I have been making games professionally in Scotland since 1999. For many years, I have maintained that Scotland does not have a successful games industry, purely for the reason that it was not sustainable. The need to create and support a sustainable games industry in Scotland is now more critical than ever. 2015 could be the year many of the small games companies decide to throw in the towel and move elsewhere in the UK or world.

Since Ludometrics was founded in 2010, the company has been directly supported by the following public sector agencies: Scottish Enterprise, Scottish Development International and Creative Scotland. In addition, the company has had support from the University of Abertay Prototype Fund, and indirect support from public sector agencies through participation in training courses offered by TRC Media. The company has attended events and seminars organised by Interactive Scotland. In addition, I am the Games & Apps Adviser for the Cultural Enterprise Office.

Each agency has been effective in supporting the company in attending trade events, conferences and in product creation. However, part of the problem is the phrase “each agency” – even with experience, it can be difficult to navigate exactly who might be responsible for what regarding game production.

For example, SDI are responsible for helping games companies attend industry conferences such as the Game Developers Conference, but have no flexibility for helping companies attend consumer focused events. Creative Scotland has some scope to support game development financially, but no real industry expertise in-house. Scottish Enterprise can help small companies to a point, but the real support kicks in for those that identify as fitting the “high-growth” profile.

The games industry has changed rapidly in the last few years, and is now far removed from the original value chain in place through the 80s and 90s when most of the games industry support mechanisms were put in place. Table 1 attempts to categorise the different types of company:

<table>
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<th>Growth</th>
<th>These companies are those with an explicit aim to grow the company, identifiable by having multiple teams and projects in progress. Typically, these companies are venture backed or have raised equity financing of some sort.</th>
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<tr>
<td>Work for Hire (WFH)</td>
<td>These companies primarily earn revenue via working on projects commissioned by larger companies. This includes those companies that are wholly owned subsidiaries.</td>
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<tr>
<td>Boutique</td>
<td>These companies are explicitly small teams, focused on building individual products. They are equivalent to bands in the music industry, with each game the equivalent of an album.</td>
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Historically, Scotland’s games industry was mainly built from Growth and Work For Hire companies. This was mostly down to the high costs and barriers of entry to the market, particularly for developing games on consoles from Microsoft, Nintendo and Sony. Games were distributed physically via discs or cartridges, and digital distribution via the Internet was unviable.

In the last decade, however, the ability for small companies to target new platforms such as iPhone and Android devices, alongside growth in digital distribution for PCs and on console platforms has created a new category of company in Scotland – for want of a better word, I’ve called these “Boutique” companies – one which is largely left unsupported by public agencies. Note that this isn't a deliberate ploy on behalf of the agencies, it's merely a factor of the industry rapidly changing shape.

There will always be some overlap between these categories; some Boutique companies may choose to grow if they have a large enough hit. Many Boutique and Growth companies take on work-for-hire where necessary, although this has the downside of detracting from what would be considered the main reason for the company’s existence.

In fact nowadays, Scotland’s games sector primarily comprises of a multitude of these Boutique teams making games to be sold directly to the game playing audience. Generally, these teams have no real ambitions to grow in terms of absolute numbers – they behave more in the manner of music bands than companies - so the traditional measure of “job creation” used by SE et al as to whether these teams qualify for support is moot. New methods of identifying, developing and supporting these teams are thus urgently required.

In terms of private sector investment, those companies who are aiming to grow in a more traditional business model via venture capital seem to be well catered for. However, there appears to be little appetite for angel investment or project-based finance as is the case in film or theatre production. Given the industry changes as mentioned above to Boutique teams focused on individual products, there is a definite funding gap in the sector. This is even more keenly felt since the closure of Abertay’s Prototype Fund. Several companies in Scotland have also attempted raising project finance via crowdfunding, but to date none have been successful.

The recent introduction of tax credits for the games sector is designed to stimulate private investment, but at the moment there is no evidence to suggest this has happened although it has only been a few months since the scheme began. However, this may be due to a lack of visibility of deals available to appropriate investors as much as a lack of appetite for such deals.

In the case of Ludometrics, private sector investment alongside support from Creative Scotland has come in the form of matched funding from Sony Computer Entertainment Europe.

The games industry in Scotland has effectively been stagnant since the collapse of Realtime Worlds in late 2010 with limited growth and minimal
success. While there’s no doubt everyone in the industry is working hard, there have been no breakout successes from our games companies. Compare this with the Nordic region, which as well as producing venture backed hits such as Candy Crush and Clash of Clans, has also produced several grass-roots commercial hits such as SteamWorld Dig, Limbo and Angry Birds (venture backing followed the initial success of the game). Scotland has at least been able to take advantage of another game from the Nordic area: Minecraft. 4J Studios have had great success off the back of their work converting Minecraft to other platforms.

In short, Scottish games industry needs to focus on translating the existing creativity and critical acclaim into solid commercial success – that has always been the industry’s biggest issue, and at present it shows little sign of changing.

Indeed, as recently as December 11th 2014, Edinburgh-based Lucky Frame, a company with several critically successful games that had been supported by Creative Scotland and Abertay’s Prototype Fund, announced they would no longer be producing new games as they hadn’t been commercially successful.

If the highest rated original games produced in Scotland in the last few years can’t provide sustainability then clearly, the industry as a whole has an issue that must be addressed. This leads to the key reason of why it is important to support Boutique companies: a strong base of independent companies provides the ability to retain and attract talent, including the high-quality graduates from Scottish universities, provides meaningful and high quality employment, and adds to the Scottish cultural environment. Above all, it avoids the descent of the Scottish games industry into being a cottage industry. It is this base of companies that provides the Nordic industry with such strength and global footprint.

To retain talent in Scotland, then, the simple answer is to help teams find sustainable, commercial success. Typically, financial support for companies has been focused on production – getting the game made. However, support is also needed for the critical aspect of actually launching games – this all comes down to marketing. Most teams have spent all their energy and resources on actually making the game as best they can – a necessary prerequisite – meaning they don’t have time, energy, resources and most importantly the skills to promote the game as they need to in order for the game to find success.

Ownership of games talent development should be split between Creative Scotland and Scottish Enterprise. If a company is planning to be a high-growth business, it should come under Scottish Enterprise’s existing mechanisms for those companies. Boutique teams should come under the purview of Creative Scotland in the same way as musicians would. Games must be treated as culturally valuable as film, television, music, theatre and literature is in Scotland.

Obviously, Creative Scotland would then be required to build a specific games team in order to properly support the Boutique sector. This would certainly be
possible given the talent and knowledge already in the country. The CS team would have a budget to spend on full project development, in much the same way as the Danish Game Support Program. Alongside, the CS team would be responsible for helping with marketing the games at consumer focused events, just as CS take Scottish bands to events such as SXSW in the US. Finally, the CS team would be responsible for establishing training programmes to assist game makers with learning about marketing, product management, business management and so on.

A National Company for Play should be created, along the lines of the National Theatre for Scotland and the other national companies. The focus of this company would be on generating experimental game ideas and play methods with the ambition of translating those ideas into commercial success. The company would identify and support new talent, alongside supporting existing talent. The budget for this need not be high, but it should be run on the same terms as the existing national companies with some degree of core funding and a requirement to earn from translating projects into commercial launches.

Broadband and digital infrastructure should continue to be developed – Scotland has a good infrastructure in place already, but it can always be improved with new technologies and made faster. This benefits the nation as a whole, of course, not just the games industry.

Empty city centre office spaces should be converted into high quality co-working spaces with low rents and charges for individuals and small teams. There is no evidence that out-of-town “innovation parks” contribute to success, economic or otherwise, and people that want to work for games companies want to be in city centres.

At this stage, Scotland shouldn’t be looking to hackneyed phrases such as “Where’s the Scottish Minecraft?” because there was no way to predict that Minecraft would ever be as popular as it has turned out to be. Asking this type of question leads to hit-driven thinking – instead, we should look to build a strong, broad base of self-sustaining companies. Larger hits will occasionally emerge from this base as the talent learns and grows through the support of the public sector. To help establish this base, we absolutely should be establishing stronger links with Nordic companies, learning from their success, especially with “smaller” titles, and having a presence at the Nordic Game conference in May. Scotland’s business schools could be engaged to prepare case studies on how these companies find success.

In conclusion, rapid and decisive action is required to help create a strong foundation for Scotland’s games industry now and to create the sustainable environment required to ensure the industry’s future and allow Scotland to re-emerge as a global force of games creation.

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