Driving prosperity in the M3 corridor

Enterprise M3 Board

22 May 2019

Enterprise M3 – The Gaming Sector – Opportunities for EM3 - Item 14

Enterprise M3 Board Members are asked to:

NOTE: The presentation (at the meeting) outlining the scale of the industry in EM3, opportunities for growth and EM3 involvement to date

NOTE: The emerging opportunity for EM3 to play a role in the further development of a gaming cluster for the region

1 Background

1.1 The gaming sector is identified in our Strategic Economic Plan as a key strength in our region;

High Value Sectors for a Globally Facing Economy

"There are strong digital and createch sectors with a growing international reputation in towns including Guildford, Aldershot and Basingstoke, which excel in gaming, software development, electronic equipment and software sales"

1.2 The gaming sector is growing rapidly and the trend is for continued strong growth, boosted by new innovation in technology (especially VR and AR). The global gaming market was worth $138bn in 2018 and set to reach $180bn by 2021[1], with the UK market set to grow from £5.1bn in 2017 to over £7bn in that time.

1.3 EM3 is already recognised as home to one of the UK's most important gaming clusters, in Guildford and Aldershot.

1.4 There is an opportunity to build on the excellent work to date in supporting the sector (and associated areas such as 5G) by adding some resources to further enhance and support the development of the cluster in EM3, with the aim of increasing productivity through market growth and boosting exports.

2 The Gaming Sector

2.1 The gaming sector, which covers everything from games development, to virtual and augmented reality ("immersive"), to Esports (competitive video gaming), is the fastest growing entertainment and media industry globally. The main market segments are console games; browser PC games; downloaded/boxed PC games; smart phone games; and tablet games. It is a relatively young and rapidly growing market, with significant opportunities in the EM3 region.

2.2 The UK's fastest growing entertainment and media sector is "immersive tech" (virtual and augmented reality), growing at 34% annually to reach £1.2bn by 2022. The UK contributes around 10% of the global immersive tech market. Over half of the circa 1,000 UK immersive businesses were incorporated since 2012. Global growth in the VR market is predicted to go from $20.4bn in 2019 to $193bn in 2022 (Statista).

2.3 The UK's second fastest growing entertainment and media sector is e-sports, growing 21% year on year to reach £48m in revenue by 2022 (and $1.6bn globally). The largest prize pool event in the UK to date was ESL One in Birmingham in May 2018 for $1m. There are plans to hold an esports event in Farnborough (*Farnborough Falcons from FCOT won the British Esports College Championships in April 2019).

[1] Newzoo, June 2018

3 Gaming in EM3

3.1 The EM3 region is home to over 70 games studios with over 1500+ digital professionals employed in the sector. Guildford, Aldershot and the surrounding areas have been identified as one of 12 major games hubs in the UK, with a high concentration by employment and number of companies[2].

3.2 The LEP is investing £867k of a total £2.14m into the Aldershot Games Hub in 2019 to create a 60-place collaborative workspace for the gaming and digital sector.

3.3 EM3 Growth Hub is embedded into Rocketdesk, a co-working space for start ups in the creative and digital sector.

3.4 The LEP is supporting the inaugural Guildford Games Festival in June 2019 with £5k funding.

3.5 An opportunity has arisen to engage with a games industry expert to support the continued development of the gaming cluster in EM3. I am currently exploring models for taking this forward, with verbal commitments of match funding from the industry already received.

4 Strategic Links

4.1 There are several links to EM3 and national (Industrial) strategy:

- Exports – nurturing world class expertise in the field will inevitably lead to export of skills and services (DIT facilitated visit of Chinese delegation to Guildford earlier this year). On average UK gaming businesses already generate 63.4% of their turnover from outside the UK[3].
- 5GIC – growth in immersive market will be heavily linked to deployment of 5G
- Towns – strong link to development of Guildford and Aldershot, also opportunities for Basingstoke
- Business environment – significant growth in start-ups and scale up businesses will be supported by EM3 Growth Hub, building on the successful model already in place at Rocketdesk, with planned expansion to Basingstoke in 2019 and potential to work with the Aldershot Games Hub in 2020.
- Infrastructure – the expected growth in the gaming market will bring a significant increase in data consumption. UK data consumption is set to grow by 22% year on year to 2022, to overtake France as Europe's biggest market. Adequate digital infrastructure will be required, through a mixture of technologies including fixed fibre and satellite. EM3 ideally placed to respond with 5GIC and Space & Satellite group.
- People – skills and labour requirements will need to be aligned to growing markets. Opportunities for EM3 FE and HE providers.
- Productivity – jobs in the gaming industry are high-skilled and highly paid, helping to boost productivity. Average annual income in the UK games industry was £34,200 in 2015, up 11% from 2010[4], compared to UK average salary of £26,500. Productivity per tech employee in Guildford in 2017 was £1.7m and £2.6m in Basingstoke.

5 Conclusion

5.1 Enterprise M3 Board Members are asked to:

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NOTE: The **emerging opportunity for EM3 to play a role in the further development of a gaming cluster for the region**

Report prepared by:
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[2] UKIE, Sept 2017
[3] UKIE, Sept 2017
[4] Creative Skillset, May 2015