GAMES MONITOR

THE NETHERLANDS

2020 UPDATE - COVID IMPACT

Dutch Game Garden

Since 2012 Dutch Game Garden, in collaboration with the Dutch Games Association, keeps track of developments in the Dutch video games industry roughly every three years. By combining extensive desk research and a broad survey within the games industry we capture these developments in the Games Monitor report. The Games Monitor has 3 editions so far, looking into the state of the industry for the years 2012, 2015, and 2018. If we follow this pattern a new Games Monitor is due in the first half of 2022 presenting the numbers for 2021. The year 2020 however, has had such an enormous impact on everybody that we felt the urge to present a short update on the Games Monitor report and provide insights on the impact the COVID-19 crisis has had.

We sincerely thank everybody who has contributed to this update! And we are looking forward to having continued conversations and discussions about the growth and development of the Dutch Games Industry.

For this overview we have used the same criteria for the games industry as in the earlier Games Monitor reports, for a full explanation we refer to chapter 7 of the Games Monitor 2018 (pages 48-51 of the full report)[1]. We have updated our database according to these criteria and based on a limited survey we can give indications on the development of the turnover and the number of people employed in the Dutch games industry. In the next monitor, we will provide a more detailed analysis. At the end of November 2020, we sent out a survey to around 500 people. A little over 100 respondents filled in the survey.

COVER IMAGE
The Falconeer
by Tomas Sala

BACKCOVER IMAGE
Blightbound
by Ronimo Games

PARTNERS

Dutch Game Garden

DGA DUTCH GAMES ASSOCIATION

GAMES MONITOR UPDATE 2020

NUMBER OF GAME COMPANIES

The number of game companies in the Netherlands has risen from 575 in 2018 to 615 by the end of 2020. This growth mainly took place in the number of solo developers and/or freelancers. Compared to the 2018 edition 88 companies were discarded from the list of active game companies. Some of these companies ended their registration at the Chamber of Commerce, some of them merged into a larger company and several companies still have a Chamber of Commerce registration but are not actively engaged in the company anymore (for example no social media activity for more than a year, website down and/or the employees and founders are all working elsewhere). In the past 2 years, 6 companies filed for bankruptcy. 3 companies out of these 6 made a new start in another entity, for the other 3 procedures haven't been concluded yet. Another 10 companies shifted their focus and are not active in games anymore or games are just a small part of their portfolio.

LOCATION

In the past two years, a lot of companies changed their company address. We counted more than 110 new addresses in our database (not counting the new companies), meaning that more than 20% of the existing companies relocated! Most of these new offices were found within the original city of business.
In terms of the number of companies, Amsterdam and Utrecht are the cities with the most companies. Together these two cities house about one-third of the Dutch game companies. Rotterdam, Groningen, The Hague, and Eindhoven also house more than 20 companies each. In terms of employees, Amsterdam remains the most important hub, housing some of the country's largest game companies.

[1] *https://www.dutchgamegarden.nl/project/games-monitor/*

COVID IMPACT

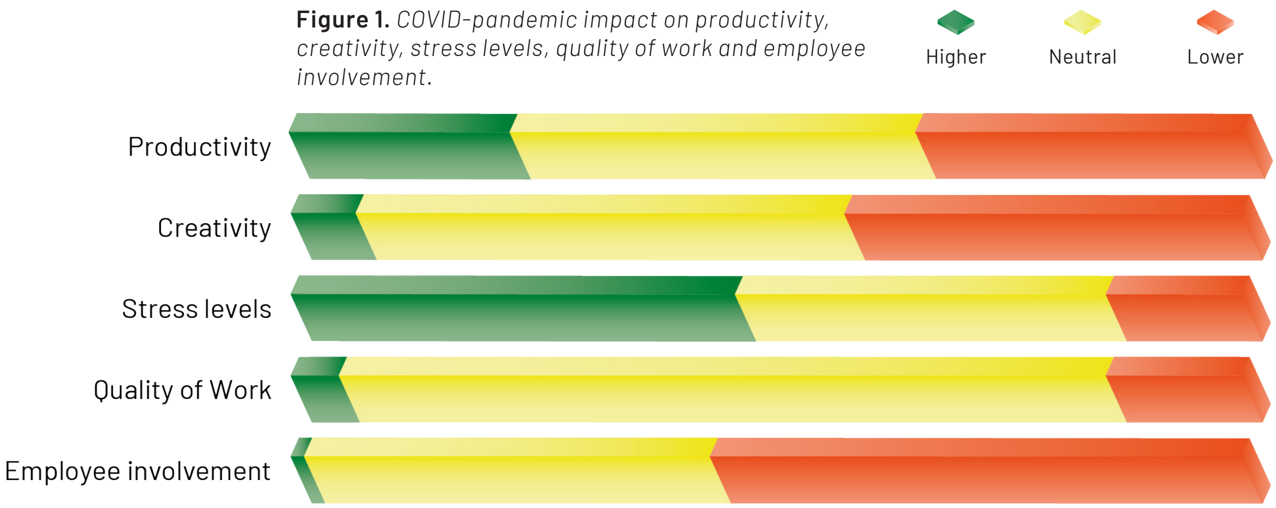
The COVID-pandemic obviously had its impact on the Dutch games industry in 2020. As in all sectors of the economy, companies had to deal with working from home and with the fact that all physical events were canceled since March. We asked companies how these circumstances impacted their company and their work.

WORKING REMOTELY

85% of the respondents of our survey answered that they work remotely more than before the pandemic. The other 15% were mostly freelancers or small companies who were already used to working remotely. Working from home was a straightforward transition for most, as game company infrastructure generally, already has been set up to work in a digital environment.

We've asked the respondents if the increase in remote working impacted their productivity, creativity, stress levels, quality of work, and employee involvement. Working remotely had little impact on the quality of work, about 75% of respondents stated that the impact was neutral. Not surprisingly the largest impact of working remotely was experienced in employee engagement. Despite efforts of employers in organizing digital drinks, presents sent to employee's homes etc. employee engagement was lower for more than half of the companies. For instance, the informal work culture was more difficult to maintain and people missed the casual talks during coffee or lunch breaks. Stress levels were higher for almost half of the respondents. The impact on creativity showed a more diverse picture. Overall, 43% experienced lower creativity. But for applied game companies this was 80%. In general, applied game companies make several games for clients each year, meaning they have to go through the cycle of coming up with new ideas several times per year. Many entertainment companies work on one game for a longer period. Therefore, the effect on creativity varies depending on the development phase of the game they are working on. The effect on productivity was mixed as well. For about a third of the companies, productivity was lower, for more than 40% the effect was neutral, and for almost a quarter of the companies, productivity was higher. Within companies, employers saw a difference between more extroverted and introverted people, where the latter category adjusted easier to working from home or even thrived. And of course, the home situation (children at home or not, having ample space or not) had a huge effect on individual employees.

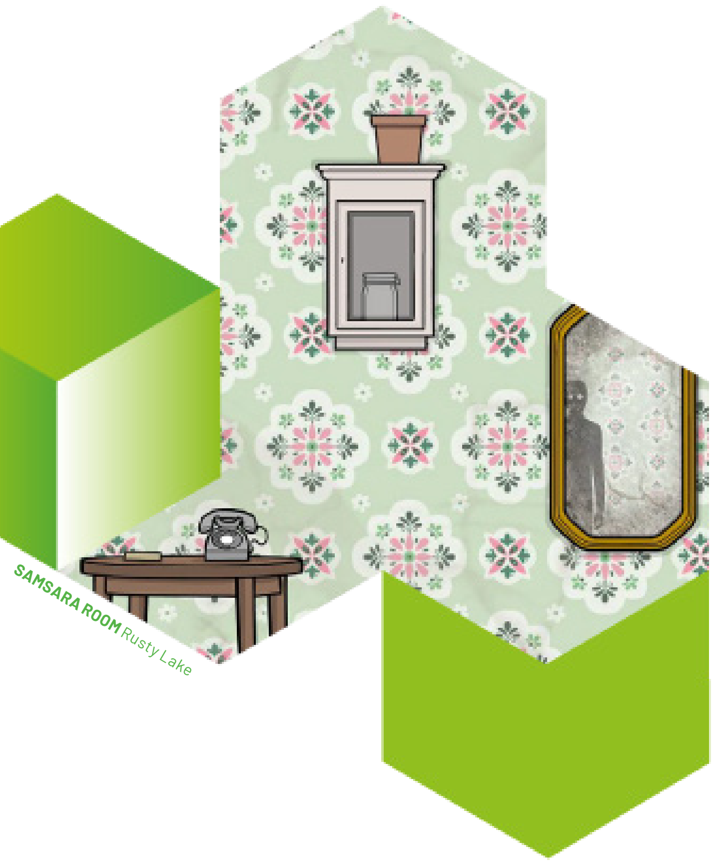
Figure 1. *COVID-pandemic impact on productivity, creativity, stress levels, quality of work and employee involvement.*



ECONOMIC EFFECTS

In all kinds of media, the video games industry was presented as one of the sectors of the economy that profited from the COVID pandemic, especially from all the lockdowns worldwide. People had fewer opportunities to visit restaurants, movie theaters, sports clubs, and events etc., and had to find distractions at home. "Gaming was a means for entertainment, escapism, and socializing and interacting with friends/family for many consumers, leading to unprecedented growth for the games market." Based on this observation, Newzoo raised the expected total worldwide revenues in 2020 for entertainment games to almost $ 175 billion, a 19,6% growth.[2]

For the Dutch video games industry, the situation was a mixed bunch depending very much on the focus, type of customer, and phase in the game development process of each individual company. We saw a huge difference between business-to-business (B2B) companies on the one hand and business-to-consumer (B2C) companies on the other hand, especially after the first lockdowns hit. In general, B2B companies suffered in the spring of 2020. Because there was a lot of insecurity in the market about how the pandemic would develop, large assignments were put on hold or even canceled. For applied game companies the type of customers also determined how they were affected. Companies developing games for healthcare saw attention shifting almost completely to the COVID pandemic. This led to new opportunities that could cater to the needs of COVID patients and healthcare professionals or to providing solutions for eHealth. Whereas companies being dependent on testing on patients or access to healthcare facilities had to search for other solutions. Companies developing games for museums for instance saw their business come to a halt. After the first lockdowns ended the market picked up again, but it was more difficult to find new customers due to the lack of physical events. Companies with an already larger customer base were able to recover faster.



SAMSARA ROOM Rusty Lake

For entertainment companies, different trends could be seen. Foremost the growth in the market based on the growing use of games on all platforms and also by the introduction of a new generation of consoles in the fall of 2020 (Xbox Series X and PlayStation 5). The advertisement market for entertainment games experienced some ups and downs. The price per advertisement declined from March onwards. Campaigns were pulled back or postponed because all kinds of activities were closed during the lockdowns. But the growth in the number of players often compensated for the loss.

[2] https://newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/

REVENUE DEVELOPMENT

60% of our respondents expected a higher revenue than they realized in 2019. So, without the enormous growth in playing time, most companies expected a higher revenue. Around 40% of the respondents who make entertainment games stated their actual revenue was even higher than expected. Only a few applied game companies did likewise. Many entertainment companies therefore, were able to profit from the situation in 2020. In general, micro-companies profited less than larger companies. On the opposite side of the balance, some companies suffered and about a third had a lower revenue than expected.

EMPLOYEE DEVELOPMENT

Most of the companies who filled in our survey saw no change in the number of employees. 25% of the companies realized an increase in the number of employees. For most of those companies, the growth was organic and was not influenced by the COVID pandemic. For a few companies, this growth was influenced by COVID. 9% of the companies saw a decrease in the number of employees, for almost all this was entirely or partially influenced by the COVID pandemic.

Based on the information available on companies' website, LinkedIn profiles, and their updates in the Dutch Games Industry Directory[3], we can conclude that most large companies grew in the number of employees in the past two years. Overall therefore, we estimate that the total number of employees in the Dutch video game industry has risen to around 4000 employees.

The Dutch government took measures in the early phases of the first lockdown to prevent a huge growth in unemployment. Based on the preliminary reports around 85 game-related companies took advantage of these measures and applied for support for their labor costs. In general, these companies are mainly active in the B2B markets (both applied and entertainment games). During the year the number of game companies that used these support measures decreased significantly.

FREELANCERS

Out of the 75 companies in the survey that use freelancers in their business, 32 made more use of freelancers in 2020. For 20 of them, this was not influenced by the COVID pandemic. For 36 companies, the employment of freelancers remained stable. 7 companies used fewer freelancers, this was mostly influenced by the pandemic. To a small extent companies used freelancers as a flexible labor force instead of contracting new employees.

[3] *https://dutchgameindustry.directory/*

INTERNSHIPS

Half of the companies in our survey do not employ interns. For half of the companies that do have interns, there was no change in the number of interns. 18 companies had fewer interns due to the COVID pandemic. 7 companies canceled internships halfway through because of the obligations to work from home. They felt that proper supervision in this situation was not possible. No company ended an internship because of a lack of work/tasks for the intern.

In the first months of 2021, we had a few conversations with game educators, from all educational levels, in the Netherlands. These conversations confirm the impression about internships. There were some internships cancelled during the first half of 2020 because of the first lockdown. But in the fall semester there were no large problems with internships for game students. Most students were able to find an internship, the number of students that did not was no different than the regular percentage of students without internships.

LACK OF PHYSICAL EVENTS

We've asked our respondents about the effect of the lack of physical events. For about a third of the respondents, digital events were a good alternative and these events provided them with new business opportunities. In a discussion organized by the Dutch Games Association at the end of 2020, some of the participants were positive about not having to wait for a physical event to meet with a business partner. For them, it became more common to have digital calls at any time of the year with business partners. Deal-making became more efficient because the waiting time in between meetings was shorter. But establishing new relationships with new (potential) business partners was much harder. A social meeting at an event (drinking a coffee or sharing a meal) works better to establish a basis of trust than several digital meetings. A third of the respondents in our survey indicated that they weren't able to meet with third parties for new business opportunities. Roughly 20% weren't able to promote their game as intended and 15% weren't able to meet with a publisher or investor.

Figure 2. *Impact of lack of physical events.*

[2] *https://newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/*

SUMMARY

The year 2020 was an unusual year for everyone, the video game industry was no exception to that. But this industry was one of the sectors that profited from the fact that people had to spend more time at home. For the Dutch games industry, we saw large differences between business-to-business companies and business-to-consumer companies. The entertainment companies who mostly sell games directly to the consumer through digital channels saw an increase in revenue and benefited from the lockdown situation. Business-to-business companies suffered in the spring of 2020 when clients paused or canceled assignments. By the end of the year, some were still struggling to get back on their feet. Others with a larger client base and a larger network were able to recover faster and were able to find new projects. Working fron home was a straightforward transition for most, as game company infrastructure generally, already has been set up to work in digital environment. Quality of work therefor was hardly compromised. Company leadersh did feel a negative impact on employee engagement. For the industry as a whole, there has been growth since our latest Game Monitor report in 2018. The Dutch video gam industry now consists of 615 companies and roughly 4000 jobs.

WWW.DUTCHGAMEGARDEN.NL