OBSERVATORY OF ARGENTINEAN VIDEO GAME INDUSTRY

UNRaf UNIVERSIDAD NACIONAL DE RAFAELA

VIDEOJUEGOS HECHOS EN ARGENTINA

# 2020 RELEVANT DATA REPORT

## 2019 INDUSTRY SIZE

**USD 72.192.960**

## PRINCIPAL MARKETS

1st place

2nd place

3rd place

## HR

**1958** ACTIVE PROFESSIONALS

1284 Full-time

166 Part-time

508 Freelancers

21% WOMEN

## PRINCIPAL PLATFORMS

76% PC/Mac

66% Mobile

## TYPES OF GAMES DEVELOPED

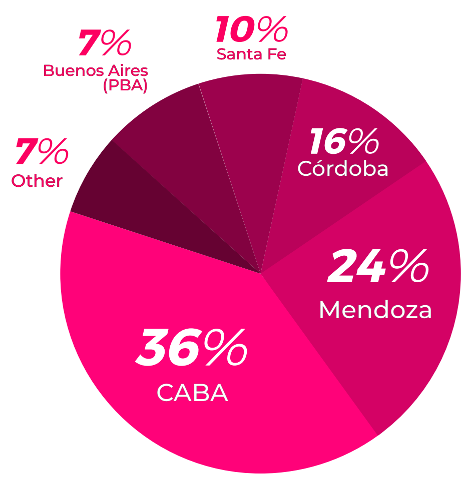
45% Casual

34% Educational

## TARGET AUDIENCE

18-35 years 93%

## GEOGRAPHIC LOCATION OF THOSE SURVEYED



# OBSERVATORY OF ARGENTINEAN VIDEO GAME INDUSTRY

UNRaf UNIVERSIDAD NACIONAL DE RAFAELA

VIDEOJUEGOS HECHOS EN ARGENTINA

EDITION 2020

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# CONTENIDO

# 1. INTRODUCTION

This Report is the third edition of the annual survey of the Argentine video game industry, carried out by the Argentine Video Game Development Industry Observatory. The Observatory was created in 2017 in conjunction with Universidad Nacional de Rafaela (UNRaf) and the Argentine Video Game Development Industry Observatory (ADVA). This strategic partnership came naturally, seeing that UNRaf was the only college with a Bachelor's Degree in Video Game Production and Digital Entertainment in the country, and as ADVA is a federal association that has – among its associates – almost the entire national videogame studios, from large companies to small entrepreneurs.

The Observatory is intended to generate reliable data that is sustained over time in the video game industry in Argentina, an industry that is becoming increasingly relevant not only in the recreational field, but also in terms of education and work. Achieving this goal presents a major challenge, due to the lack of industry classification, which has a shared nature with the software sector and creative industries, but a differentiated origin. Video game development marks a clear trend of growth globally, both in users and sales, and has taken on a more powerful role due to the acceleration of virtual reality due to the Covid-19 crisis of 2020.

This report gives an account of a total of 71 cases with marked heterogeneity, collecting data on distribution, formality, seniority, human resources, gender, activities, characteristics of video games developed, targets, and financing, among others. Likewise, taking the aforementioned challenge into consideration, the report proposes a conservative approach to the size of the industry based on the workers it employs.

It is important to clarify that the reports presented to date by the Observatory account for descriptive statistics based on the responses gathered, but that it is not appropriate to make probabilistic inferences about the studied population due to the lack of current official information concerning the size of the entire population. However, the video game studio database was provided by ADVA, a pioneering institution in this industry, with the greatest number of contracts and video game company partners in Argentina to date.

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# 2. SURVEY RESULTS

## 2.1 Distribution, years in business, and business structure

When finding out the location of the surveyed studies (Figure 1), we are able to see that 36% are located in the Autonomous City of Buenos Aires (CABA). This is followed by the provinces of Mendoza with 24%, Córdoba with 16%, Santa Fe with 10%, and Buenos Aires with 7% (PBA). Other provinces also appear in a lower proportion.

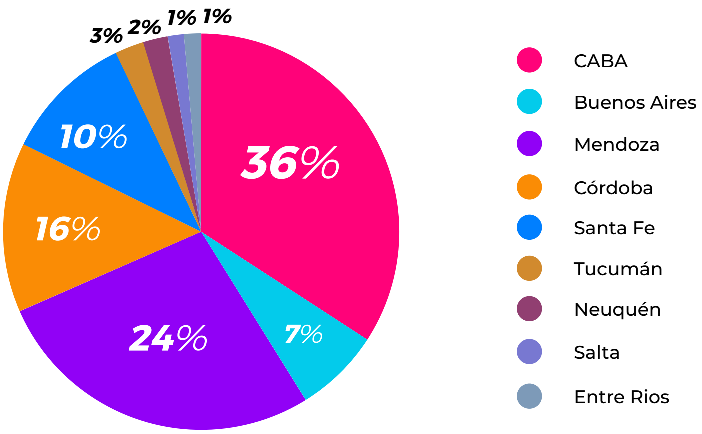


*Figure 1: Distribution of surveyed studios.*

When asking the companies when they were formally incorporated (Figure 2), we found a nascent industry, where 60% were incorporated between 2015 and 2020, and 28% were formalized in the previous period between 2010 and 2014. In turn, 39% of the studios surveyed report not having launched any video game to date.

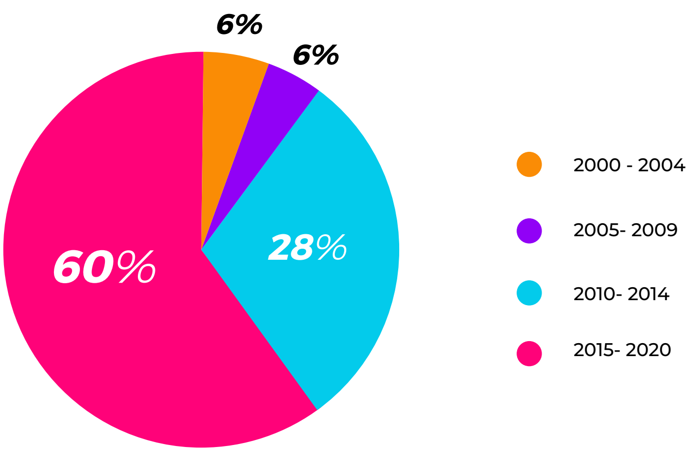


*Figure 2: Distribution of year of establishment.*

Regarding the business structure that companies adopt (Figure 3), the highest percentage are registered as sole proprietorships (37%) or not yet registered (25%); the rest prefer legal entities that limit equity liability such as S.A.S. (14%), S.A. (11%), and S.R.L. (10%).

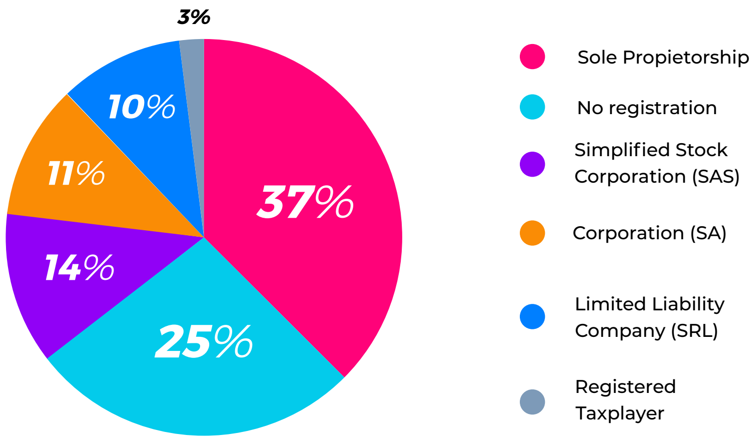


*Figure 3: Business structure.*

## 2.2 Industry Size

In order to estimate the size of the industry, given the absence of a classification for the video game industry in Argentina and the resulting difficulty of being able to separate its sales, we opted for a conservative calculation of its size through an estimation based on the number of workers hired. Thus, an average cost per hour per professional profile is established, which was validated by ADVA and marks the difference between full-time and part-time employees.

Based on the preceding methodology, the size of the video game industry obtained amounted to **USD 72,192,960** (seventy-two million, one hundred and ninety-two thousand, nine hundred and sixty U.S. dollars).

## 2.3 Human Resources

### 2.3.1 Quantities

When analyzing the data of employees hired by video game companies, we place emphasis on the fact that the total number of Freelance personnel hired in 2019 rose to a total of 508 employees compared to the total registered in the previous report (360 freelancers in 2018).

On the other hand, the number of Full-Time employees hired in 2019 was 1,284 and 166 employees were hired as Part-Time. In this sense, the total sum of workers with employee status rises to about 1,450, broadly exceeding the amount recorded in the previous report (787 workers with employee status in 2018). However, it should be clarified that both interannual comparisons are drawn in relation to the total amount of responses in the reports and that this increase can be partly due to an increase in the responses provided.

When the distribution of the total number of employees by their professional role within the company is observed (Figure 4), graphic artists and programmers are observed to show the greatest participation in both categories. The administrative, business development, business intelligence, technical, producer and game designer roles are mostly occupied by workers with employee status, while a greater number of freelance employees are found in sound engineering and screenwriting roles.

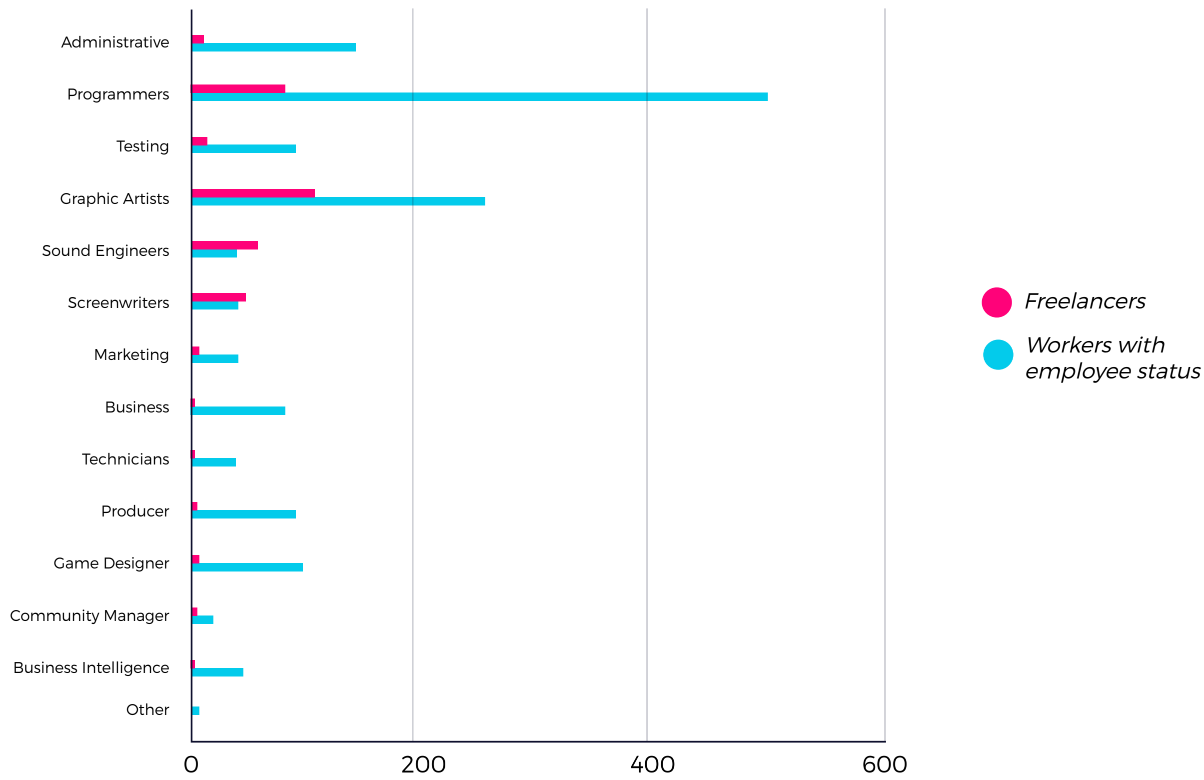


*Figure 4: Number of employees per professional roles.*

### 2.3.2 Gender

We also analyzed the distribution of female workers with employee status. On average, companies that have workers with employee status are estimated to have around 21% of female employees. Likewise, out of the subset of companies that have workers with employee status, just over half of the companies (55%) have only a proportion between 1% and 24% of female employees. In turn, 18% of the companies do not have female workers with employee status, and only 3% of the companies are 100% made up of female employees (Figure 5).

Along these lines, another fact to highlight is that of the total number of companies that have partners, 85% of them do not have female partners. Then, out of the 15% remaining companies that do have at least one female partner, out of the average number of total partners, only 6% are female.

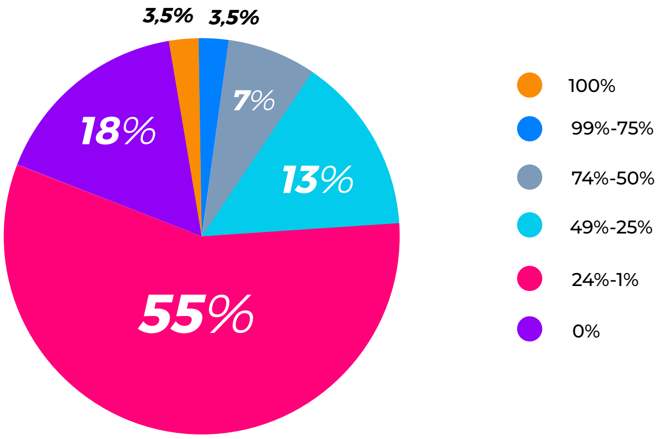


*Figura 5: : Companies with female workers with employee status.*

### 2.3.3 Training

Regarding human resource training, out of the total number of workers with employee status, studios declare that 21% of such employees completed or are pursuing a university or tertiary degree in relation to video games. In addition, companies were asked about the skills they consider necessary to work in the industry (Figure 6). The skill chosen by 85% of companies is a good oral and written command of English, followed by skills in programming, recreational culture, and agile methodologies, with 61%, 57%, and 56% respectively, and then by the use of versioning systems at 51% and testing at 43%.

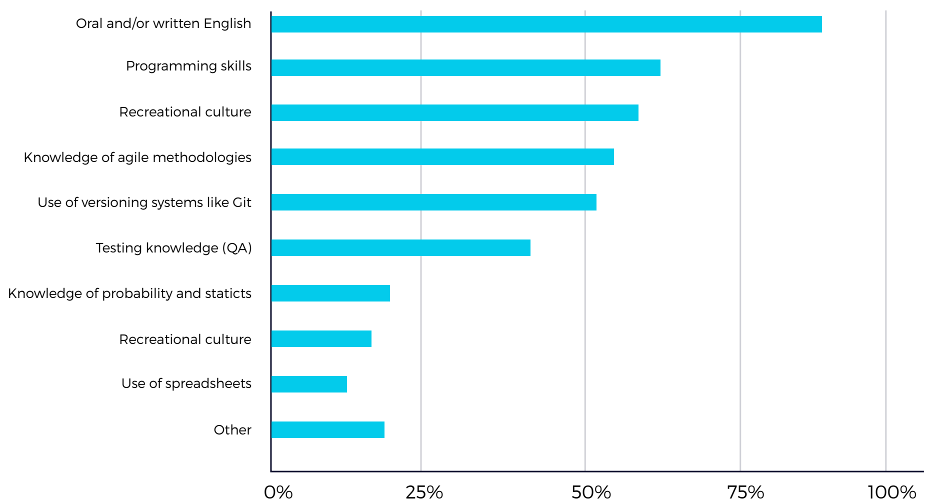


*Figure 6: Necessary skills for the industry.*

Regarding the most difficult profiles to find when hiring personnel (Figure 7), studios indicated, in similar proportions, development (57%), art (53%), marketing (53%), game design (51%), and production (42%) profiles.

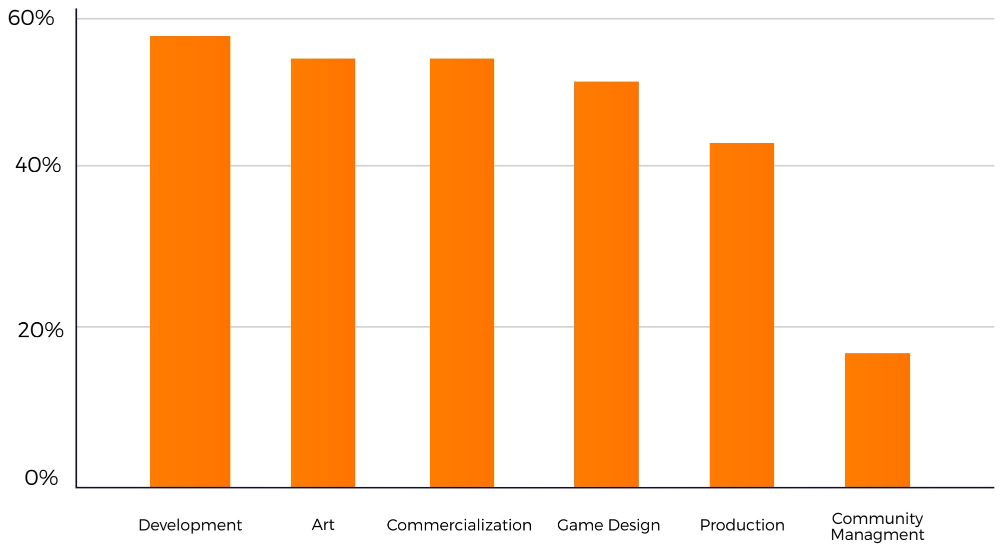


*Figure 7: Hardest to find profiles.*

## 2.4 Activities

When asking about the distribution of activities of the studios surveyed (Figure 8), on average, they could be distributed as follows: 51% in development and sale of their own video games, 30% in sale of video game development services to other companies, and the remaining 19% in other activities not related to video games.

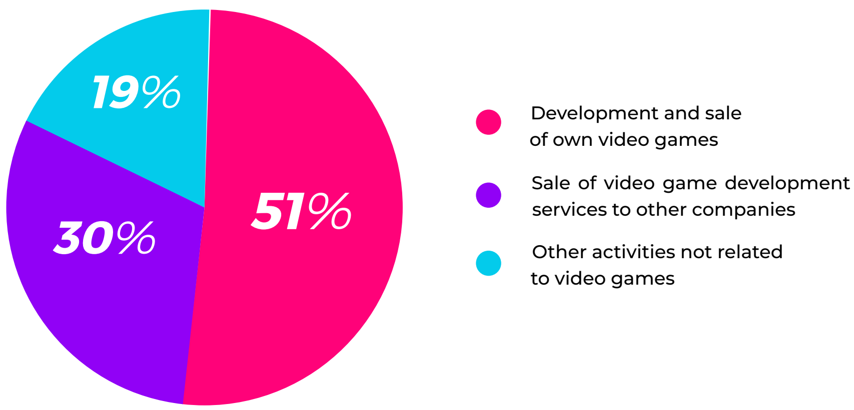


*Figure 8: Distribution of activities.*

## 2.4 Activities

### 2.4.1 Video Game Development

Regarding their own video games both developed and published in 2019 (Figure 9), the companies reported the development of 49 small video games (up to 6 months of development) during this period, and 5 large video games (6+ months of development). On the other hand, with regard to video games under development, large and small developments account for a total of 51 and 37, respectively. Out of those companies that developed and published games in 2019, 60% reported having published more than one.

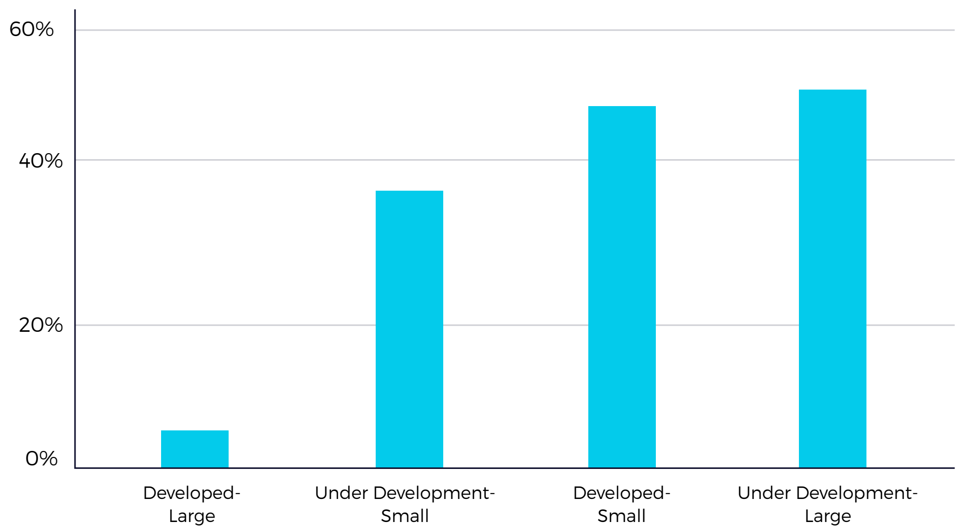


*Figure 9: Small and large video games, both developed and under development.*

When about studios about the different types of video games developed (Figure 10), we observed that casual/social video games occupy almost half of the answers received (45%), followed by educational video games (34%), those of adventure or graphic adventures (20%), strategy, and shooters (both with 18%).

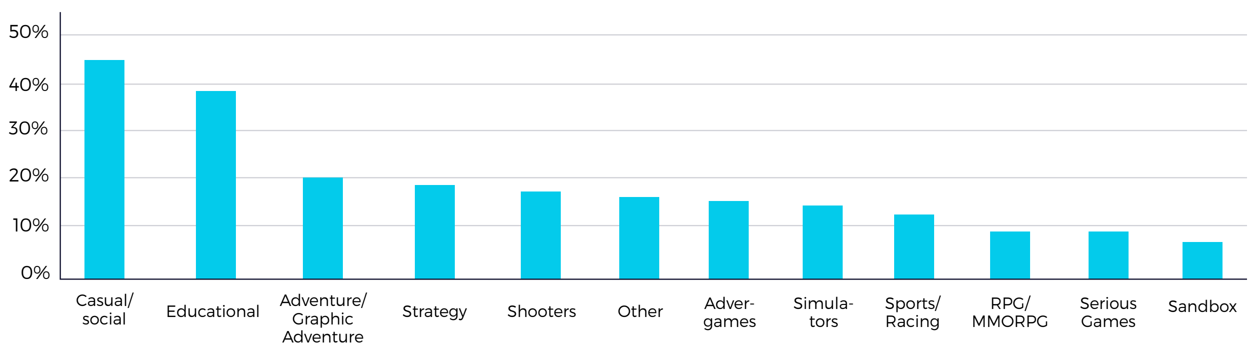


*Figure 10: Types of video games developed by studio.*

Studios were also asked which platforms the video games under development are aimed at (Figure 11), with the vast majority of video games intended for use on PC/Mac (76%) or Mobile (66%), followed by video games for the web (31%) and dedicated consoles (27%).

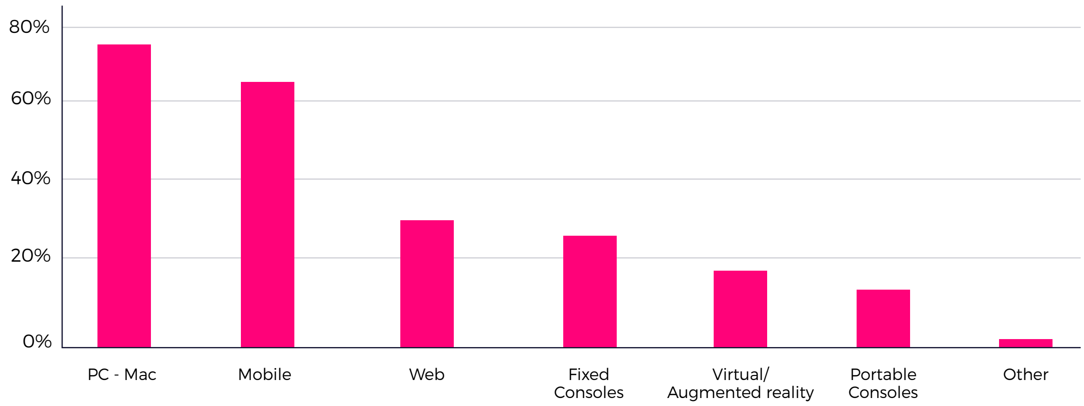


*Figure 11: Studio targeted platforms.*

Lastly, we were able to find out the ages for which video games are developed (Figure 12), thus highlighting that the main target age groups are individuals between the ages of 18 and 35 (93%) and youth aged 13 to 18 (84%).

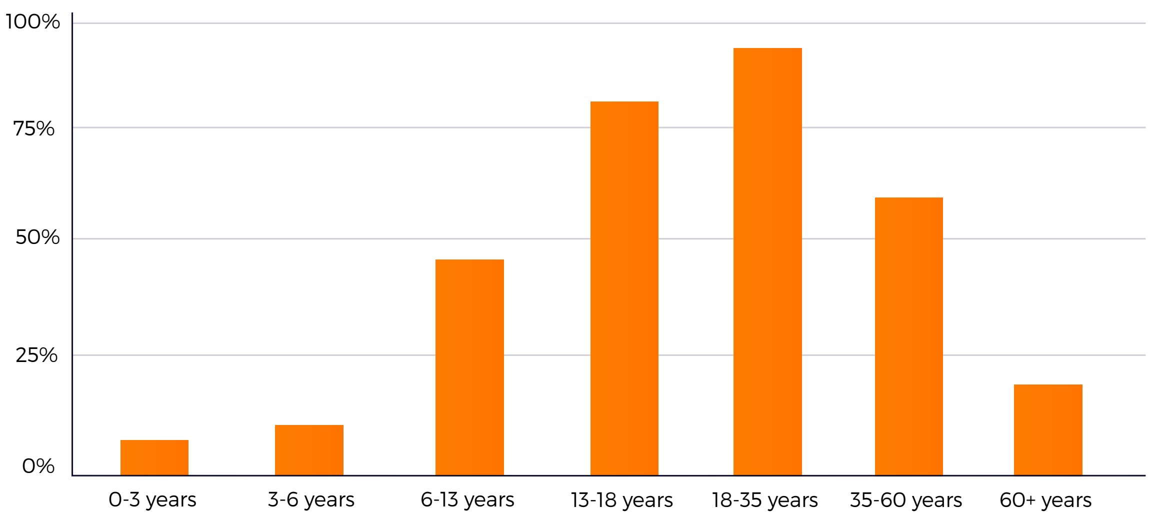


*Figure 12: Target audience.*

### 2.4.2 Secondary Activities

Forty-six percent of surveyed companies carry out some other type of activities in addition to video game development. Out of this percentage, and as shown in figure 13, 66% of companies carry out development activities, 38% carry out web design or development, another 38% are focused on AR/VR, followed by animation and audiovisual services with 34%.

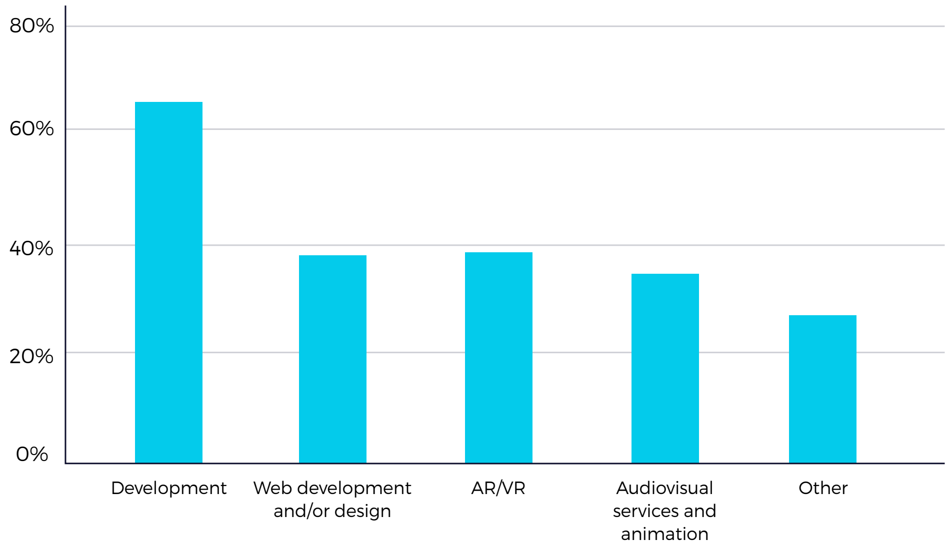


*Figure 13: Secondary activities.*

We asked about the type of clients that hire the services that companies offer (Figure 14), finding that 67% of them are companies that offer services to other video game companies, followed by 53% who are responsible for offering services to advertising companies or advergames.

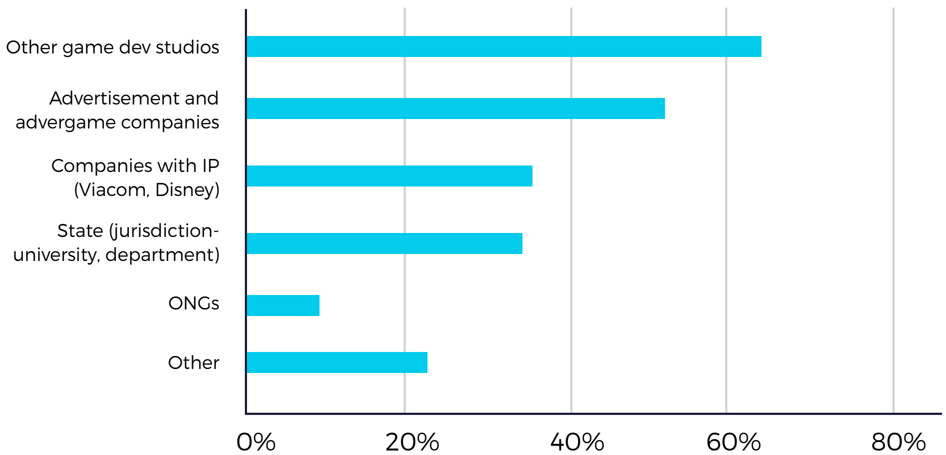


*Figure 14: Typology of clients who hire services.*

## 2.4.3 Target Markets

Regarding the target markets for the sale of their own video games (Figure 15), we found that 43% of games are sold in the United States and Canada, followed by the local market (Argentina) with 23%, and, in third place, Europe with 20%. The other target markets, such as the rest of Latin America, Asia, Oceania, and Africa, are those that make up the remaining percentage in amounts less than 10%.

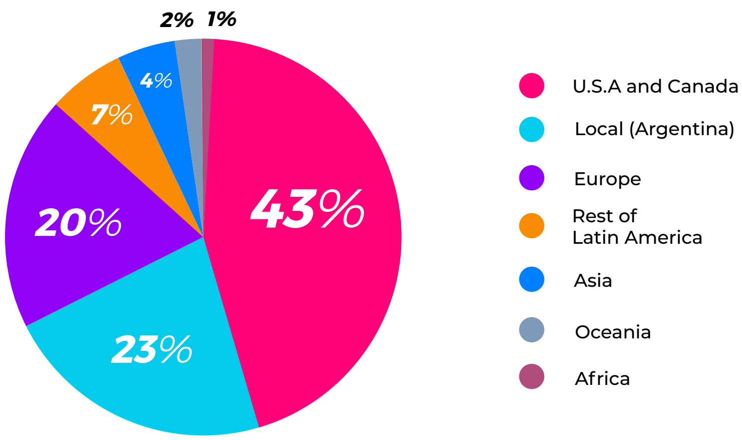


*Figure 15: Target markets for the sale of own video games.*

As for the target markets of services provided by the companies (Figure 16), the highest percentage – in terms of sales – is from the U.S. and Canada with 42%; in turn, the local market takes second place with 34%.

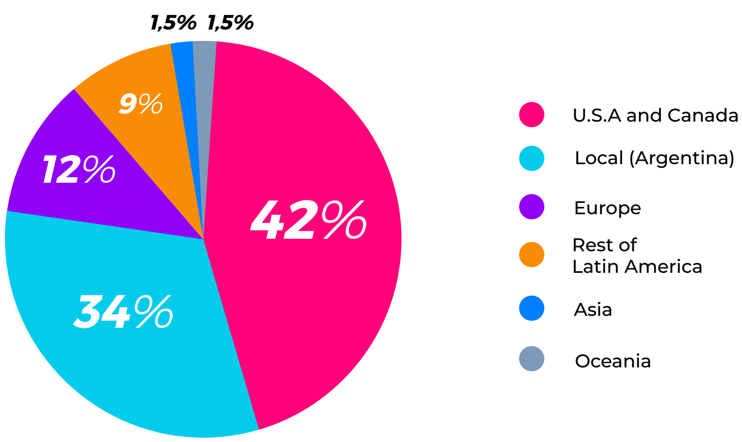


*Figure 16: Intended use of services.*

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## 2.4.4 Services Hired

In reference to the origin of services hired outside the company (Figure 17), graphic artists (80%), sound engineers (67%), and programmers (63%) are the most hired in Argentina; publishers (64% abroad) and public relations (42% abroad) are the only two services that have a higher number of contracts abroad than in Argentina.

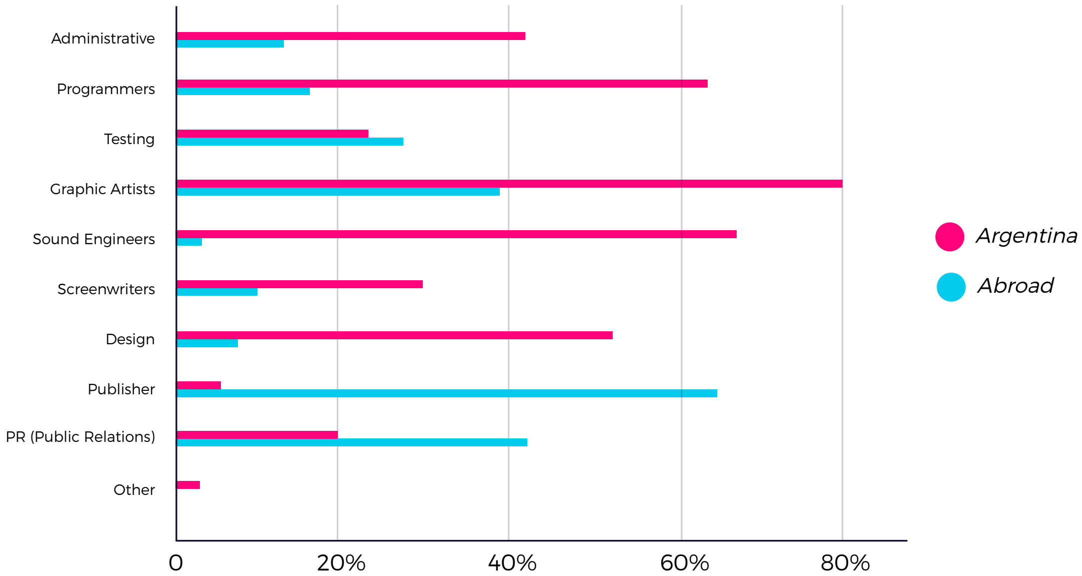


*Figure 17: Origin of the services hired.*

## 2.4.5 Financing

In 2019, 93% of the companies did not apply for bank financing, 5% took on bank debt up to half of their sales and 2% took on bank debt between 51% and 99% of their sales (Figure 18).

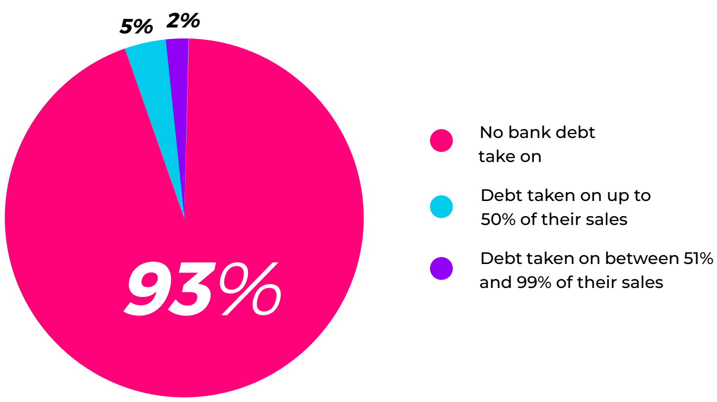


*Figure 18: Percentage of sales under bank debt.*

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The companies were also asked how they would like to finance their activity (Figure 19); consequently, 48% prefer financing through a publisher, 21% seek greater personal financing, and 11%, a greater participation of public subsidies. However, when asking about whether, in 2019 and so far in 2020, investments or projects have been lost due to insufficient funds, 52% of companies answered affirmatively. Also, half of the studios that earned profits in 2019 reported having reinvested all of them in their business.

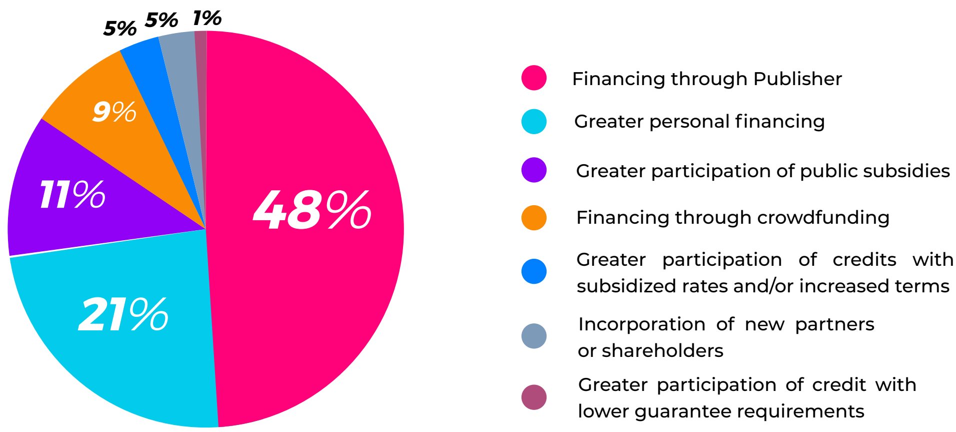


*Figure 19: Ways to finance the target activity of companies.*

Lastly, and in the same vein, when asking about the main challenges, access to financing is the main challenge that companies stress when developing their activities (48%), followed by difficulties with payments and collections abroad (42%), economic instability (39%), and tax pressure in relation to salaries (30%) (Figure 20).

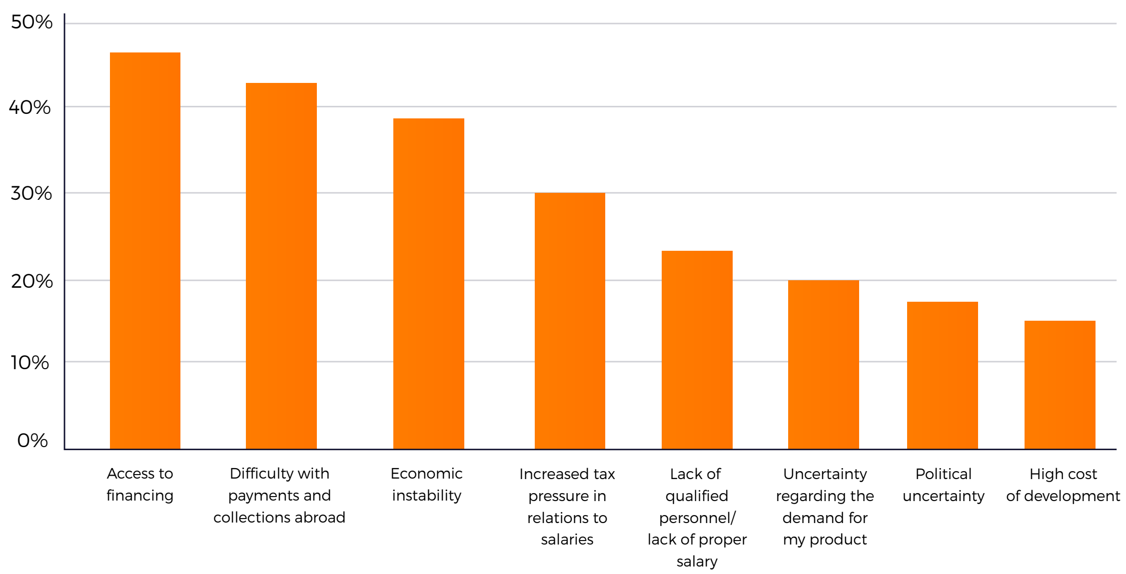


*Figure 20: Challenges to develop the activity.*

## 3. HIGHLIGHTS

• It is a relatively young industry with a certain degree of federal representation, mainly in the provinces of Mendoza, Córdoba, Santa Fe, and Buenos Aires.

• Studios present characteristics of marked heterogeneity, both in number of employees, business structure, main line of business, types of clients, and destination of sales, among others.

• Although the size of the video game industry is quite hard to define since there is no classification, with a conservative assessment based on the human resources it hires, a size of at least USD 72,192,960 is estimated for 2019.

• Out of all studios surveyed, within the number of workers with employee status, both full-time and part-time, a total of 1,450 employees are accounted for. Likewise, studios reported having hired 508 people as freelancers in 2019.

• Programmers are the most widely used human resource profile in the industry, followed by graphic artists. However, the development profile is identified by studios as one of the most difficult to find in the labor market.

• In this regard, programming was the second most chosen skill for entrepreneurs as necessary to take part in the industry (61%). The command of English comes first with a marked amplitude (85%), given that it is an international sector, both in market definition and in technology management.

• There is a low representation of women in the sector, both as workers with employee status (21% on average), and particularly in company partner positions (6%).

• Not all companies are solely focused on making video games, given that 46% of studios also claim to carry out some secondary activity. On average, we could say that company activities are divided by 51% in development and sale of their own video games, 30% in sale of video game development services to other companies, and the remaining 19% in other activities not related to video games.

• Companies report having developed and published 54 video games in 2019 (49 small and 5 large), and 88 are under development (37 small and 51 large). The most developed types of video games are casual (45%) and educational (34%).

• In terms of target markets, studios exported an average of 77% of their own video game production in 2019, the main market being the United States and Canada with 43%. It is also reported that the industry hires a significant number of services abroad, particularly those of publishers, public relations, and graphic artists.

• Lastly, the industry shows marked distancing from the banking system; 93% of studios have not taken on debt with banks in 2019. On the other hand, 48% of companies surveyed agree that access to financing is the main difficulty when undertaking their activities.