



Rialtas na hÉireann
Government of Ireland

Focus on Audiovisual

August 2020



Audiovisual

Description

The Audiovisual Sector includes film, TV, animation, advertising, and games. In this brief we focus on games, animation & film production. This encompasses a wide range of activities such as software development, games development, film/TV production, information security, animation, and creative arts (music, art literature). There is increased blurring between games, animation and film production driven by advances in technology. The sector is heavily influenced by developments in delivery channels powered by advances in broadband. Influencers and vloggers are increasingly generating audiovisual content and influencer marketing has become a key marketing strategy.

Snapshot

Global		Market Size	
	Games ⁱ	\$152.1 billion (2019) (2023)	Growth Forecast \$200.8 billion
	Films ⁱⁱ	\$136 billion (2018)	
	Animation ⁱⁱⁱ	\$ 264 billion (2019) (2020)	Growth Forecast \$270 billion
Europe		Market size	Growth Forecast
	Games Software ^{iv}	\$11,064.1 million (2017)	\$12,797 million by 2022
	Animation ^v	\$45.6 billion (2018)	\$21.5 billion by 2020
Ireland ^{vi}		Employment (2016)	Exports (2016)
	Total	14,370 FTEs (full-time equivalents)	€191m
	Film, TV and Animation	11,960 FTEs	€183.8m
	Commercial Advertising	370 FTEs	€3.9m
	Video Games	2040 FTEs	€3.3m

- i. Global Games Market Report, Newzoo, 2019
- ii. Global Movie Production & Distribution Industry, August 2018
- iii. Global Animation, VFX & Games Industry: Strategies, Trends & Opportunities, Research & Markets, January 2020
- iv. Games Software in Europe, Marketline, October 2018
- v. European Animation, VFX & Games Industry: Strategies, Trends & Opportunities, 2019
- vi. Employment and Exports: Economic Analysis of the Audiovisual Sector in the Republic of Ireland, Olsberg-SPI with Nordicity, December 2017

Pre-COVID-19 Position

An evolving sector globally with advances in technology presenting opportunities and shifting industry structures.

- Worldwide screen content production was one of the fastest growing industries in the world, with consumer spend on internet video content in North America growing from less than \$5bn in 2012 to over \$20bn in 2021, much of this will be on high end feature film, TV drama and animation content.¹
- Rapid technological changes create disruptions in the industry as the distinction between production and distribution has changed in the Internet era, although such change offers opportunity for new market entrants.

Ireland's AV Sector – creative and connected internationally with strong partnerships

- The Audiovisual Action Plan outlines the potential to double employment in film, television and animation to over 24,000 full time equivalents (FTEs) and contribute €1.4 billion in value added.
- In 2018, Enterprise Ireland supported 72 companies across animation, media, digital entertainment, game development and advertising that generated over €171 million worth of exports.
- Irish animation studios are working with some of the biggest names in global broadcasting — including Disney, Nickelodeon, Cartoon Network and the BBC — making animated series that are shown to millions of children all over the world every week. Award-winning features and shorts, animated programming for adults, apps and games are being made in Ireland by dynamic, technically advanced and entirely indigenous 2D, 3D, Stop Motion and VR studios.²

² Screen Ireland

- In the Animation sector, significant exits and joint ventures (JVs) in recent years show substantial value creation in the industry. Acquisitions include Brown Bag Films by 9 Story Canada, Boulder Media by Hasbro US, Screenscene by NEP Group US. JV in Kilkenny, and Cartoon Saloon collaboration with Mercury Filmworks (Canada) to establish Lighthouse Studios. Toons Media group (India) acquired a majority stake in Telegael in May 2019.
- Ireland's film sector has received worldwide recognition over the last few years. Irish talent and films have received multiple Oscar nominations underlining the strength and depth of Irish filmmaking talent.
- Ireland has a proven and internationally recognised ability to create unique revenue generating content with long term IP value.
- The nascent games industry in Ireland has potential to grow both in terms of attracting large international gaming companies (EA and Activision Blizzard have customer support functions established here) as well as developing the indigenous games industry. Pewter Games and Tribal City Interactive have recently each been awarded over €100,000 from Creative Europe. Story Toys teamed up with Amplify Games US and is now Touch Press Inc. Digit Games was acquired in 2019 by US based Scopely.
- Soundings taken from UK based games studios indicate that many were considering the relocation of some operations as a result of the UK's exit from the EU. As an English-speaking location with a common law environment, Ireland could be well placed to take advantage of any such relocation decisions.

Impact of COVID-19

GLOBAL

- The global film industry has suffered a revenue loss of seven billion U.S. dollars as of the middle of March 2020 due to the coronavirus and its impact on industries around the world. With theatres closing, movie premieres being postponed, screenings cancelled, and box offices closed, it was estimated that the movie industry could also lose another ten billion dollars in revenue if the economic effects of the pandemic continue throughout April and May.³
- Sales of video games have increased as a result of stay-at-home and lockdown orders from the pandemic, overall total industry consumer spending on video gaming in the U.S reached a record \$10.86 billion in the first quarter of 2020 (Jan. – Mar.), an increase of 9% compared to the same time period last year.⁴
- Across the euro area the Arts, Entertainment and Recreation sector was estimated at one point to have seen an 84% reduction in activity as a share of total Gross Value-Added.⁵

³ Estimated revenue loss of the film industry worldwide due to the coronavirus pandemic in the first half of 2020, Statista

⁴ How COVID-19 is Impacting Consumer Spending, NPD Group

⁵ Copenhagen Economics, Economic Consequences of the Covid-19 Pandemic, March 2020

NATIONAL

- There is a total collapse in performance opportunities at home and abroad and a dramatic loss of income derived from performances, workshops, reading lectures etc.
- All film production ceased with impacts for the entire audio-visual sector.
- Analysis of debit card transactions by Bank of Ireland has revealed overall debit card spend was down 25%. However, streaming services spending is up 27%. There was an increase of 122% in PlayStation spend, while Xbox increased by 86%.⁶
- The sector is vulnerable to potential largescale permanent closures. It is expected that a proportion of venue and ancillary services e.g. promoters will not survive this period. Mitigation measures will be required to ensure that key national cultural infrastructure survives and can contribute to the recovery phase.
- The Irish screen industry is facing into a deeply uncertain future after at least 24 productions were stood down in response to COVID-19, with 59 companies reporting delays to television programmes or films about to begin shooting.⁷
- The immediate impact of the pandemic saw 800 people laid off as productions ground to a halt, with an estimated loss of earnings of €20 million.
- SME operations were impacted by public health restrictions with pauses in production and consequent decreased cashflow and increased costs associated with remote working. The sector has seen contracts deferred or put on hold and has had some job losses particularly contract employees.
- The in-home entertainment trend that was building prior to the pandemic was accelerated and is expected to continue. Buyers and co-production partners will seek new content and technology. There has been immediate increased growth for games and companies with a technology solution for media.

Issues, Opportunities and Challenges for the sector

- The arts/culture sector is likely to be amongst the last to recover when this crisis is over given the huge uncertainty around the recovery of both participant and audience confidence. While physical distancing remains in place, it will be extremely difficult to predict a return to normality with any certainty.

⁶ <https://www.bankofireland.com/about-bank-of-ireland/press-releases/2020/irish-consumers-spending-more-on-home-fitness-gaming-and-streaming-during-covid-19/>

⁷ Screen Producers Ireland Industry Survey Covid-19 and the Economic Impact on the Irish Independent Production Sector

- Attempts to resume production will be complicated by social distancing requirements, an eventual bottleneck in demand for crew and other services and an inability to secure vital insurance.
- Among the 69 companies that responded to SPI's call for data, the majority report annual turnover of less than €500,000 and many will lack the cashflow to reopen.
- Screen Producers Ireland (SPI) believes insurers will attempt to limit any pay-outs for disruptions to date and will exclude COVID-19 from future policies, leaving companies vulnerable to insurmountable financial distress in the event of subsequent pandemic waves.
- In the view of industry stakeholders, attempts to attract major games development studios to base themselves in Ireland and stimulate the local industry continue to be hampered by the lack of a competitive tax incentive. Generous tax-based development incentives form a major part of the competitive offerings to the sector by near neighbours such as France and the UK.
- Remote working has been most successful in the Animation, Games & AR/VR sectors. The live action, VFX and post-production industry experienced some issues transitioning to WFH. Film & TV production put on hold during the COVID shutdown is due to restart as restrictions are lifted and extensive social distancing protocol is implemented.
- While Subscription Video on Demand (SVOD) subscriptions have increased, advertising revenues have fallen.
- Some initial difficulties with reduced contracts and commissions globally from March. Worldwide buying seems to be beginning again (with decrease in coronavirus numbers). BBC, Ch 4, ITV and Nickelodeon, Apple are starting to buy again.
- There is potential for Irish SMEs and start-ups to benefit as broadcaster, SVOD and games giant asset libraries are exhausted.
- In terms of Brexit, while the UK is expecting a downturn in 2020 aligned to impact of COVID 19, there will be opportunities for Irish companies. This will be particularly in reference to co-productions. This is not just to avail of European incentives but also potential for sales to UK buyers.
- The pandemic has been a time to take a closer look at the production processes and optimisation. How will the Irish AV sector will do in medium and long term will depend on how cost-effective and how fast SMEs will be able to turn around new projects. Smarter operations, processes, workflows (AI, cloud) resulting in reduced operating expenses and improved delivery will be critical competitive factors for Irish SMEs. Those companies that remain relevant and move quickly to transform will be placed to succeed and also be positioned well for the next generation of exponential technologies, such as AR/VR, 5G and NextGen TV.