected by the pandemic has further demonstrated the need to support growing British games' businesses.
41. With all of this in mind, we cannot lose sight of the impending ramifications of a no deal Brexit. With the transition period still due to draw to a close in December 2020, the current Covid-19 crisis only serves to further worsen the severity of such a scenario.
42. In particular we continue to stress the need for a data adequacy decision. The games industry was born digital and relies on a strong digital backbone to deliver the best products to global audiences and to keep servicing those customers. The interaction and associated data flows between players, games and platforms is intrinsic to the way our games operate, as long as uncertainty prevails over the nature of our ongoing relationship with Europe, more UK businesses will lose out to competition in more stable environments.
43. The games industry has shown its resilience in these challenging times and the sector is ready and able to support the economic recovery. We look forward to continuing working with the Committee, Government, DCMS and other bodies to help this happen.