

Inquiry into economic impact of the creative industries in Scotland

Scotland's games industry has grown enormously in the two decades. From six companies in the mid 1990s, the country now has approximately 90 development studios, along with around 60 associated companies producing tools and technologies, or providing business support services such as quality assurance, motion capture or audio production. It is estimated that there around between 1200-1400 people directly employed in the games sector in Scotland.

The output from these companies has grown similarly. In 2013 Scottish developers released 93 individual games. In 2014 the number of releases was 86. The vast majority of these games are original new intellectual property.

Scotland also boasts four universities producing games specific graduates: Edinburgh Napier, the University of Abertay Dundee, Glasgow Caledonian and the University of the West of Scotland. In addition, the majority of the country's colleges now offer HNC and HND qualifications in games development.

The games industry is constantly evolving. In the past large studios were the norm, games required large teams and significant up-front investment for development. The advent of smartphones and tablets has meant that games can now be created by far smaller teams, far more quickly. This has led to a great reduction in the number of large studios (those with more than 20 x employees). Most development studios in Scotland now typically have fewer than 10 staff.

There are a wide range of issues affecting the games sector which could be aided by government intervention. These issues are constantly changing as the industry evolves and require both an in-depth understanding of the industry, as well as the ability to change direction and pivot to support the industry as change occurs.

Lack Of National Strategy Or Vision

The games sector has far more to offer than the creation of entertainment content. It is the junction where technical expertise and creativity converge. Interactive media is a transformative technology, which is having a profound effect on every aspect of the creative industries, education, healthcare, engagement with politics and many other areas of public and private life.

However, the games sector is still seen as insular and isolated from the rest of the creative industries, despite the reality that digital devices and interactive media could transform the film industry, television, music, literature and many other sectors.

This needs to be addressed. It is a huge topic and one which cannot and should not be tackled by a single agency or organisation. Scotland is well placed to make use of the technical expertise and creativity it possesses, but for this to happen, the potential of the games sector needs to be understood and the industry included in plans moving forward.

Public Sector Support

There are a wide range of public sector organisations specific to Scotland which offer help and support of some description to the games sector. Their experience and expertise varies widely. Scottish Enterprise and Scottish Development International have worked extensively with the sector since the mid 1990s. Creative Scotland on the other hand, has no historic contact with the games sector and has yet to create any structured support for the games sector.

The sheer number of organisations makes finding support a complex task and the lack of clarity over the role of the organisation and which organisations can offer what support can be perplexing for even the most experienced companies.

The role of the various organisations, projects and groups can be vague or obscure, which can lead to missed opportunities or lack of use.

Clarification over the roles of each agency, the help it offers the sector and greater communication and cooperation between the organisations would be of great use.

Lack Of Understanding And Data

The games sector is still widely misunderstood and in some cases ignored. The one piece of official data on the sector in recent years was the 2012 economic impact report commissioned by Scottish Enterprise and Creative Scotland. This document valued the games industry as having zero value, employing only 200 people, with no university or colleges offering courses or producing graduates.

Data concerning the sector's evolution and output is not being captured. Even the number of games companies in Scotland, or the games released is not officially recorded.

This creates problems for the sector as policy, legislation and decisions are often made based on inaccurate or missing information. It also makes it near impossible to measure the industry's progress over time.

The industry has not received a sector review by the country's cultural and creative organisation in the way which music, film, theatre and literature have. Creative Scotland does not have extensive in-house experience of the sector, which stops it from being able to fully support the sector.

The rapid change within the games industry means that many of the benchmarks used by the public sector – primarily head count – are no longer the key factors in determining a company's success.

Funding

The games sector has grown and evolved as a purely commercial entity. There has been very little public funding available to companies to enable them to design and develop new projects.

Few companies have been able to secure investment from angel investors, venture capital funds or other institutional sources.

Generating revenue in the games sector is becoming increasingly difficult. The growing number of games on the market, the increasing popularity of the free-to-play business model; and the lack of experience in publishing, marketing and supporting games means that fewer games studios are operating sustainably.

There is an opportunity in Scotland to create a means of funding which would replicate some of the success of the funds created in England, Denmark, Australia, etc. but which could innovate in a number of ways. These could include loans, co-publishing, IP co-ownership or other models which could provide actual returns on the funds spent. Rather than simply funding for a game to be created, the release, distribution and ongoing support also needs to be taken into account.

Skills & Training

The games industry is a highly qualified one, in which many participants are educated to degree level and beyond. Indeed there may be more graduates emerging from the country's games courses than can be accommodated by the industry.

The games industry suffers from a number of skills gaps and a lack of ongoing training which leaves the industry vulnerable and failing to achieve its full potential.

The smaller companies in the Scottish games industry have been primarily created by people with technical (programming) or artistic (art/animation) skills. As the opportunities to enter the industry are increasingly entrepreneurial, the companies which are created are not being built with the goal of creating a sustainable business, but as a vehicle to allow the creation of games.

There is a distinct lack of business knowledge within the games sector, which leads to issues with business development, marketing, raising finance and other aspects of creating a successful company.

While the film and television sectors offer multiple opportunities to re-train and up-skill employees, allowing them to access new skills and learn new roles, the games sector, as a much younger and less structured industry, has far fewer ways for companies to access continuing personal development or further education.

The UK-wide skills investment fund, managed by Creative Skillset offered just these opportunities. However it closes at the end of financial year 14/15 and has not been renewed or replaced in Scotland, Wales or Northern Ireland. There exists an opportunity to create a similar fund for Scotland to allow creative companies to access the skills they need to remain competitive within a rapidly evolving sector.

Recruitment & Talent Retention

Many companies encounter difficulties when it comes to recruiting. Scotland is very well supplied with graduate talent, but experienced staff cannot remain in the country due to the lack of large, sustainable companies offering senior positions. This means that Scotland is losing many of its most experienced staff overseas, or to other industries.

The drive to create successful and sustainable companies are the keys to ensuring such

talent can be retained and Scotland's industry can grow and accommodate the experience and expertise it produces.

The government supports recruitment within the games sector through the Talent Scotland project, which targets overseas candidates. However, this suffers from the public sector lack of visibility, communication and connection with industry. It fails to engage with the wider industry or reach the potential members of staff it should.

Support For Innovation

The lack of funding in the sector and the need for each game created to appeal to a commercial audience is stifling innovation in the Scottish games industry.

There needs to be a dedicated organisation or project to fund and support the creation of new experiences, encourage ongoing collaboration between different creative companies, areas of the arts, artists and creators.

This organisation would support the creation of new experimental and innovative interactive experiences, with the goal of these being released commercially, or used as the basis for new commercial projects.

Working Space & Collaboration

The growing number of small companies which are likely to remain fewer than 10 people means that for many games studios, office space can be difficult to find. There is also growing global evidence that co-working spaces within the games sector foster a great deal of collaboration and encourage innovation.

The games sector has a great many young people involved, with a focus on socialising and quality of life. As such out of town business and technology parks have little attraction for games start-ups and young companies.

Flexible, affordable city centre co-working spaces offer the opportunity to encourage and support the sort of collaboration and innovation which the industry needs to maintain a competitive advantage. Utilising underused local authority owned buildings, or space within a university campus may be two options to consider.

Industry Collaboration

To date the Scottish games sector has not driven any of these changes. This must change. The sector has to take responsibility for creating and maintaining links with government, parliament and the public sector.

The games sector is one of the youngest entrants in the creative industries. It does not have the historical relationships or connections of the more established sectors with the public sector and government. The industry is unlikely to voluntarily engage with these areas, or understand the value of stronger links with them.

The games sector in Scotland is unique within the UK in terms of the support on offer from the public sector and the organisations which deliver that support. It requires dedicated

understanding and assistance in order to achieve its full potential.

In such a rapidly evolving industry, the public sector cannot be expected to understand the games market to the extent that participants within the industry do. The games sector has to ensure it can lead on key issues, support all of the organisations involved and be proactive participants in all of the outcomes of the ongoing contact with the Scottish government and parliament.

This is changing. The Scottish Games Network has worked to create ties and work with organisations including BAFTA Scotland, Creative Skillset, Skills Development Scotland, the Centre For The Moving Image, the Glasgow and Edinburgh Film Festivals, the Scottish government, the parliamentary cross-party group on video games technology, etc. In the near future the network is planning a significant organisational restructuring in order to maintain and build upon these relationships in order to help the Scottish games industry to establish itself as a creative, innovative, commercially successful and culturally significant force within Scotland's creative industries.

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January 11 2015