2022 INSIGHTS ON EXTERNAL DEVELOPMENT FOR THE VIDEO GAME INDUSTRY

XDS | EXTERNAL DEVELOPMENT SUMMIT

XDSUMMIT.COM

External development refers to the practice of video game Developers/Publishers (buyers) leveraging Service Providers (sellers) in any aspect of development, including but not limited to art, animation, cinematics, audio, engineering, porting, game development, UX-UI, motion capture, QA, localization, and VFX. External development is an established pillar of the larger games development process. This report is intended to identify trends in external development and provide insight into the most significant concerns facing all parties involved.

This edition of the report includes an important new addition focused on increased attrition due to *The Great Resignation*, as well as year-on-year comparative data on the continued impact of the global pandemic.

The statistics in this report were derived anonymously from 200+ submissions from industry professionals worldwide. Research and data gathered to establish this report was collected by the organizers of the External Development Summit (XDS), with contributions from the **XDS Advisory Committee.**

Who We Are

External Development Summit (XDS) is the only annual, international games industry event held in Canada, with a primary focus on external development for Art, Animation, Audio, Engineering, QA and Localization. Each year, a broad community of game Developers/Publishers and Service Providers gather to contribute to the advancement of the video game industry through collaboration, sharing of best practices, networking, and the delivery of a high-caliber, educational program.

The XDS event is delivered annually in Vancouver, Canada in September. For regular event updates **sign up for our newsletter.**

GUEST AUTHOR

Ryan Faraji
Development Director II, EA

CO-AUTHOR

Chris Wren
Head of XDI Events, EA
Chair, XDS Advisory Committee

The data in this report was collected between the dates of December 14, 2021 and January 31, 2022. Note that some data tables throughout this report may not add to a total % of 100 due to rounding.

Top 5 most important factors

Developer/Publishers seek when selecting a Service Provider

1. **Quality of Work** — *assets, code, etc*
2. **Track Record** — *previous clients, projects*
3. **Rates**
4. **Team Skill Sets**
5. **Language/ Communication Skills**

For the past 3 years, **Quality of Work** is the main reason Developers/Publishers choose Service Providers, up 5% this year.

Security Requirements, which didn't make the top 5, had the largest jump of 6% from last year.

The Growing Challenges of Finding Talent

Has it become more or less difficult for Service Providers to hire local talent?

- 10% Less difficult
- 34% No change
- 56% Extremely/difficult

In the past year, 55% of Service Providers had increased difficulty hiring local talent. The majority are growing their studio size by **shifting focus to hiring remotely, and opening new offices in the coming year.**

How much do you externalize?

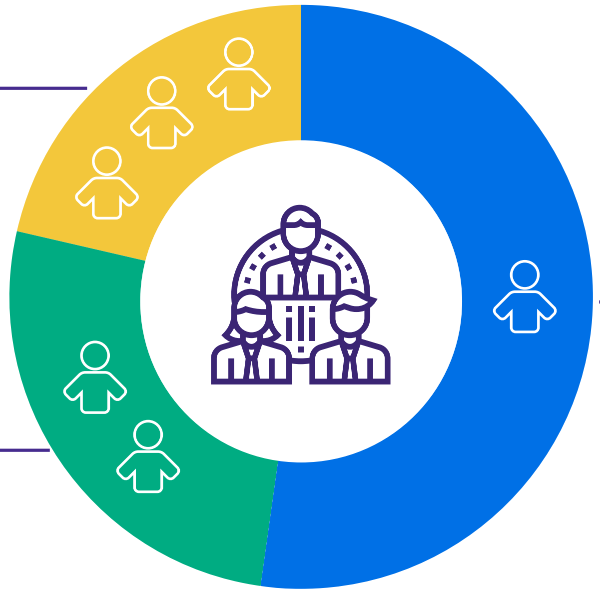
Of the projects surveyed, the average amount of external dev support needed is **53%** as compared to in-house production.

SERVICE PROVIDER OVERVIEW

company size

AVERAGE COMPANY SIZE BY NUMBER OF EMPLOYEES

from Service Providers who responded



over 250
22%

50 - 250
27%

under 50
54%

years in operation

This year, we had the most senior number of Service Provider respondents **operating for more than ten years at 51%**, a jump of **10%** from last year.

developing their own IP

79% of survey respondents do not currently develop their own IP, but **25% say they want to in the future.**

acquisition activity

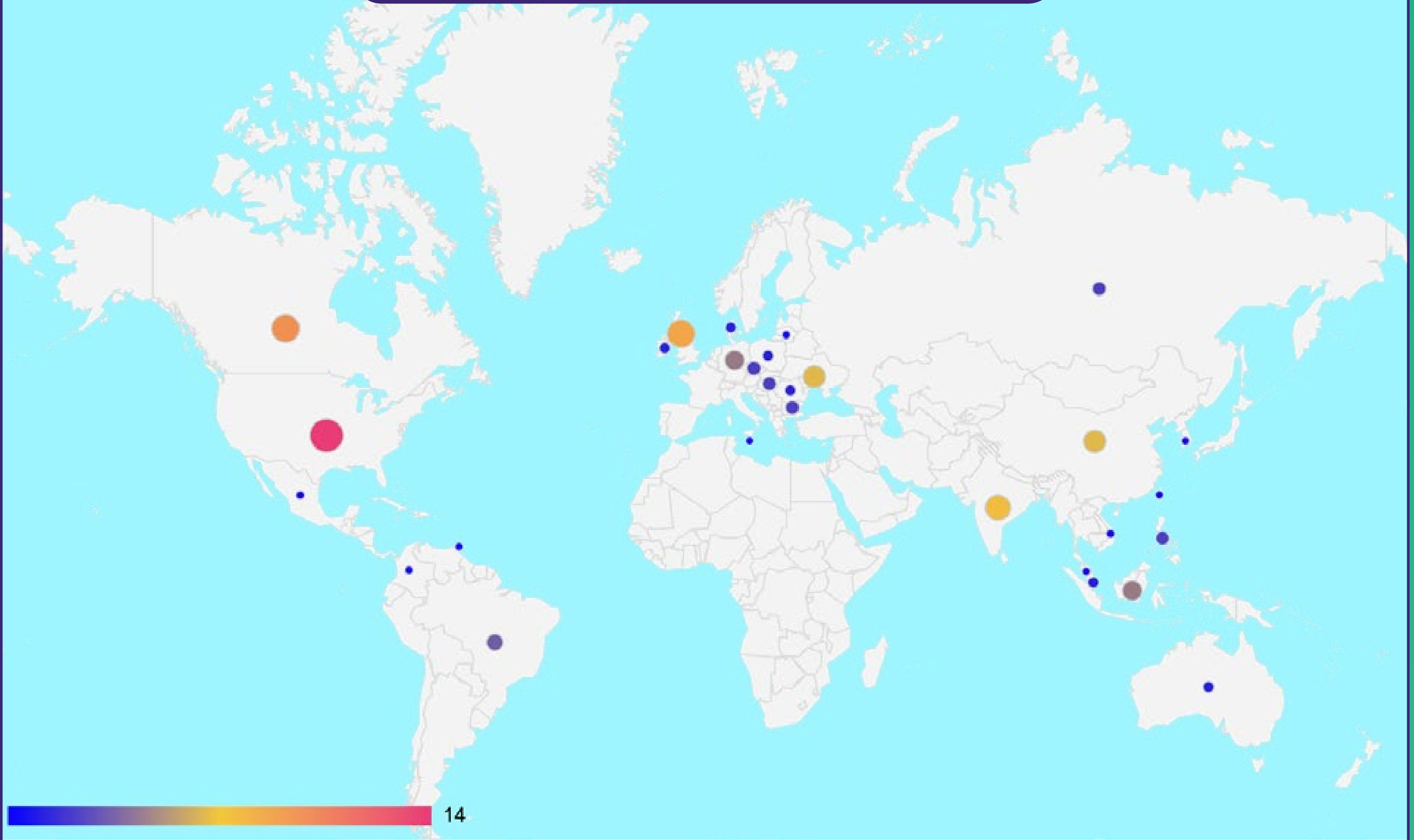
19% of Service Providers said they are actively looking for companies to acquire.

TOP DISCIPLINES OF INTEREST:

- **3D ART**
- **ANIMATION**
- **CONSOLE GAME DEVELOPMENT**

SERVICE PROVIDER OVERVIEW

response by region

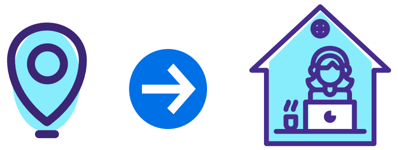


TOP SURVEY RESPONSES were from Service Providers with headquarters in the USA, Canada, and United Kingdom.

Over 100 Service Providers in 29 countries participated, which is down from previous years, but we are seeing more veteran response. Most significant increases this year were from Germany and Indonesia.

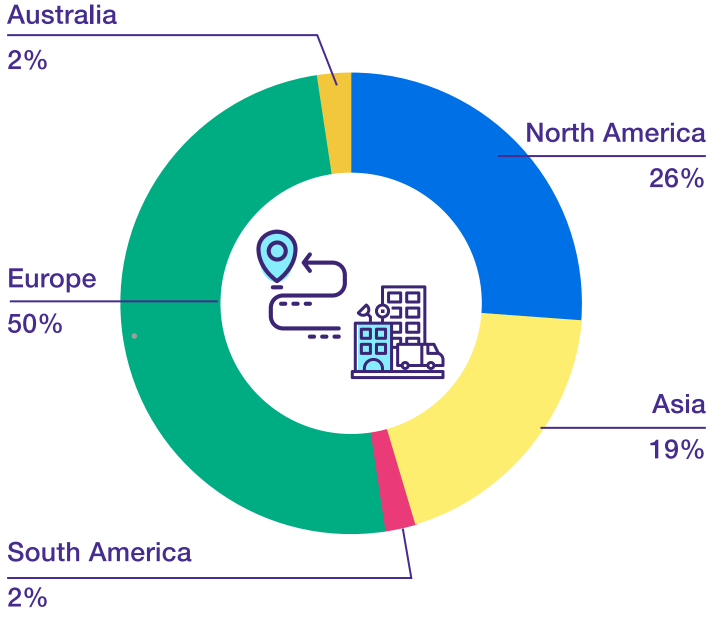
locations

Service Providers with over 5 LOCATIONS has INCREASED BY 10%



While **ONE OFFICE LOCATION** is still trending at the top spot, it has been steadily declining with the shift to **WORK FROM HOME**

new locations



Of the **68%** of Service Providers indicating they are looking to open a **NEW LOCATION** in the next year, **50% HAD PREFERENCE FOR EUROPE**, with North America and Asia coming a close second

SERVICE PROVIDER OVERVIEW

Key Services Provided by Service Providers

The vast majority of Service Provider respondents are supporting ART, with a 10% increase year on year

Game development support has been trending down the last three years, with mobile taking the biggest reduction with an **11% drop**. We speculate the reason for the overall decrease may be because of the challenge of externalizing assets during the pandemic, and travel for training support being extremely limited.

	2022		2021	2020	2019
Art	**79%**	↑	70%	74%	65%
Animation	**40%**	↓	44%	57%	44%
Game Development – Mobile	**24%**	↓	35%	39%	20%
Game Development – Console	**30%**	↓	32%	36%	12%
Game Development – PC/Online	**30%**	↓	32%	39%	16%
Engineering (server side, front end, web development, etc.)	**22%**	↓	27%	20%	14%
Game Development – VR/AR	**16%**	↓	24%	35%	14%
Cinematics/Trailers/VFX	**24%**	↑	23%	34%	27%
UI/UX	**20%**	↑	19%	21%	27%
QA	**14%**	↓	15%	22%	10%
Localization	**8%**		8%	15%	12%
Audio	**12%**	↑	8%	15%	13%
Other (MoCap, Creative Development)	**0%**	↓	8%	14%	13%

DEVELOPER/PUBLISHER OVERVIEW

	2022	2021	2020	2019
Console games	**73%** ↑	72%	70%	67%
Mobile games	**44%** ↑	40%	56%	29%
PC/Browser games	**60%** ↓	61%	66%	40%
Facebook games	**2%** ↑	1%	2%	2%
VR/AR games	**19%** ↑	10%	15%	17%
Streaming/Cloud games	**12%** ↓	13%	7%	–
Tools development	**9%**	–	–	–
Multi platform	–	–	–	36%
Other	**5%**	4%	3%	–

Developer/Publisher Platform Focus

While the lines are getting blurred across consoles, mobile, and PC, we see a solid increase of focus on those systems.

The significant jump was in VR/AR games, possibly due to the introduction of the metaverse, and lower cost of VR hardware.

EXTERNAL DEVELOPMENT INDUSTRY OBSERVATIONS

This year we focused on the demand for resources/talent, The Great Resignation, continued impact of the pandemic, and top reported challenges.

PERCENT OF COMPANIES SENDING

Art Disciplines External

Over the past three years, little has been off the table for external development. For example, each year we see the **"remains internal" stat shrinking**, while Developers/Publishers are finding balance with support across a broad mix of disciplines.

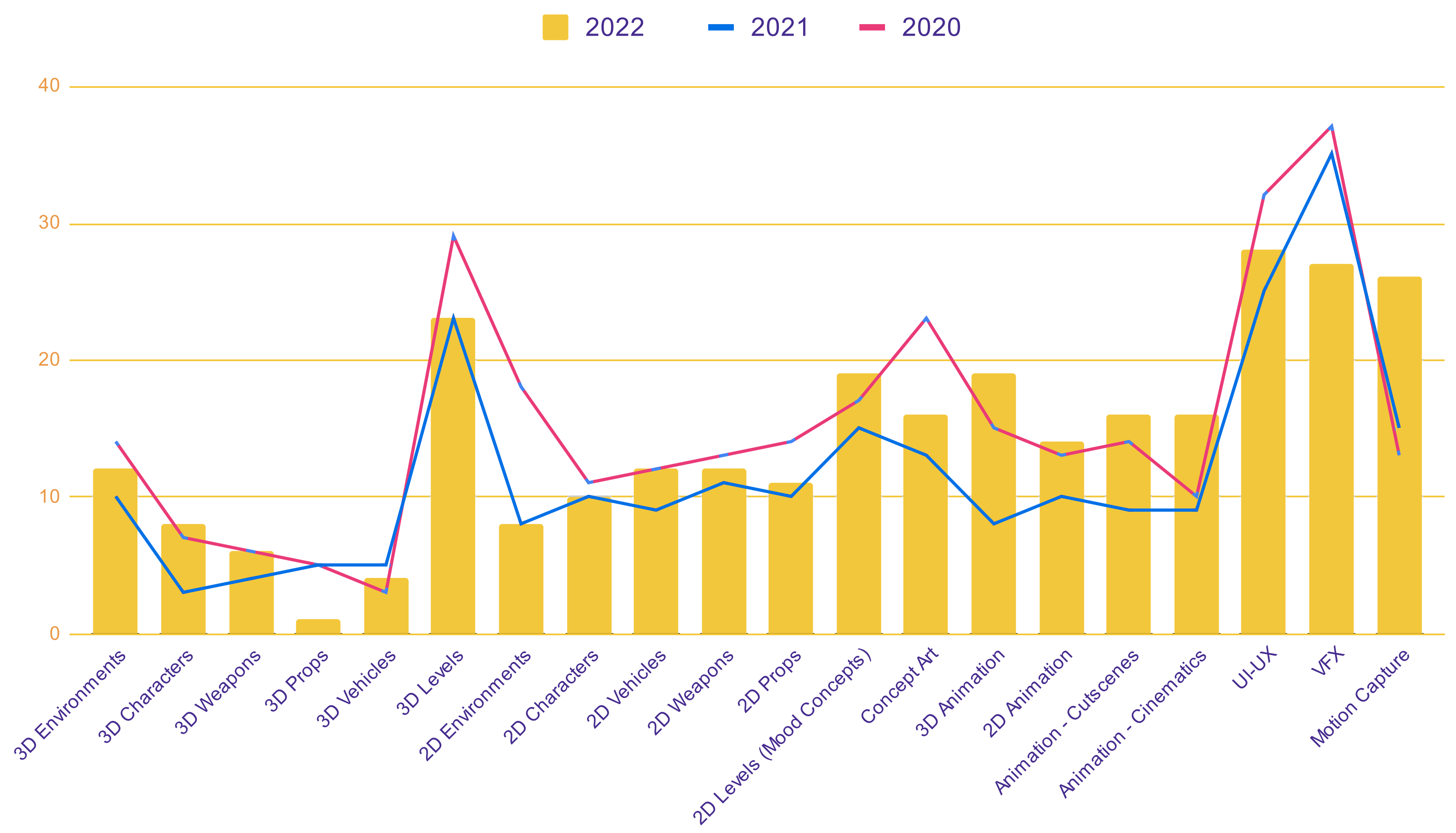
In the past year, the amount of **animation and 3D character work increased** for remaining internal. We speculate the cause for the rebound in these domains was; in 2021 the COVID-19 pandemic created an increased demand for greater animation and characters, and ramping up remote work-from-home (WFH) workers is very challenging. This scenario could develop hardships in production, resulting in a shift to creating this content internally in 2021.

Did you know?

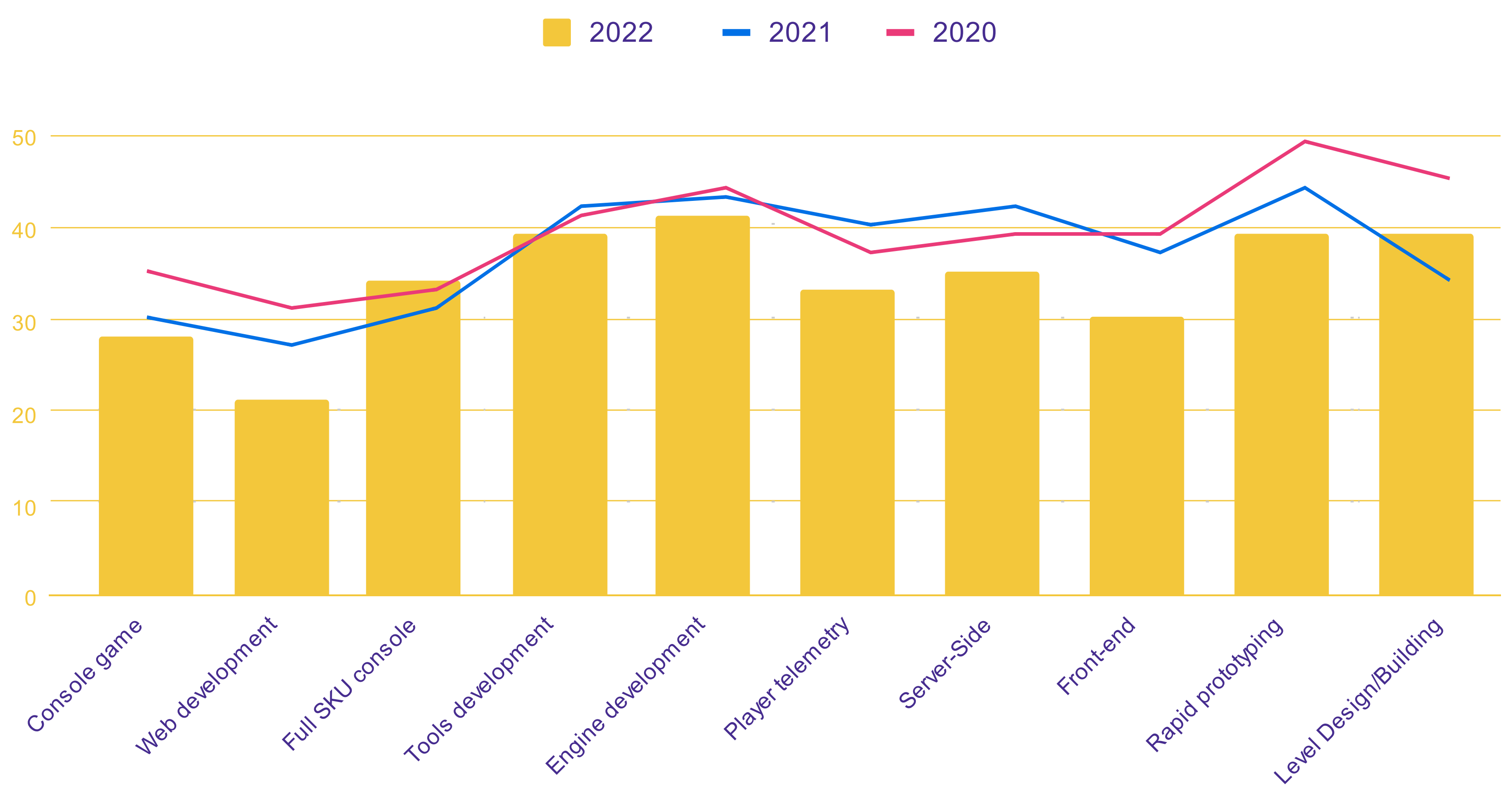
The highest percentage of disciplines that are outsourced entirely:

Motion Capture
Animation Cinematics
3D Props

asset types that remain internal



production types that remain internal



PERCENT OF COMPANIES SENDING

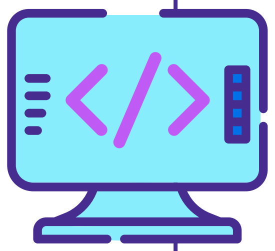
Engineering Disciplines External

In this year's results, we see a **4 - 10% increase in the need for Engineering,** led by growth in Developers/Publishers continuing to move toward a co-development model. Teams see the clear benefits of having Service Provider support major features. As these engagements find success, requests for Service Providers to take on greater scope and responsibilities will only continue to grow.

Did you know?

Service Providers are seeing an increase in demand for the following:

Web Development
Feature Development
Rapid Prototyping



Service Provider Clients and Interests

While 2020 revealed a diverse portfolio of client types, we see **significant change** in the past two year period. To speculate on the cause of the change, it's possible that non-traditional games companies (e.g. film and television, etc.) encountered challenges engaging Service Providers during the peak of the pandemic, and instead opted to pursue a remote, WFH contractor model to shore up resource demand.

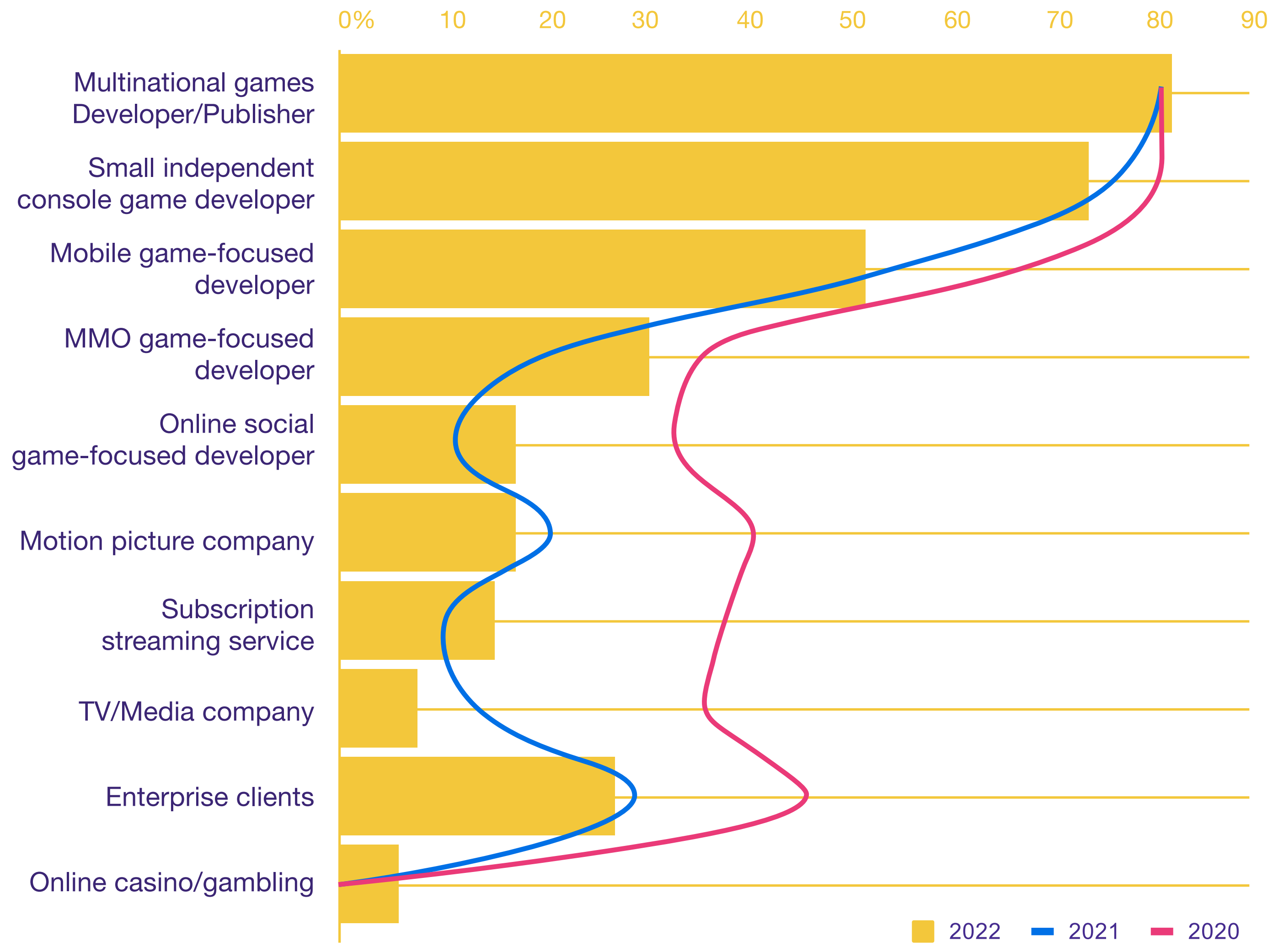
TOP 5 FACTORS

that contribute to Service Providers selecting clients

1. Prestige of a Project/Client
2. Rates the Client can Pay
3. Potential for Future Projects
4. Length of Engagement
5. Availability of Resources to Accommodate Client

This year, **CLIENT PRESTIGE** took over the #1 spot from *potential future projects*, which moved to 3rd spot below *rates the client can pay*.

WHAT TYPE OF COMPANIES DO YOU WORK WITH?



DEVELOPERS/PUBLISHERS TAKE NOTE!

Over half, or 56% of Service Providers report **now utilizing other Service Providers** to partner on client work (ie. add capacity and/or services).

TOP REASONS
for using External Development

The top two reasons Developers/Publishers work with Service Providers hasn't changed in the last four years benefiting from **flexible skill-set to ramp up and down** and to **build more content & features**.

The other area showing a sharp 21% increase is **lack of available local talent** making its way into the top three over the course of four years.

While **cost savings** has always been a leading contributor to working with Service Providers, the shift in supply and demand shows that Developers/Publishers see it being less of a priority.

	2022 RANKING	2021 RANKING	2020 RANKING	2019 RANKING
Flexible skill-set ramp-up/ramp-down	**65%** ↓	68%	70%	71%
To build more content and features	**63%** ↓	77%	67%	74%
Lack of available local resources	**48%** ↑	27%	34%	36%
Access hard-to-find skills/capabilities	**43%** ↑	30%	31%	36%
Cost savings	**33%** ↓	56%	53%	41%
Support content needs for live services	**26%** ↓	30%	23%	23%
Speed up development through follow the sun (24x7) production model	**20%** ↑	11%	21%	17%

Watch & learn more

External Development Framework: Keys to Industry Leading Partnerships

DAVID LAM
Director of Art Management,
Riot Games

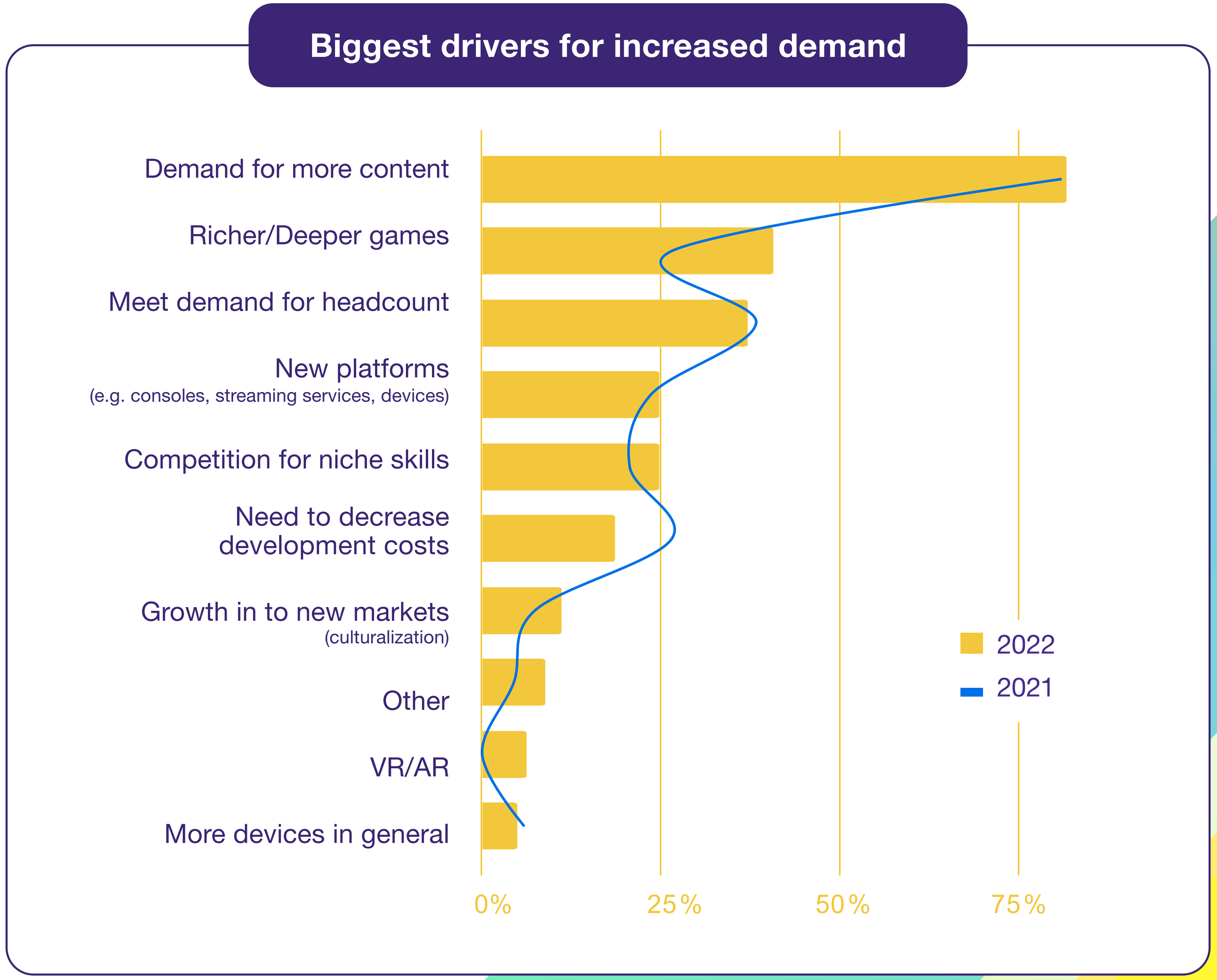
Publisher Investments

While **demand for more content** seems to be the common factor for increased demand in the past two years, **richer/ deeper games** have increased dramatically, while **need to decrease developer cost** has gone down comparatively.

We are also seeing a slight comeback VR/AR, possibly due to the metaverse marketplace and cheaper hardware.

In what disciplines are we seeing a 10-20% increase in demand from Developers/Publishers?

Concept **VFX**
2D Art **UI/UX**



The Great Resignation

DEVELOPERS/PUBLISHERS

"**THE GREAT RESIGNATION,** *is an ongoing economic trend in which employees have voluntarily resigned from their jobs en masse, beginning in early 2021, primarily in the United States. Possible causes include wage stagnation amid rising cost of living, economic freedom provided by COVID-19 stimulus payments, long-lasting job dissatisfaction, and safety concerns of the pandemic. Some economists have described the Great Resignation as akin to a general strike."**

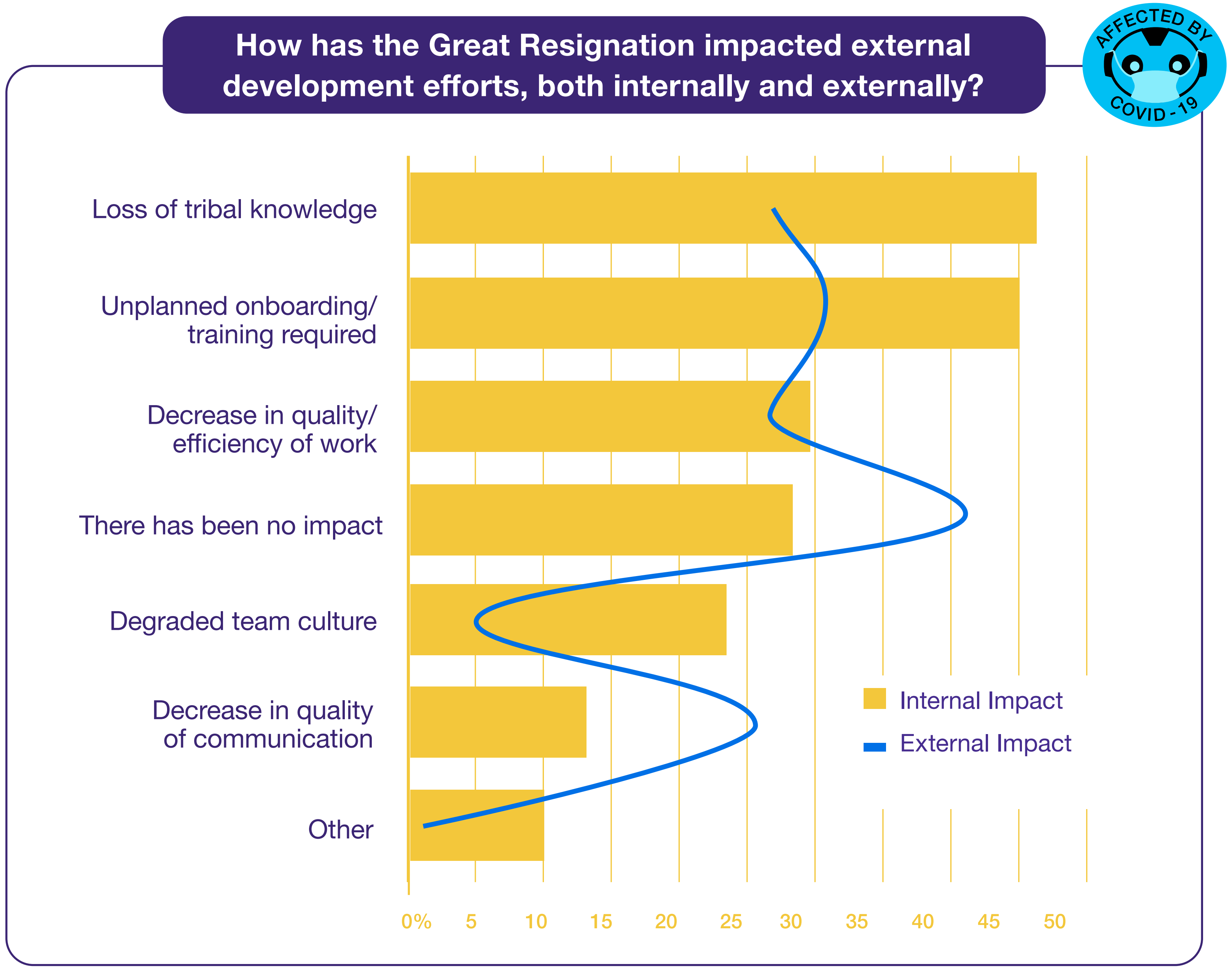
Developer/Publishers reported the top internal impacts of *The Great Resignation* being a **loss of tribal knowledge**, and **unplanned onboarding** of new staff. Decrease in **quality/efficiency** can be attributed to both of these two factors.

No impact on external development came in forth place, which may represent Developers/Publishers that have taken extraordinary efforts to retain their talent.

Has *The Great Resignation* created a better talent pool for Developers/Publishers to hire from?

15% YES	42% NO	43% UNKNOWN

How has the Great Resignation impacted external development efforts, both internally and externally?



"As a Publisher, we have many excellent risk mitigation plans in place wherein if a Service Provider can't provide support, we usually have an alternate plan in place." - Anonymous

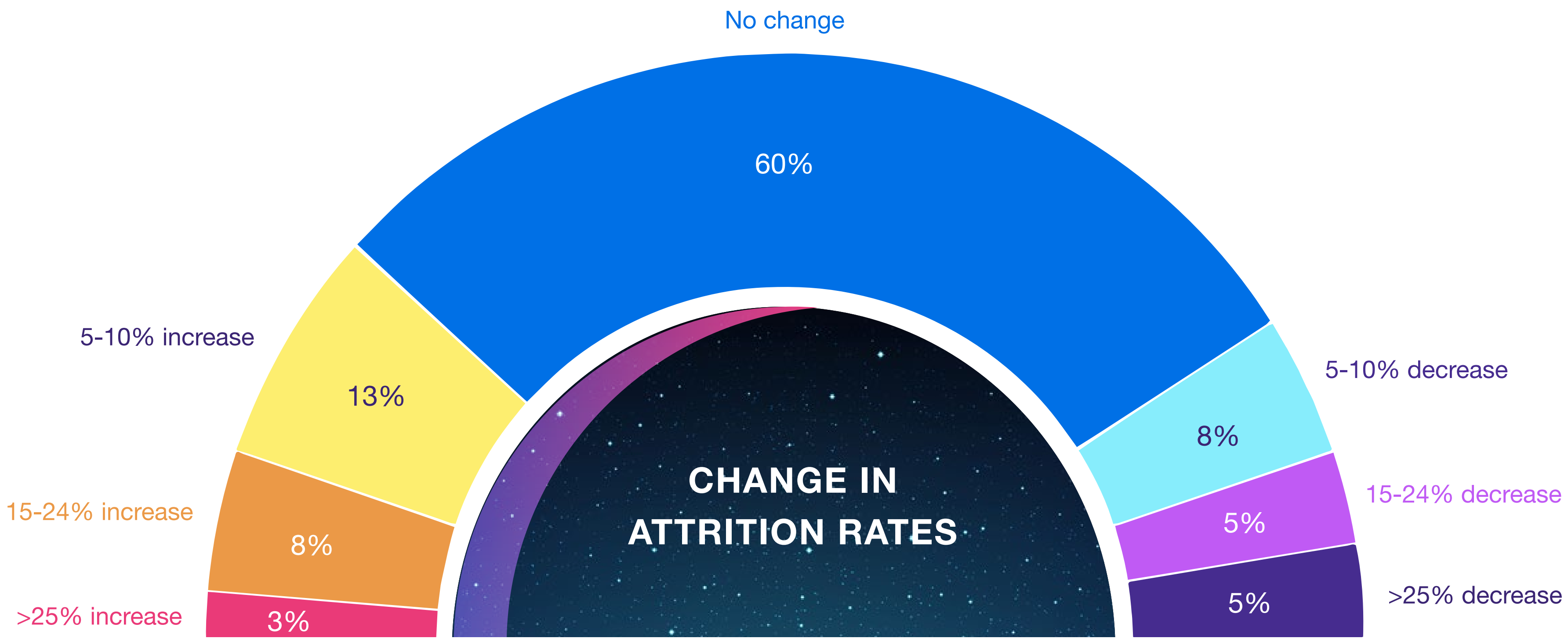
*Source: https://en.wikipedia.org/wiki/Great_Resignation

The Great Resignation

SERVICE PROVIDERS

On average, Service Providers are reporting no change in attrition rates, therefore causing a conflicting message for talent leaving. *The Great Resignation* does not see workers leaving the industry, but rather moving from one company to another for greater opportunities. For our industry, it's called *"The Great Game Dev Migration."*

Demand for content continues to increase, and companies struggle to find skilled resources to support their titles. The need for content will grow further as the film and television sector continue to enter the picture, resulting in a more intense demand for talent.



The Growing Challenges of Finding Talent

Over the past year, **55%** of Service Providers have had difficulty hiring local talent. The majority are growing their studio size by **shifting focus outside their regions,** and **opening new offices elsewhere** in the coming year.

Service Providers incentivizing

Companies are increasing incentives to retain talent.

1. **Increased compensation**
2. **Work-from-home flexibility**
3. **Rewards & recognition**
4. **Added benefits**

Retention comes with a cost

Service Providers are increasing rates to **provide improved incentives** in order to retain talent. Other reasons indicate **inflation**, and **greater demand for services.**

The Pandemic

In the past year, how has the COVID-19 pandemic affected the number of services you are buying, or receiving?

For **Service Providers**, the number of services that clients are buying is up significantly by **12%**.

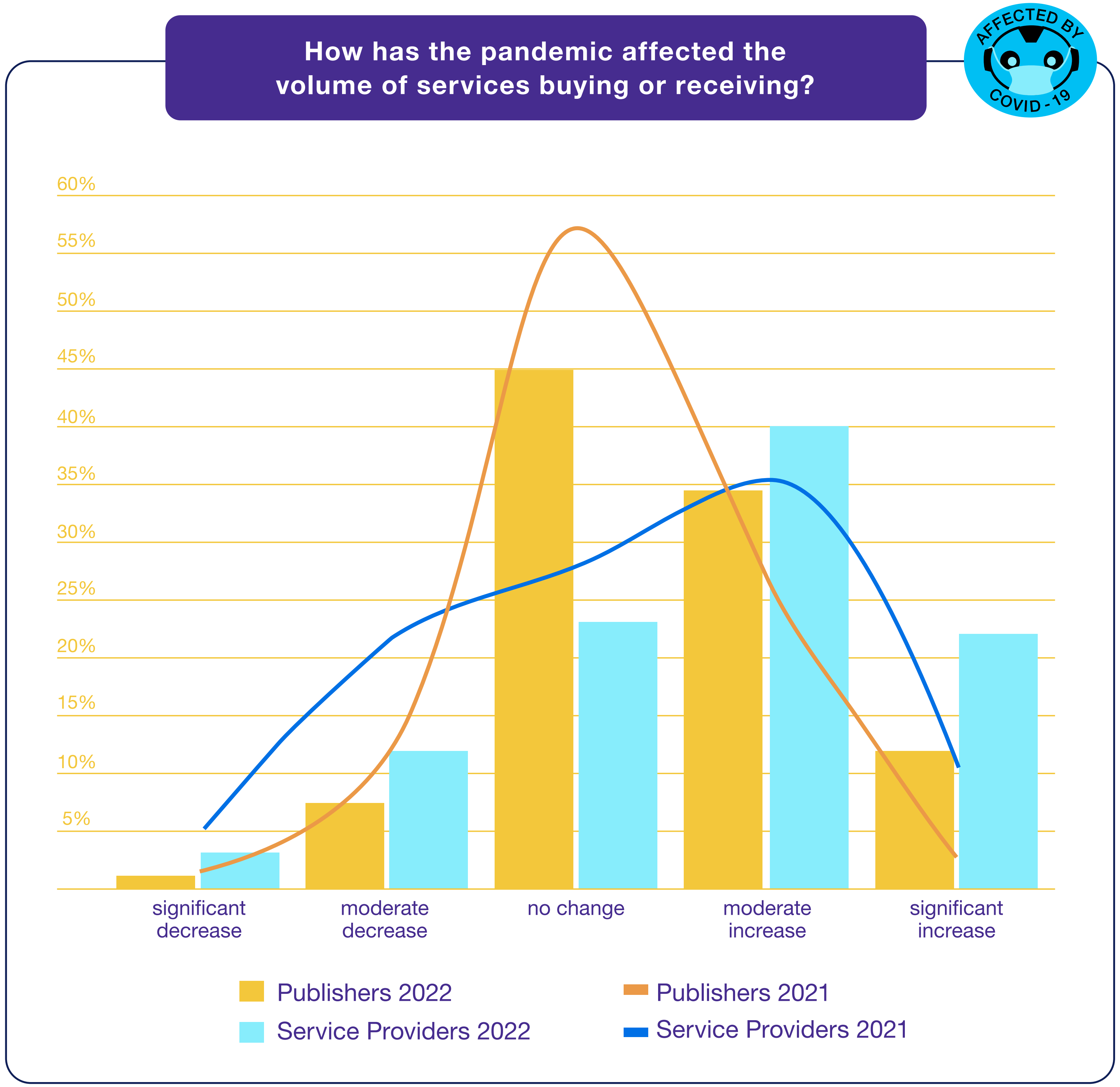
Developers/Publishers reflect what Service Providers are reporting with a **9% increase** in purchasing services.

Living with COVID-19

While COVID-19 was introduced over two years ago, the impact on the game industry is **forever changed** - resulting in a higher demand for content, work-life balance, and skilled talent.

We are moving in the positive direction of an endemic stage. As COVID-19 becomes part of our reality, how are we adapting, and how have the impacts changed from last year's report?

How has the pandemic affected the volume of services buying or receiving?



The Pandemic

IMPACT TO SERVICE PROVIDERS

What has been the impact of COVID-19 on Service Providers delivering services to Developers/Publishers?

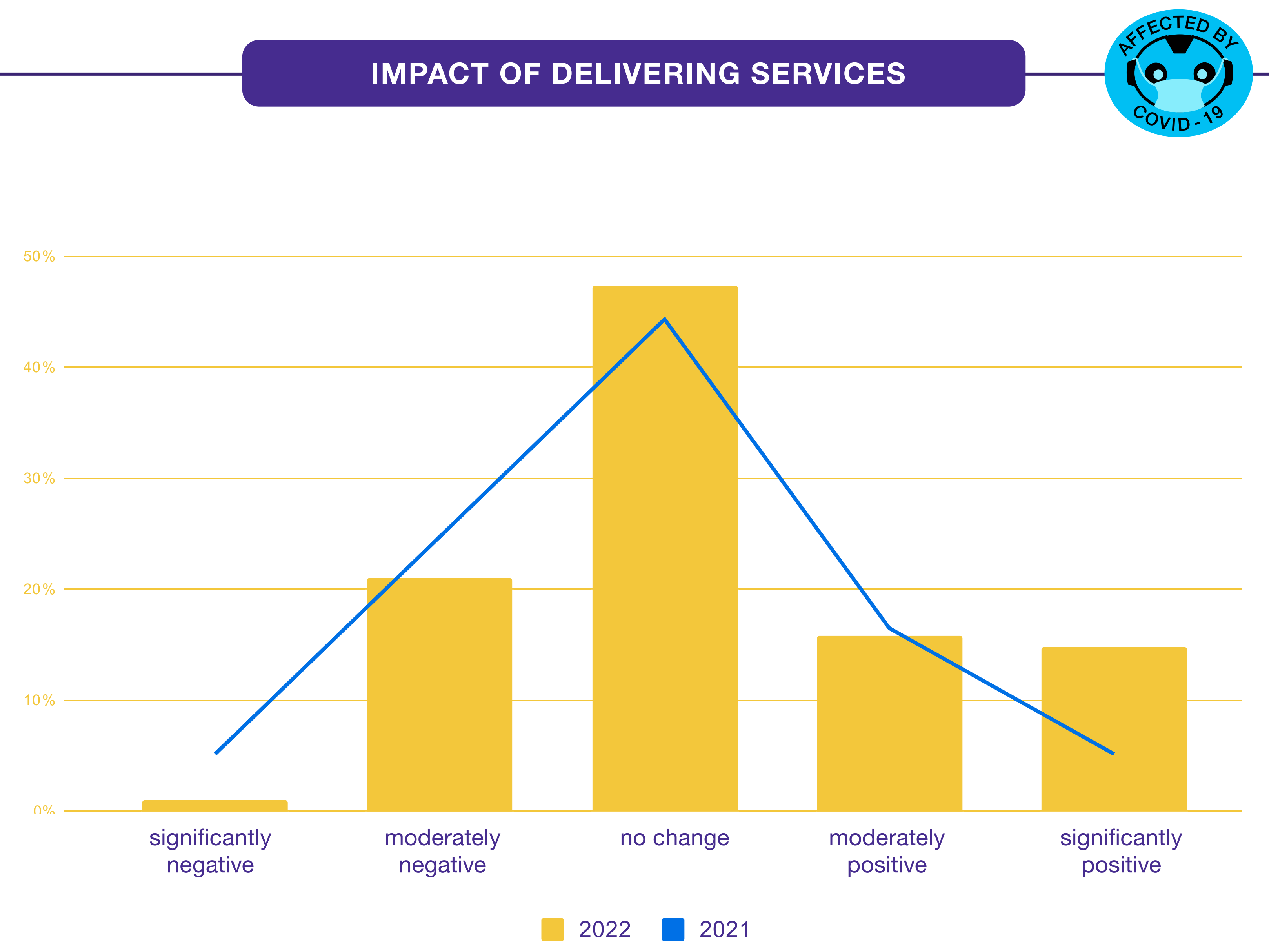
Service Providers have reported a **10% positive change** in the past year, indicating that impact due to the pandemic has been reduced. Previously Service Providers faced difficulties getting systems into place to perform pre-pandemic levels. However it appears those issues have mostly been resolved, leading to a positive direction in providing services.

When asked about government-imposed restrictions that impact operation due to COVID-19

"Our government continues to put in place restrictions to return to the office and socialize with coworkers. Plus they are not accepting international visitors to help support training or evaluations." – Anonymous

"It's been difficult to operate when the government imposes studio requirements for talent and employee safety." – Anonymous

IMPACT OF DELIVERING SERVICES



The Pandemic

CHALLENGES AND POSITIVE OUTLOOK

Travel Restrictions

In the past year, the #1 challenge related to external development for all sides was **restrictions on travel**. However, we did see a 50% uptick in Service Providers doing business travel to meet with clients and attend events, whereas Developers/Publishers largely stayed put. As a result, Developers/Publishers reported a 30% increase in difficulty **discovering new partners.**

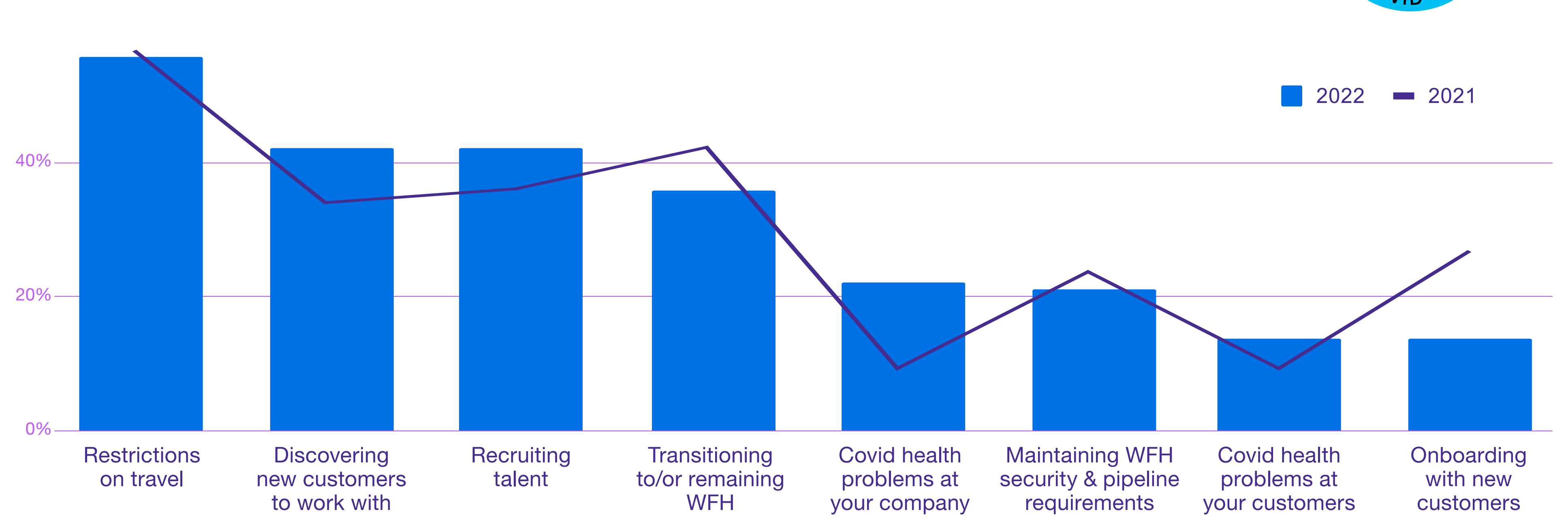
Health Impact in 2022

In 2021, levels of staff at companies reporting to have COVID-19 were relatively low. However due to the Omicron variant and perhaps other factors, this percentage **increased significantly in the start of 2022**, which likely caused disruptions in communication and productivity during engagements.

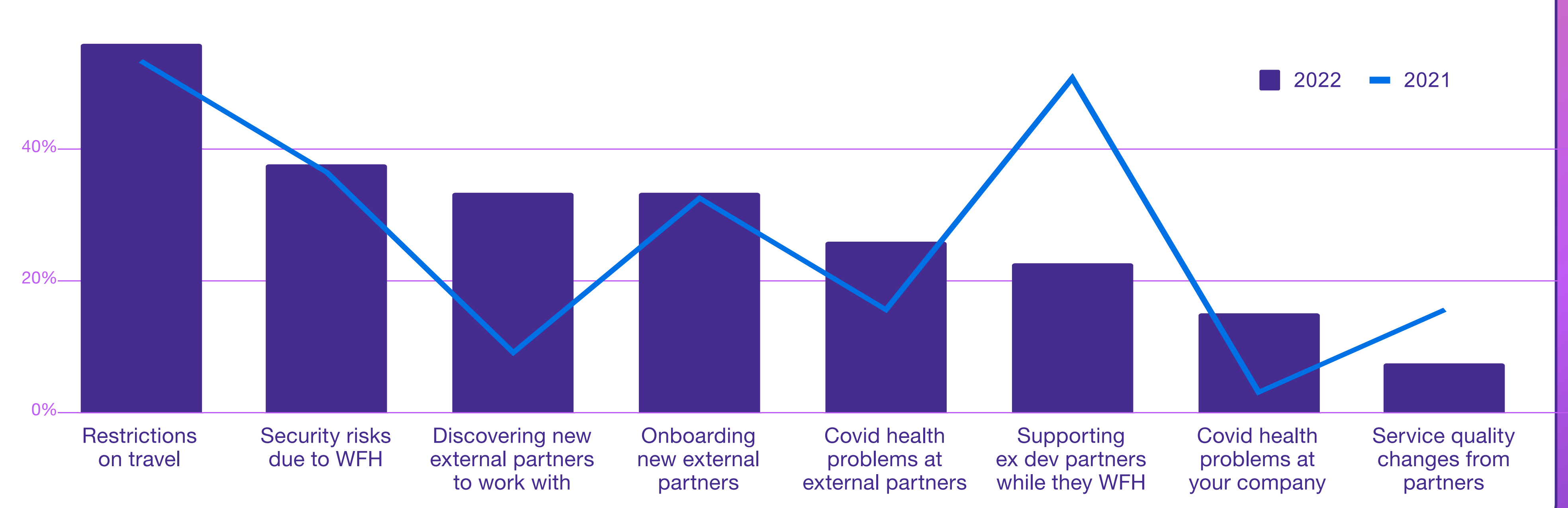
Silver Linings

Developers/Publishers reported an **over 25% drop** in the challenge of supporting external development partners working from home as processes and infrastructure are now in place to allow for this. In addition, Service Providers say that the process of **onboarding new customers** is less of a challenge than it was a year ago.

TOP CHALLENGES FOR SERVICE PROVIDERS



TOP CHALLENGES FOR DEVELOPER/PUBLISHERS

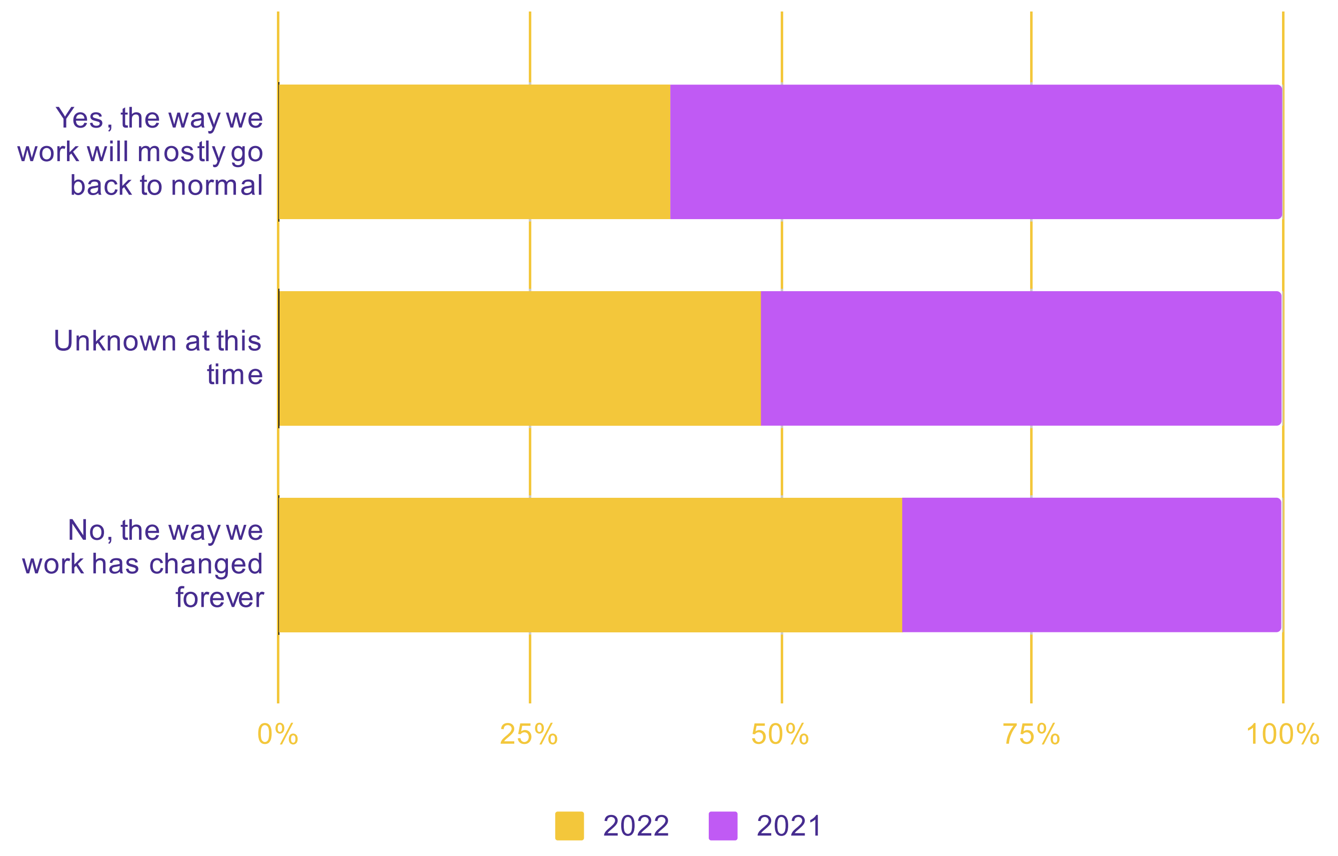


The Pandemic
LOOKING FORWARD

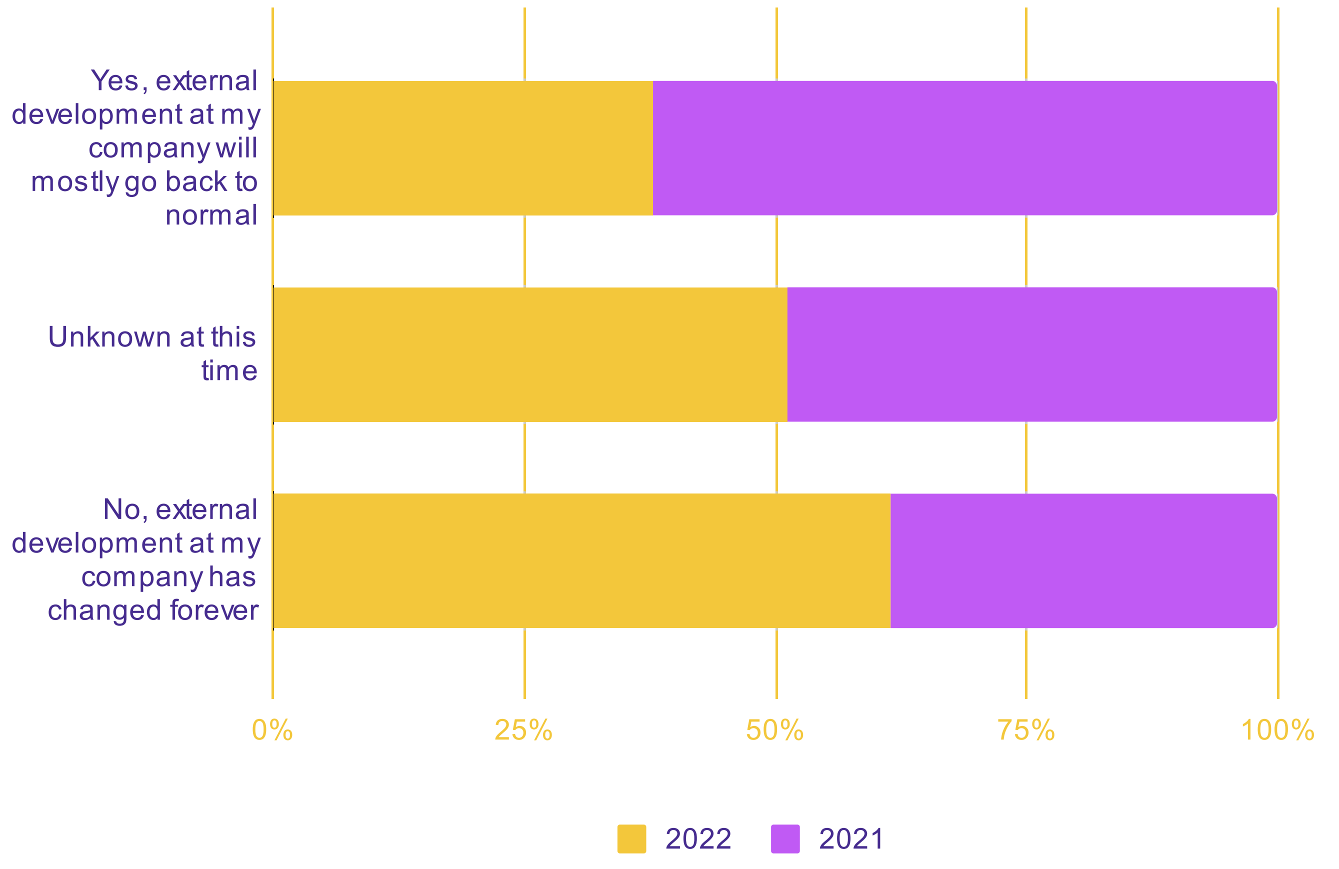
When the pandemic is over, do you think we will return to pre-pandemic "normal"?

A sense of the pandemic being over is starting to show, however the majority of respondents from both sides of the house believe that **the way we work has changed forever**. 2021 had greater uncertainty, yet teams felt ready to go back to normal at that time. It appears companies are adapting to work-from-home flexibility, and making accommodations to better onboard and support new projects.

SERVICE PROVIDERS



DEVELOPER/PUBLISHERS



TOP ISSUES

Encountered by Service Providers

A 7% increase in differences between internal and client time estimates may be attributed to The Great Resignation. A loss of talent on the Developer/Publisher side can result in a gap wherein **tribal knowledge and experience is eroded,** leading to a lack of experience in accurate time and cost estimation.

Service Providers also flagged **security requirements** as a significant challenge faced, with a **10% jump** year on year. We can speculate that a continued increase in work-from-home flexibility on the part of Service Providers has **increased scrutiny for security and data protection** on the part clients.

	2022		2021	2020	2019
Shifting project schedules and delays	**43%**	↓	50%	53%	43%
Excessive iteration (unplanned)	**37%**	–	37%	46%	37%
Communication challenges	**35%**	↓	37%	37%	29%
Differences between internal & client time estimates	**35%**	↑	28%	27%	28%
Pipeline set-up	**29%**	↑	21%	21%	23%
Inadequate documentation & direction	**28%**	↓	37%	26%	35%
Security requirements	**22%**	↑	12%	19%	9%
Legal negotiations drawn out	**19%**	↑	12%	20%	19%
Acquisition of client	**13%**	↓	17%	21%	16%
Unclear/changing main point(s) of contact	**12%**	↑	10%	8%	20%
Late payment	**11%**	↓	16%	–	–
Financial solvency of client	**9%**	↓	20%	19%	32%
Other	**7%**	↑	5%	4%	9%

TOP ISSUES

Encountered by Developers/Publishers

Developers/Publishers have indicated a growing concern for **partners lacking capacity**, almost doubling over a four-year period. This year we also see the first major jump in **cost discrepancies by 7%**, which could have resulted from rate increases.

On a positive note, issues related to **iteration** during production has decreased dramatically, perhaps due to an improvement in systems at processes that support remote work/work from home.

	2022		2021	2020	2019
Partners lack capacity	**55%**	↑	47%	46%	30%
Communication challenges	**31%**	↓	35%	35%	43%
Loss of talent	**29%**	↑	27%	24%	19%
Iteration issues (volume, speed)	**27%**	↓	43%	38%	43%
Poor quality deliverables	**27%**	↓	34%	49%	41%
Pipeline set-up	**24%**	↓	27%	28%	23%
Cost discrepancies	**20%**	↑	14%	14%	15%
Inability to find the right partner	**18%**	↑	15%	20%	19%
Unstable pipelines and IT infrastructure	**16%**	↑	9%	12%	18%
Legal negotiations drawn out	**15%**	↑	12%	8%	12%
Security issues	**12%**	↓	27%	8%	12%
Acquisitions by other companies	**11%**	↑	4%	4%	9%
Partner was acquired	**11%**	↑	5%	9%	8%
Other	**6%**	↓	7%	4%	7%
Financial solvency	**1%**	↓	4%	0%	3%

The Importance of Diversity, Equity and Inclusion

82% of Developers/Publishers have diversity, equity and inclusivity (DE&I) objectives, up by **5%** from 2021. **53%** of Service Providers have similar DE&I objectives, with **another 15%** planning to implement them in the future.

Companies on both sides increasingly recognize that making DE&I a priority can **expand talent pools, increase retention, foster innovation, and create more desirable workplaces.**

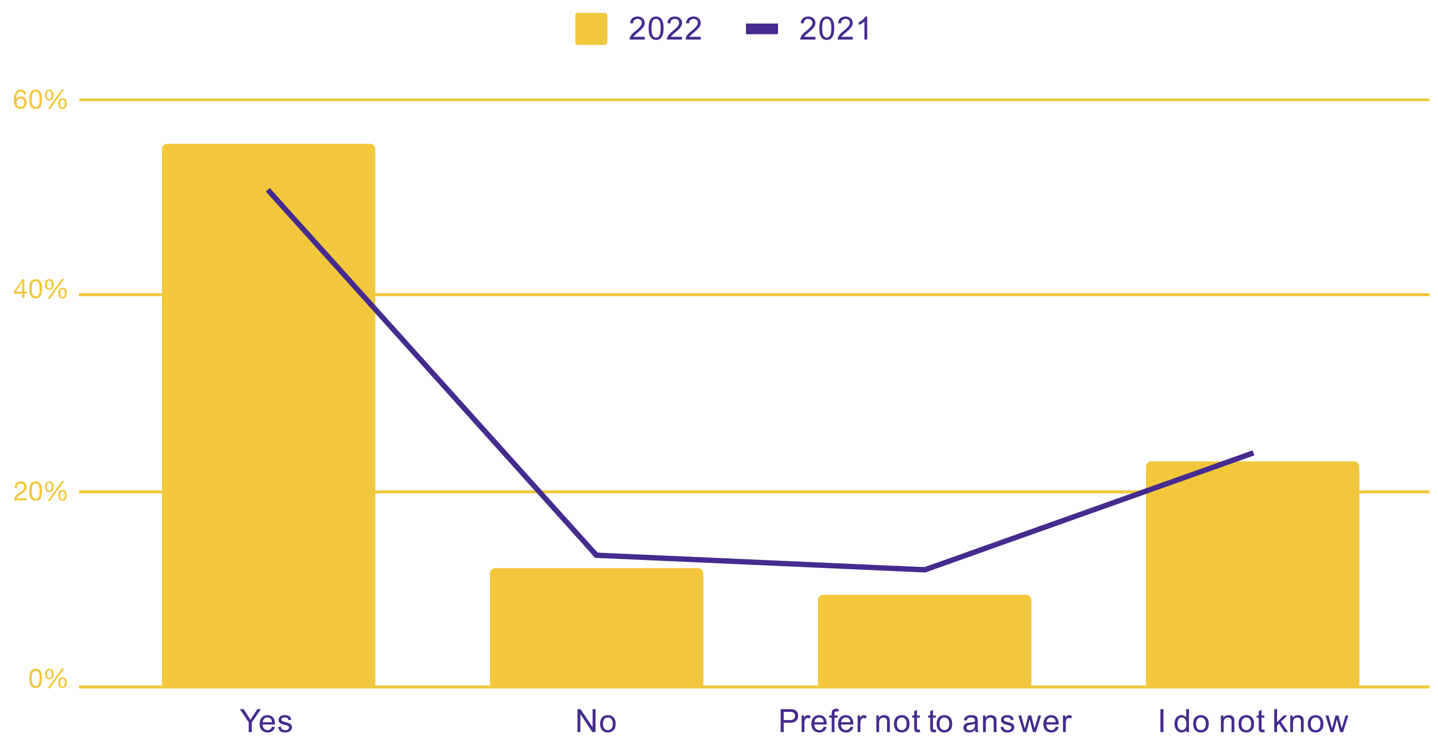
Biggest successes since implementing DE&I as a Service Provider?

"We appointed dedicated DE&I leaders for the business, creating a diverse leadership team." - Anonymous

"More diverse applicants apply because they have been told it is a safe environment." - Anonymous

DEVELOPERS/PUBLISHERS –

Is it important that your external development partners have DE&I objectives in their workplace?



With a 5% increase in Developers/Publishers saying "Yes", we see a positive impact in the desire for teams to bring a diverse point of view to help improve the overall creation of our games.

OVERVIEW OF THE BUSINESS RELATIONSHIP

The Future of Work from Home

Data is now **trending towards workers returning to the office**

AFFECTED BY COVID-19

TEAMS THAT WERE 100% WFH HAVE DROPPED:

SERVICE PROVIDERS	VS	DEVELOPERS/ PUBLISHERS
11% ↓		22% ↓

Projected WFH
one year from now

Service Providers & Developers/Publishers felt strongly it would be a

50% split

Economic Historian, *Dror Poleg*, warns in this Yahoo article:

"A world devoid of office culture could lead to even more pronounced economic inequality. Employees who share the same space are typically offered similar perks and work-related benefits. With everyone working from home it will be easier for decision makers to justify compensating employees at drastically different levels."

Means to find new Service Providers

AFFECTED BY COVID-19

2021 TRAVEL

40%
of Service Providers traveled **MORE THAN** Developers/Publishers

87%
of Developers/Publishers **DID NOT** travel for business

Everyone is seeming more optimistic, as we plan to travel more than ever in the coming year.

In the past year, how have you discovered the majority of external partners you work with?

Reported by DEVELOPERS / PUBLISHERS*	2022		2021	2020	2019
Internal referrals & company resources	**72%**	↑	71%	42%	30%
External referrals (industry wide)	**35%**	↑	30%	16%	13%
Games industry events	**34%**	↓	42%	22%	36%
External partner reach-out / cold-call	**27%**	↓	30%	3%	1%
Online search engine	**25%**	↑	18%	3%	1%
Networking sites	**15%**	↑	13%	6%	4%
Other	**10%**	↑	6%	4%	12%
Industry news/media	**9%**	↑	4%	3%	1%
I have NOT discovered any new partners	**5%**	↓	10%	—	—

It turns out **internal reference** has been the primary source for the past two years, with **external referrals** a distant second. We should expect this to drop once travel and in-person industry events begin coming back.

DEVELOPERS/PUBLISHERS: Frequency of changing partners year-over-year

As compared to last year, more Developers/Publishers are **changing external art partners more frequently**.

A **5% increase** from last year in partners getting acquired could be a more significant contributing factor.

Whereas engineering finds its foothold again as **75% are the same** remains consistent year over year.

MOST POPULAR REASONS

Developers/Publishers would change Service Providers in the next 2 years:

1. **Diversify work with other partners**
2. **Increase capacity**
3. **Partners get acquired**

ART PARTNERS

	2022	2021	2020	2019
100% are the same YoY	**8%** ↑	4%	8%	4%
75% are the same	**61%** ↓	67%	68%	71%
50% are the same	**18%** ↓	23%	23%	24%
< 50% are the same	**5%** ↑	3%	3%	1%
We don't use art partners	**1%** ↓	3%	–	–

ENGINEERING PARTNERS

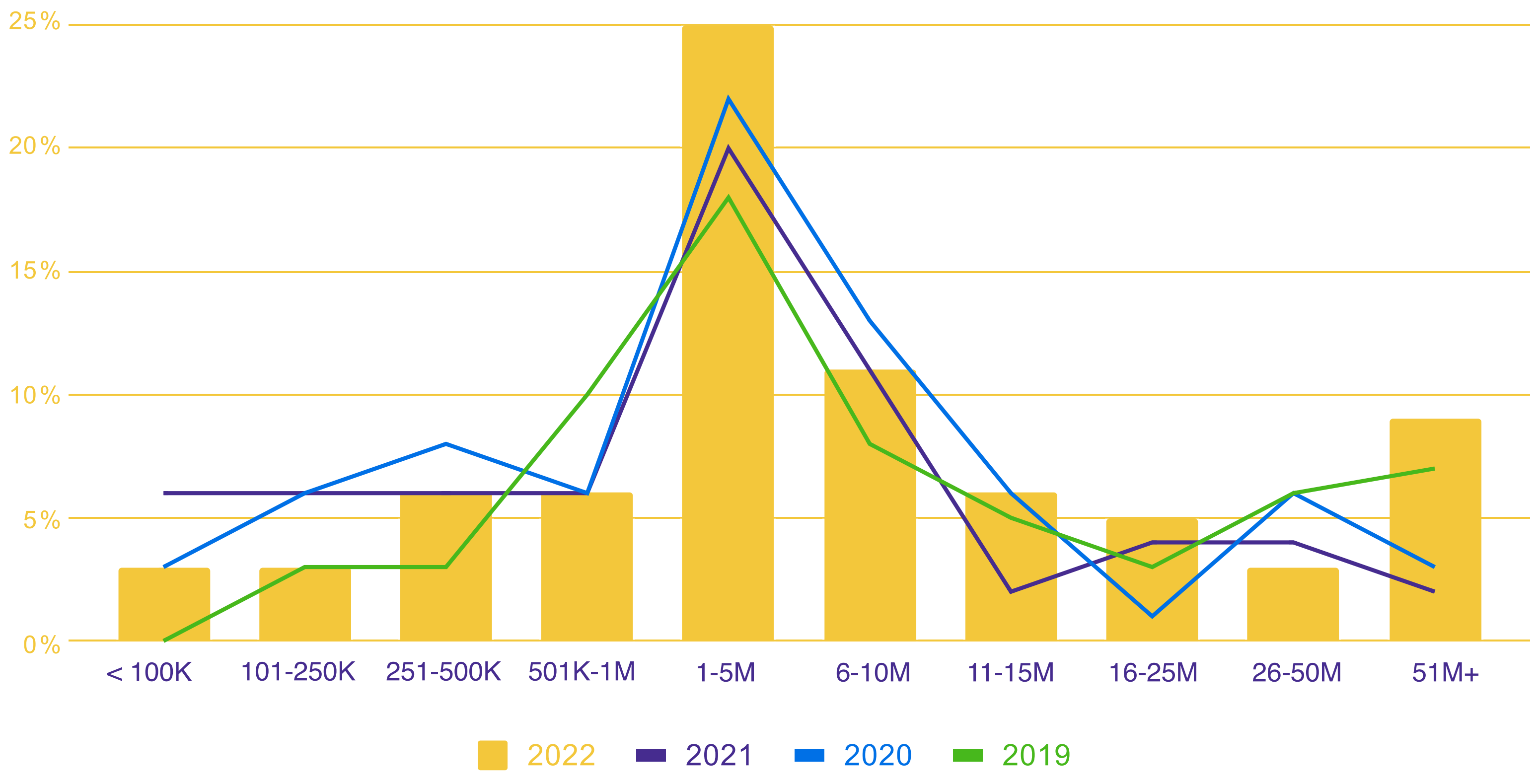
	2022	2021	2020	2019
100% are the same YoY	**6%** ↓	10%	14%	4%
75% are the same	**39%** ↑	27%	60%	71%
50% are the same	**12%** ↓	18%	26%	24%
< 50% are the same	**9%** ↑	3%	0%	1%
We don't use art partners	**15%** ↓	42%	–	–

Total Spend and Gross Revenue

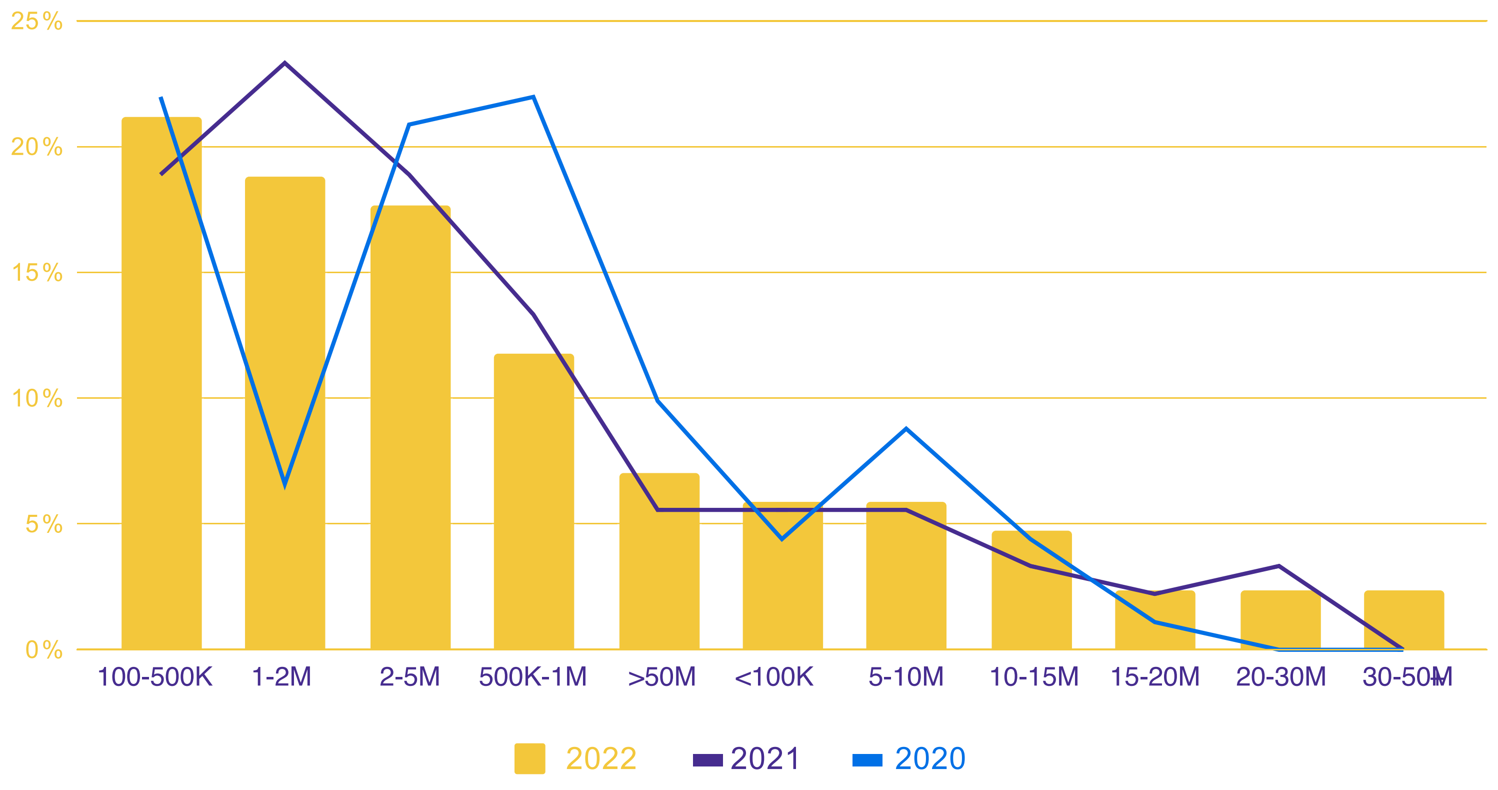
Developers/Publishers Spend on External Development

Developers/Publishers are spending more than ever with an average of $1-5M US dollars per year.

The increase spending is up year on year largely due to growth in demand for content, and the cost of services has increased.



Service Providers Estimated Gross Revenue



CONTRACTUAL RELATIONSHIPS

Preferences in Contractual Relationships

This year both sides of the house prefer **retainer contracts**, with milestone based contracts coming in second. If finding skilled talent with specific domain knowledge has become increasingly difficult and therefore impacted productivity, time and materials agreements may be less attractive as a result.

RETAINER CONTRACT

keeps Service Provider employees 'retained' month-to-month for a defined period, providing deliverables based on general production needs

MILESTONE-BASED

dictate the Service Provider achieve agreed upon deliverables by or before a specific date.

SERVICE PROVIDER PREFERENCE

	2022	2021	2020
Retainer	**66%** ↑	45%	37%
Milestone based	**32%** ↓	28%	26%
Time and materials	**31%** ↑	34%	NA
Price per asset	**27%** ↓	28%	25%
Back-end royalty	**12%** ↑	11%	1%

DEVELOPERS/PUBLISHERS PREFERENCE

	2022	2021	2020
Retainer	**31%** ↑	26%	34%
Milestone based	**31%** ↓	26%	21%
Price per asset	**19%** ↓	26%	35%
Time and materials	**10%** ↑	18%	NA
Back-end royalty	**2%** ↓	1%	3%

TOP TOOLS

Tools commonly used to support external development

We are seeing an increase in popularity of **project management tools** such as Airtable, Monday, and Asana. At the same time, Trello has fallen out of favor from last year's results. **Discord** is a tool that looks to be growing quickly. It has gained popularity in the social media world and is making its way to production. It could be a future replacement for Slack and Zoom.

TOP EMERGING TOOLS

BY SERVICE PROVIDER:

Discord

Houdini

Notion

BY DEVELOPER/PUBLISHER:

miro

box

TOP FUTURE TOOLS

BY SERVICE PROVIDER:

Unreal Engine

NVIDIA Omniverse

BY DEVELOPER/PUBLISHER:

Discord

Airtable

monday.com

	SERVICE PROVIDERS	DEVELOPERS / PUBLISHERS
Project Management	1 Jira 2 Shotgrid 3 Monday	1 Jira 2 Shotgrid 3 Airtable
Communication	1 Slack 2 Skype/Teams 3 Email	1 Slack 2 Zoom 3 Email
File Transfer	1 Google Drive 2 Aspera 3 We Transfer	1 Aspera 2 Google Drive 3 Dropbox
Art Review	1 Shotgrid 2 Slack 3 Figma	1 Shotgrid 2 Asana 3 Miro
Code Review	1 Github 2 Perforce 3 Internal Tool	1 Github 2 Perforce Swarm 2 Bitbucket
External Company Database	1 Pipedrive 2 Monday 3 Nethunt	1 Salesforce 2 Airtable 3 Worksuite
Engines	1 Unreal 2 Unity 3 Proprietary	1 Unreal 2 Unity 3 Proprietary
Code Version Control	NA	1 Perforce 2 Github 3 Internal Tool

FUTURE OF
EXTERNAL DEVELOPMENT

Top 5 projected areas of growth in demand in the next 12-18 months

According to Developers/Publishers, **3D art, concept art, and cinematic VFX** continue to be the primary projected driver of growth year-over-year. UI /UX has fallen one spot out of the top 5 with **console development** taking its place.

DEVELOPERS / PUBLISHERS	2022 RANKING	2021 RANKING	2020 RANKING	2019 RANKING
3D Art	**1**	1	1	1
Concept Art	**2**	2	2	3
Cinematic VFX	**3**	3	3	5
Engineering	**4**	4	—	—
Console Development	**5** ↑	—	—	—

VR: moving up in demand

Other notable rises in demand are live services & VR/AR, moving up 11% from last year's response.

Top 5 concerns about the future of external development

Both Service Providers and Developers/Publishers are concerned about the future, with a common worry being **availability of talent**.

Could we see the remote work/work from home model and cloud computing overtake the traditional working environment permanently? If so, does competition for talent only continue to increase, and retention becomes even more difficult? The future looks great for skilled workers, but adds long-term complexity for companies employing the talent.

Watch & learn more

External Supplier Crunch Origins, Impact and Solutions

SAM CARLISLE
Senior Director External Partner Relations, Microsoft

SERVICE PROVIDERS

1. Scarcity of talent
2. Competition with pricing, especially in developing markets
3. Market consolidation/loss of client
4. Service Providers being undervalued
5. COVID-19 impact on generating new business

“Finding experienced artists are scarce currently. As a result, there is an urgency for training and learning investment, which is quite challenging for a small or medium service provider to afford.” - Anonymous

“Talent retention and acquisition. The leverage of remote work allowed foreign companies to hire beyond their borders with aggressive wage offers making it impossible to compete.” - Anonymous

DEVELOPERS / PUBLISHERS

1. Market consolidation /loss of partner options
2. Scarcity of talent
3. Being priced out of resources
4. War between countries
5. Small vendors with no track record

“Acquisition of Service Providers by Publisher/ Developers which would take vendors off the market and decrease available capacity, causing more competition for buyers.” - Anonymous

“War or animosity among countries doing business with each other resulting in External Development disruptions.” - Anonymous

Developers/Publishers Switching Partners

Do you foresee switching your current most frequently used partners in the next 2-years based on changes in your external development strategy?

		2022	2021	2020	2019
YES	We need to diversify work with other partners (too consolidated)	40% ↓	47%	39%	33%
YES	Capacity issues	39% ↑	32%	21%	10%
NO	I do not foresee switching	35% ↓	43%	44%	44%
YES	We are changing our external development strategy and current partners aren't quite what we need	23% ↑	19%	21%	12%
YES	New and emerging areas are making our current partner less competitive	15% ↑	12%	14%	9%
YES	Partner is likely to get acquired	12% ↑	7%	3%	3%

65%

of Developers/Publishers plan to SWITCH PARTNERS in the next 2 years
AN INCREASE OF 8%

There are a myriad of factors at play, however among the top reasons are **capacity issues** and the need to **diversify work with other partners**. We also see a concern with existing partners being **acquired.**

Marketplace Outlook

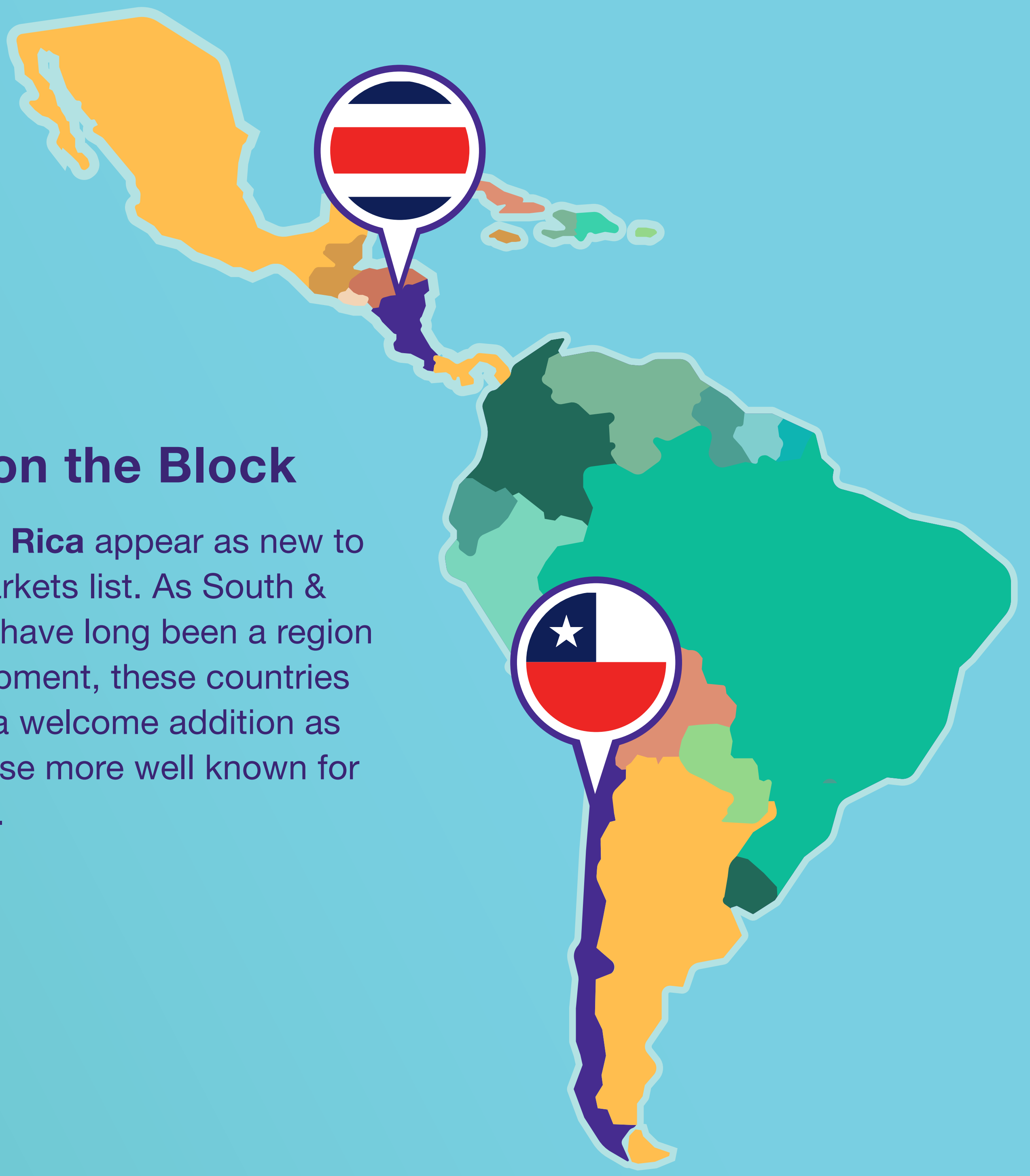
EMERGING MARKETS

	1	2	3
2022	BRAZIL	MALAYSIA	INDIA
2021	BRAZIL	INDIA	MALAYSIA
2020	VIETNAM	INDIA	MALAYSIA

Over the past two years, Developers/Publishers noted **Brazil** to be the top up-and-coming region for delivering services. Based on timezone being a factor for North American buyers, the shift may be influenced by companies being in the Central Time zone.

New Kids on the Block

Chile and **Costa Rica** appear as new to the emerging markets list. As South & Central America have long been a region for game development, these countries would make for a welcome addition as compared to those more well known for offering services.



PAST CONTRIBUTORS

2022

Ryan Faraji
Development Director for External Dev, EA

Chris Wren
Head of XDI Events, EA
Chair, XDS Advisory Committee

2021

Dave Sanderson
External Dev Manager, Phoenix Labs

Chris Wren
Head of XDI Events, EA
Chair, XDS Advisory Committee

2020

Laurent Lugbull
Category Manager - Outsourcing & External Dev, Ubisoft

Chris Wren
Sr Manager, EA
Chair, XDS Advisory Committee

2019

Carla Rylance
External Dev Manager, The Coalition at Microsoft Studios, XDS Advisory Committee Member

Lauren Freeman
Director, Worldwide External Dev, EA

Chris Wren
Sr Manager, EA
Chair, XDS Advisory Committee

2018

Chris Wren
Sr Manager, EA
Chair, XDS Advisory Committee

Madelynne Kalyk
XDS Marketing & Comm

2017

Jason Harris
Sr Director, Worldwide External Dev, EA

Andrea Wood
Telfer School of Management Graduate

2016

Dilber Mann
Sr Project Manager, Capcom Vancouver

For more information about the External Development Summit (XDS), please contact us at:

info@xdsummit.com
www.xdsummit.com

XDS | **EXTERNAL DEVELOPMENT SUMMIT**

1518 STUDIOS

Thank you to ***1518 Studios*** *for providing mascot artwork.*