

21 May 2020

Impact of the Coronavirus on the UK Video Games Industry

About TIGA

TIGA is the trade association representing the video games industry. TIGA represents developers, digital publishers, service companies and education providers and is the trade association for the video games industry.

Our core purpose is to strengthen the games development and digital publishing sector. We achieve this by campaigning for the industry in the corridors of power, championing the industry in the media, enhancing education and skills and helping our members commercially.

TIGA is intent on building an enduring organisation which continually improves; a business that will make a significant impact on the games industry and so benefit our membership and the wider economy.

Since 2010, TIGA has won 28 business awards and commendations and been awarded Investors in People status on four occasions. These achievements reflect our drive for improvement and to meet best practice.

Introduction

The coronavirus crisis means that the UK could be heading for the worst economic downturn in over 300 years.¹ TIGA has collated feedback from 55 games businesses about how the coronavirus crisis is affecting the games industry. TIGA has identified the general trends regarding how the industry has and will be impacted and how the industry has responded to Government support measures.

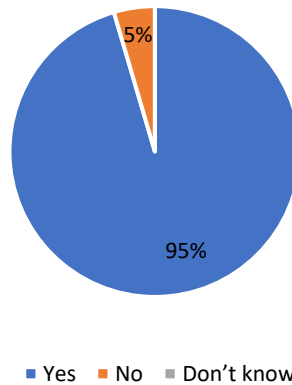
These trends have been identified following responses to [TIGA's COVID-19 survey](#), and an additional dataset based on the feedback provided by members to CEO of TIGA, Dr Richard Wilson OBE, throughout the coronavirus period. The survey and dataset include responses from small, medium and large companies; TIGA members and non-members; developers, publishers and service providers. The responses were gathered between 18th March and 19 May 2020.

¹ <https://www.ft.com/content/734e604b-93d9-43a6-a6ec-19e8b22dad3c>

TIGA's COVID-19 Survey

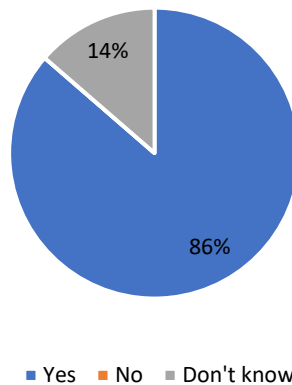
- **Most respondents said their organisation had been affected by coronavirus and that they were concerned about its financial impact**

Q. Has your organisation been affected by the coronavirus pandemic?



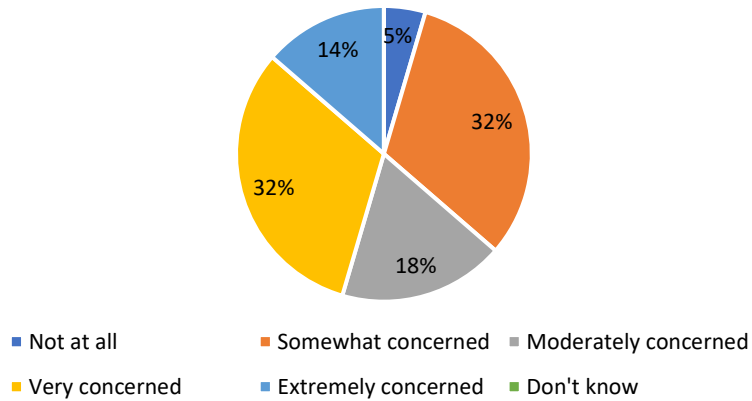
When asked whether their business had been affected by coronavirus, 95% of respondents selected 'Yes' and 5% said no, indicating that the pandemic has affected the operations of most businesses in some way.

Q. Do you think your organisation will be affected by the coronavirus pandemic?



Respondents were also asked whether they think that their organisation will be affected by coronavirus in the future. Again, a clear majority of respondents (86%) answered 'Yes'. Not a single respondent answered 'No'. However, 14% answered 'Don't know'. This indicates a degree of uncertainty among businesses as to how and if the coronavirus will affect their businesses in the coming months and potentially years.

Q. How concerned are you about the financial impact of coronavirus on your organisation?

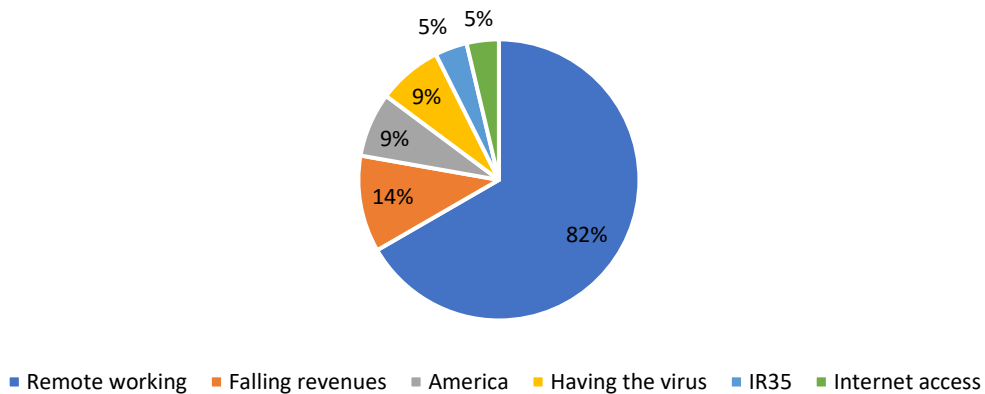


Games businesses were also asked about the degree of concern they have about the financial impact of coronavirus on their organisation. Nearly half of respondents said that they were ‘very concerned’ or ‘extremely concerned’ (46%). A further 18% of respondents were ‘moderately concerned’ and 32% were ‘somewhat concerned’. Only 5% were ‘not at all concerned’. These results indicate that most businesses do feel some form of anxiety about their finances during and after the coronavirus pandemic. With 46% of respondents expressing great concern about their finances, coronavirus is clearly affecting the revenues of games businesses in the UK and/or generating uncertainty for them.

However, not all businesses that responded felt an extreme concern about their finances. This indicates that some of the businesses could be equally or even more concerned by other issues such as the challenges involved in remote working and the impact of the latter on employees’ mental health.

- **Remote working was the most mentioned issue**

Q. In what way has your organisation been affected, or do you think will be affected?



When asked what the biggest challenge facing their businesses are during the coronavirus crisis, 82% of respondents identified working remotely as a key issue. Businesses identified the challenges associated with transitioning from working in the office to remote working, for example highlighting

an impact on productivity (particularly in the early stages of the lockdown),² lack of client contact, mental health well-being and reliance on VPNs for efficient home working. With over four-fifths of respondents highlighting challenges associated with remote working as a key issue, the issues of transitioning to remote work stands as a major concern for most businesses.

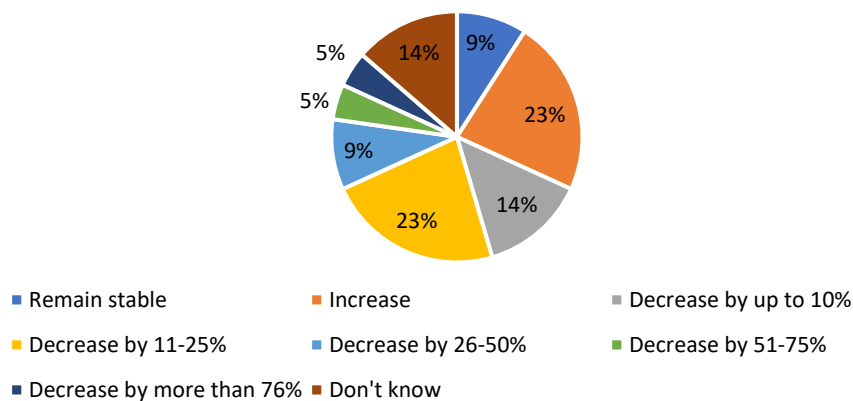
As well as this, 14% of respondents identified falling revenues as a challenge. The cancellation of jobs and current and future projects and the closure of boxed retail outlets were among the main concerns flagged in this area.

9% of respondents also highlighted the challenges that the uncertain domestic situation in America is bringing to their business. Some businesses expressed concern that the domestic situation in America would impact their revenues and that the fall of the pound against the dollar has made normal business with America difficult or even impossible.

Nearly one in ten respondents (9%) also identified staff members having the virus as a concern, due to low staff numbers working. 5% also referenced internet access as a concern for businesses, and 5% referenced issues associated with IR35.

- **A majority of respondents expected their organisation’s revenue to decrease during 2020 because of the coronavirus outbreak**

Q. During 2020, due to the coronavirus pandemic, do you predict your organisation's income will?



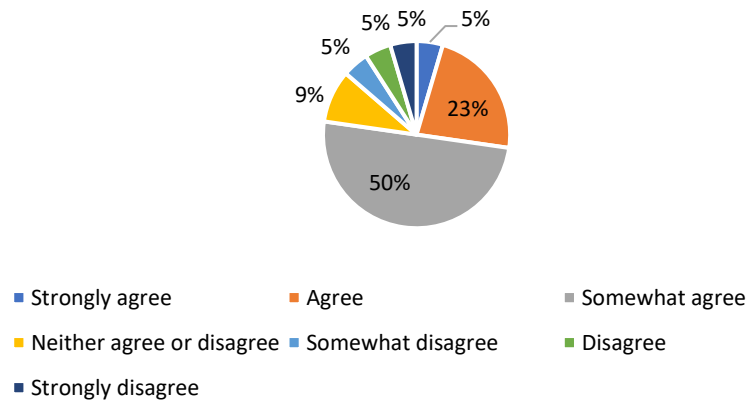
Respondents were also asked how much they expected their revenues to fall throughout the coronavirus period. A majority of respondents (56%) said that they expected that their organisation’s income would decrease during the coronavirus pandemic when compared to the previous financial year. This could be for multiple reasons, including reduced game sales or a fall in advertising spending. Some mobile developers rely on advertising to monetise their games and a fall in advertising spend will therefore impact negatively upon mobile developers’ revenue streams. However, around a third

² Communication is most effective face-to-face. It is easier to discuss issues, show ideas and share knowledge in a physical setting. As one studio head explained: “Sometimes I can see an issue/ bug in a game and the programmer can stand over my shoulder and watch me play it and even take over from me, sit down in my chair and look at what is going on behind in the code.” Remote working requires producers and managers to communicate more frequently with their teams than if they were all in the same physical location. Producers and managers may also need to invest more time in reviewing their teams’ progress. Other things being equal, it is often easier to monitor performance and progress in a physical environment as opposed to a remote setting. Moreover, having tasks written down can be easily mistranslated. Finally, remote working has entailed additional costs for those studios which have had to ship PCs out to some of their team members.

of respondents, (32%) predict their business's income will remain stable or even increase. This could be attributed to the increase in people playing video games from home. This again indicates somewhat that the worries of some businesses may not be solely financial, or the impact on revenues will be less of a concern than other factors such as remote working.

- **Respondents were generally supportive of the Government's economic support measures**

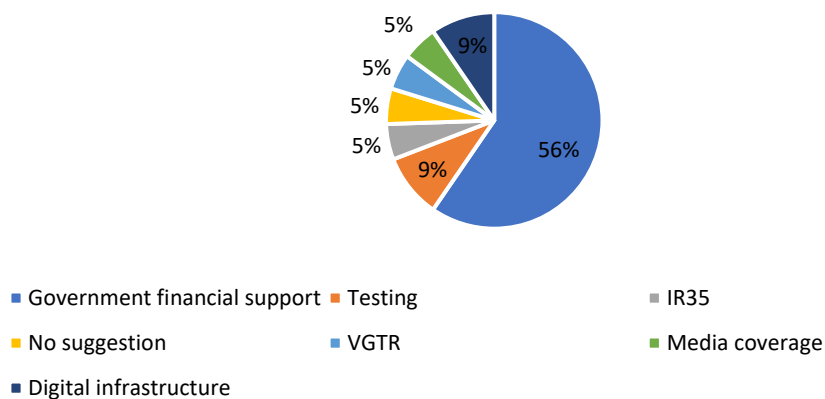
Q. To what extent do you agree or disagree with the economic support measures that the Government has taken so far?



Games businesses were also asked the extent to which they agreed with the Government's measures introduced to support businesses. It is important to recognize that these results may be skewed slightly, as the Government have introduced new measures and strengthened existing ones after this survey was created. However, the results do indicate that most respondents (78%) agree to some extent with the measures introduced. Only 15% of respondents disagreed with the Government's support measures. 9% selected that they 'neither agreed nor disagreed' with the support packages, reflecting a degree of ambivalence towards them.

- **Over half of all respondents called for additional forms of financial support from Government and nearly one in ten called for enhanced digital infrastructure***

Q. What is the single most important action that the Government could take to help your organisation?



*In this chart, VGTR refers to improving Video Games Tax Relief and ensuring it is processed on time. Digital Infrastructure refers to the need to enhance digital infrastructure, broadband speed and technology for users. Testing refers to the need for the Government to expand testing capacity, and IR35 refers to issues companies are having complying with IR35 throughout the crisis.

As part of the survey, respondents were also asked to identify a single measure that the Government could introduce, that they believe would help their business to cope with the coronavirus crisis. 56% of respondents pointed to a form of Government financial support that would help sustain business, for example, stopping overheads such as rent and business rates, support grants from Government, and further financial support specifically for freelancers and the self-employed. This indicates that over half of respondents believe that the Government should go further with their financial support packages, or that the current schemes should be made more easily available to the video games industry.

9% urged the Government to continue to improve the UK's digital infrastructure. New research from OFCOM suggests that as of November 2019, the average home broadband speed is 64 megabits per second (Mbps), up from 54.2Mbps in 2018. Nearly three quarters of UK homes have what Ofcom considers 'superfast' broadband packages of 30Mbps or higher. Real-world connection speeds are slightly lower, with 69% of people achieving 30Mbps or more. That includes the 17% of homes on 100Mbps or higher, and 3% achieve more than 300Mbps. Full-fibre broadband increased by a fifth in 2019 compared to 2018, but is still accessible by just 12 per cent of homes. Ultrafast broadband availability of 300Mbps or higher rose by 2% of 55% of all households in 2019.³

The minimum Mbps needed by games businesses will vary, depending on the content in the game;⁴ the type of game;⁵ the stage of development;⁶ the size of the files that need to be shared between team members; whether video conference is involved; and how many people are working remotely from a particular home.⁷ Some games development studios require at least 10Mbps for games development (anything less would be a big hindrance).⁸ However, most studios need a greater Mbps. Many UK studios suggest that they need a minimum of 30Mbps and other games businesses reported needing at least 50-100Mbps.⁹ Typically, for large files (models and textures) to be exchanged easily between team members around 50Mbps is required for downloading and uploading. Some development studios require around 50Mbps minimum for reliable video-conferencing and 70-80Mbps for good quality.

A further 9% emphasised the need for Government to increase testing capacity (9%), so that employees can access tests and those who have had the virus and have recovered can begin to return to work.¹⁰ Others said that the industry was faring relatively well in comparison to others and had no suggestions (5%), and mentioned that accessing Video Games Tax Relief (VGTR) on time was the most

³ <https://www.bbc.co.uk/news/technology-52646811>

⁴ Art, motion capture and video features will require higher Mbps.

⁵ Console game development will typically need more bandwidth than mobile.

⁶ As a project goes further in development the builds and data files will get increasingly larger in size, which means that greater Mbps are required.

⁷ A number of studios noted that problems increase depending on the number of people in a house. A single occupant in a home can cope with a lower Mbps speed. Two or more occupants in a dwelling with a low Mbps will struggle to cope with, for example, videoconferencing at the same time.

⁸ One studio reported that while his staff can download at 20-50Mbps, the upload speed is below 10Mbps and that this is slowing the speed of work down massively. The studio in question considered paying to upgrade all staff to make a higher upload speed available for them. However, this is not possible because most of the team are in suburbs or nearby villages. Higher upload speeds are only in the city centre or for business premises.

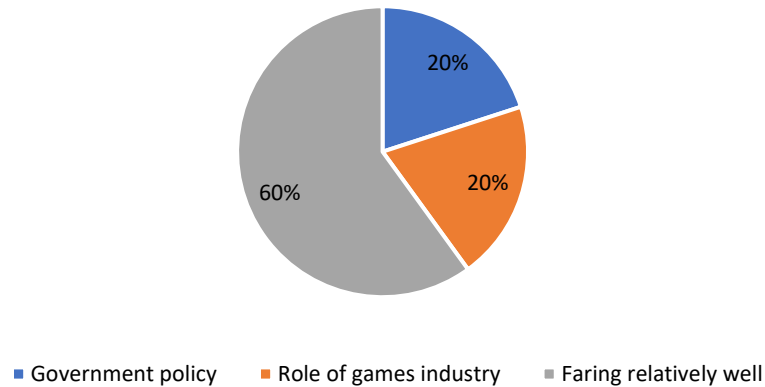
⁹ For certain developers and artists on a high-fidelity game, 100mb+ download & upload is a noticeable benefit.

¹⁰ One studio CEO noted that ideally he would want staff to be tested on a daily basis.

important form of support (5%). 5% mentioned IR35 legislation, and a further 5% referenced the need for more effective media coverage of the coronavirus crisis.

- **Most respondents highlighted that, despite the challenges, the video games industry was faring well in comparison to other sectors**

Q. Do you have any other comments you would like to add?



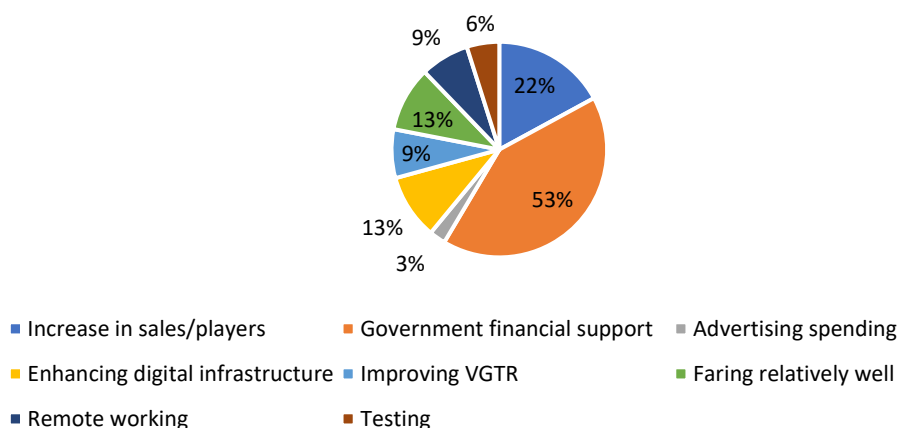
When asked if they had any further comments to make as part of the survey, 60% of respondents highlighted that, despite the challenges, the video games industry was faring relatively well in comparison to other sectors of the UK economy and was relatively well equipped to weather the coronavirus storm. One in five (20%) also mentioned that the video games industry has a role to play in combating the coronavirus crisis, for example, in terms of promoting Government health messages. 20% commented on Government policy, stating their belief that the Government had not acted fast enough to slow the outbreak.

These survey results indicate that the coronavirus has had an unprecedented impact on businesses and the video games industry. Businesses are having to adapt their work to accommodate remote working, including adjusting to and catering for equipment and internet issues, a reduction in employee and client interaction and also a concern for the mental health well-being of employees. Overwhelmingly, although the current support is welcomed, video games companies wish to see Government support enhanced and adapted further so that the video games industry can more easily access it.

Additional feedback from TIGA members

As well as collecting responses from TIGA's Covid-19 survey, TIGA have analysed an additional dataset comprised of general feedback provided from businesses regarding the impact of coronavirus, throughout the period between 18th March and 19th May 2020.

Categorisation of additional feedback



- **Respondents called for additional financial support, particularly on overheads such as business rates and rents**

Of these responses, 53% commented on the current Government financial support available to businesses. Again, many businesses noted the financial impact of overheads such as business rates and called for action to be taken in this regard. In addition, many companies highlighted that the criteria for current business support schemes do not allow video games companies to seek loans or grants easily. The restrictive eligibility criteria, including personal guarantee requirements, mean that many video games companies are struggling to access Government support at present.

13% of additional respondents also highlighted the need for strong digital infrastructure during this period. This includes the provision of speedy broadband and internet connection across the country, so that those working in the video games industry can maintain productivity levels and continue to work from home for as long as is necessary. 9% highlighted the challenges of remote working, and 6% highlighted the need for increased testing capacity so that the UK economy can begin to get back on its feet.

3% also highlighted the problems associated with advertising spending. Companies noted that business is facing a financial challenge as advertising spending is down from big brands.

- **A fifth of additional respondents reported an increase in games players and/or sales**

However, as well as the above problems being highlighted, one in five (22%) of additional respondents said that they have seen an increase in games players and/or sales in their video games. This reflects that for some businesses, the increase in people staying at home has led to a boost in sales of online games. To add to this, 13% of additional respondents highlighted that they felt that the video games industry was faring relatively well to other industries and were one of the best placed to weather the coronavirus storm.

Conclusions

In sum, feedback from games businesses overwhelmingly suggests that the coronavirus crisis is impacting the work of video games companies. Our main survey reveals three principal findings.

Firstly, 82% of respondents identified remote working as a key challenge because of the associated issues involving the quality of our digital infrastructure and the impact upon productivity. Secondly, 56% expect that their organisation's income will decline during the coronavirus pandemic when compared to the previous financial year. Thirdly, 78% support Government's measures to support business.

The UK Government can support the video games industry in three principal ways. Firstly, by continuing to provide financial support such as the Coronavirus Job Retention Scheme, the Bounce Back Loans Scheme and the HMT Future Fund (and accelerating Video Games Tax Relief claims). Secondly, by expanding the UK's testing capacity so that employees can return to work with confidence. Thirdly, by continuing to enhance the UK's digital infrastructure, including our broadband speeds, to ensure business resilience and effective remote working.

The video games industry and the wider creative industries sector are a huge contributor to UK GDP. [Games development contributed over £1.8 billion towards GDP](#) in the year to November 2018, as well as an estimated £747m in direct and indirect tax revenues to the Exchequer. [In 2019, there were 5.3 million jobs in DCMS sectors, which accounted for 15.7% of all UK jobs.](#) The number of jobs in the Creative Industries increased by 34.5% since 2011, and the Digital Sector increased by 20.6%. Therefore, whilst TIGA warmly welcomes the support currently in place, as the UK begins to enter a period of 'new normal' it is vital that the industry continues [to be supported](#) in making the adjustments necessary to work safely and effectively. This is necessary to ensure that the industry continues to thrive and grow in the years ahead.