SUBMISSION FROM STEVE CARTWRIGHT, HENDERSON LOGGIE

Scottish Parliamentary Committee – Economy, Energy & Tourism Committee - Economic impact of the creative industries

About Henderson Loggie

Scotland has a significant and highly qualified creative talent pool. We work with some of Scotland’s most dynamic and inspiring businesses, from large international media companies, through to digital and creative agencies, publishers, photographers and commercial radio stations.

We have a particular specialism in working with independent video game developers in Scotland. Since the late 1980s, our team has been providing advice not only on core accounting compliance services but also on ways in which studios can grow and develop to achieve success and build sustainable businesses, through strategic planning, lean management, business improvement and how to do business abroad, specifically in emerging economies.

We also provide insight into new and existing business models for game distribution, product strategy and revenue and financing, whether that be premium, freemium, ad-supported or hybrid. Our team are currently supporting studios to apply for the Video Games Tax relief, which was approved by the European Union (EU) Commission in March 2014 and is estimated to be worth an extra £188m in investment for UK games businesses between now and 2019.

In recent years, we have delivered business planning workshops at the world renowned Dare to be Digital competition at the University of Abertay Dundee, and in 2013 the team attended the Game Developers Conference in San Francisco to support businesses looking to explore new markets and also to promote the Scottish games sector to a global audience. In addition, Henderson Loggie is a ‘preferred accountancy provider’ for IDEA Scotland, the business accelerator programme designed to help start-up digital entrepreneurs.

The role of public sector agencies and the effectiveness of the support they provide

Based on feedback from our clients there are too many public sector agencies involved in the video games sector which causes a great deal of confusion and wasted time trying to determine which agency/or agencies individual businesses need to engage and develop relationships with.

Creative Scotland, Scottish Enterprise (SE), Scottish Development International (SDI), Skills Development Scotland (SDS), Business Gateway are just some of the agencies.

In terms of effectiveness, feedback we have received regarding both SE & SDI is generally positive, with good communication links between them. We believe this is attributable to these agencies having dedicated staff looking after the creative industries who are knowledge about the sector and the issues and challenges that the video games sector in particular faces.
Feedback regarding the Business Gateway services tends to be very negative. Most new/early stage businesses that receive their services comment on “the one solution fits all” type approach adopted which might be applicable for traditional businesses but for new/early stage independent video games development studios is or can be inappropriate.

The role of private sector investment in supporting the video games industry

This is very important however in the video games industry it is very difficult for most of the Scottish games community to access this form of funding. The games industry has become polarised with very large studios employing in excess of 200 people at one end and the small independent development studios at the other end, employing less than 10, with very few in between.

The small independent studios tend to be new/early stage businesses with no track record of success and therefore private sector investment opportunities, out with those involved in the business and possibly friends and family, is almost impossible. Certain tax reliefs may be available, EIS, SEIS etc but even taking these into account, the risk involved is just too high.

Whilst the new Video Games Tax Relief is now available to games companies, there is no similar tax relief that was made available to individuals investing in films that largely mitigated any investment.

How the issues that hinder growth of creative industries can be overcome and how to capitalise on opportunities

As noted above the video games industry is a relatively young industry but as an industry worldwide it is now bigger than the film industry. As a country Scotland punches above its weight globally with two of the best-selling games of all time being developed here, GTA V and Minecraft.

The industry will continue to grow; children who were brought playing video games will not simply stop playing games when they become adults and as the world population grows, the market for video games will automatically grow. There’s also a perception that video games are domain of teenage boys, but there are now more females playing games than males, probably due to smart phones and tablets. Indeed a few games developers are now making games for children as young as three.

However we believe that one of the biggest growth opportunities within the games industry in Scotland lie not in making traditional video games but by using the knowledge, creative and technical skills to apply “games technology” in other environments, or Gamification as it commonly referred to.

For games companies to take advantage of this particular growth opportunity requires them to think and act more strategically. Our experience would suggest that this will be very difficult for most businesses. Their technical and creative skills are not in question, but what most video games businesses lack are strategic/business planning skills, business acumen, business development, marketing and selling skills
and leadership. In a nutshell, games companies need to start thinking “outside the box” rather than, we’re a games company, we make games!

How to retain in Scotland those with the necessary creative skills

In our opinion the best way of achieving this is to ensure that the video games sector in Scotland continues to grow and that it continues to “punch above its weight.” If we can achieve this we can continue to develop the very best talent, but more importantly there will be jobs here in Scotland to ensure this talent stays in Scotland in jobs that are both challenging and rewarding.

How to support those in the video games industry to develop business skills

This, in our opinion, is fundamental to whether or not the Scottish games industry can take advantage of the growth opportunities that will exist in the games industry, for making games and for the broader gamification.

In some respects the games industry is unique, the amount of change it has gone through in the last 10 years, most traditional type business owners could simply not comprehend. The evolution of business models in the mobile space just goes on. Recent business terminology from the USA definitely applies to the games industry, VUCA, Volatile, Uncertain, Complex and Ambiguous.

That being the case we need to ensure that any business skills are appropriate. We must not simply assume that what most business schools currently teach will apply. It may, but by the same token it may be completely redundant. Any development of business skills, which as noted previously we consider to be essential, must be appropriate and must be made available at the time when it's needed.

Examples of successful international strategies for growing the video games sector

The video games industry is unlike many other industries in relation to international growth strategies given the main distribution channels today are internet based. Given the majority of Scottish based studios are at the smaller end of the scale, much of the focus has been on mobile games or PC games rather than the traditional console games which take much longer to make and require significantly more funding, the exception being Rockstar.

We have however seen a recent example of a major publisher in the USA committing to the production of a AAA game with a Scottish based lead. This project will benefit a number of Scottish based studios, both guaranteeing existing jobs and creating new jobs. This is recognition of the high regard that this publisher has in the creative talent and technical capabilities of the Scottish games community.