EUROPEAN

XR INDUSTRY

REPORT 2025

A collaborative research revealing SME insights, industry sentiments, and trends shaping XR's future in Europe for 2025 and beyond.

XR4EUROPE

Amplify – Advocate – Facilitate

EUROPEAN XR INDUSTRY REPORT 2025

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PREFACE

The European XR Industry Report 2025 is a significant milestone in XR4Europe's ongoing mission to provide accurate, actionable insights into the growing XR ecosystem across the continent. This report is a testament to the power of collaboration, made possible through the support and contributions of national XR associations, including INMERSIVA XR, Eirmersive, and the Portuguese XR Report authors. Together, we have built a unified resource that reflects the vibrancy and diversity of XR innovation in Europe.

Founded to continue the mission of the Horizon 2020 XR4ALL project, XR4Europe has grown into a global network of over 1,500 free members from thirty countries, including thirteen national and regional representative organisations. Our membership spans SMEs, universities, research institutions, cultural organizations, and associations, all working to support the development and application of immersive technologies. By amplifying the voices of our members, advocating for their needs, and facilitating connections internationally, XR4Europe plays a vital role in the future of XR in Europe.

This report highlights the diverse contributions of Europe's XR sector to culture, education, healthcare, and industry. By illuminating information about the accessibility of public funding and the importance of international business, it serves as a critical resource for European policymakers. Understanding the facts behind XR businesses allows the European Commission and national authorities to craft informed policies that support innovation, cross-border collaboration, and digital sovereignty.

For our members, this report reveals opportunities for growth and collaboration, both within the Single Market and on the global stage. European XR is already a global leader in immersive content production, with cultural and industrial applications that resonate worldwide. However, to fully realize this potential, policies and programs that support international competitiveness and business development are needed. The data and insights presented in this report provide the foundation for strategic action, empowering stakeholders to invest in and champion Europe's XR ecosystem.

We thank all who contributed to this collaborative effort, especially the national associations whose localized knowledge and data strengthened the scope and relevance of this study. Together, we are equipping Europe's XR sector with the tools and knowledge it needs to lead the world in creativity, technological excellence, and ethical innovation. This report is not just a reflection of where we are but a roadmap to where we can go, ensuring that European XR remains at the forefront of the global immersive technology landscape.

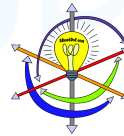Michael Barngrover
Managing Director of XR4Europe

ACKNOWLEDGEMENTS

dfki ai

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Sinnema

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vrisch

VR WOMEN

GRIFFINWARE UNIQUE EXPERIENCES

DESIGN PARTY PROGRAM

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TECHER TEAM

Badalona Serveis Assistencials

ALTERSIDE

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VCL Visual Computing Lab Information Technologies Institute

EXECUTIVE SUMMARY

The European XR Industry Report 2025 provides a comprehensive snapshot of the XR ecosystem across Europe, shedding light on its geographic distribution, sectoral diversity, technology adoption, and near-future expectations of growth. Drawing on data from over 230 organizations, including startups, SMEs, and universities, the findings offer actionable insights into the ecosystem's dynamics and potential.

Key Insights:
- Sectoral Diversity:
  - Top sectors include education, arts/culture, healthcare, advertising, and industrial manufacturing.
  - SMEs frequently adopt multi-sector, service-based business models, reflecting flexibility and market adaptation.
- Technology Use:
  - VR and AR/MR dominate as expected, but less WebVR than ancipated.
  - THere is significant utilisation of photogrammetry and volumetrics.
  - Haptics remains niche but represents a potential European innovation frontier.
- Workforce & Revenue:
  - Most companies are small-scale, with fewer than 15 XR-dedicated employees.
  - Reported revenue shows a polarized distribution, with limited mid-range earners among SMEs.
- Export & Growth:
  - 83% of companies serve clients around the world, especially in the US. Cross-border business seems facilitated by common language and possibly by cultural ties.
  - Optimism for revenue growth in 2025 is strong, particularly among companies serving multiple sectors and global clients.

XR4Europe's Policy Recommendations:
- Funding Support:
  - Simplify access to public funding programs, particularly for SMEs and startups.
  - Increase funding for commercial R&D in emerging technologies like haptics and volumetrics.
  - Promote collaboration between universities and SMEs to improve access to EU and national funding.
- Export & Market Development:
  - Strengthen export initiatives, including trade missions and networking events, to connect European XR companies with global markets.
  - Create language and region-specific support to help companies localize their offerings and navigate foreign markets.
  - Encourage cross-border collaborations within Europe to further integrate market ecosystems.
- XR Innovation Hubs:
  - Develop regional XR experience centers to showcase business solutions, foster partnerships, and provide business development support to SMEs.
  - Equip these hubs with resources to demonstrate advanced technologies and support sector-specific applications.
- Strategic Positioning:
  - Promote the development of human-centric and ethical XR technologies aligned with European values.
  - Establish Europe as a global leader in immersive content creation by highlighting its strengths in arts, culture, and education.
  - Encourage industry adoption of standards and best practices that reflect European priorities, such as sustainability and inclusivity.

XR INDUSTRY LANDSCAPE IN EUROPE

GEOGRAPHIC DISTRIBUTION

- **229 responses collected between May and August 2024**
- **Most responses came from Western Europe**
- **Startups and SMEs are majority of respondents**

The survey captured a wide geographic range, with a concentration in Western Europe. Portugal, Spain, and Ireland were the most represented countries, thanks to collaboration with national XR associations like INMERSIVA XR and Eirmersive. France and Germany, generally acknowledged as Europe's largest XR markets, also contributed substantially. Denoted by the darker blue colour on the map, regional hubs of XR concentration are revealed in Berlin and Paris, as well as in Dublin, Helsinki, Laval, Lisbon, and Madrid. Yet, the survey results reveal XR companies and institutions to be quite distributed, particularly in the Benelux region and in Italy and Spain.

Startup / SME	Large Enterprise	University	Association	Hubspace / Center	Public	Foundation	Other
156	9	29	6	1	6	3	19

Country	Count
Portugal	70
Spain	25
Ireland	23
France	21
Germany	20
Belgium	10
Finland	8
Italy	8
Netherlands	7
Greece	6
Austria	5
United Kingdom	5
Turkey	4
Hungary	3
Romania	3
Czech Republic	2
Slovenia	2
Switzerland	2
Croatia	1
Denmark	1
Estonia	1
Luxembourg	1
Sweden	1

Darker colors indicate a greater number of respondents from these locations

© 2024 Mapbox © OpenStreetMap

Unfortunately for this report, data from significant tech ecosystems, such as Poland and Norway, were absent, and others, such as Sweden, Romania, and the Baltics, were clearly insufficient relative to the size of their XR communities. Collecting information about XR companies and institutions in Central and Eastern Europe was challenging, even as this research prioritised reaching these communities. Despite the regional imbalance in collected responses, the survey findings suggest that certain characteristics—such as optimism for revenue growth and reliance on international clients—are consistent across Europe, reflecting shared challenges and opportunities in the XR ecosystem.

While this report focused on European SMEs working with XR, many other kinds of organisations participated in the study. The response rate of universities, associations, foundations, and other institutions further reflects the diversity of stakeholders in Europe. Their information provided further insights into the sectors and use cases that are most prominent and suggests that the role universities play deserves greater study, particularly with regard to providing commercial services and facilitating access to public funding for SMEs. Future editions of this research in 2025 will incorporate new questions to better capture the perspectives and operational realities of these kinds of organizations.

For much of this report, the focus of analysis is on the responses of the 156 SMEs. This aligns with the priority of the European Commission to support the growth and development of SMEs and with the priorities of national authorities to support local, emerging, tech-driven economies.

SECTORS

- **Academia/education and arts and culture are the most commonly served sectors, followed by healthcare, advertising, and industrial manufacturing.**
- **Software development leads services, with 119 respondents citing it as a primary offering.**

The survey results reveal European XR companies and organisations serve many diverse sectors, with academia/education as the most prominent category. Arts and culture follow closely, supported by Europe's strong public funding for cultural projects and widespread interest in XR-compatible film and art festivals. Healthcare, advertising, and industrial manufacturing also rank among the top five.

When creating the survey, identifying sector categories quickly proved challenging. Based on reference surveys, the academia/education label combines higher education research, university instruction, and private sector applications for schools. However, this category and others may need to be further divided in future editions.

It is common for organisations to serve multiple sectors, especially startups and SMEs. Within SMEs, which includes startups, many report serving clients in more than five sectors, suggesting an omnivorous opportunism. Whether this reflects a growth or survival strategy is not clear, though later analysis supports both interpretations. Supporting many diverse sectors also suggests an agency/service business model, and the results suggest that this is the most common business model in European XR. The agency or service model is an adaptive business structure where an organisation acts as an intermediary or service provider, representing clients or creating customised solutions on their behalf, rather than focusing on the development and sale of products. This has consequences for Europe's digital sovereignty and influence on the evolution of impactful XR tools and platforms. The more XR product and platform developers that are based in Europe, the more holistically European values, such as human-centricity and user-empowerment, will guide the production of virtual worlds and immersive applications.

Compared to startups and SMEs, universities appear to focus on a narrower range of sectors. Survey respondents that represent universities often indicated that they were part of laboratory entities, which likely would have specific areas of interest. It was noteworthy that many of these universities indicated that they served sectors and, in some cases, reported revenue. The commercial activities of universities related entities is worthy of future study.

Number of Sectors	Startup / SME	Large Enterprise	University	Association	Hubspace	Public	Foundation	Other
1-2 Sectors	49	4	15			3	3	7
3 - 5 Sectors	75	3	8	3		2		11
More than 5 Sectors	32	2	6	3	1	1		4

SERVICES

As with Sectors, respondents were able to select many services. Software development dominates service offerings, while advisory, training, research, and content production also feature prominently. However, overlapping definitions—such as "content production" potentially including both advertising and culture—highlight the need for more precise categorisation in future research. Similarly, Digital Twins and Industrial Metaverse were distinct options that respondents could select, yet this distinction likely needs to be explicitly clarified in further studies, as Digital Twins is a term that may apply to both laser scanning of cultural heritage objects as well as to smart factories, the latter of which may also be categorised as an Industrial Metaverse application.

Given the importance of Industrial Metaverse and Digital Twins in EU policy, it is noteworthy that most prominent services are less obviously industrial. This may be due to a limited reach into purely industrial XR networks, or that such service providers are less integrated into pan-European XR networks.

Despite questions about the categorizations used in the survey, the results highlight the significance of research, training, and consulting to the XR ecosystem in addition to software development and platform services.
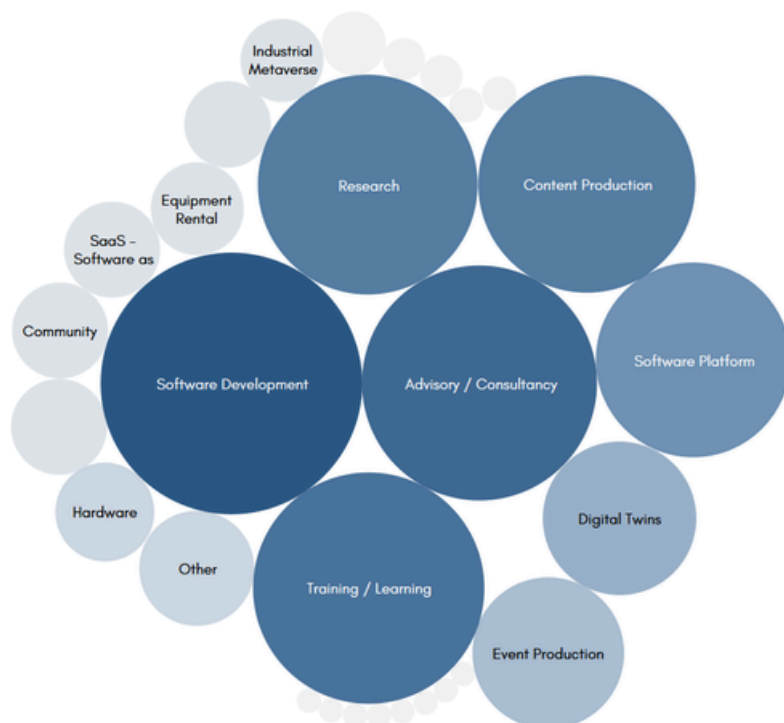
TECHNOLOGIES

Technologically, most survey respondents stated that they work directly with VR (203) and AR/MR (189), which is unsurprising as these terms encompass the most recognisable forms of XR and immersive technologies. AR and MR were combined in a single category because the distinction between them remains fluid for many stakeholders, though this may change with new standards set by true MR-capable devices like the Apple Vision Pro and Meta's Quest 3. Other notable technologies include photogrammetry and volumetrics, with 60 respondents using these methods for applications in cultural heritage preservation, digital twins, and immersive media. WebVR was also notable, reported by 54 respondents; while distinct from VR, WebVR enables immersive experiences accessed via standard web browsers, making it popular among media broadcasters and those developing NFT-based metaverse applications. Haptics remains niche, with only 28 companies reporting that they work with it. Despite the recognisable the frequent presence of haptic wearable startups at industry events, these results suggest that haptics remains an R&D tech rather than commercial. But it also suggests that it is a tech field in which Europe may gain an early advantage through greater investment.

SIZE AND WORKFORCE

- **Startups/SMEs make up the majority of respondents, with large enterprises accounting for just 9 responses.**
- **Most startups/SMEs have fewer than 15 XR-focused employees**

Of the 233 survey responses collected, the focus of analysis was placed on 141 startups/SMEs and nine large enterprises that submitted responses. Their self-identification as either startups/SMEs or large enterprises was additionally validated by their responses to questions about the size of their XR-focused employees and annual revenue. The survey provides the option for companies to identify as either startups or SMEs, but due to inconsistencies in how these labels are applied and recognised and similarities regarding the number of XR employees and annual revenue, this report combines these categories into one, startups/SMEs.

When considering only those companies (startups/SMEs) that are the primary focus of this research, XR-focused team sizes tend to be more moderately sized than the common perception of XR as a highly freelance-reliant industry might lead one to expect. Among startups/SMEs, 69 companies reported fewer than five employees dedicated to XR, while 71 have teams of five to fifteen, and 16 reported teams of 15 to 50.


Number of XR-focused employees
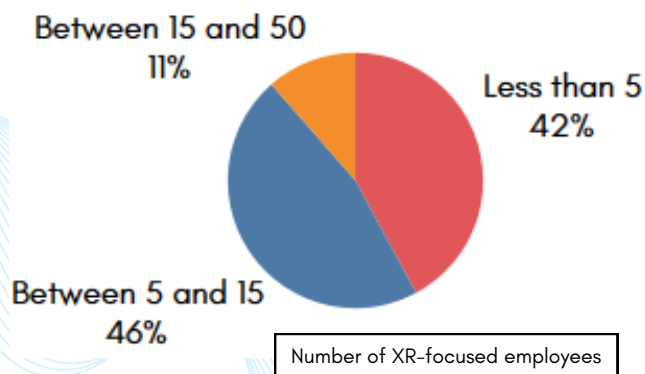
These results highlight the predominantly small scale of European XR companies. Conversations about the EU's strategies for virtual worlds often focus on the difficulties large European enterprises (particularly those in legacy industrial/manufacturing sectors) have identifying and hiring workers with XR and virtual world-specific skills. Future research to identify differences in the skills, seniority, or worker profiles between startups/SMEs and large enterprises' XR-focused employees would help to understand whether these skilled workers are in short supply, prefer working in smaller companies, or if other factors explain why large European enterprises report difficulties finding and hiring them.

REVENUE INSIGHTS AND FUNDING

- **Startups/SMEs predominantly report annual revenues under €250k**
- **Public funding is underutilized, particularly among smaller firms.**

Regarding total annual revenue, there appears to be a smaller "middle class" among the startups/SMEs and large enterprises. While the largest number reported less than 250k euro revenue in the past year, significantly more companies indicated more than 500k euro revenue than those who reported between 250k and 500k. This may suggest that the revenue tiers used were problematic, as it would be reasonable to expect a more linear distribution. Future studies may benefit from adding more revenue tiers below 250k and above 500k. No significant difference in revenue was observed between services and sectors served.

Amount of revenue reported in past year
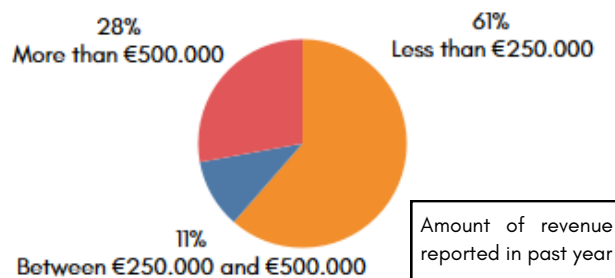
Public funding for XR has grown in recent years, both at the national and EU levels. Prominent examples of this include national film funds and the Horizon Europe program. Because such funding is determined in part by skills such as proposal writing and requires that companies be aware of relevant calls in time to apply to them, this study aimed to gather insights about how accessible, feasible, and relevant public funding is for companies. Questions about public and private funding were included in the XR4Europe survey but not in partners' surveys, leaving only 105 responses to these questions.
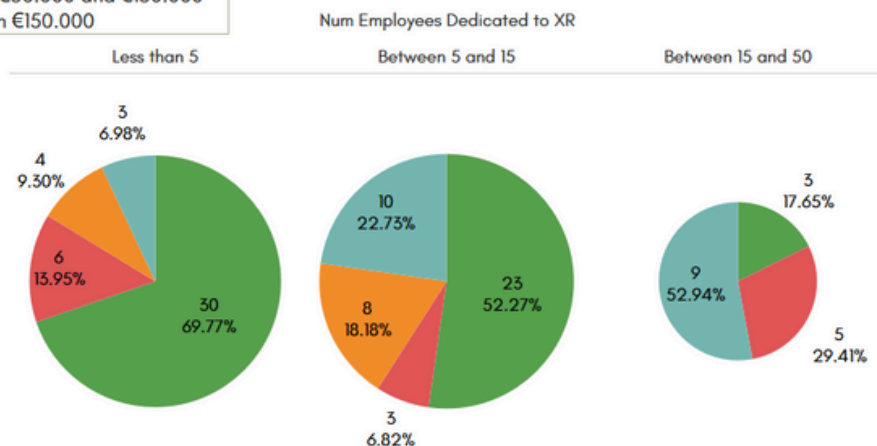
The study reveals that public funding is not utilised by most XR companies in Europe, regardless of the immersive technologies they work with, their business models (B2B, B2C, B2B2C, etc.), or the sectors they serve. This is noteworthy as one might assume that most companies working in the fields of arts and culture would rely upon public funding for their XR projects, yet this study did not observe this.

However, as the size of the XR-focused team grows, up to 50 workers (no companies reported team sizes in the 50 to 250 range), the likelihood of receiving public funding increases. While one interpretation is that public funding supports the growth of teams, another interpretation would be that the larger team sizes suggest the resources needed to apply, win, and manage the reporting requirements of funded projects. Notable is that none of the large enterprises with the largest XR teams indicated that they received public funding in the past year, despite presumably having sufficient human resources to obtain it.
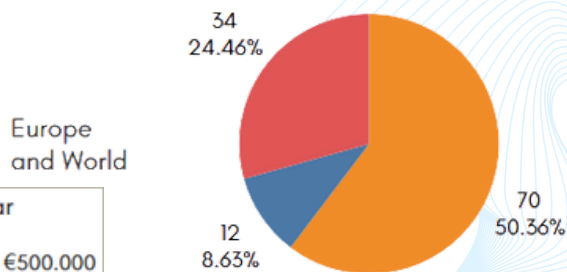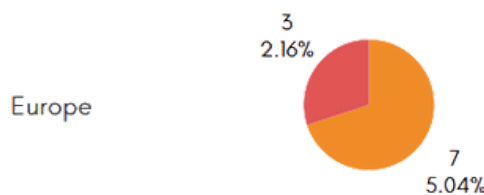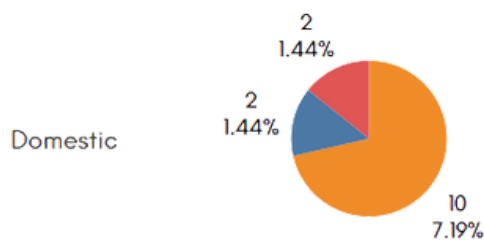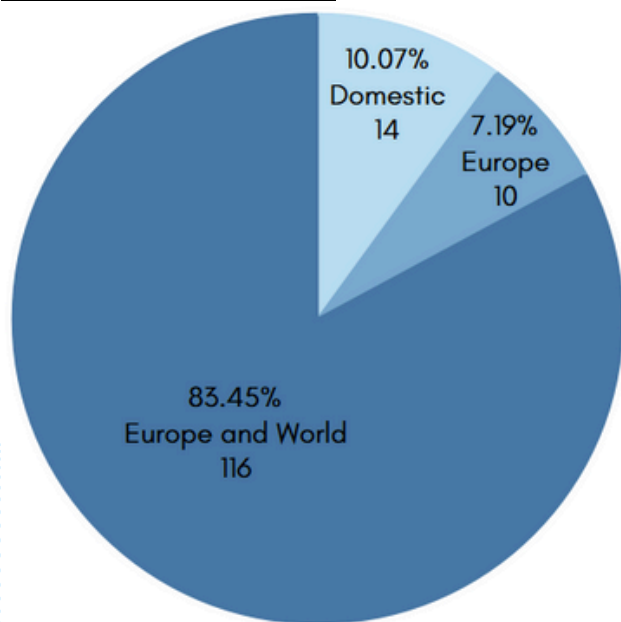
EXPORT AND INTERNATIONAL BUSINESS

- **The U.S. is the largest export market for European XR companies.**
- **Language and cultural ties influence cross-border activities.**

Another major area of focus of this study was the export of XR products and services by European companies. Unfortunately, the answer format among collaborating surveys varied for questions about export markets, meaning that responses collected from partner research were not directly comparable to other responses. Despite this, several clear insights were revealed. Ultimately, 140 responses provided information for this topic.

The overwhelming majority, 83%, of European XR companies report serving clients outside of Europe, while only 10% of respondents indicated that they exclusively served clients in their national market. This was slightly surprising, as it was initially expected that some countries would struggle to reach markets beyond the Single Market. The remaining 7% indicate that they serve clients in other European markets but not beyond.

This research did not question how much or what percentage of revenue was generated from markets in a company's home market versus other EU countries and those outside the EU. Given the extra efforts required to serve clients across distance, time zone, and language barriers, it is reasonable to intuit that foreign clients are attractive if they were more lucrative than local ones. Certainly, that is the motivation for the companies we spoke to in our earlier Bulgarian study. Future editions of this research will aim to understand the motivations for companies serving foreign markets and clients.

Source of business for European SMEs and large enterprise

10.07% Domestic 14

7.19% Europe 10

83.45% Europe and World 116

Domestic

2 / 1.44%
2 / 1.44%
10 / 7.19%

Europe

3 / 2.16%
7 / 5.04%

Europe and World

34 / 24.46%
70 / 50.36%
12 / 8.63%

Total Revenue Last Year
- Less than €250.000
- Between €250.000 and €500.000
- More than €500.000

While diverging answer options between partners' surveys made seamless integration of responses impossible, the data did clearly indicate that the United States is by far the largest market served by European XR SMEs. Of the 80 companies who were asked to name the five foreign countries from which they most often draw their clients, 26 (32%) named the US. Germany (20, 25%), the United Kingdom (17, 21%), France (13, 16%), and Switzerland (13, 16%) were the next most frequently named countries. While European countries were the most commonly cited in general, Canada (7, 9%), the United Arab Emirates (6, 8%), and Japan (5, 6%) were noteworthy among non-European markets.

This highlights an important topic that this research aimed to address, which is the interconnectedness of XR projects, especially within Europe. Many projects that are developed and executed within major markets, such as France and Germany, often involve companies from other European countries, meaning that there are few XR projects that can be attributed to a single country. This detail is often absent from other industry research efforts, whether conducted at the national or the European level.

Darker colors indicates more respondents serving clients in the country.
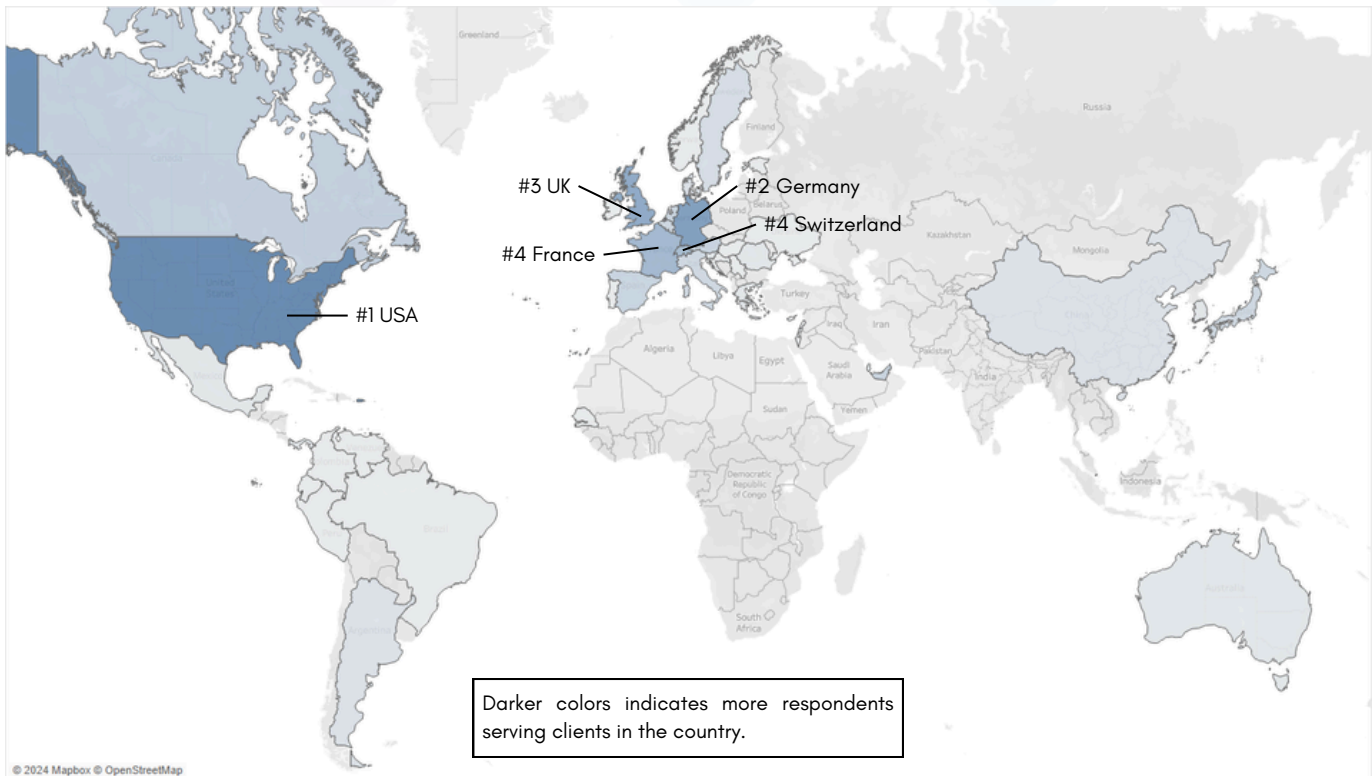
Another notable observation includes the significance of common language for cross-border business, such as French companies exporting to Belgium, Switzerland, and Senegal and Spanish companies exporting to Central and South American markets. While not captured in this study due to differing survey questions, Irish SMEs are also reported to prioritise the US market. Perhaps, in addition to language, shared history and culture play a role in international business development that may be explored by future research.

However, the benefits of common language seem not to extend into the African markets, as the continent is almost entirely absent from the map. Given that the cost and complexity of XR projects have generally decreased in recent years, it is plausible that many markets in Africa would present growth opportunities for European SMEs. XR hotspots are known to exist in places like South Africa, Nigeria, and Kenya, and perhaps more cross-border trade promotion actions may develop new business collaborations.

GROWTH EXPECTATIONS

- **Most companies anticipate revenue growth in 2025, especially those serving multiple sectors and geographies.**

Regardless of the amount of revenue earned last year, a clear majority of companies anticipate revenue growth in the next year. The amount of increase was not captured in the main survey used, but it was a component of the Portuguese study. The value of this extra detail is clear and will be added to the next iteration of the study.

The pie charts below indicate the percentage of startups/SMEs that anticipate more or less revenue in the coming year (2025) accordingly to the number of sectors they report serving and whether they serve local, European (inclusive of UK), or global clients.

Number of Sectors Served

1–2 Sectors	3 – 5 Sectors	More than 5 Sectors
22% / 78%	27% / 73%	6% / 94%

Source of Clients

Domestic	Europe	Europe and World
40% / 60%	38% / 62%	17% / 83%

■ Less revenue   ■ More revenue
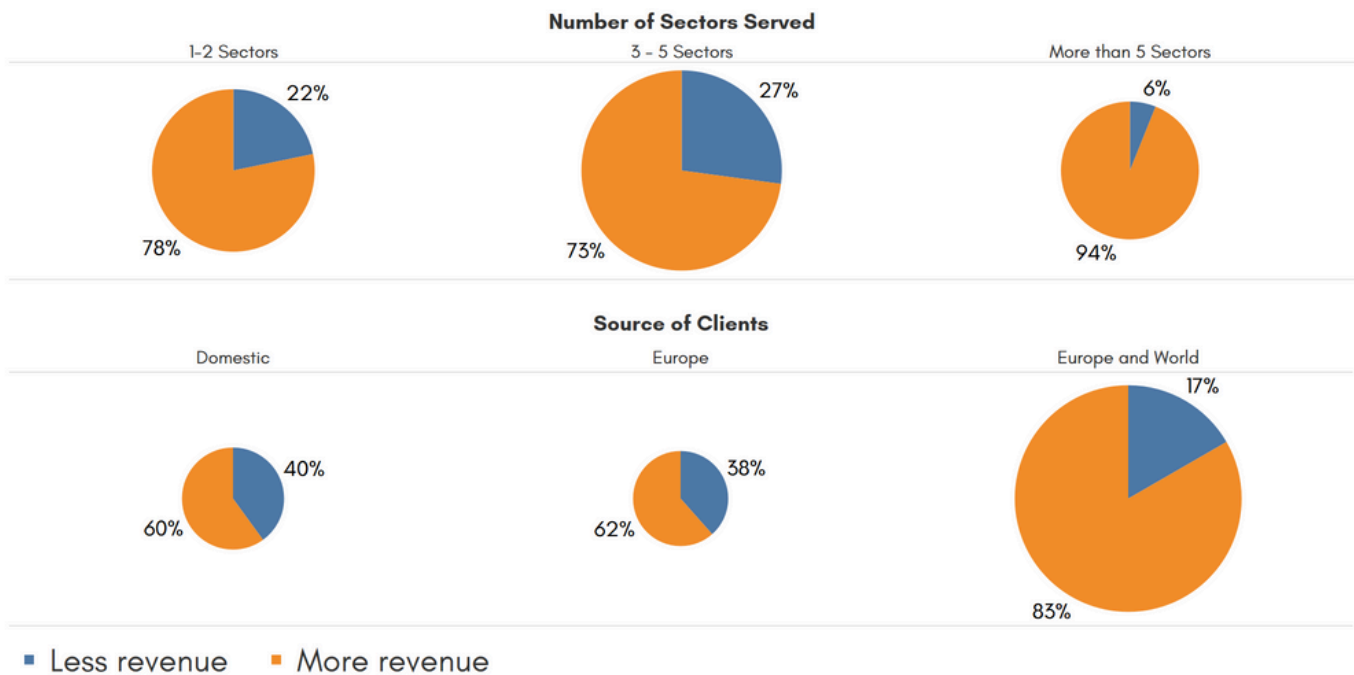
No significant difference in future revenue expectations was observed between startups/SMEs and large enterprises, nor between those serving specific sectors and geography. However, companies that serve a large number of sectors are significantly more optimistic about future revenue growth. It is worth questioning whether companies that indicate that they serve a large number of sectors do so in reality or as a reflection of their ambition and optimism, which is then reflected in their future revenue expectations. Taken at face value, an alternative explanation may be that companies that serve many sectors identify more potential projects and opportunities in aggregate or are insulated from disruptions impacting demand from one or more sectors.

The widespread expectation of increased revenue supports that notion that demand for XR and virtual worlds continues to grow, albeit linearly rather than exponentially, as there's no credible evidence or broad perception of exponential growth for either demand for or adoption of these immersive technologies. European XR appears to be sustaining itself, and this study refutes the cyclical reports of XR's demise.

While the sample sizes become small, it is worth noting that expectations of revenue growth are most positive among the companies that serve globally distributed clients. As with companies that report serving more than five sectors, one possible interpretation is that companies serving many markets observe more opportunities or are less exposed to factors reducing demand in a single market.

POLICY IMPLICATIONS

Here, XR4Europe presents suggestions for policymakers. This research reveals the significance of foreign clients and markets to European XR businesses and suggests the value of export support actions and programs. The benefits likely are twofold:

1. Helping companies grow beyond the limits of national markets, achieving greater scale and impact
2. Supporting Europe's digital sovereignty by increasing the presence and influence of European companies in foreign markets, such as the US, that influence the development of industry standards
3. Growing European soft power through immersive content and cultural production
4. European leadership in XR and virtual worlds content production will promote Europe's ethical and human-centred objectives.

XR and virtual worlds remain an emerging technological field, one that has maintained several years of steady growth but not yet exponential consumer growth or widespread industry adoption. While wealthy national markets, such as those of EU members, are sufficiently large to support many XR companies, few national markets are capable of supporting large and diverse ecosystems of companies, the kinds that sustain the development of advanced XR products and services specialised for specific use cases. This is evidenced by the prevalence of companies serving a wide range of diverse sectors, exhibiting project-based agency or service business models rather than product-based ones. This reflects a core concern within European policymaking: that XR SMEs in Europe are excessively downstream of virtual worlds production to compete in the development of core technologies, tools, and platforms.

Yet, the report reveals that European companies produce many of the virtual world content and applications experiences by clients and audiences around the world. This is an under-recognised strength of European XR and may be better leveraged strategically if this strength can be further advanced to one of clear global leadership in immersive and virtual world production.

Closer to home, a key objective for the EU is supporting the growth of SMEs within the Single Market. This report reveals that most companies already serve clients within the Single Market and likely must do so to survive. This is likely to be especially true for companies based in smaller national markets, such as those in the Balkans. Entering a new market, even one within the Single Market, often requires localising products and at least some operations. Regional programs to support companies setting up local offices exist in hubs and coworking spaces, but they may not adequately support XR companies that need to demo and showcase their solutions to local clients. Anecdotal feedback from XR4Europe members and companies in our networks frequently reports challenges finding suitable spaces to introduce their services and solutions to new clients. XR experience centres specifically orientated to showcase immersive applications for business use cases in major business or industrial centres would support the growth and adoption of XR and virtual worlds.

While not captured in this report, future iterations of this research will aim to map the connections and dependencies across borders in Europe and better identify the kinds of projects and sectors, such as AEC or Arts & Culture, that are most prominent in certain markets.

LIMITATIONS OF THE REPORT

While we received a number of submissions from other entities, such as universities, foundations, associations, hubs, and clusters, the survey questions were not sufficiently aligned with these submission profiles to lead to confident interpretation. Consequently, for the most part, the responses of these entities are not included in the report's analyses. For example, a large majority of universities indicated that they received no public funding. This seems counterintuitive, but it may reflect that their XR-specific activities and projects are not conducted with public funding aside from routine university resources. Had the relevant questions been more precise about the nature of public or private funding in universities and research institutions, these responses could have been better interpreted.

The number of respondents is greatest from a few countries, which is not uncommon or unexpected. However, it is undesired. This survey is relatively uncommon in that the majority of respondents are not from France and Germany. These two countries are widely accepted to be the largest and most sophisticated markets for XR and virtual worlds services and products in the EU, and most reports that aim to study Europe typically draw a very large share of respondents from these two markets. The issue for this report and others like it is that it's not presently possible to know what the real distribution of XR companies is across Europe. In reality, many companies participate in these largest markets from other, smaller European countries. It's also not uncommon for the workforces of European companies to be distributed across the continent, and even the world, meaning that what may be labelled as a French, German, Spanish, or Finnish XR company or project may in fact be one involving multiple countries. Future editions of this research will explore the extent to which companies' XR teams are remote and their geographic distribution.

When planning this report, a priority was to include European markets that are often under-represented in European-level industry research. Thus, while the relative lack of respondents from eastern markets such as Poland, Estonia, and Romania is indeed a major weakness of this round of research, the strong representation of Spanish, Portuguese, and Irish XR market data is considered a success.

CONCLUSION AND NEXT STEPS

Future iterations of this research must be more successful in engaging northern, eastern, and southern markets. Prior research undertaken by XR4Europe has provided evidence that the Italian XR ecosystem is diverse and larger than commonly known. In addition to Poland's large market for software development, the Balkan region itself is also known to be fertile ground for software development that likely participates in the production of XR and virtual worlds.

This first iteration of the survey was translated into French, Spanish, and Italian in addition to its English version. It was observed that translation into these languages was instrumental in generating more responses. The number of languages selected was limited by available resources, but the next edition of this research should prioritise increasing the number of European languages supported. This will be achieved by involving more national and regional partners in this collaborative research initiative.

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