

## What's happening to the gaming business?

[참고] 아래 시간 표시는 팟캐스트 웹사이트에서 들을 때의 기준으로, 팟캐스트 어플에서 들을 시 중간광고 삽입 등으로 스크립트 시간대가 다를 수 있으니 주의하시길 바랍니다.

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Hello and welcome to Business Daily. This week, we've got a gaming special. Every day we'll look at a different angle of the business of gaming. In today's episode...

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It just devastated me, and it was like grieving something.

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I have to go through that struggle of applying to jobs again and trying to find a new role, and the competition is so hard about...I mean, yeah, it definitely left me feeling down and stressed.

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Harry and Jordan are just two of the thousands of people who've lost their jobs in the gaming industry in the last few months.

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Microsoft is cutting almost 2,000 jobs at Activision Blizzard and Xbox as the tech landscape resets.

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Hundreds of people working at one of the world's top gaming companies are without a job tonight. The CEO of Cary-based Epic Games announced nearly 900 jobs will be cut, roughly 16 percent of its workforce...

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Shares of Tencent are trading higher this morning after announcing its video game developer Riot Games is laying off about 11 percent of its staff.

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Amazon has announced more layoffs. The company says it will cut more than 180 jobs from its games division.

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Last year, 10,500 jobs were cut in the industry, and in the first four months of this year, another 8,500 have been announced. But the industry itself is valued at over 200 billion dollars. It's one of the biggest in the world. Last year, some of the biggest games ever were released, with the likes of Hogwarts Legacy, which sold more than 22 million copies, and Zelda: Tears of the Kingdom, which sold more than 10 million copies in its first three days of release.

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With so much success, why are there so many struggles at the same time? In today's Business Daily with me, Izzy Greenfield, will try and find out. Video games are really popular. Around 3.4 billion people across the world play them, and gamers have spent nearly 200 billion dollars in the industry's 70-year history. When we talk about gaming, what exactly do we mean?

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The video gaming industry refers to everything from casual mobile games on your cell phone, such as Candy Crush, to PC or Mac-based games. You may be familiar with terms like Counter-Strike, Fortnite, Call of Duty, as well as video game consoles such as the Nintendo Switch or PlayStation 5. Hi, I'm Matthew Ball. I'm calling in from Miami, Florida, in the United States, and I'm a former tech executive and current producer of TV, film, and video games.

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Matthew, how much money do people spend on games?

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Last year, revenues were between 190 billion in consumer spend plus another 30 or 40 billion in ad spend around those video games. That compares to roughly 35 billion in total consumer spend on recorded music. Think of purchasing a vinyl, a CD, downloading a song from iTunes, plus your Spotify and Apple Music subscription. Roughly 30 billion at the box office. A few 100 billion in total when you sum up newspaper plus commercial literature as well as books. Compared to video, it's a smaller business altogether, roughly 650 billion in TV plus video plus the box office. But many expect that within the next 15 or so years, it could be the largest media category globally.

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So, we're getting an idea of just how big this industry is. Which countries make the most games and where is gaming most successful?

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The gaming industry is fairly diversified geographically. The historical hubs for the video gaming industry were Japan and the United States, but over the last 15 years or so, it has considerably diversified geographically. China has become one of the great giants, led primarily by Tencent, which is typically China's largest company by market capitalization, as well as NetEase and others. We also see across Europe a number of studios located right across the continent that have become increasingly essential not just to the major consoles and platforms, whether that's in Epic Games or Sony but leading many of the sales charts year over year. And then more recently, as markets such as India and Brazil in particular have begun to grow, Brazil is typically the fastest growing multi-billion dollar video gaming market. We're seeing a flood of investment in new studios start in those regions as well.

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With figures that big, it might sound surprising that cuts have been happening, but there have been a lot of them. In January this year, Microsoft announced it was letting go of almost 2,000 workers after the company's merger deal, as well as making cuts in the US and Japan. Gaming giant Sony said it would close PlayStation's London studio entirely, a big surprise to a lot of people in the industry. EA and Amazon are axing hundreds of staff too, and Tencent Holdings' Riot Games is cutting 11 percent of its global workforce, saying "costs have grown to the point where they're unsustainable." There are a lot of layoffs and it's hitting people hard.

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My name is Harriet, or Harry. I've been working in the games industry for four years.

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Harry didn't want me to name the company she got laid off from, but she said it was her dream job. And then the email came.

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Six months into my job, in October, we got called into a redundancy meeting that essentially said, 'Actually, you are, not you personally, but you'll get an email if you're at risk,' and I was one of those people. Then we had some restructuring and my job and a few other people's jobs didn't exist.

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How does it feel when you see the industry that you feel so passionate about letting go of so many people, you included, and I imagine, your colleagues too?

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It's devastating because the main feeling that I have about this is, those are people that get laid off. It's easy to slip, and I do it myself, it's easy to slip and go, 'Oh, there's 20,000 jobs gone.' That's 20,000 people who have lost their livelihoods. Passionate, talented people, the people I work with... I'm not going to blow my own trumpet and say that I'm passionate and talented, but I can say I'm passionate. I live and breathe games.

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To see that passion just get treated as a cost to be cut is just devastating. That's what they're doing at the end of the day when these companies are making these cuts, but they don't think about the person behind it. They don't think, 'Oh, what does this person do? How passionate are they? How much of a good a representative for this company are they?' You just end up being flattened down to... you know, a person, you just end up being flattened to a cost that needs to be cut.

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And it is devastating because it demoralizes everybody, it demoralizes the people whose jobs get cut, but it also demoralizes the people that get left behind as well.

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Even my manager said that she didn't expect me to not get renewed, which was very unfortunate.

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Jordan Silver spoke to me from Chicago in the US. She lost her job last year.

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And then after I was given notice about my contract not being extended, they got an email that was sent to the entire company basically saying that they're laying off a large number of employees by the end of that day.

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They said it's necessary for the growth of our company, they're going to be doing restructuring. They just like, 'We were overhiring, and there were too many people,' and basically all that mumbo jumbo. So, a lot of people were hit, really blindsided, and didn't expect it to come...

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How difficult has it been to get back into the jobs market and to get back into gaming?

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I definitely thought with a big company on my resume, years of experience in a niche role that I could be picked up pretty quick. But unfortunately, I'll get a notification from LinkedIn saying, 'Here's a new role that fits you, you should apply.' I click it, it'll say 'Listed one hour ago, 500 applicants.' And then with LinkedIn, you can see the kind of people applying, and it's people with senior experience, people with master's degrees, like there are people like me who are also all looking for jobs all at the same time. So, it's just no responses from companies, hardly any. I've gotten a few recruiter interviews, then they don't get back to you. You're getting ghosted left and right, and not many responses. And this is also something I've heard from a lot of other people who are struggling to find a job as well. It's very competitive.

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This is Business Daily from the BBC World Service. I'm Izzy Greenfield, and we're looking at the business of the gaming industry. Industry revenue is down 4 percent in the U.S. and down 1.5 percent since 2021 when the market was expected to expand. Finding a job in the industry is difficult. Harry, who we spoke to earlier, has managed to find one, but the cuts have left her feeling confused.

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It's hard to see a company that are doing exceptionally well that are making, and even if they go, 'Oh, well, actually we did make a profit this year, but last year we made a profit of 8 percent, and this year we've only made a profit of 6 percent. So, because of that 2 percent difference, we're going to have to let go of 100 people.' So, I don't know why it is happening, but it is happening. It just takes you, take a look at the numbers, and the amount that the company has made. And while wages are very, very expensive, I am sure that there are other ways to deal with this. There have been, there've been office closures. There's been a lot of office closures where people have tried to save money by basically saying, 'Okay, we're going to be fully remote, we're going to work from home,' but I don't know why it's happening, and it's strange that it's happening.

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I asked Matthew Ball if he knew...

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So first and foremost, over the last two years, if we focus just on the United States, gross revenues have fallen roughly two and a half billion. That's a 6 percent decline on an inflation-adjusted basis. We've seen a \$10 billion reduction in real revenues, or roughly 14 percent. This sits in strong contrast to the forecasts that had been held internally at game makers, externally at consultancies, accountancies, research agencies, and investment banks. And the result has been several years in

which all of the largest game makers substantially staffed up. They green-lit more games than ever. Many of those games have since come out and they have strongly disappointed. Many have lost money, others have been cut short. And so, as a result, many game makers, while they maintain a very profitable and successful slate of current games, are sitting across many that did not work and are increasingly unsure as to whether or not those they're currently working on can be viable in the marketplace.

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And the result has been reductions in the budgets for games that are currently being made, the cancellation of games that are currently underway, and a whittling away of the incubation pipeline. And the tragic result of that is that there are thousands and thousands of developers who are no longer attached to a game, no longer attached to predictable, let alone sufficient, revenues. And that's happening at a point in time in which their sister games under the same corporation are experiencing their own disappointing forecast and their own cuts, leaving many, unfortunately, without a job.

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The other thing that has been a challenge is that while it's not new that revenues are stagnating, if not declining precipitously on real terms, for the past two years, there have been a number of different theses that are used to excuse that, to lead those executives in charge to believe that it was a temporary regression, a temporary blip. One of which was that during 2021 and early 2022 there was great scarcity of consoles and high-end graphics cards. The hypothesis was that gamers wanted to spend more, but they couldn't find a video game console.

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Another thesis was that in 2021 and 2022, in particular, the release slate, the new games, were not particularly well reviewed, many of which were not the frontier titles, your blockbusters, your Legends of Zelda, Call of Duties, largely due to delays stemming from the shift to hybrid work during the pandemic. And so these two as singular examples led the industry to believe that in 2023, finally consumers would be able to buy any device that they wanted. And finally, they would not just have many great new games to purchase, but more than perhaps the industry has seen ever. And so, as we look back on 2023, it's clear that the scarcity of hardware was not the bottleneck we had expected, that the thin release slate was not the challenge faced by the industry. And in fact, the industry is contracting or struggling to find new players, new player spend, or new playtime. And that realization has led to a very real mindset shift among executives and indeed even those responsible for running today's games and building the next great games.

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I've put in a request to speak to the bosses of Sony, EA, and Microsoft, but they've not got back to me yet. We've talked about the struggles the industry is clearly facing, but it's not all bad news. In Europe, studios across the continent have become increasingly essential as Matthew Ball explained; they've led many of the sales charts year over year. So what's happening with gaming there?

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Yeah, my name's Will. I'm from England. Moved to Sweden about 17 years ago...

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After working in the gaming industry in Sweden for over 10 years, Will decided to set up his own company, Roro Interactive, with a friend.

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And I had a vision for a product and a studio based on creative play that had been growing in my mind for a time, and he had the backing, the finances, and the experience establishing studios. He'd run quite a few studios himself. So we started Roro together, a creative play studio.

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And they seemed to have established themselves well as a business. Well, how have Europe and Sweden changed in the last 10 years in terms of being players in the gaming industry?

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It's interesting because Sweden has been quite innovative, not just in tech and IT, but in gaming as well. And I would say Europe has always been a pretty big player in the gaming scene. You can look at Stockholm; you have industry giants like Mojang and King and DICE, and a lot of studios building international hits that have left, I'd say, ripples in the industry in one way or another that have led to clones and kind of innovating in different ways. And I'm just looking at Arrowhead's latest release. They're big titles made by usually quite small teams, which is kind of fascinating. And there's a lot of passion and talent in Stockholm. I think Swedes, from being here a while, they're quite humble; they're not like that outspoken about that. But yeah, there are really strong companies and a pretty strong presence here in Sweden and here in Stockholm that I think has a very international reach. And I feel that here you meet some of the same people in the same network; you bump into them, you work at one company, and then you'll bump into them again at another company. Because Stockholm isn't that big, you know, it's like one and a half million or so people. It's not massive. So there's definitely a network here you can feel it. It's an exciting

place to work, for sure.

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There is projected growth in the video games market in Europe for this year; over half of the population play games, but there's no escaping the reality of the bust and boom cycle of the industry. Europe and the rest of the world's gaming industry market is still chasing unsustainable growth. So what are companies focusing their resources on now? Back to Matthew Ball.

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It looks a lot like Hollywood over the last 15 years, which is a reduction in new titles, a focus on brands, franchises, and characters that are already known and more reliable in their performance.

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For people like Harry and Jordan, the future is uncertain, and for them, gaming is much more than just a job.

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One of the things I struggled with the most was the thought of leaving this industry where I really felt like I belonged somewhere. I felt like I was home for the first time in my entire life. It was like this is no longer a job for me;

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It's something I grew up with. Even being a shy kid growing up, it was kind of my personality, being a gamer, and I connected with my few long-time friends through gaming. It's just a creative outlet.

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Thank you for listening to today's episode of Business Daily, produced and presented by me, Izzy Greenfield.