XDS

2025 INSIGHTS

ON EXTERNAL DEVELOPMENT FOR THE VIDEO GAME INDUSTRY

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WHAT'S INSIDE

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 game 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 year, we´re diving into these critical topics:

— The evolving impact of AI on extrernal development
— Insights on the health of the industry
— The role and significance of external development in shaping the games industry.

The statistics in this report were derived anonymously from over 154 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.**

Permission must be requested if you would like to use this information in public articles or presentations.

The data in this report was collected between the dates of December 10, 2024 and January 31, 2025. Note that some data tables throughout this report may not add to a total % of 100 due to rounding.

WHO WE ARE

XDS

External Development Summit (XDS) is the only annual, international games industry event held in Canada, with a primary focus on external development for Engineering, Co-Development, Art, Animation, Audio, 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**

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KEY OBSERVATIONS

01

Financial uncertainty dominates the market.

The games industry is experiencing a period of heightened financial scrutiny forcing both developers/publishers and service providers to be more cautious and strategic. Risk aversion and resulting cost pressures have buyers seeking cost-effective solutions and risk mitigation, while sellers are focused on demonstrating value, financial security, and adapting to changing client needs.

02

Shifting priorities on the service and publisher sides.

The external development market has evolved into a more mature and competitive landscape for both buyers and sellers. The surge in activity driven by the COVID-19 period has largely subsided, giving way to a renewed focus on fundamental priorities. Now more than ever, buyers are prioritizing service value, cost management, and risk mitigation, while service providers are concentrating on delivering quality, reliability, and fostering sustainable, long-term partnerships. Both groups are looking to External Development as a helpful resource that drives industry success even during difficult times.

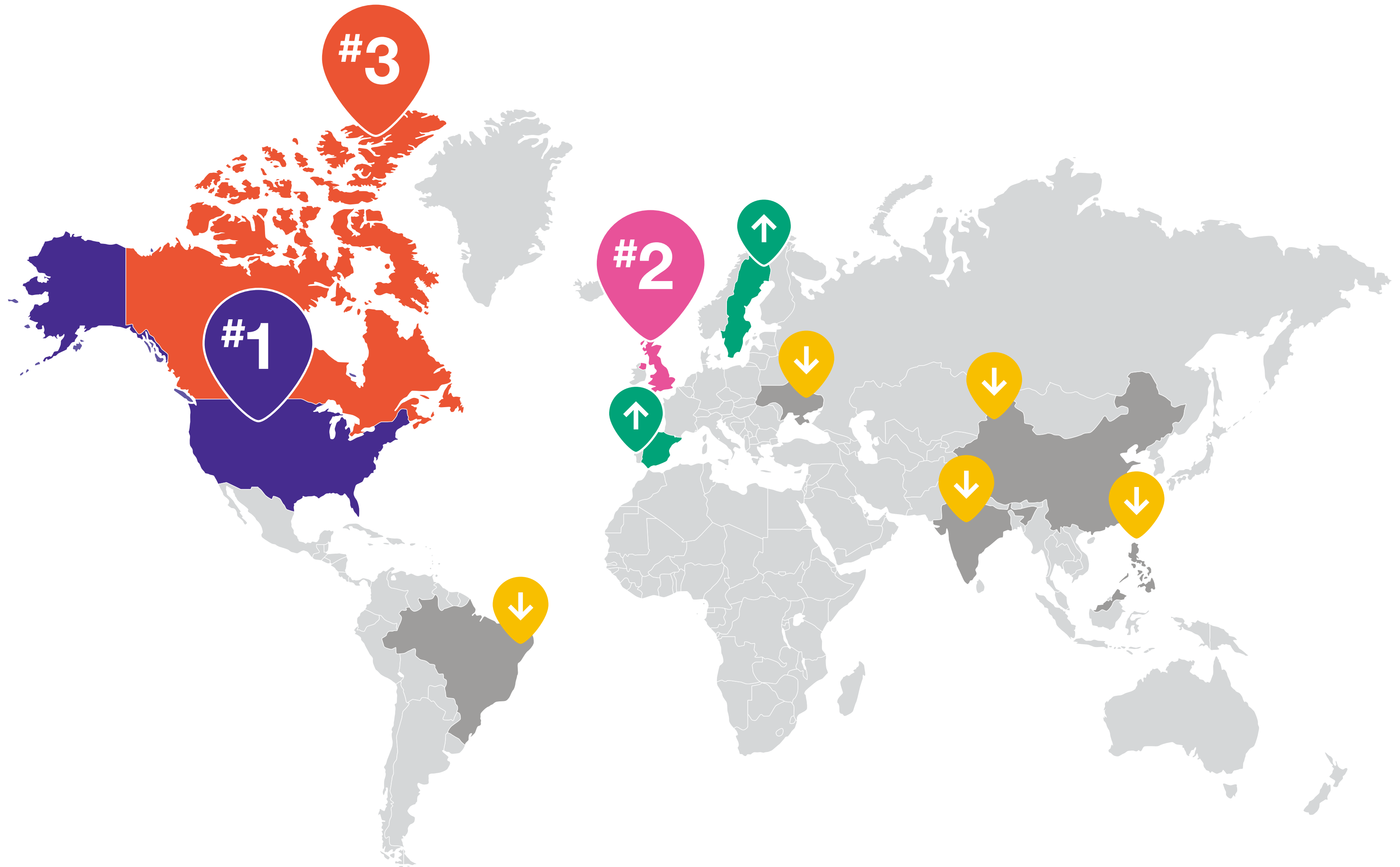
03

While AI has and will continue to contribute to game development, how revolutionary these changes will be remains undefined.

The emergence of artificial intelligence (AI) represents a dynamic element, presenting both opportunities and challenges for all parties as the technology continues to develop.

Review the report and determine your own observations!

LOCATION

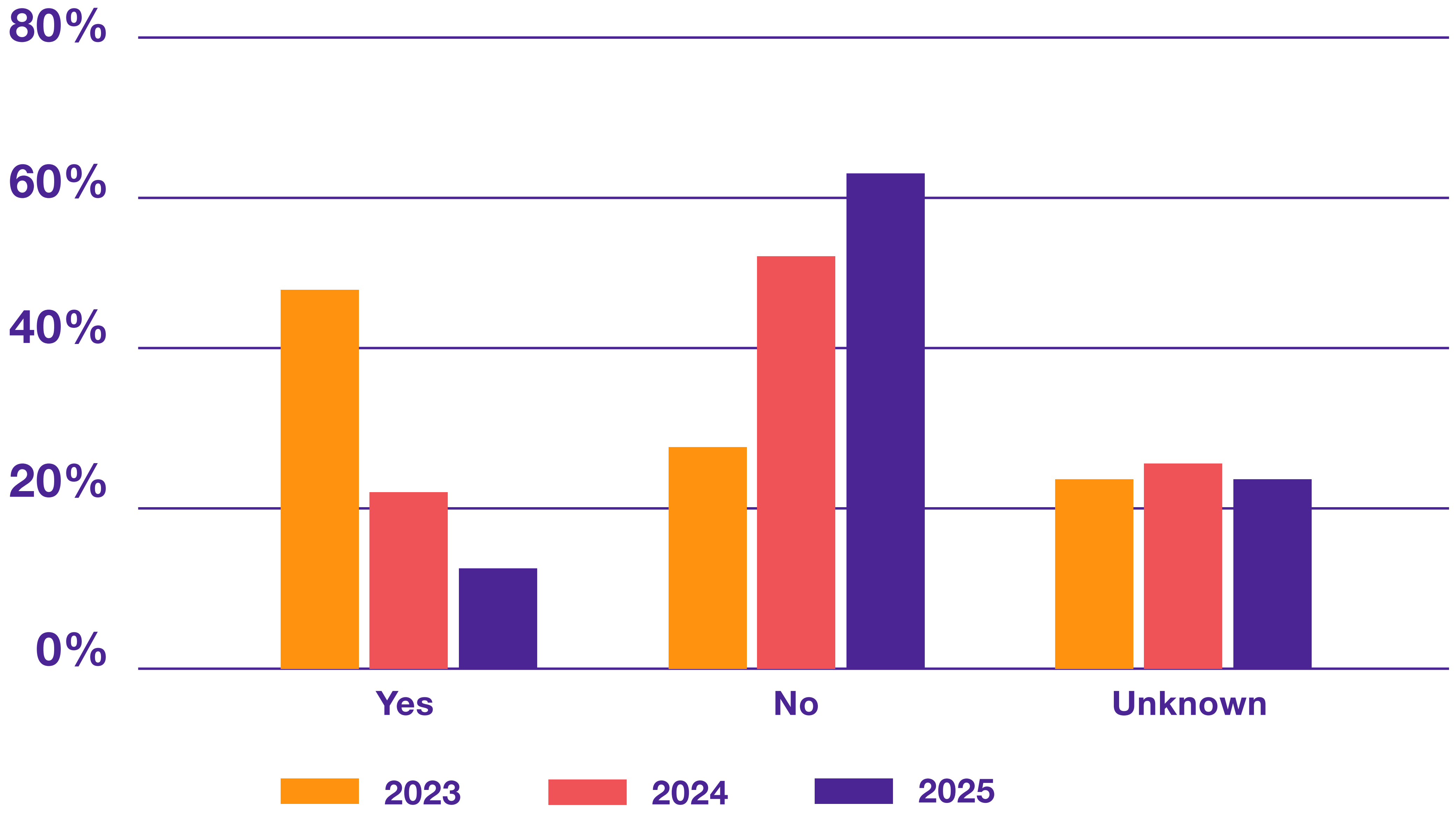


The **USA** narrowly leads with the highest number of participants among Service Providers with the **UK** and **Canada** taking 2nd and 3rd place respectively.
We saw a significant decrease in participation from respondents in **China, Brazil, Philippines, India** and **Ukraine** compared to last year.

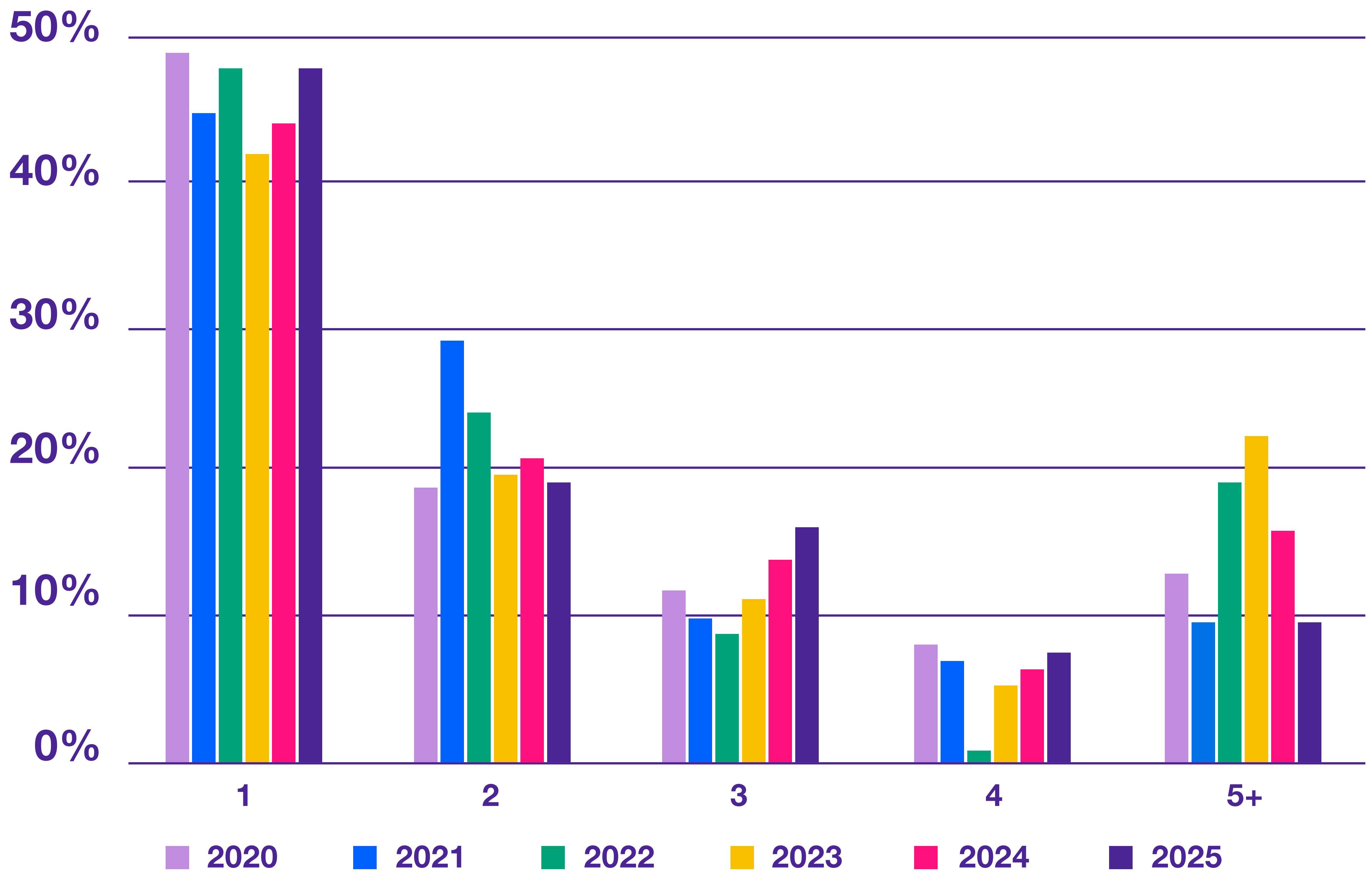
There were notable increases in respondents from **Spain** and **Sweden.**

ONLY 13% of Service Providers are considering opening new locations within the next year – down 9% from last year. **There is a notable trend in decreased expansion.**

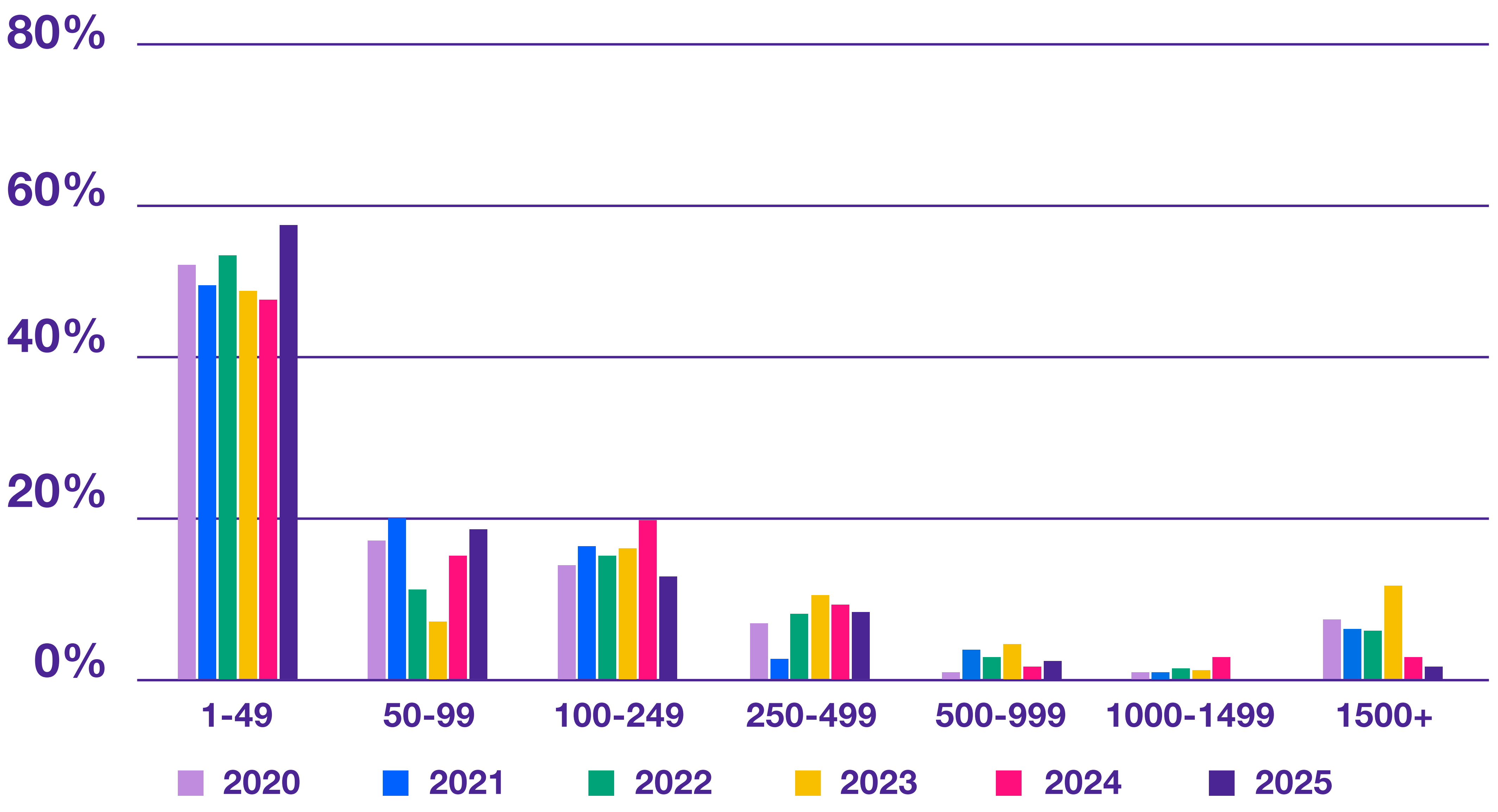
Considering new offices?



How many locations does your company operate from?



What is the size of your company?



Number of Locations

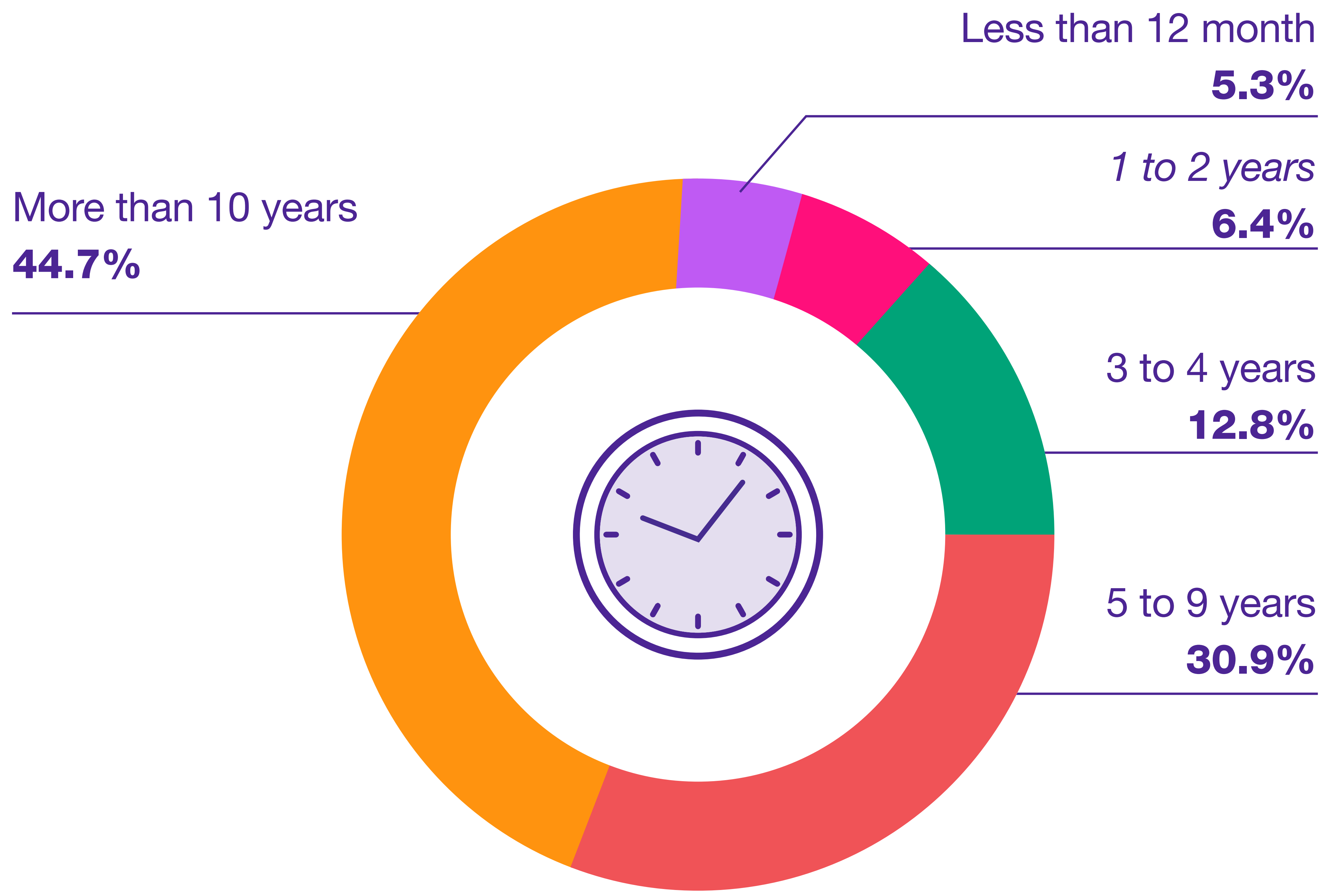
48% of our Service Provider respondents operate from only **1 location** – this group continues to have the highest representation since this data was being collected.

Size

57% of Service Providers have **less than 50 employees** – the largest group of participants by size, as it has been historically. Also we are presented with a continuing trend of very little representation from companies over 1000 employees; for this year, 0 representation in the 1000-1499 category and only 2 respondents in the 1500+ category.

YEARS IN BUSINESS

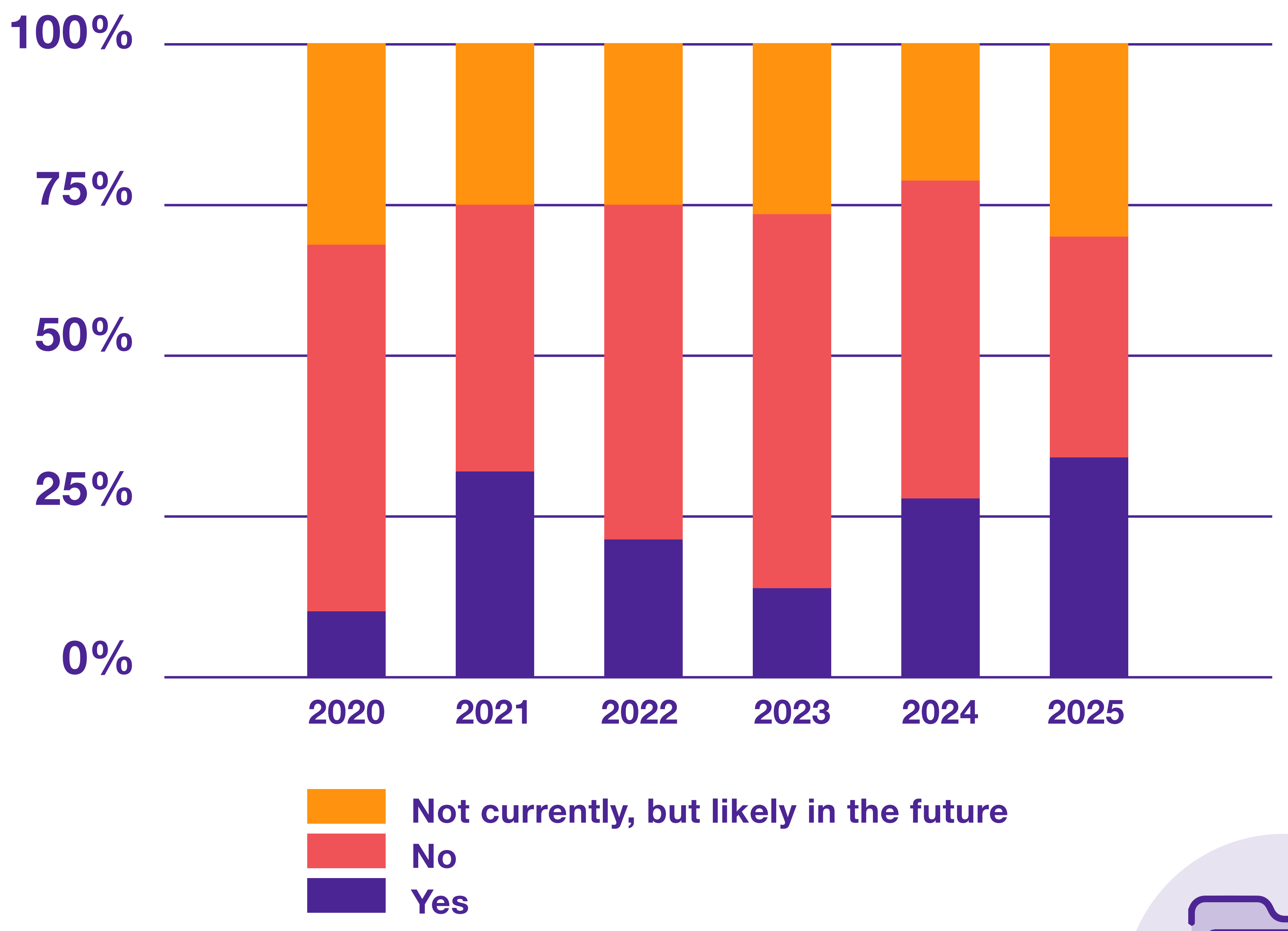
76% reported having been in business for at least 5 years,
45% having been around for over 10 years.



IP OWNERSHIP

32% said they were developing their own IP
- a slight increase from last year.
37% answered "No" the lowest percentage recorded since 2020.

Do you develop your own games (IP) to be published?



SERVICES PROVIDED

1 ART

remains the top service at **51%** but with a significant drop since last year.

2 ANIMATION

holds on to 2nd place at **32%**, also with a significant drop.

3 GAME DEVELOPMENT – CONSOLE AND GAME DEVELOPMENT – PC/ONLINE

both tie for 3rd spot, displacing Cinematics/VFX from last year

BIGGEST DROPS:

23%↓ Art
9%↓ Animation
9%↓ Engineering

KEY SERVICES PROVIDED BY SERVICE PROVIDERS

	2025		2024	2023
Art	**51%**	↓	74%	75%
Animation	**32%**	↓	41%	49%
Cinematics/VFX	**24%**	↓	32%	32%
Game Development – Console	**28%**	↓	30%	22%
Game Development – PC/Online	**28%**	↓	29%	31%
Engineering (server side, front end, web development, etc.)	**10%**	↓	19%	28%
Game Development – Mobile	**18%**	=	18%	26%
QA	**9%**	↓	11%	18%
Audio	**12%**	↑	11%	16%
Motion/Facial capture	**5%**	↓	11%	18%
UI/UX	**5%**	↓	10%	22%
Localization	**4%**	↓	8%	12%
Game Development – VR/AR	**4%**	↑	3%	16%
Game Development – Cloud-based	**2%**	=	2%	10%