

XDS-26

2026 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:

- **How Developers & Service Providers are connecting**
- **The key friction points between them**
- **The state of AI adoption in External Development**

The statistics in this report were derived from over 250 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.

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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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XDS SPARK

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In 2026, confidence in External Development remains high, but risk tolerance is tightening.

KEY OBSERVATIONS:

01

Balancing optimism with constraint

Developers and Publishers continue to express high confidence in External Development, supported by strong satisfaction on both sides of the relationship. However, this confidence is increasingly conditional. Budget pressure, delivery predictability, and operational reliability now carry greater weight, with less tolerance for delays, misalignment, or unclear accountability.

02

Communication as the fastest-rising source of friction

Despite generally healthy partnerships, communication challenges have increased sharply year over year (+15%) for both Developers/Publishers and Service Providers. As production environments grow more complex and distributed, coordination and clarity are emerging as critical risk factors.

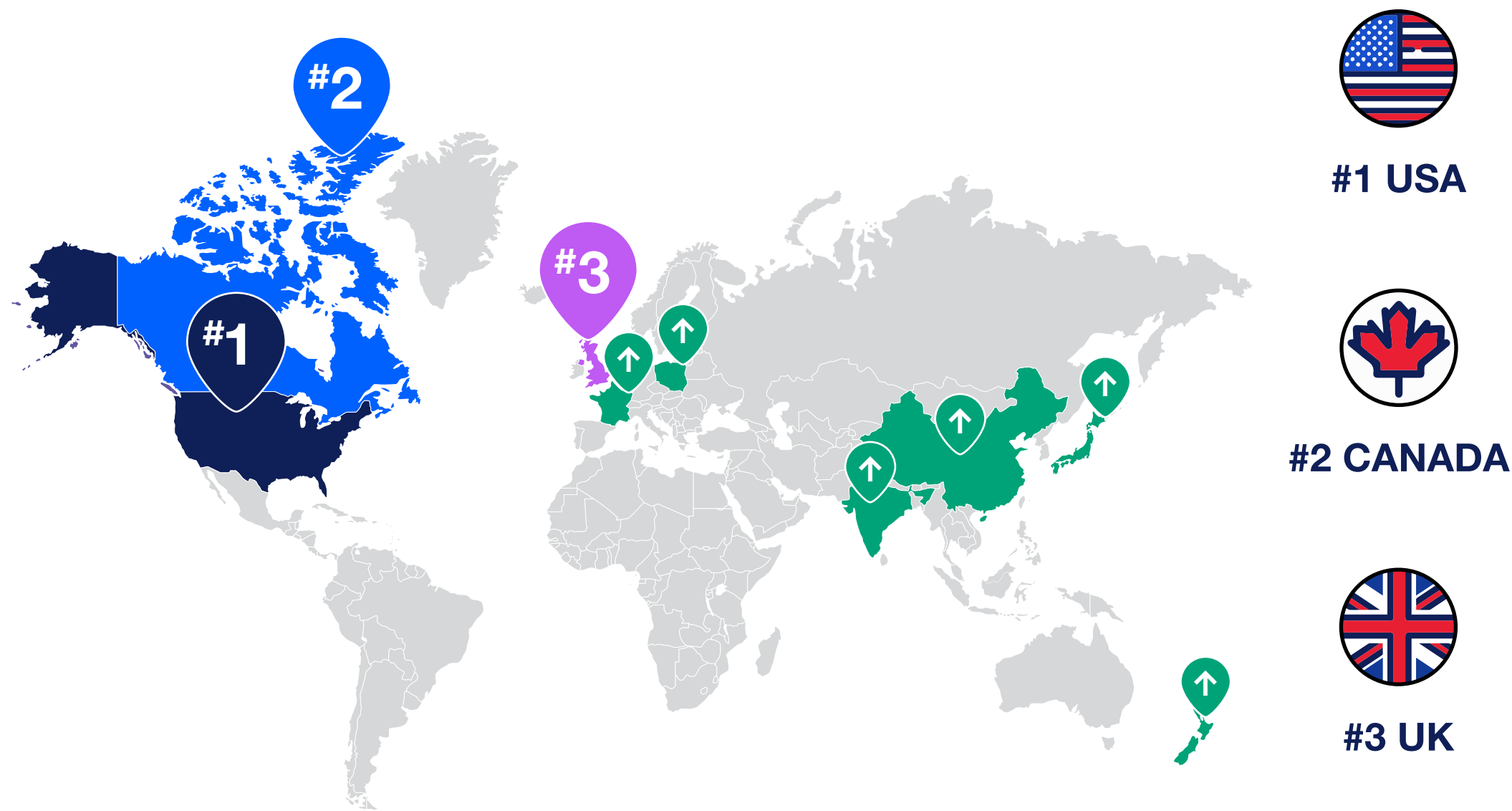
03

AI becomes a governance stress test

As AI becomes more present in External Development workflows, its use is increasingly shaped by disclosure requirements and client-level permissions. This reflects a broader shift toward centralized governance, with AI treated as a managed capability rather than being adopted across the board.

LOCATION

COUNTRY OF RESIDENCE



The **USA** leads with the highest number of participants across both Service Providers and Developers/Publishers, consistent with previous years, followed by **Canada** and the **UK**.

There were also notable increases in participants from **India, France, and Japan** compared to 2025, as well as **New Zealand, China, and Poland**.

WORK ARRANGEMENT

Service Providers are split roughly evenly between work-from-home (40%), hybrid (36%), and in-office work (25%), whereas **Developers/Publishers** are overwhelmingly remote or hybrid, with only 8.5% working in-office.

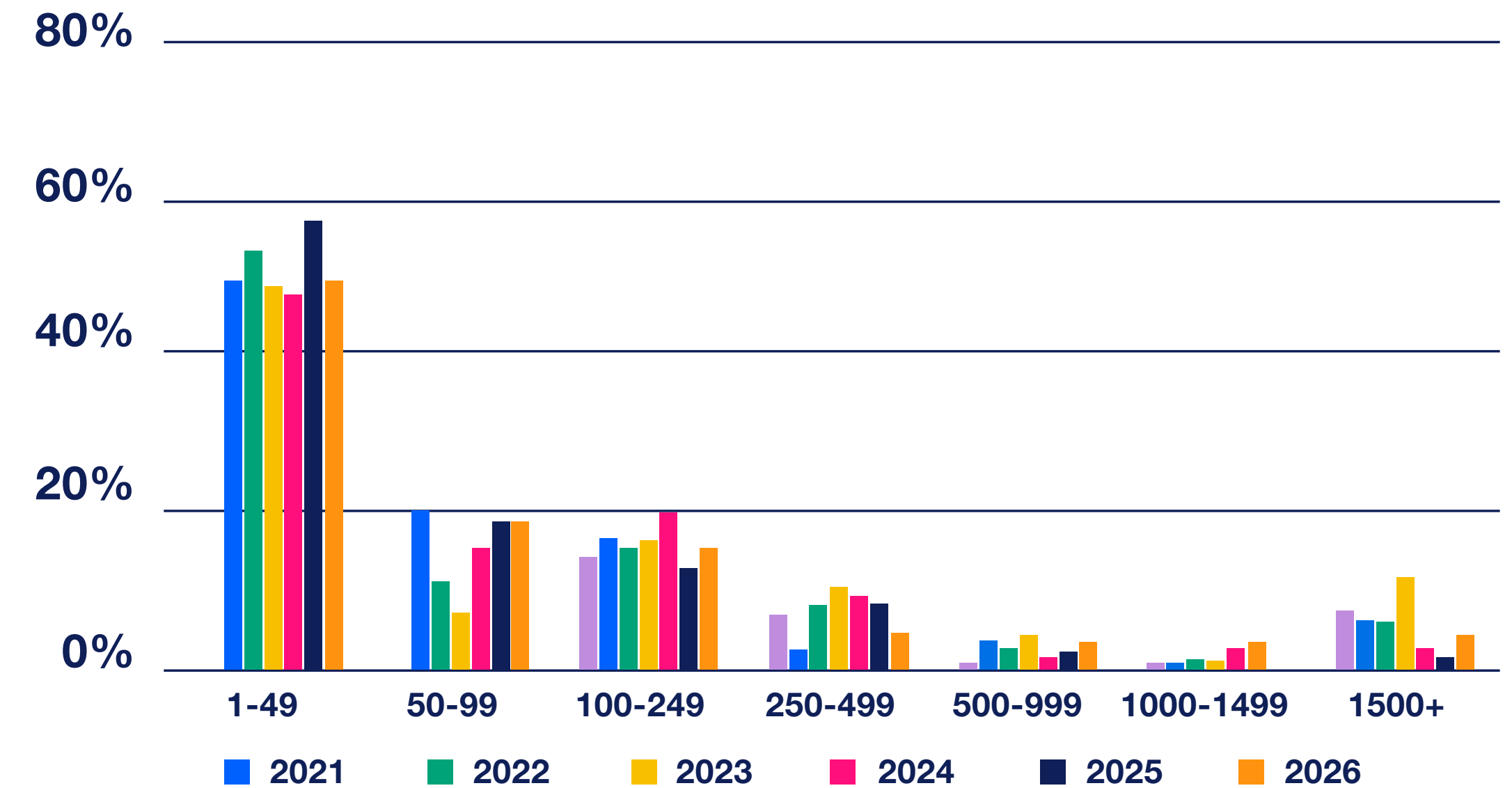
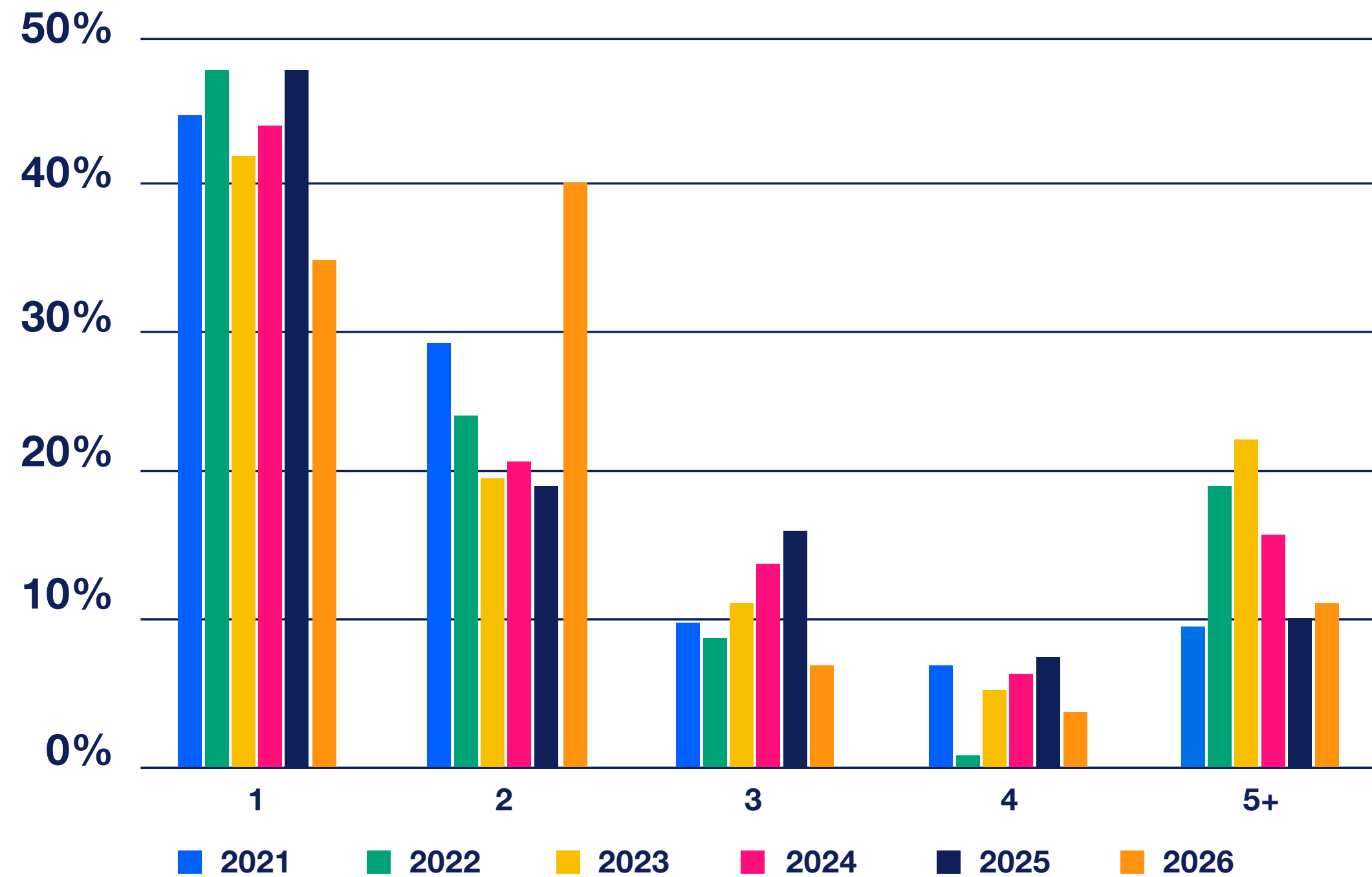
This context is relevant for later findings around communication and coordination friction.

ARRANGEMENT	DEVELOPERS/ PUBLISHERS	SERVICE PROVIDERS
Work-from-home	46.5%	39.5%
Hybrid	45.1%	35.8%
In-office	8.5%	24.7%

Year-over-year participation rates indicate that 60% of Developers/Publishers and 46% of Service Providers who responded to the previous survey also contributed to this year's data collection.

HOW MANY LOCATIONS DOES YOUR COMPANY OPERATE FROM?

WHAT IS THE SIZE OF YOUR COMPANY?



Number of Locations

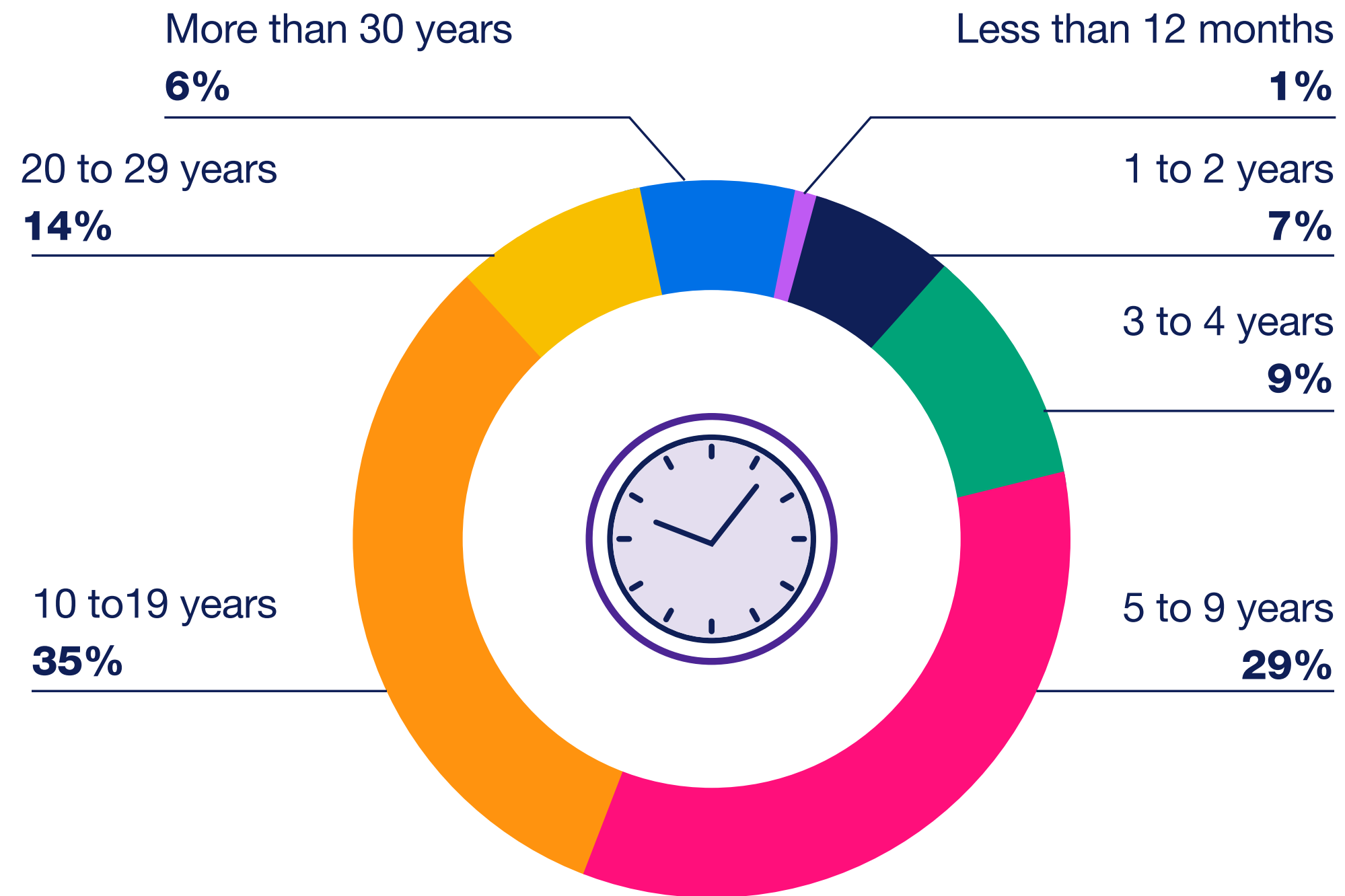
Service Providers operating from more than one location (2-3) are the most prevalent in this year’s survey – a first since this data started being collected – sitting at **40%**, with those operating from one location trailing just behind at **36%**.

Size

47% of Service Providers surveyed have **less than 50 employees**, which continues to be the largest group of participants historically. However, we’ve seen a slight uptick in participation from respondents in companies with 500 or more employees this year with more varied representation overall.

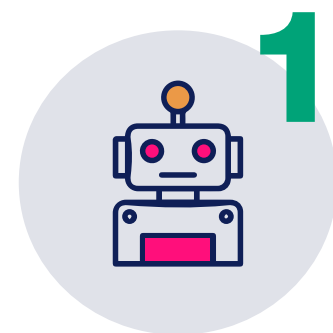
YEARS IN BUSINESS

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



55% of respondents have been in business for **10 years or more**, with “10-19” years being the biggest chunk (35%). However, **nearly half** of all responding companies (49%) are **still under 10 years old**, signalling a continued influx of newer studios alongside established players.

SERVICES PROVIDED



1

ART

remains the top service at **62%**, seeing a significant increase in offering from last year.



2

ANIMATION

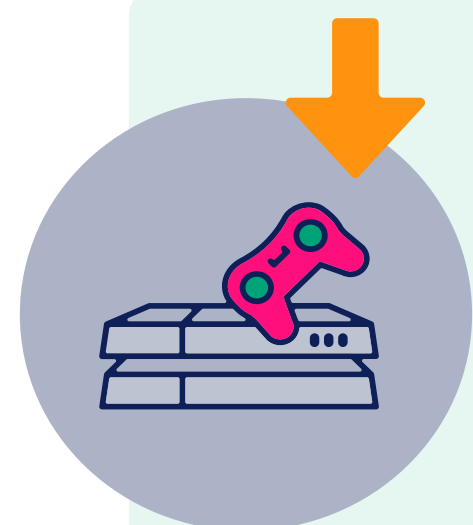
holds onto 2nd place at **51%**, also with a significant increase from last year.



3

ENGINEERING

enters the top 3 for the first time, just one percentage point ahead of Cinematics/VFX in 4th place.



BIGGEST DROP:

Console game development is down by 3%.

Nearly every other service is up year-on-year, indicating an increased breadth of services offered by this year's cohort.

KEY SERVICES PROVIDED BY SERVICE PROVIDERS

	2026		2025	2024
Art	62%	↑	51%	74%
Animation	51%	↑	32%	41%
Cinematics/VFX	33%	↑	24%	32%
Game Development – Console	25%	↓	28%	30%
Game Development – PC/Online	27%	↓	28%	29%
Engineering (server side, front end, web development, etc.)	34%	↑	10%	19%
Game Development – Mobile	18%	↔	18%	18%
QA	14%	↑	9%	11%
Audio	18%	↑	12%	11%
Motion/Facial capture	12%	↑	5%	11%
UI/UX	26%	↑	5%	10%
Localization	6%	↑	4%	8%
Game Development – VR/AR	10%	↑	4%	3%
Game Development – Cloud-based	6%	↑	2%	2%