



**Interactive Entertainment South Africa
Industry Survey - 2016**

Letter from the CEO

This is the third annual industry survey to be conducted for the South African Game Development Industry, and the first to run by Interactive Entertainment South Africa, building on the solid foundation laid by the Make Games South Africa team.

It is very exciting to see that the industry continues to grow, and we hope that this will sustain itself over the short term as the industry continues to mature.

This year we tried to get more focused statistics on revenue sources and platforms as well as collected statistic specifically from hobbyists. This hopefully gives us a more accurate picture of what the professional game development landscape looks like, but also what we can do to encourage more hobbyists to formally join the industry.

As always this survey only reflects a portion of the actual industry in South Africa, but I think we've managed to reach and get responses from most of the major players, so hopefully we can conclude that the results at least reflect the general status of the industry.

Nicholas Hall

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Summary of findings

IESA has taken over the responsibility of running the survey from Make Games South Africa. This survey builds on the results of the previous two industry surveys. The survey is based off organisation's 2015 financial year.

Key Findings:

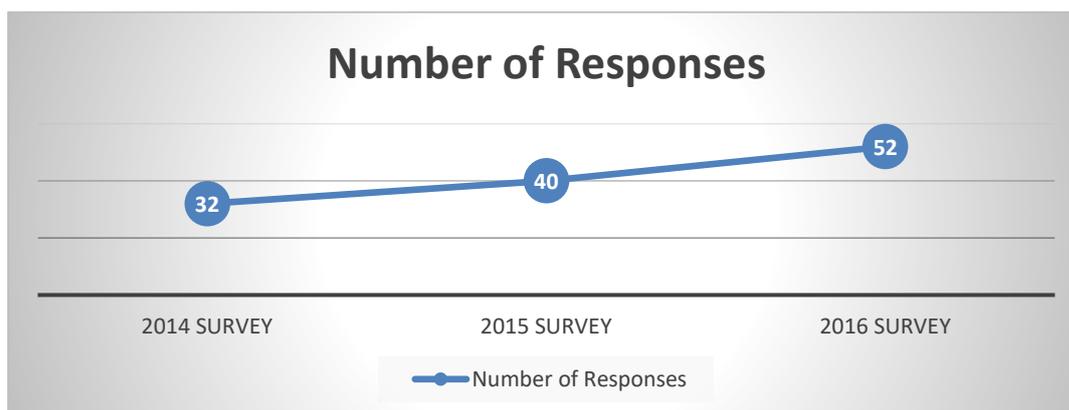
- 31 active game development companies in South Africa responded to the survey
- Overall these organisations have directly created 255 jobs.
- Permanent Jobs increased from 152 positions to a 176 positions a 16% growth.
- The value of these organisations is about R100 million, an 85.6% growth from last year.
- Only 14% of the industry is female (up from last year).
- Only 13% of the industry is not white (up from last year).
- Together the organisations released a total of 103 games in the 2015.



Chapter One: Studios

Responses

The 2016 Industry Survey received 52 responses in total, up from the 40 we received in the survey in 2015. It is important to note that this year we split the survey into two, and asked respondents to identify themselves as either “Hobbyists” or “Professionals”.



30 of respondents from last year’s survey, responded again.

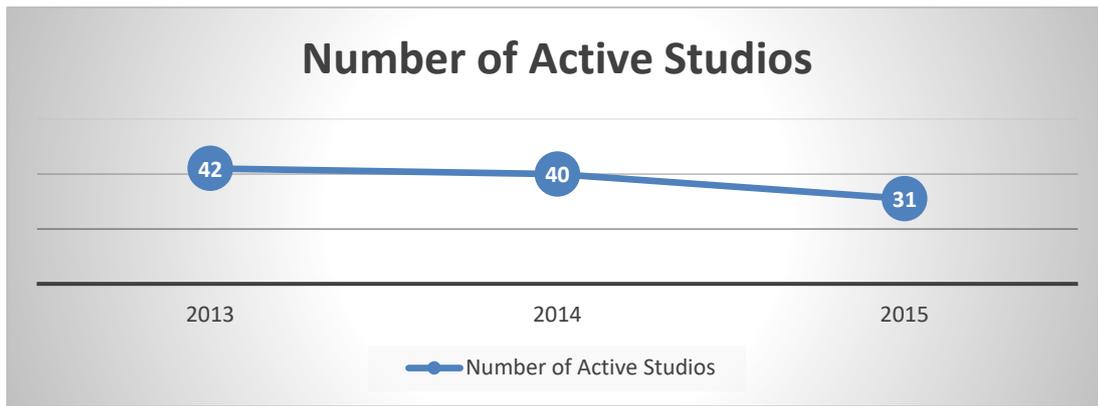
Of the ten that failed to respond:

- Two studios while still active, no longer operate in the game development industry.
- Four studios have confirmed that they have ceased operations.
- Two respondents merged with other studios.
- We failed to get responses from the remaining two studios, so their status is unknown.

From all the responses 29 identified as “professional” studios with the remaining 23 identifying as “hobbyists”. Except for the section titled “Hobbyist” we will only be considering the responses of professional studios.

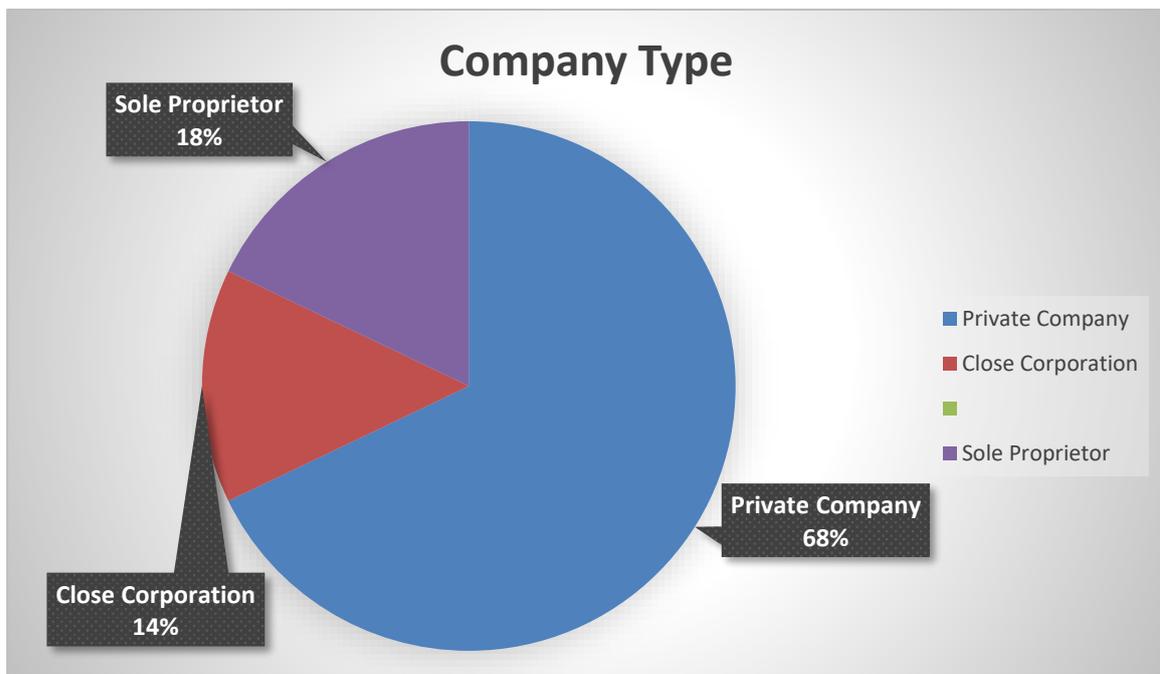
There were seven new professional studio respondents, of which 5 were new entrants to the industry (they have been active for a year or less). Overall the number of studios active in South Africa (that we are aware of) is on the decline. As with last year, we are not too concerned yet as overall employment numbers and revenue are up. Also, previous surveys will have included results of respondents who identified as “hobbyists”, which also factors into the documented decline of active studios.





Company Types

Unsurprisingly the majority of studios are registered as Private Companies.



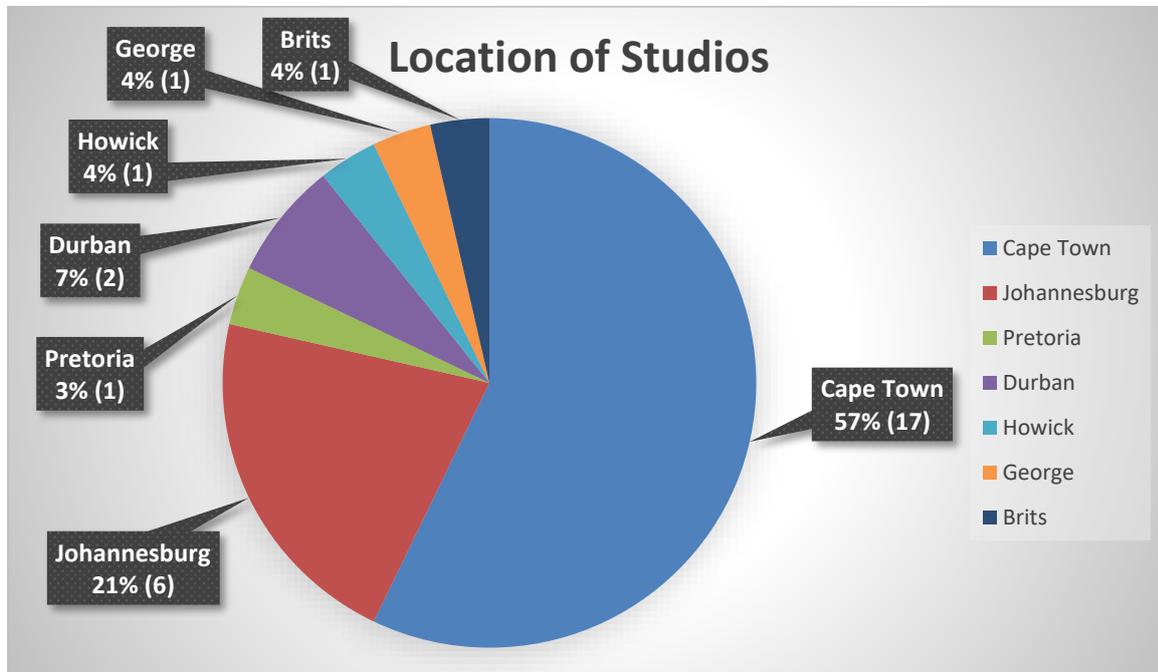
No respondents have changed their type of legal entity. It is possible that going forward the companies registered as Close Corporations may change to Private Companies in the future to take advantage of the benefits under the New Companies Act.

Hopefully we will see some of the Sole Proprietorships convert to more formalized legal structures in the future (as this is an indicator of growth and expansion).



Studio Locations

As with previous years surveys Cape Town appears to have the largest concentration of game development studios (17 Studios). Johannesburg is second (6 Studios), followed by Durban (2).



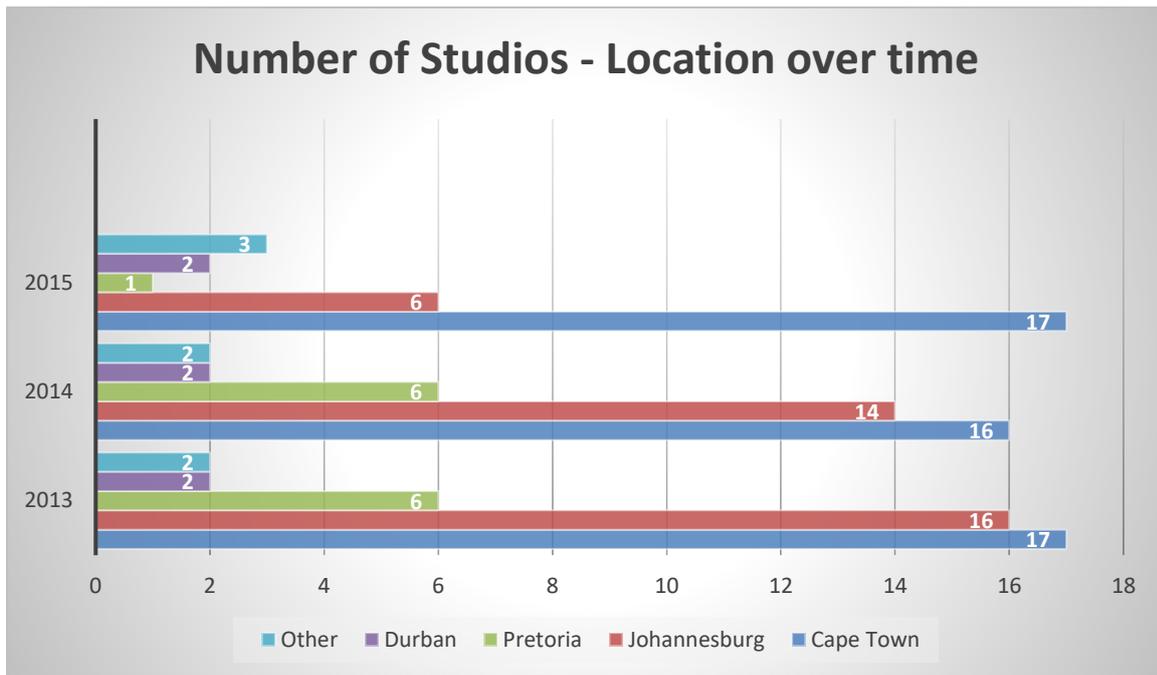
For the purposes of this report:

- Cape Town includes a response from Somerset West (1).

Cape Town had a slight increase (up from 16 in 2014) in number of studios from previous surveys. We know that at least one studio relocated from Johannesburg to Cape Town.

Johannesburg had a massive decline in number of studios (down from 14 in 2014), but this is mainly attributed to a lot of the studios previously recorded in the surveys as identifying as “hobbyists” now.

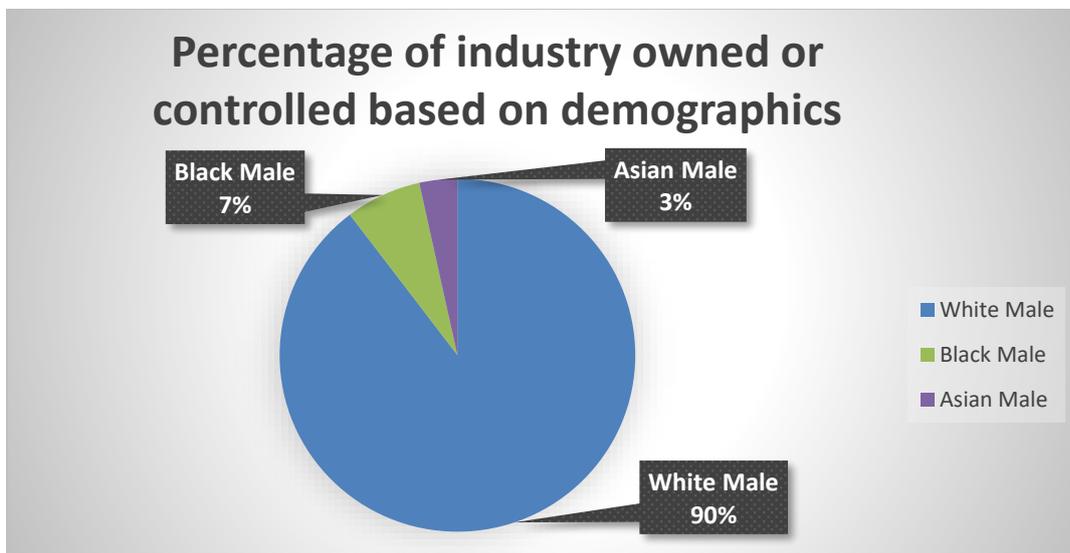




Demographics of Ownership

Unsurprisingly most studios are controlled by white males.

- Two studios indicated that it had 100% Black ownership (who is male)
- No studios had any ownership by females
- One studio indicated that they are 100% owned by Indian or Asian males.



This is problematic from a racial perspective as effectively 90% of the industry is controlled by white men. From a gender perspective, it is equally problematic as no active game development studios are owned by women. These numbers are a mixed bag over previous years. Most new entrants are still 100% owned by white males, but two new studios formed with 100% black ownership. The

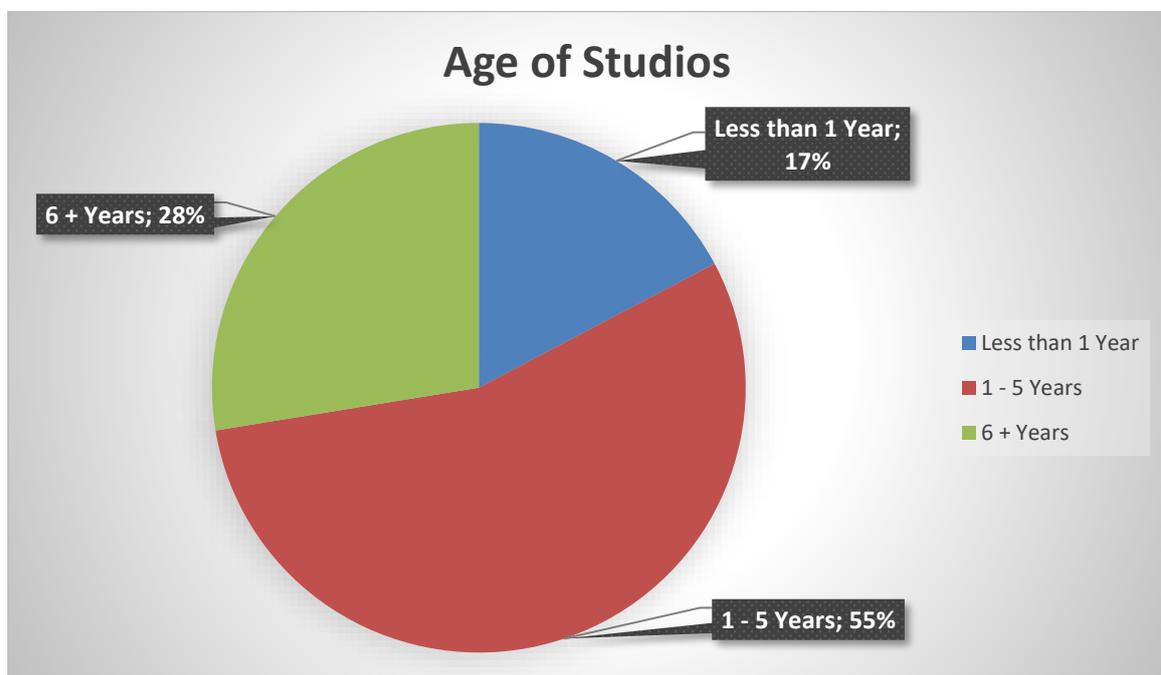


decrease in Asian and Females ownership from last year is solely attributed to mergers between companies

Steps need to be taken to try and change this, so that our industry is more inclusive and reflects the makeup of South Africa.

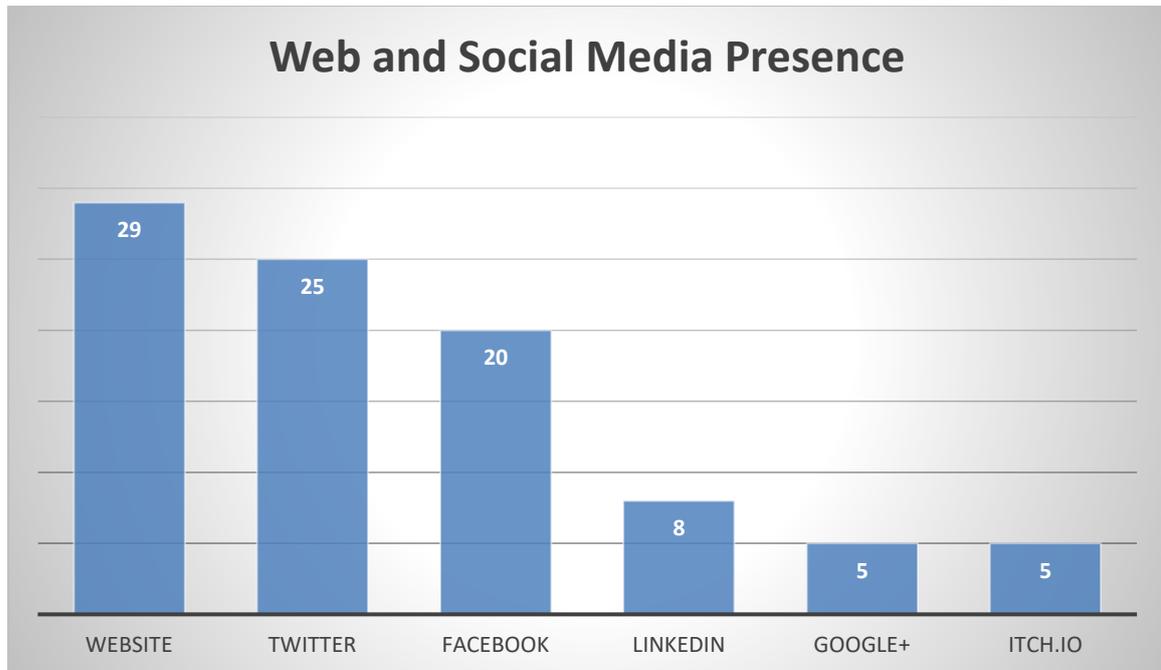
Age

The Industry is (unsurprisingly) still immature, with many studios being active for less than 5 years in the industry. As seems to be the trend across all industries, getting a business to survive past 3 years will dramatically increase its likelihood of long term success. As with previous years, most studios who closed had been operating for less than 5 years



Web and Social Media Presence

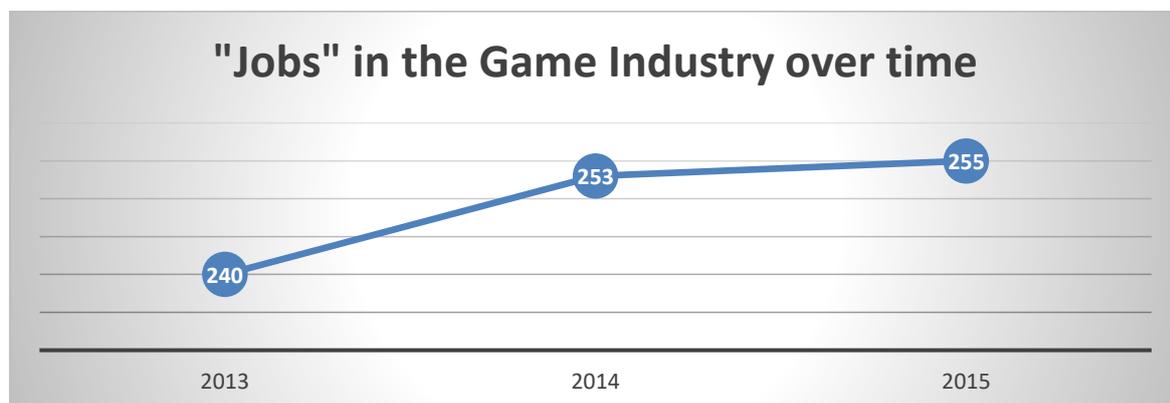
Continuing from last year we asked studios about their web and social media presence to try and determine how visible they are on the various platforms. All studios had a website. Twitter is remains the most popular social media platform for studios.



Chapter 2: Employment

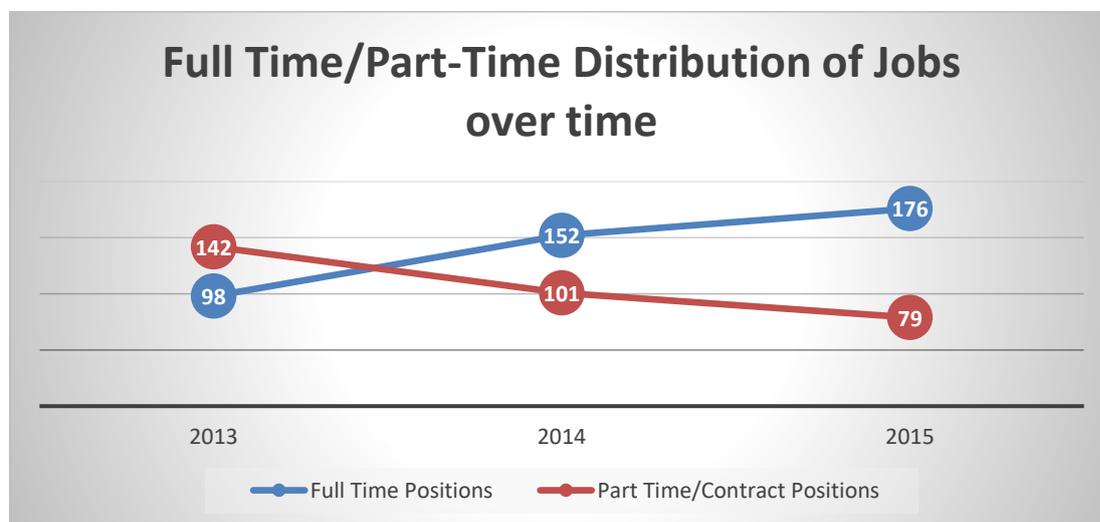
Demographic Breakdown

Overall the industry had 255 “jobs”¹ in 2015. This is up from 253 “jobs” in 2014.



Of the 255;

- There were 176 Full Time posts (up from 152 in 2014), a 16% increase.
- There were 79 Part Time posts (down from 101 in 2014), a 22% decrease.



The games industry continues to show growth (even if the number of studios has declined). Another positive sign is that there appears to be a trend towards permanent employment, which indicated that studios are in a better position to employ people on a full-time basis (which possibly indicated that there is more sustainable cash flow). The numbers indicated that it is highly likely that the people affected by the closure of the studios in 2015 found employment at other game development studios, and further that free lancers are switching to full time employment. Anecdotal evidence suggests that some studios have successfully hired new employees from other industries

¹ Jobs includes people employed full time and on a contract basis.

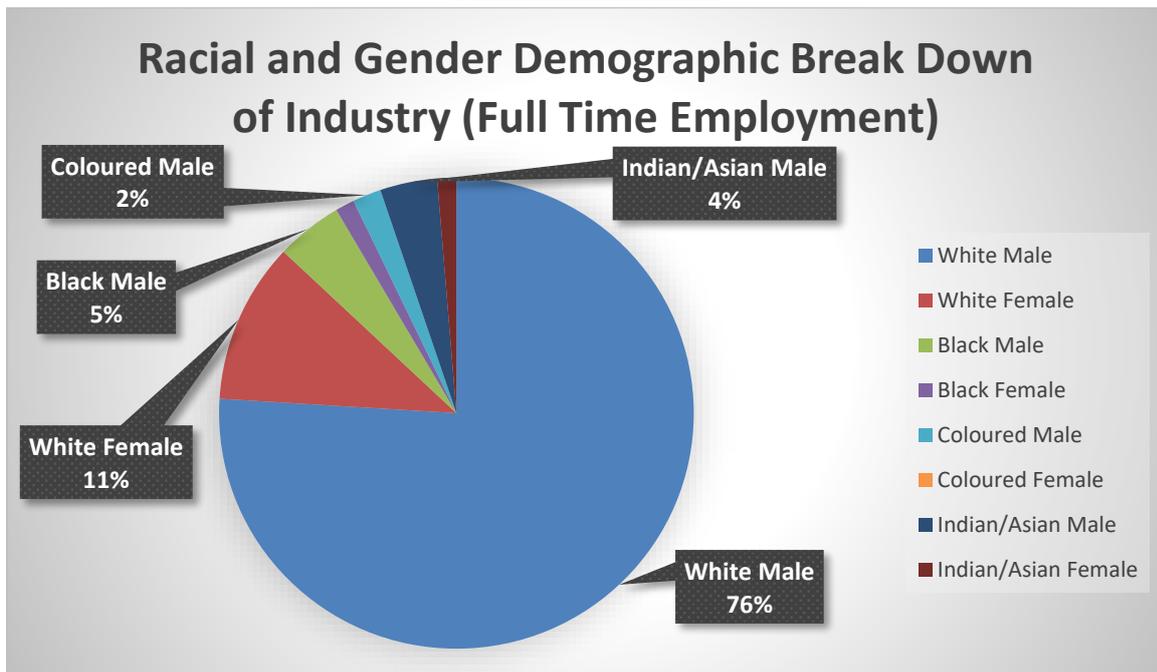


Just over half of studios made use of free lancers or part time contracts.

This year, we also asked respondents questions around employee retention, specifically how many people left and the reasons for doing so.

64% of the studios indicated that they had lost employees for any reason. Only two people lost their jobs due to them being dismissed. Two people were retrenched and 14 left voluntarily. These numbers suggest that job security is relatively good within the industry.

The clear majority of people employed by the games industry remain white males who account for 76% of the industry.

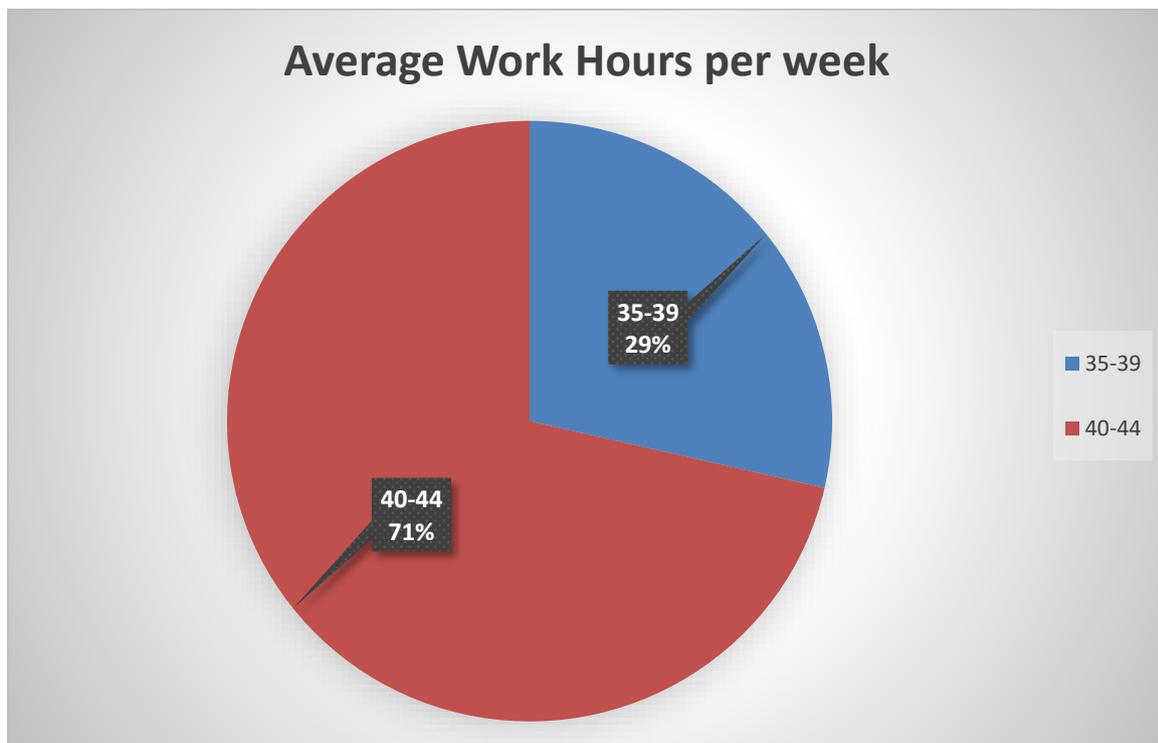


This is an improvement on last year where white men accounted for 81% of the industry. It is good to see more women in having full time employment in the industry (14% up from 11.5%), and especially that we have more women of colour.



Employment Standards

Of the studios that formally employed people, only two paid overtime to their employees in 2015. The average person in the game development industry is likely to be working at least 8 hours a day, with most employees expected to put more than this.



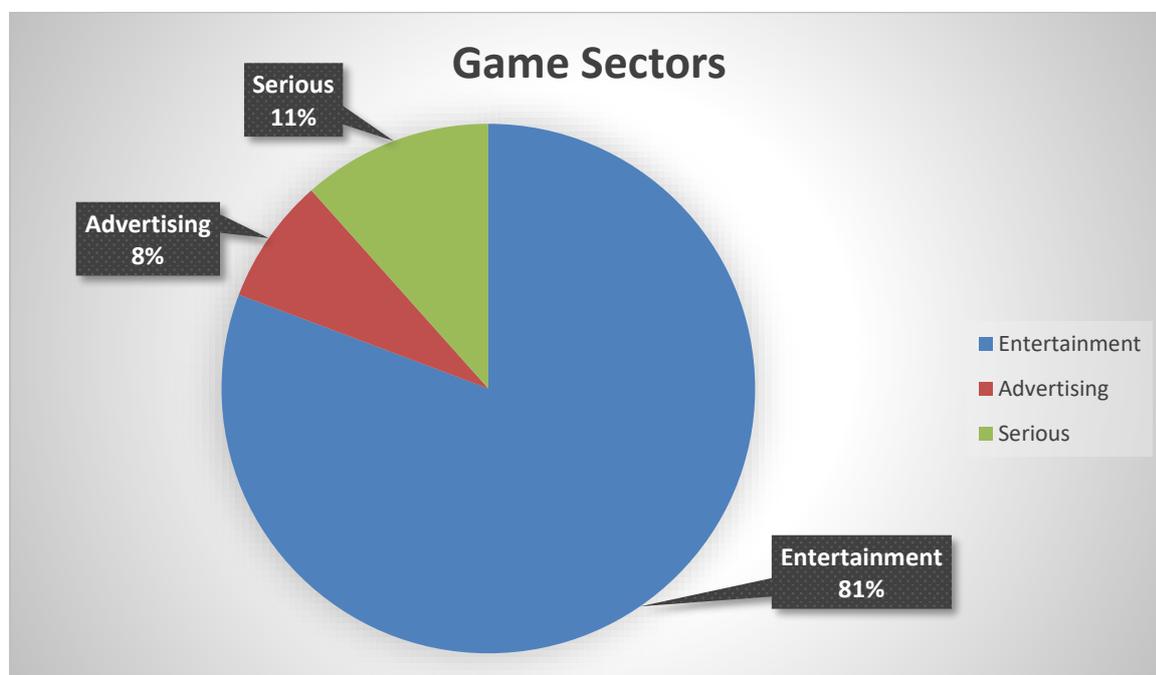
Chapter 3. Game Development

Sector Breakdown

IESA generally breaks down the Game Industry into three core sectors;

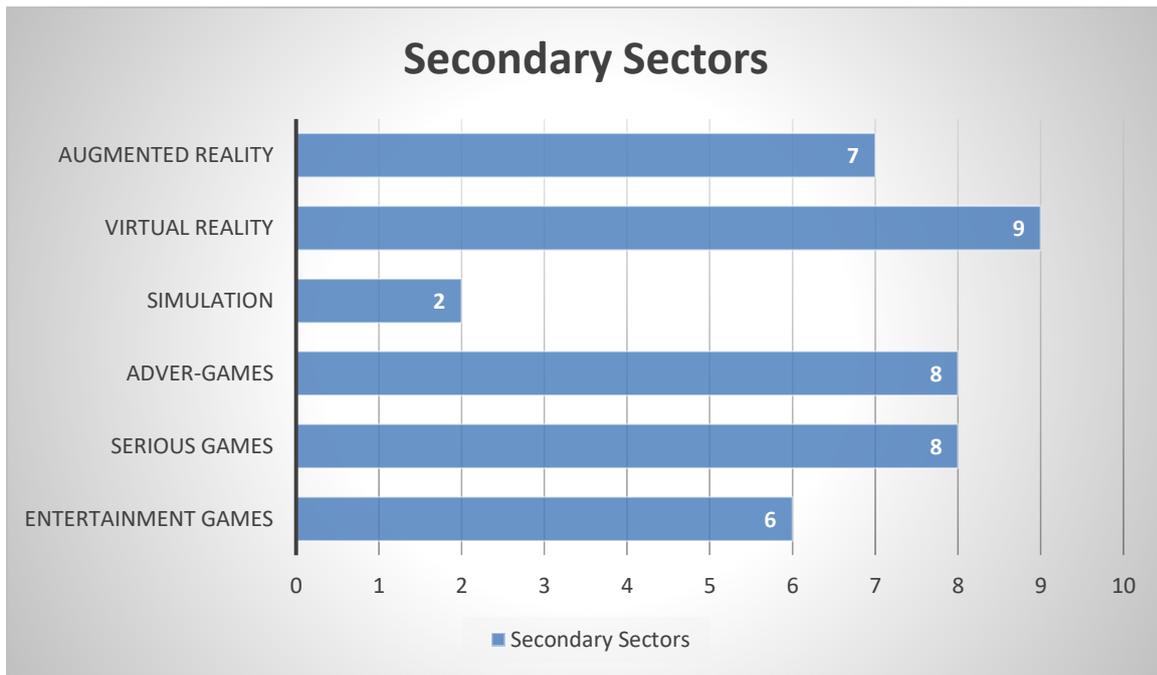
- Entertainment (Games that are meant to be played purely for enjoyment)
- Advertising (Games made purely to promote a brand or product)
- Serious Games (Game meant to teach something)

This year we asked studios to identify their “primary” sector, i.e. which types of games was responsible for most their income. The clear majority of the studios operate in the “Entertainment” sector, with the “Advertising” sector being the smallest.



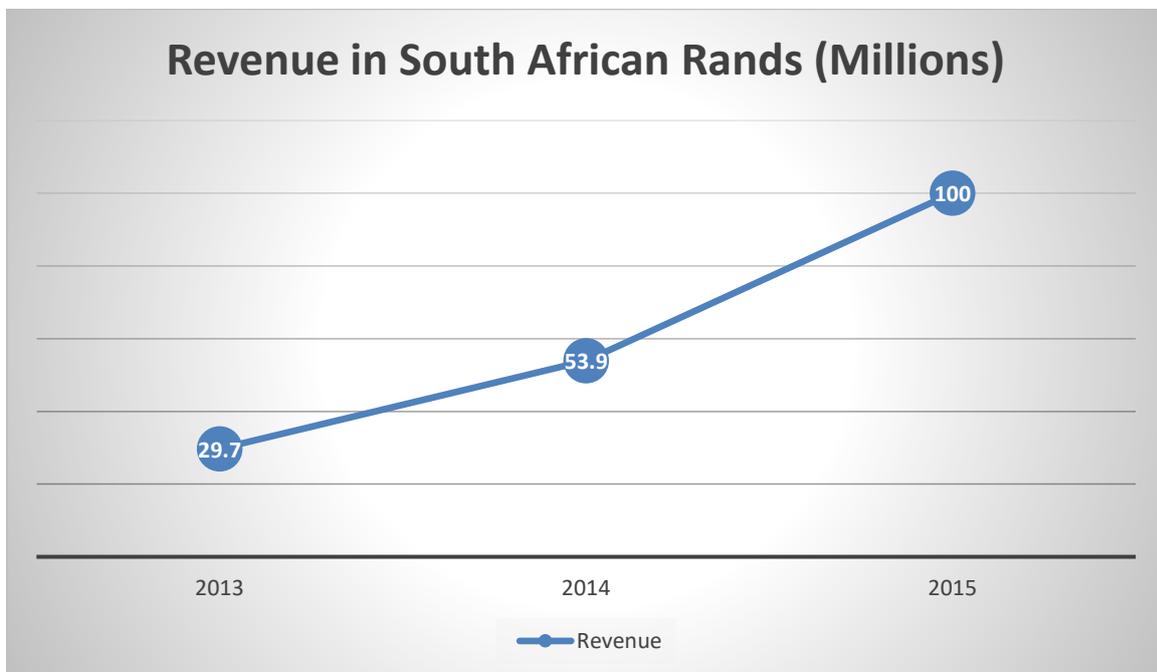
We further asked studios to identify any secondary sectors that they participated in. Many studios (76%) had secondary sectors providing an income stream. As was previously indicated studios tend to diversify their income streams among the core sectors. The high number of responses to VR is an interesting data point. It may be due to the “newness” of the technology and so it will be interesting to see if it continues to have interest from local studios as a potential income stream.





Revenue Breakdown

The continued success of local IP released in 2014 along with the launch of several new titles, and a massive growth in the services sector, the industry has grown significantly to just over R100 million, up from R53,9 million in 2014. This counts for an 85.6% growth in twelve months.



Locally Sourced Income

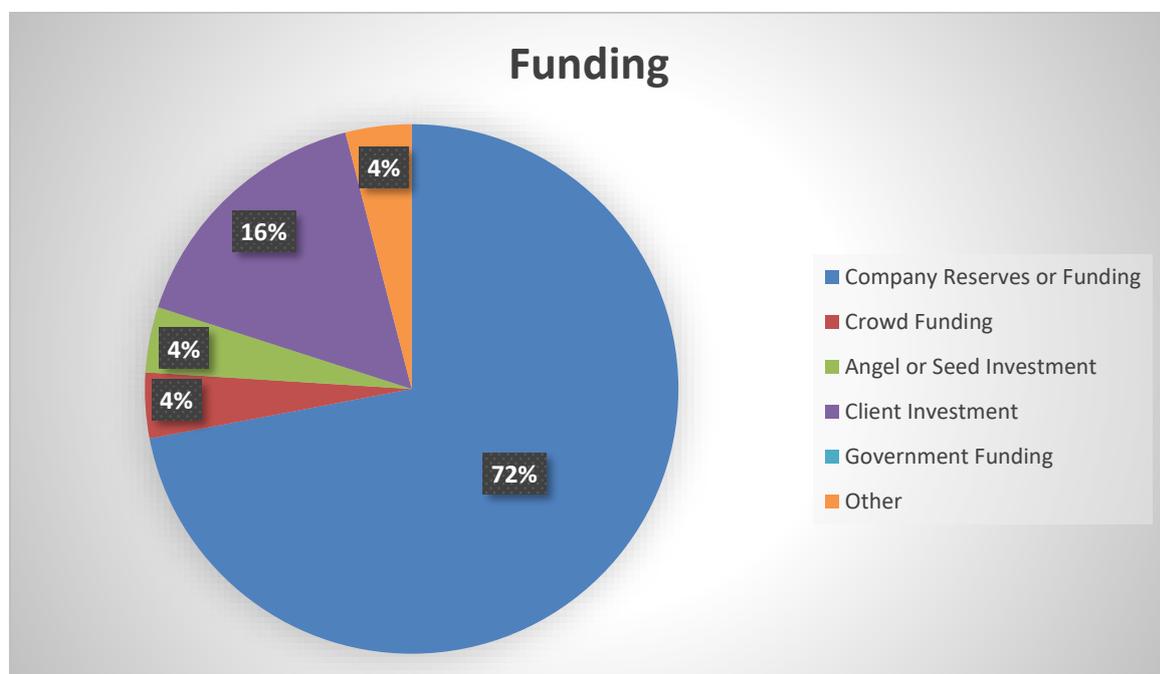
For the first time, we asked studios to identify how much of their revenue came from South African sources. Approximately R19,4 Million was generated from local sources. The clear majority of this was for services work or advertising games. A mere R72,700.00 was reported to come from the sale of games for entertainment of local IP.

This means that locally sourced income, accounts for 19% of the total industry value, and the sales of games for entertainment in the South African market only accounted for 0.07% of the industry's revenue, highlighting the importance of focussing and accessing international markets for the local industry, especially in the games for entertainment sector.

An interesting comparison to make is that of the estimated value of the consumer market in SA for games for entertainment. PWC's Entertainment and Media Outlook 2015 projects the consumer market for video games was R2.82 Billion in 2015. If that is the case, then only 0.002% of local spending goes to locally made IP. There is a market in South Africa and we believe steps should be taken to investigate how to increase consumer spending on local IP especially in the games for entertainment sector.

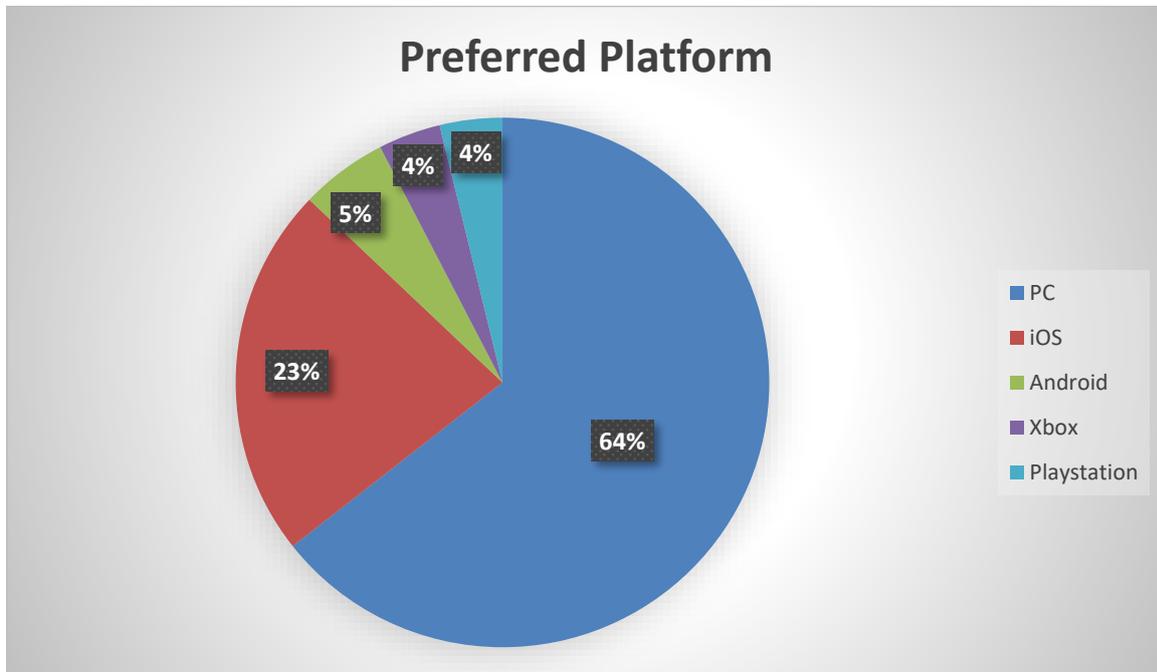
Funding

This year we asked studios to indicate where the funding to develop their games comes from. The responses show that majority of games are funded by the companies reserves or savings. Poor access to crowd-funding platforms probably accounts for the low percentage for that funding stream. Sadly no funding came from Government projects.



Preferred Platforms

This year we asked respondents to indicate which platforms they primarily develop for. PC was the clear favourite, and can be attributed to the ease of development and lack of additional certification or licencing requirements. iOS proved to be the second most popular, and clearly is preferred to android. This can be attributed to the difficulty of monetising android games due to the lack of access to Google Merchant accounts from within South Africa.



Games released

The survey revealed that 103 games were commercially released across all sectors in 2015. There are 71 games currently in active development and will see release in the next two to three years. Development on 23 games was abandoned in 2015.



Chapter 4. Hobbyists

This year we asked hobbyists specifically to answer some questions. In total, we had 26 response from hobbyists, all but one were white males. The hobbyists who responded where evenly split between Cape Town (38.5%) and Johannesburg (23%), with the remainder coming from all over the country.

Most identified primarily as programmers (76.9%) and the overwhelming majority developed for PC (92.3%).

65% Had never released a game, although all respondents where actively working on at least one title with the goal of releasing it commercially.

61% had not made any money off games released, with the R3500 being the highest amount earned by a hobbyist in 2015.

96.2% indicated that, given the opportunity, they would like to work full time in the game development industry. With all respondents identifying the lack of income or poorer salaries as the key reasons for not going full time.

