



UK Outsourced vs In-House Games Development Intelligence Report

August 2011

IT Sourcing Europe: European IT Outsourcing Market Intelligence

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Executive Summary



UK Outsourced vs In-House Games Development Intelligence Report 2011 is based on the results of the “First Ever” UK Gaming Outsourcing Survey 2011 conducted by [IT Sourcing Europe](#) between June and July 2011.

The Survey aimed to:

- Benchmark the 2011 demand for IT resources within the UK gaming / e-Gambling community
- Compare and contrast key trends among the UK gaming companies that either outsource or develop their solutions in-house
- Compare and contrast key challenges facing UK gaming industry players in 2011
- Compare and contrast the most effective problem solving techniques utilized by outsourcing and in-house development companies within the UK gaming industry
- Measure the outsourcability of processes within game development cycle
- Study factors that drive UK gaming companies to outsource their development to an external provider
- Study factors that keep UK gaming companies away from outsourcing their development functions
- Benchmark the overall level of satisfaction with the outsourced versus in-house game development in the United Kingdom

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Executive Summary

Base sample: 467 UK-based companies

Qualified participants: Heads of Game / Software Development, CTOs, CEOs, CIOs, IT Directors/Managers, Outsourcing Managers

Ratio of outsourcing to non-outsourcing companies surveyed: 64.7% to 35.3%



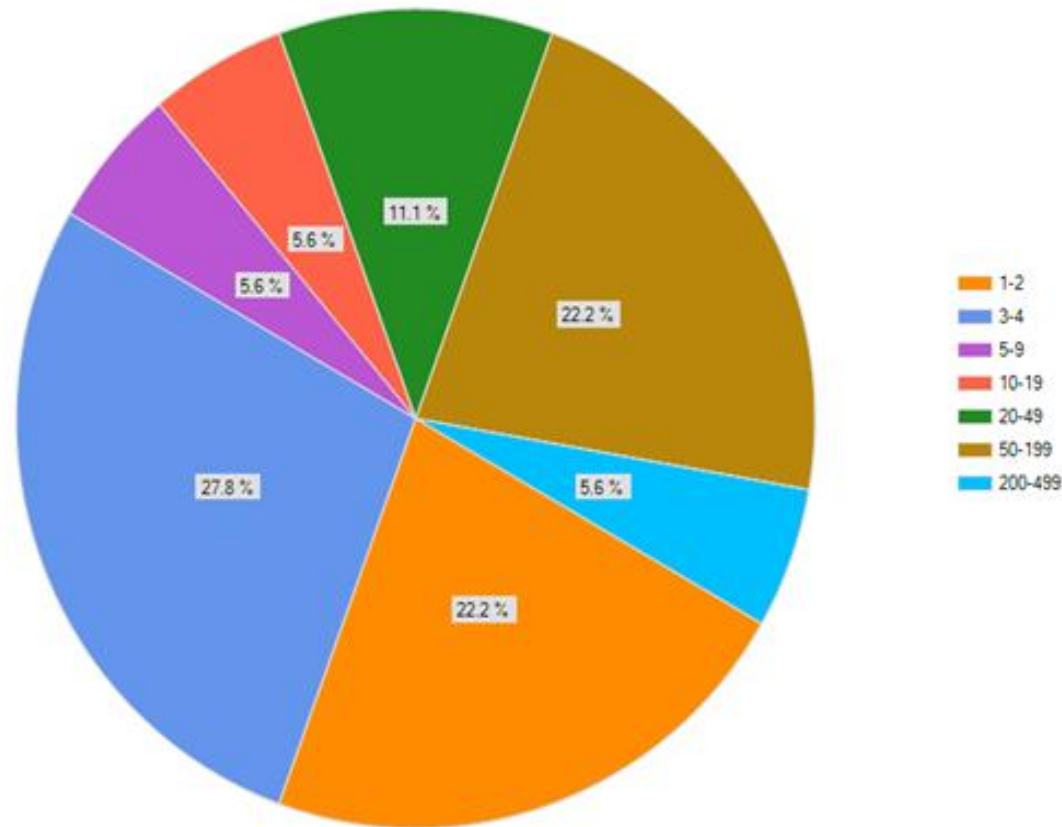
Key Survey Takeaways

- The majority of UK gaming industry players surveyed have been outsourcing their games development for 12 to 24 months now
- The most popular outsourcing destinations mix is nearshore (within/close to the same time zone as the UK) + onshore (within the UK)
- The three most outsourced processes within games development are concept development, production and QA/testing
- The top three outsourcing drivers are reduction of operating costs, acceleration of time-to-market (TTM) and freeing in-house resources for other business purposes
- The top three challenges of the outsourced development are: poor communication with project managers/teams on vendor's side, poor project management on vendor's side and vendor's inability to understand client's business needs and goals
- The two most popular engagement models within gaming outsourcing are Own Development/Agile Team and fixed-price project
- Most of the UK game development outsourcing projects are valued at €50-199K



Survey Participants' Profile

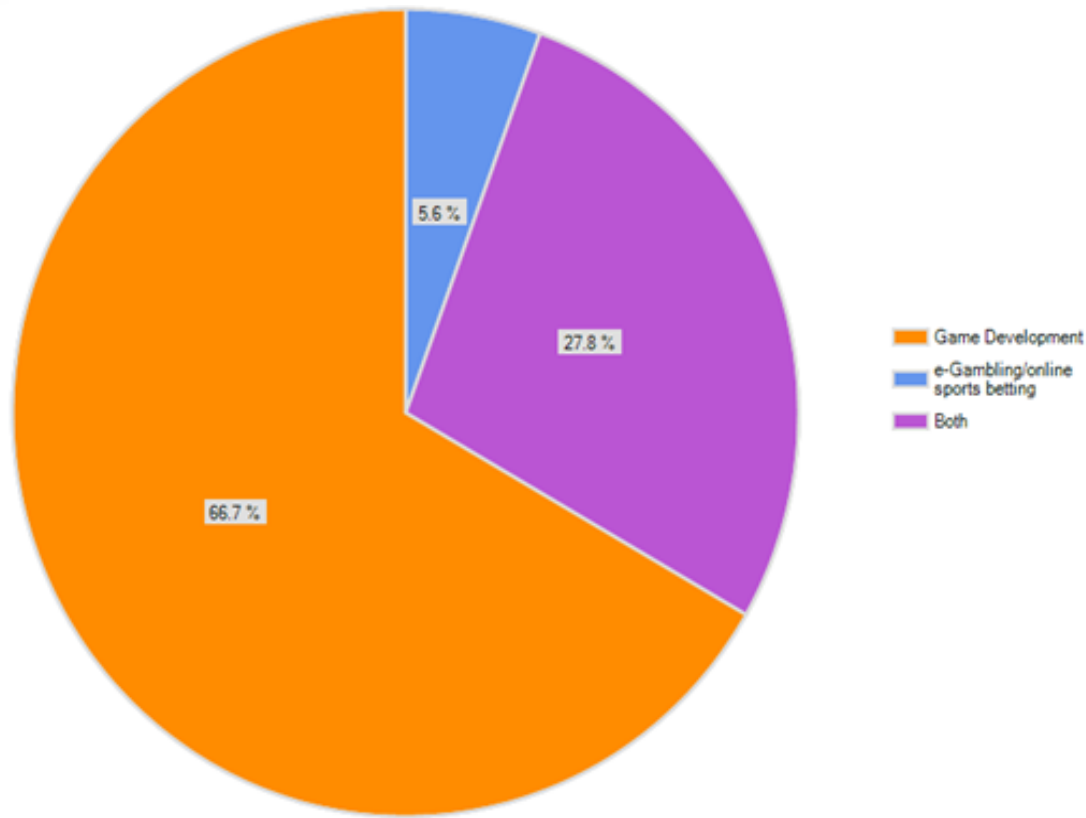
1. Company Size (Headcount)





Survey Participants' Profile

2. Industry

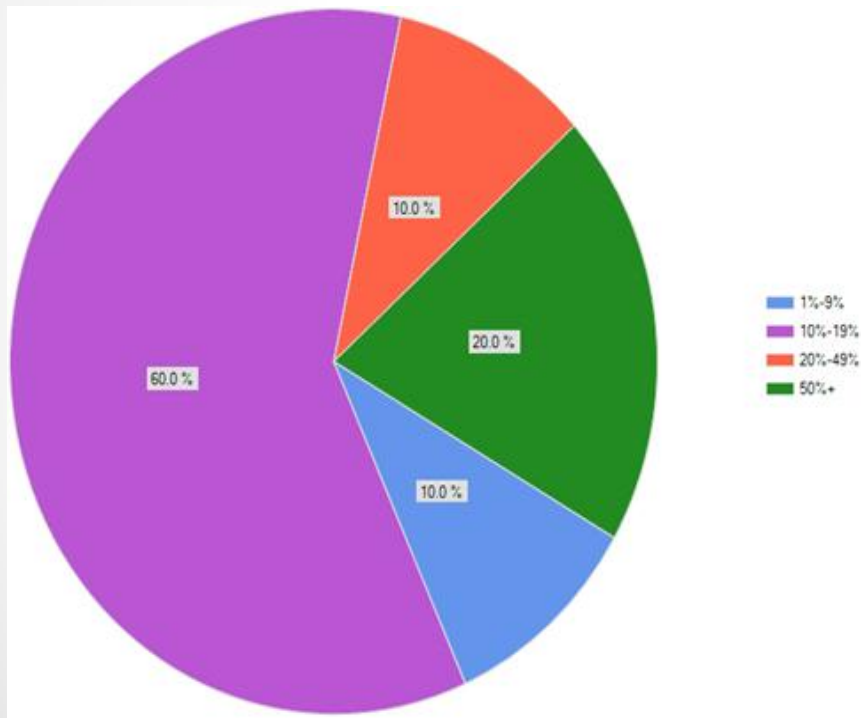




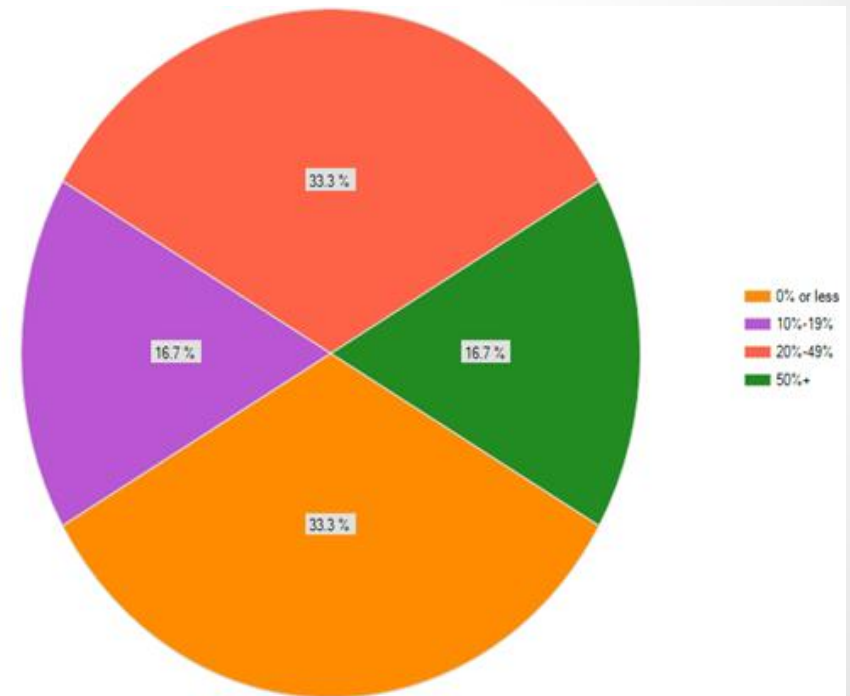
Survey Participants' Profile

3. Annual Revenue Growth Expectations in 2011

Outsourcers



In-House Developers

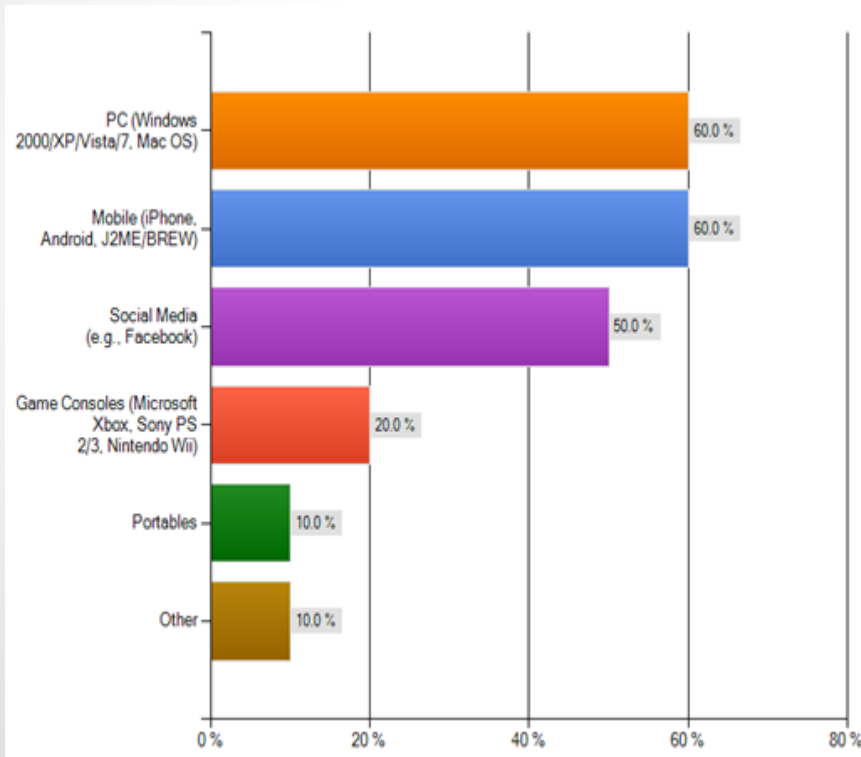




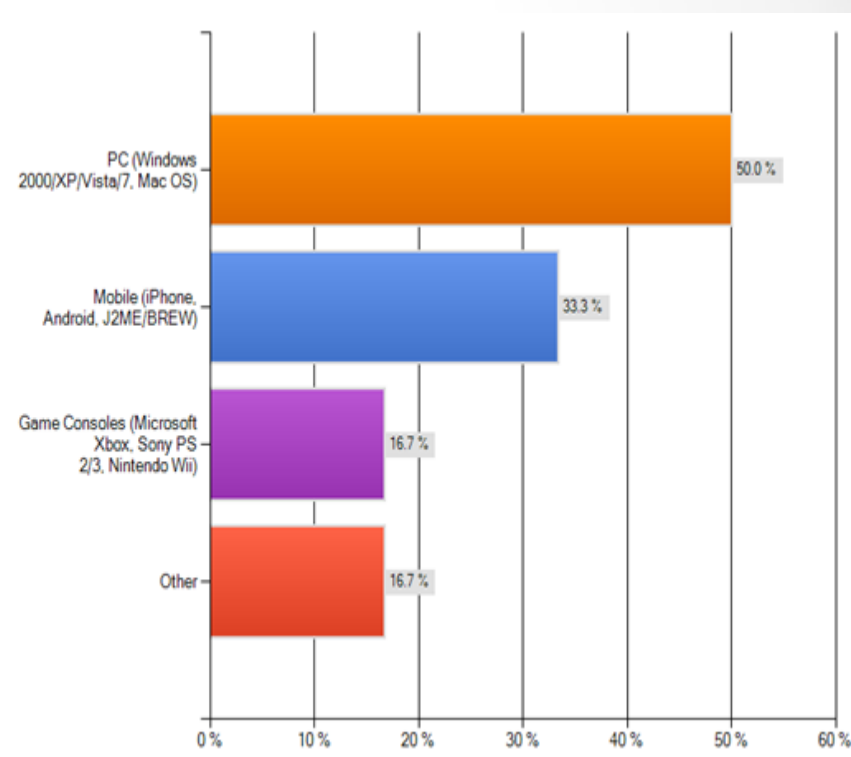
Survey Participants' Profile

4. Platforms Companies Develop Games / Solutions For

Outsourcers



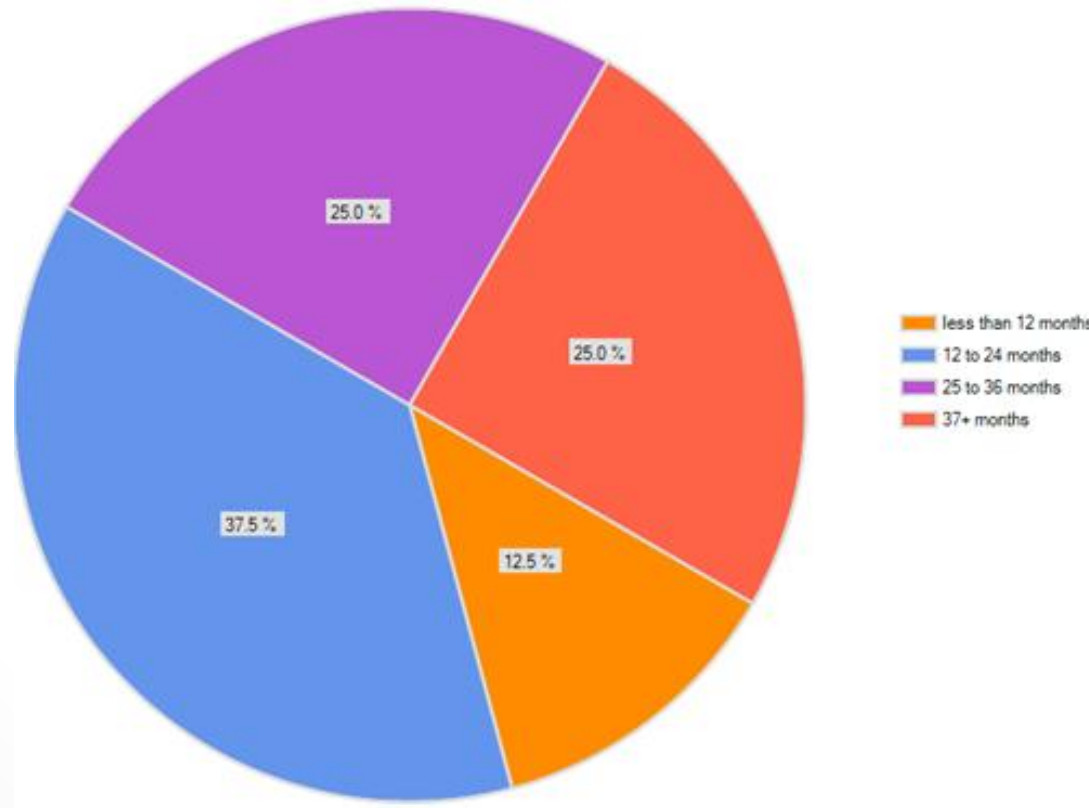
In-House Developers





Survey Participants' Profile

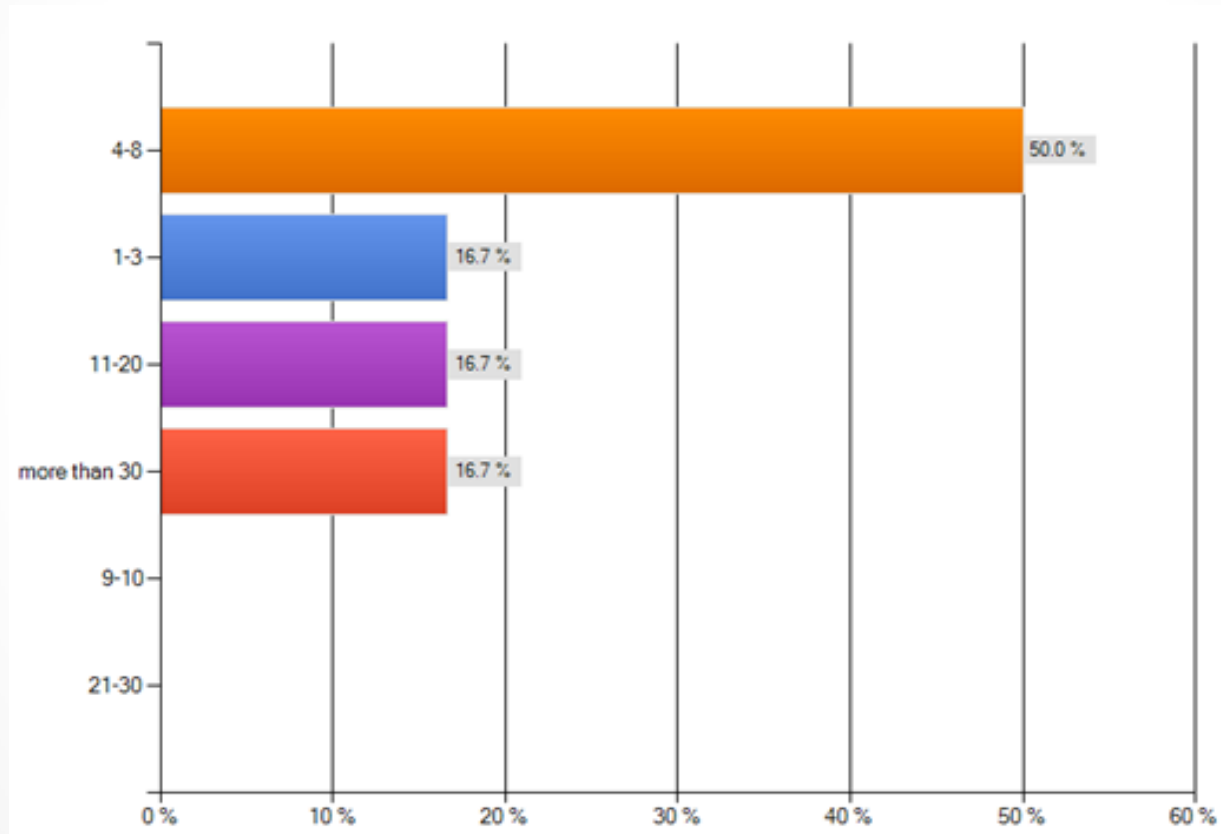
5. Overall Game Development Outsourcing Experience





Game Development Resources: Outsourcing vs In-House

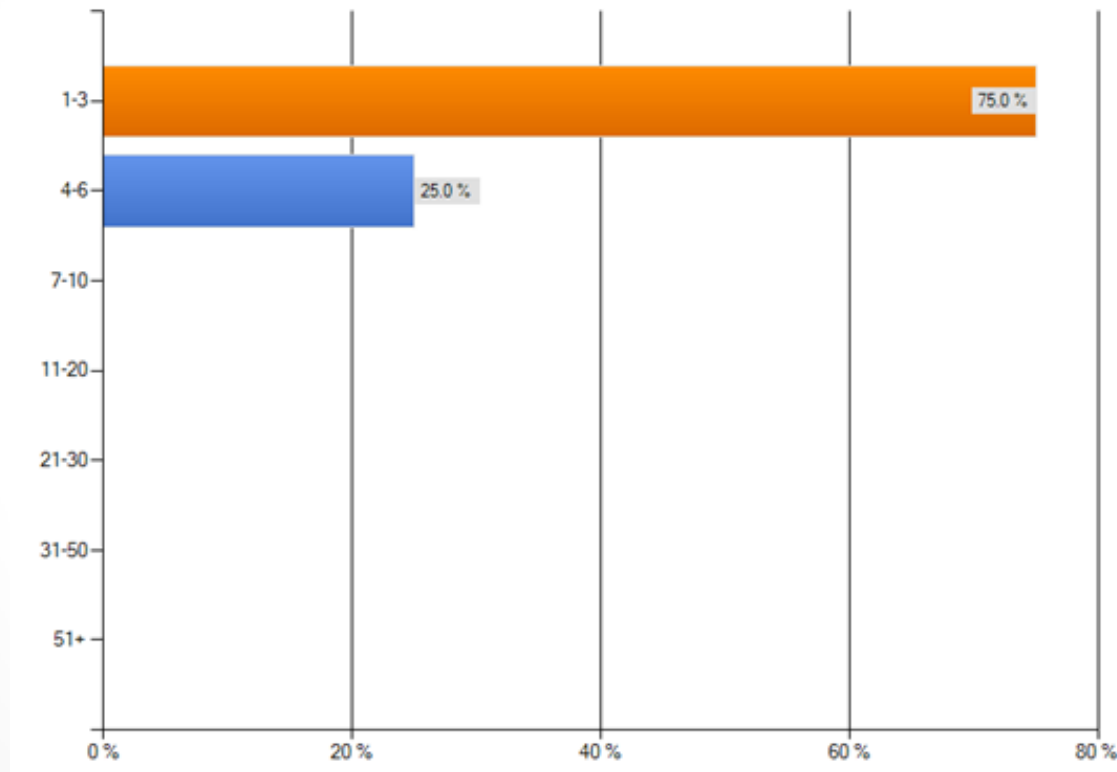
6. Size of project team(s) on ITO partner's side (Headcount)





Game Development Resources: Outsourcing vs In-House

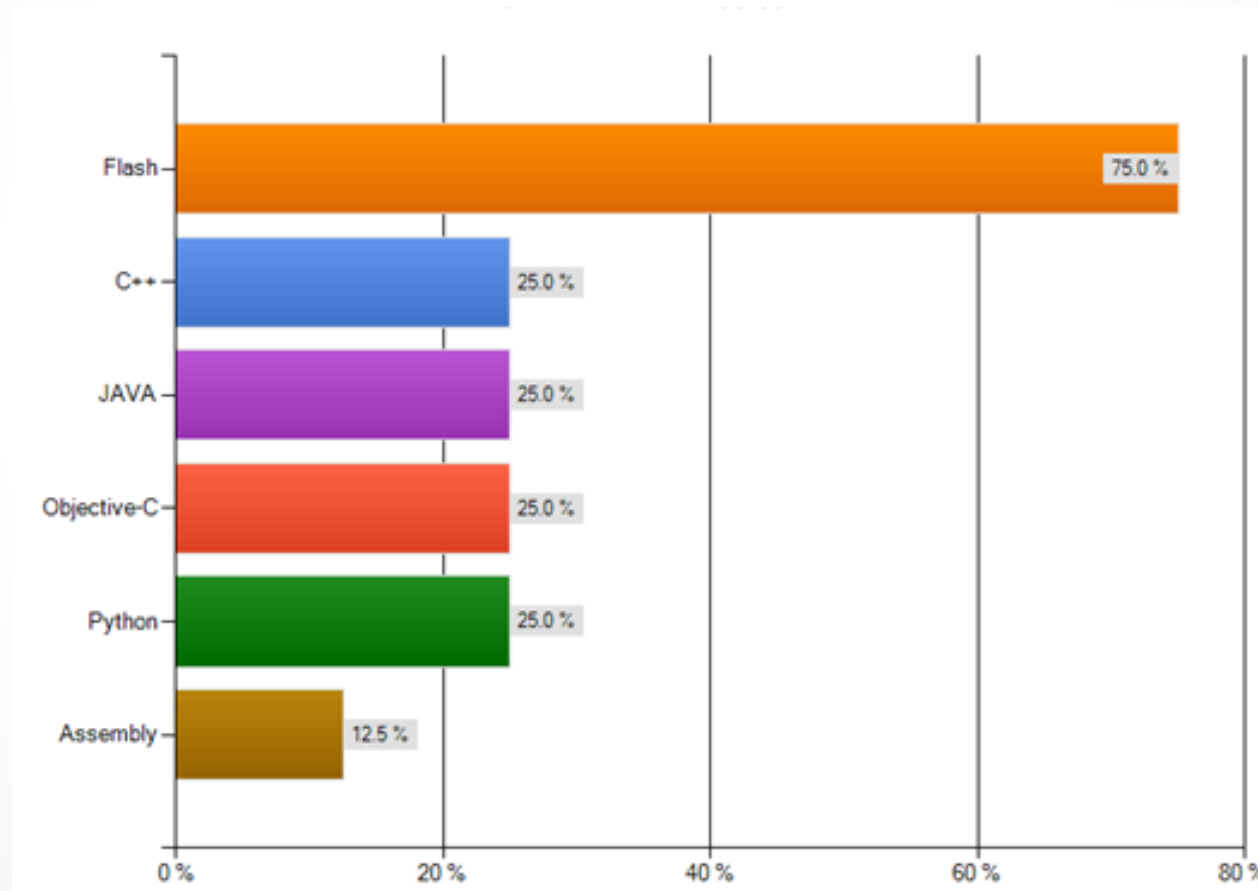
7. Size of in-house project team(s) (Headcount)





Game Development Resources: Outsourcing vs In-House

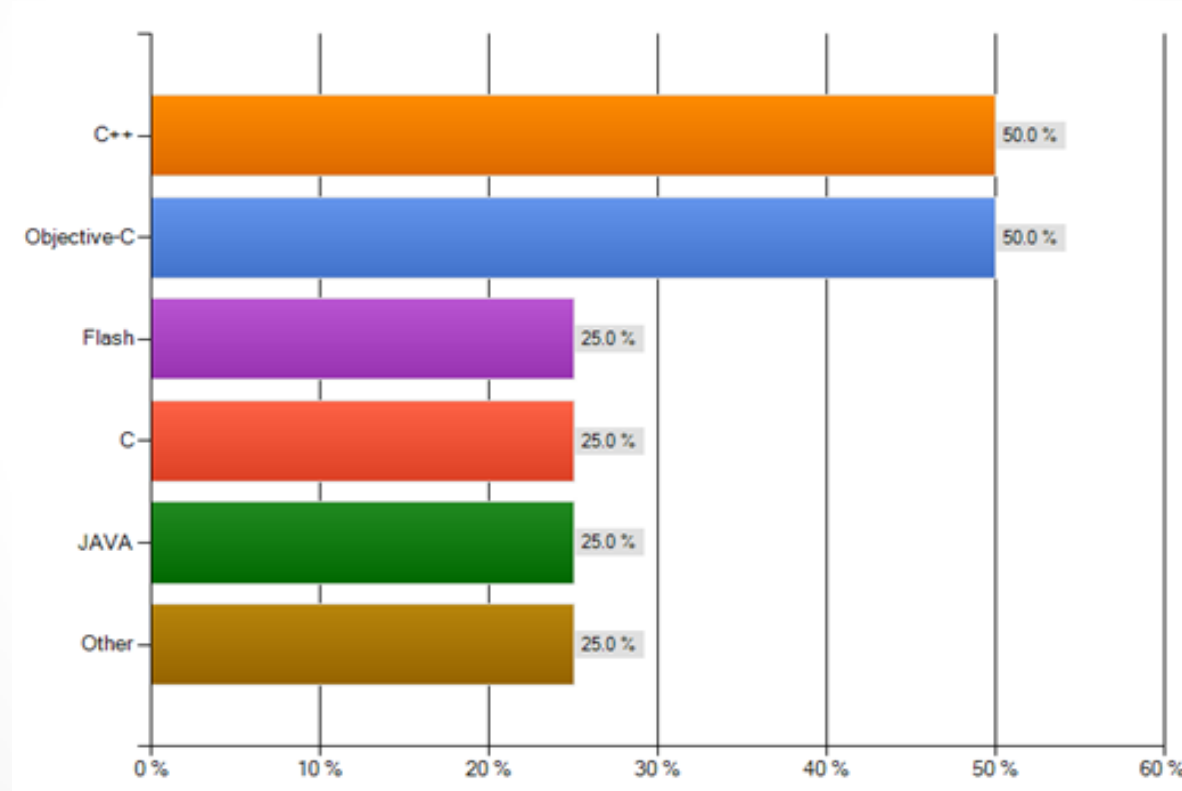
8. Most Outsourced Programming Languages/Technologies





Game Development Resources: Outsourcing vs In-House

9. Most Demanded Programming Languages/Technologies Within In-House Development

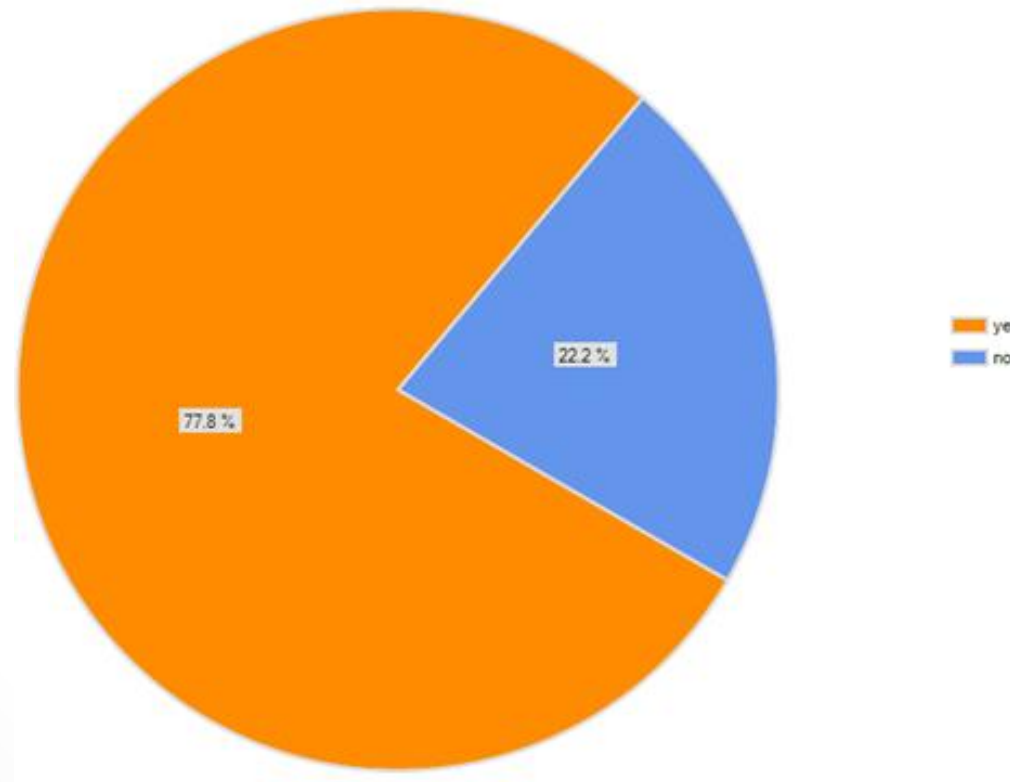


*Other: PHP, Python, Lua



Outsourcing Trends

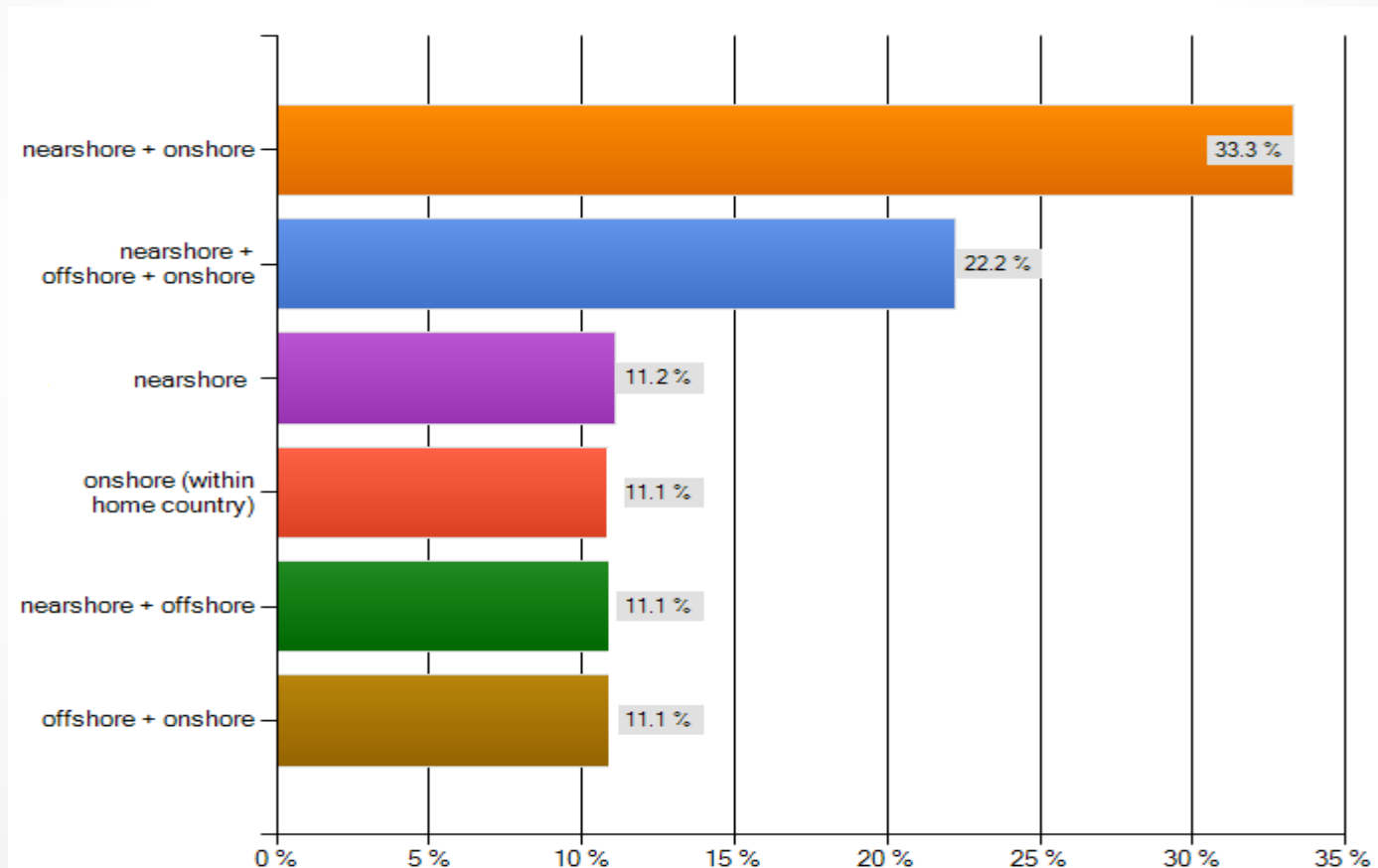
10. Do Companies Multi-Source?





Outsourcing Trends

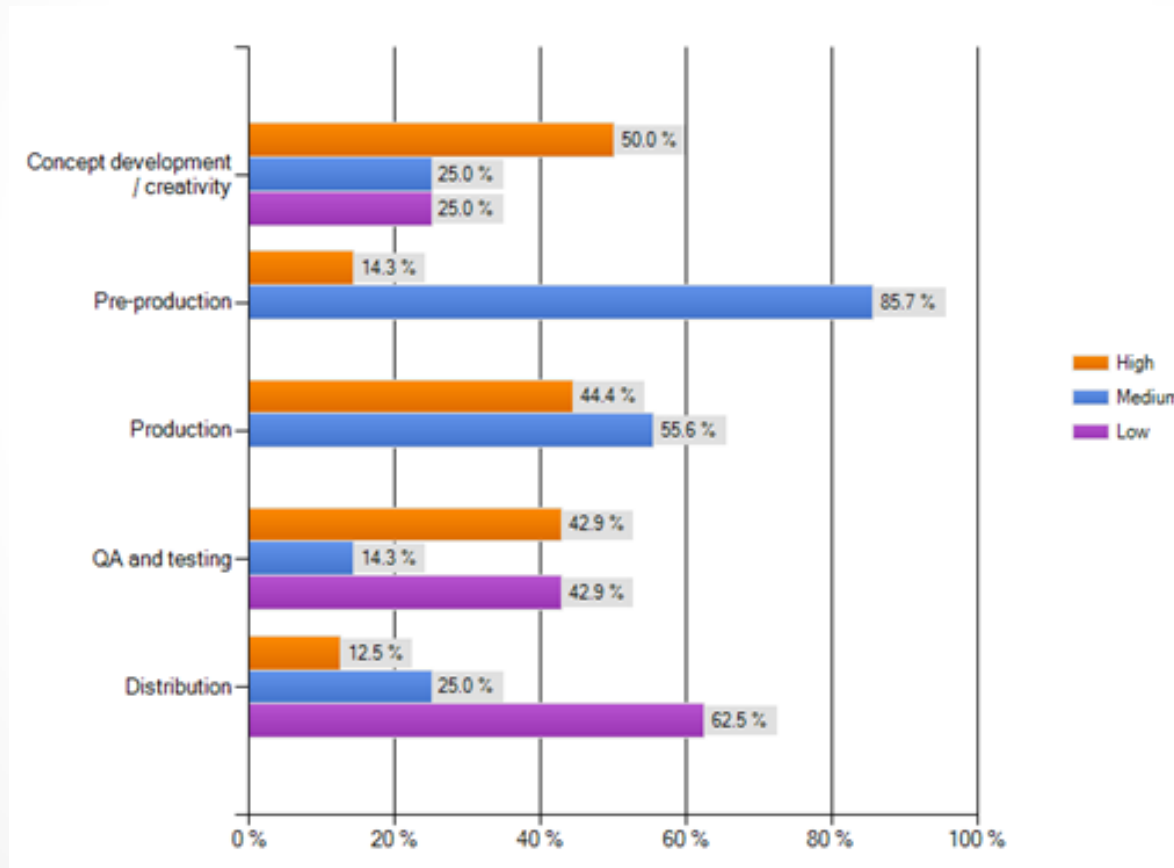
11. Destinations





Outsourcing Trends

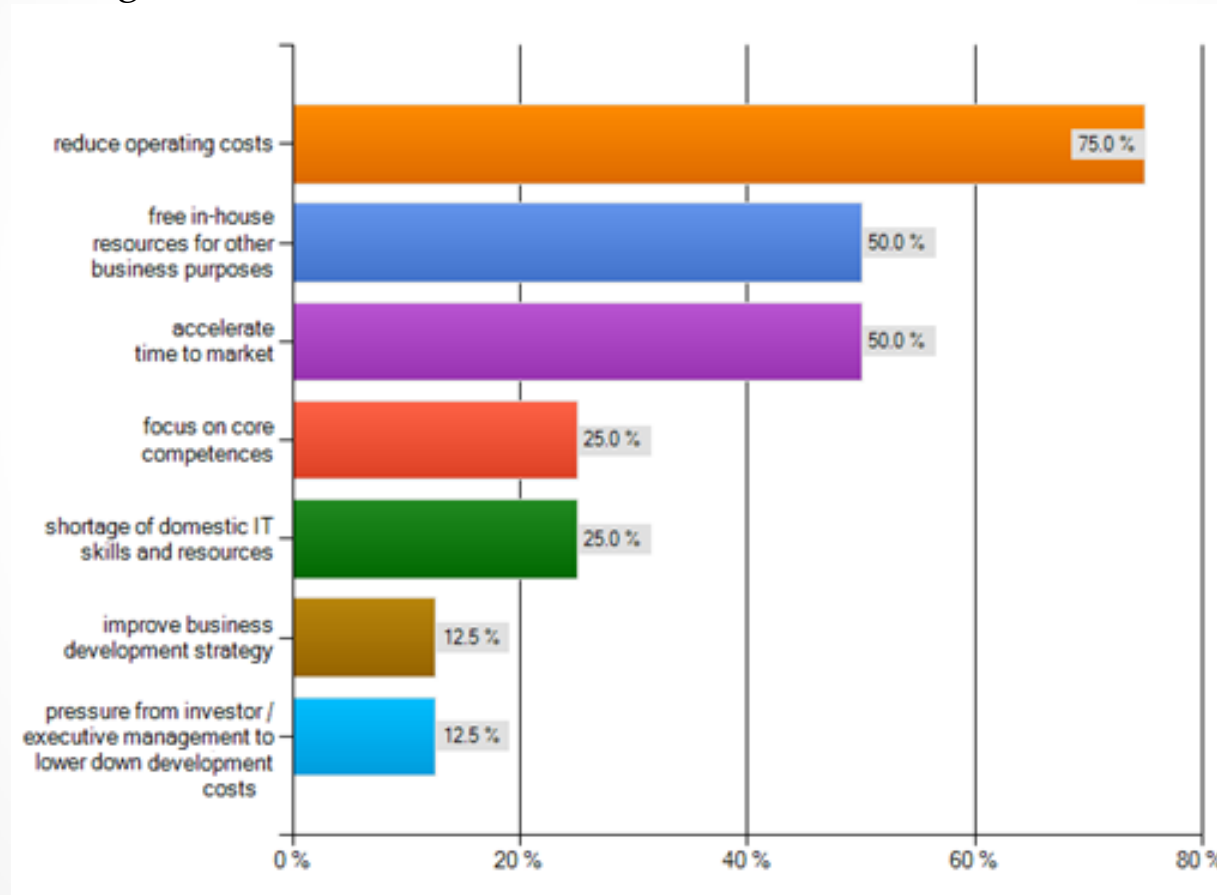
12. Levels of outsourcability of processes within game development





Outsourcing Trends

13. Outsourcing Drivers*

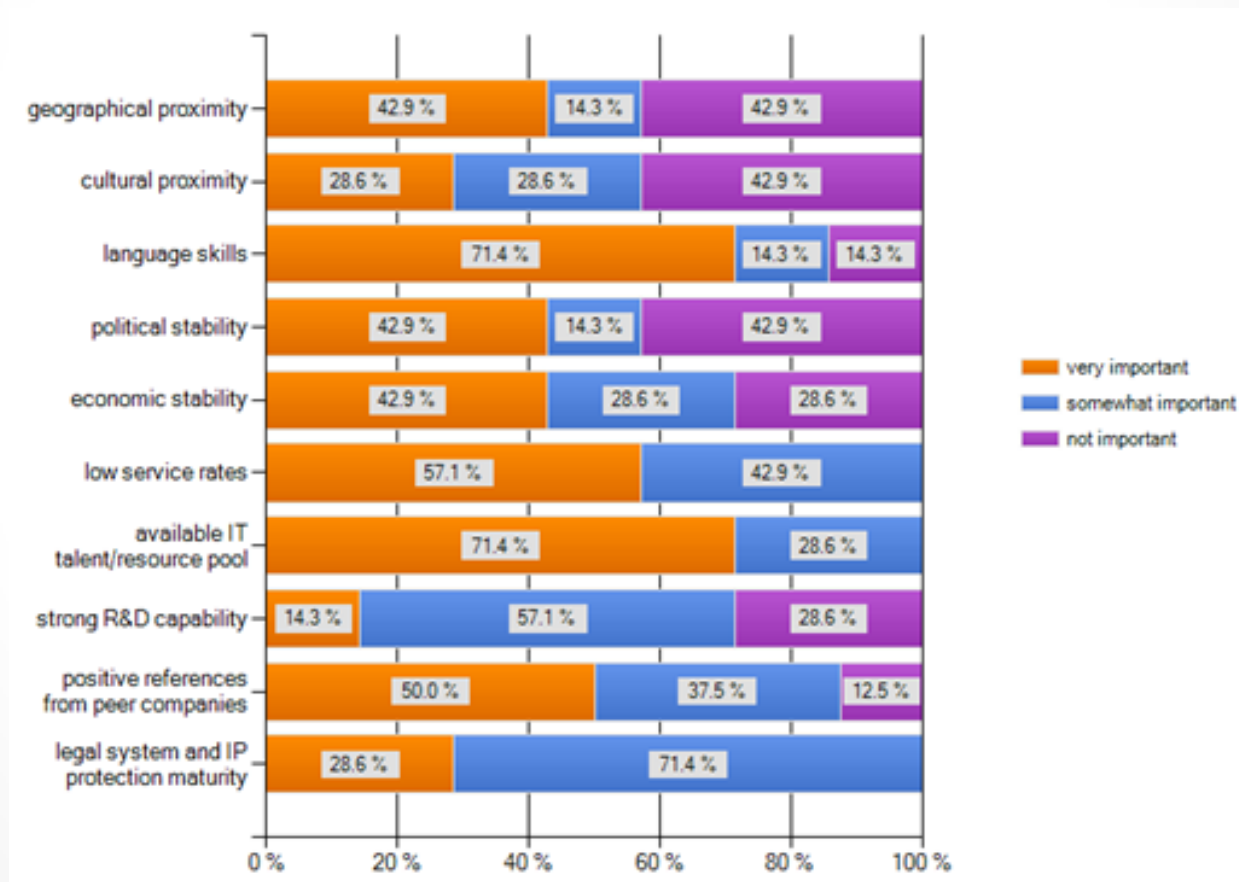


*Participants were asked to choose top 3 drivers



Outsourcing Trends

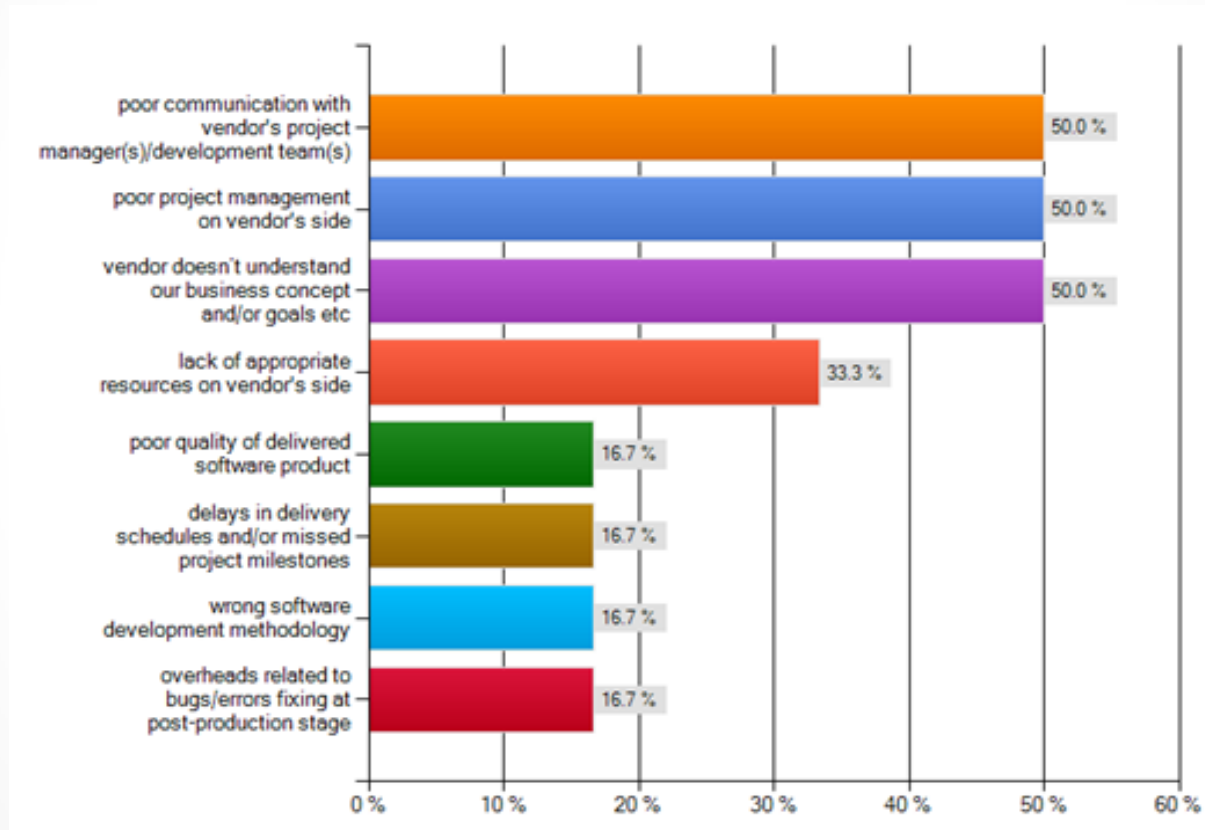
14. Ranking Factors By Their Importance In the ITO Locale Choice





Outsourcing Trends

15. Games Development Outsourcing Challenges*

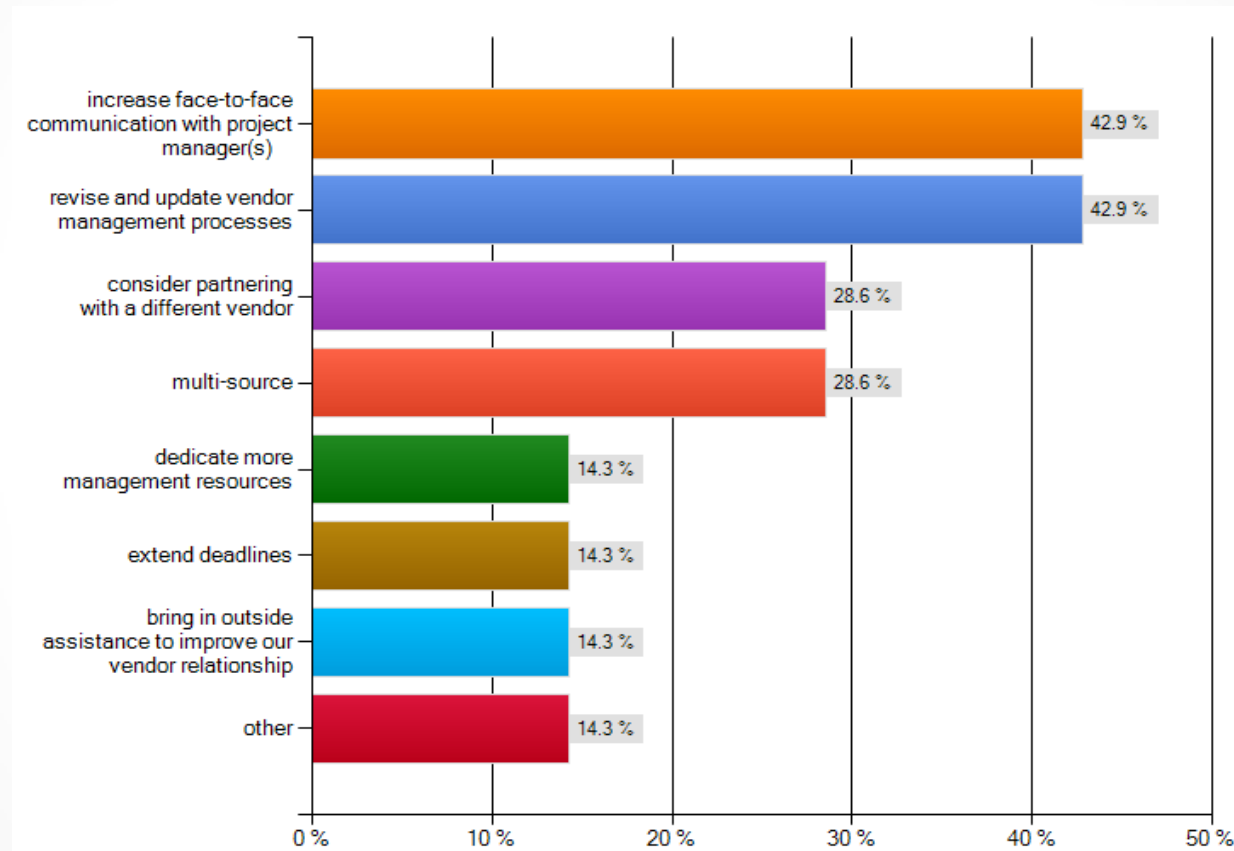


*Participants were asked to choose top 3 challenges



Outsourcing Trends

16. How Companies Respond To Their ITO Challenges

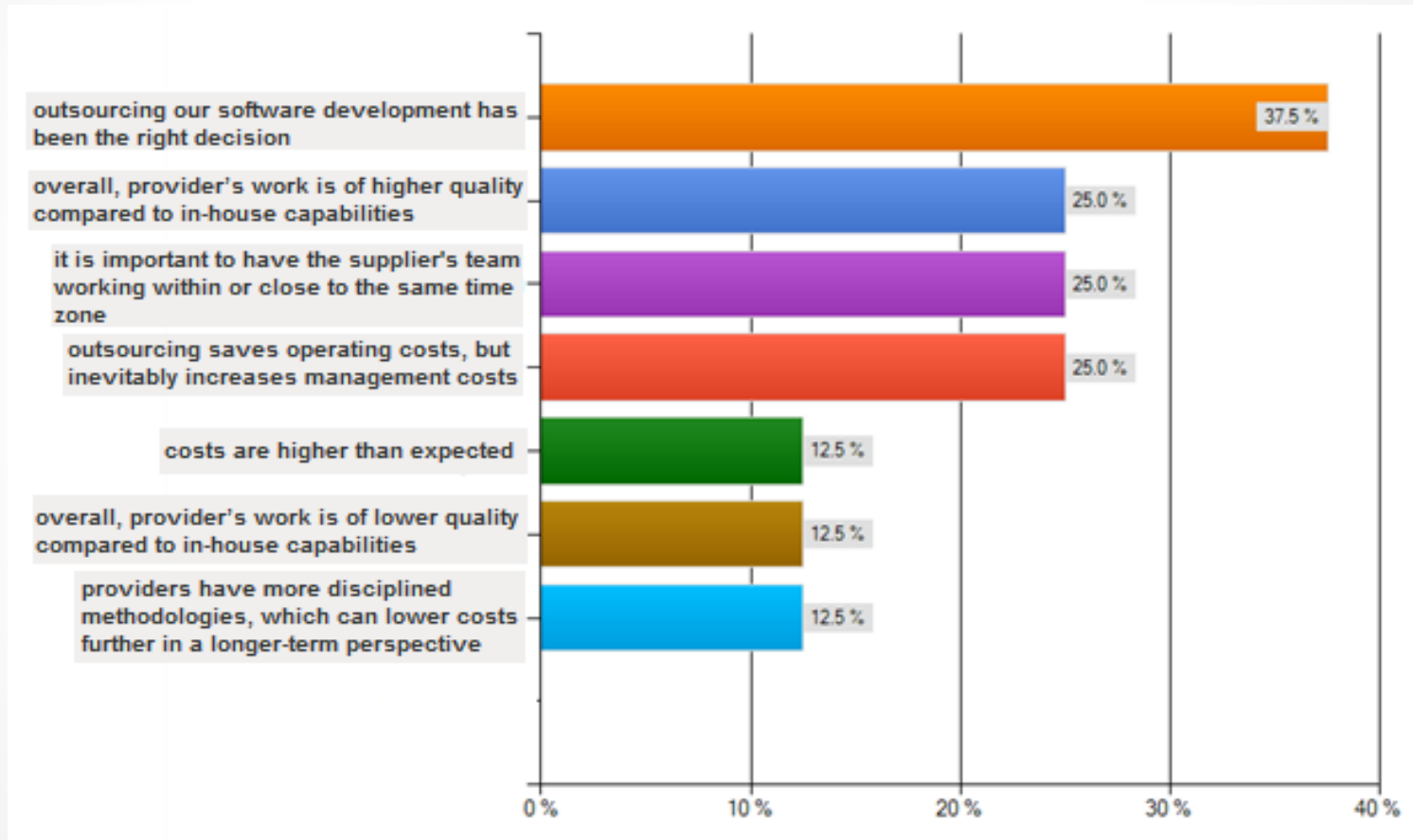


*other: hire foreign developers, add freelancers to project team(s), consider back-sourcing



Outsourcing Trends

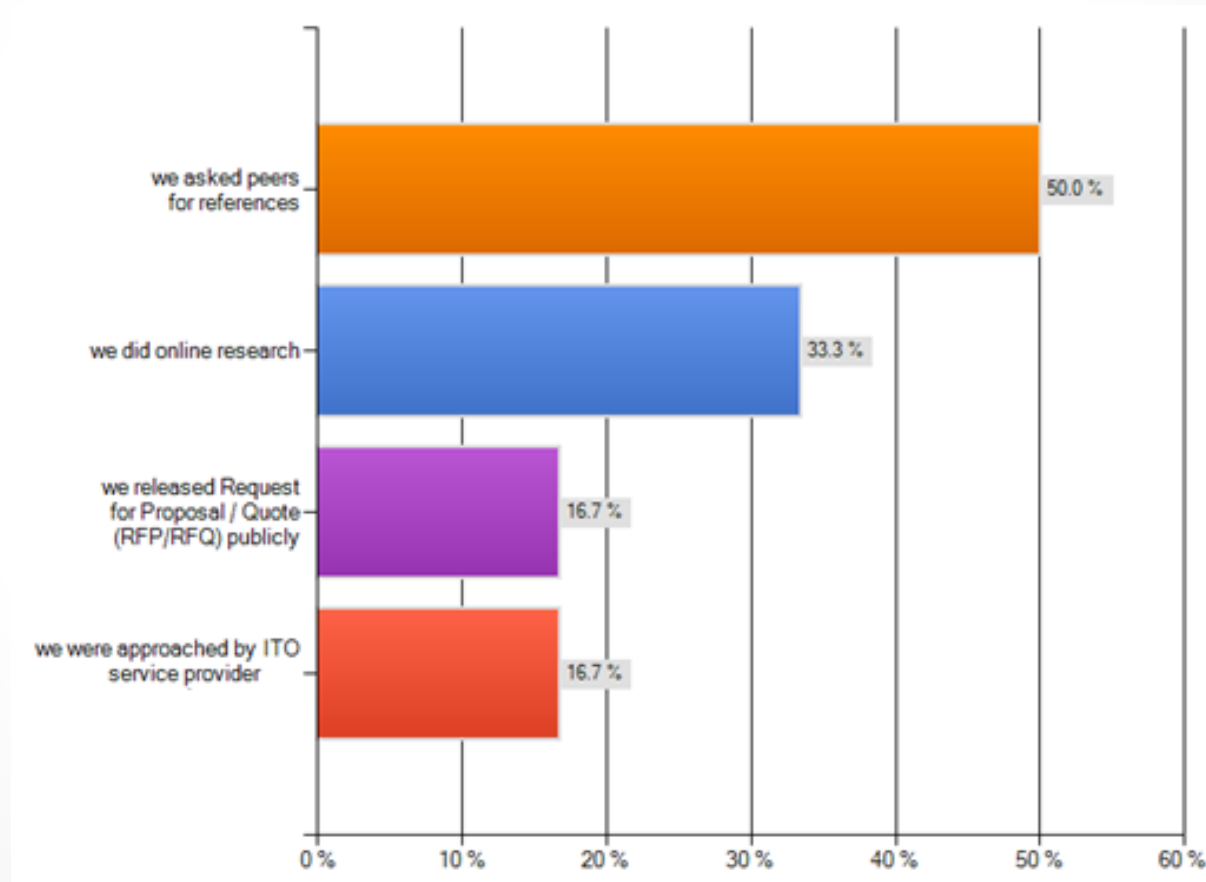
17. Impressions of Outsourcing





Client - Vendor Relations

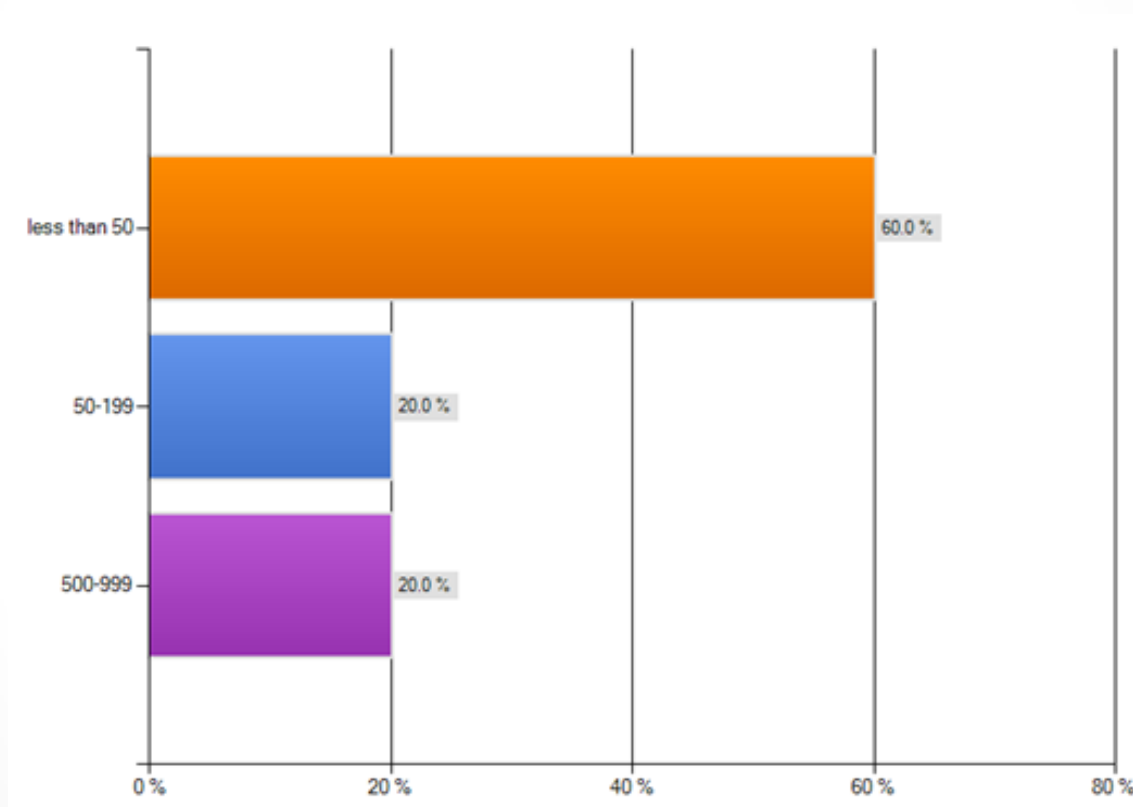
18. How Companies Found Their ITO Partner





Client - Vendor Relations

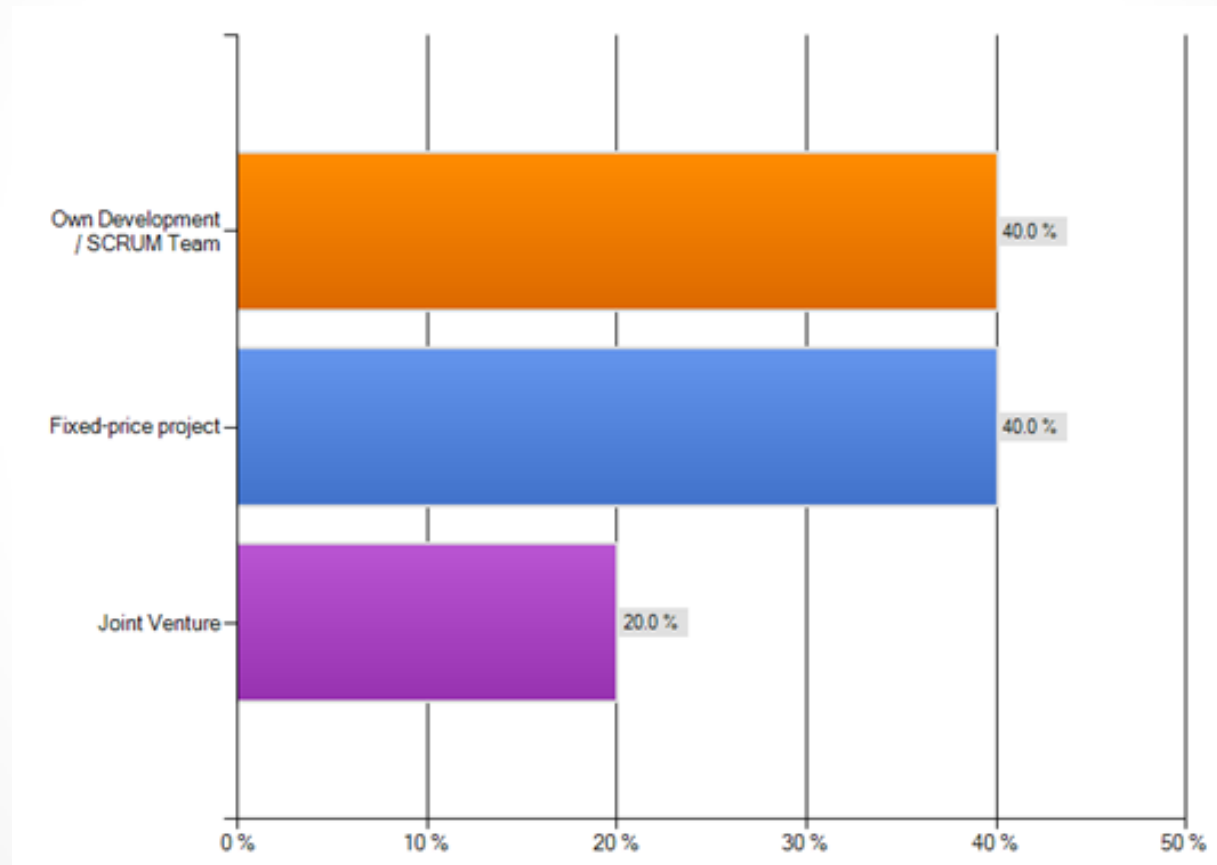
19. Size of ITO Partner (Headcount)





Client - Vendor Relations

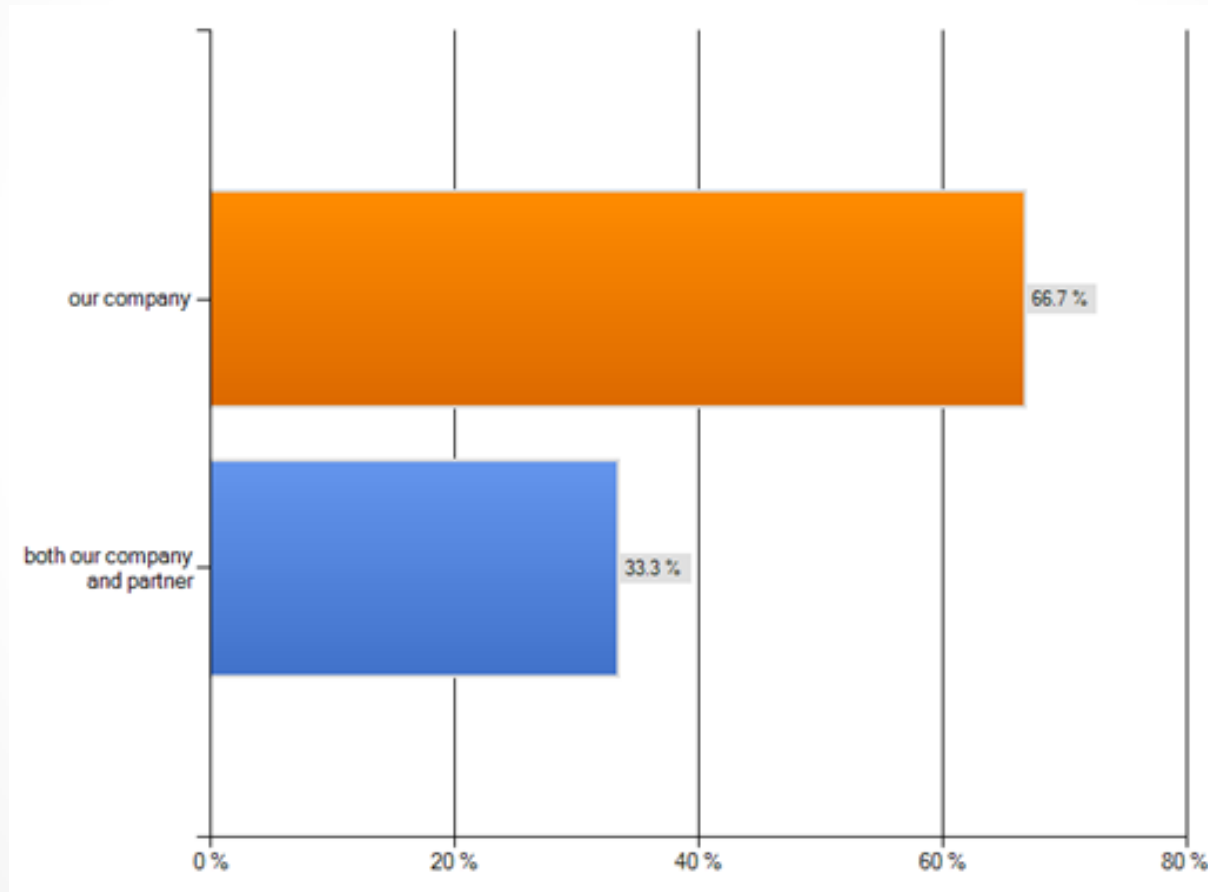
20. ITO Models Used





Client - Vendor Relations

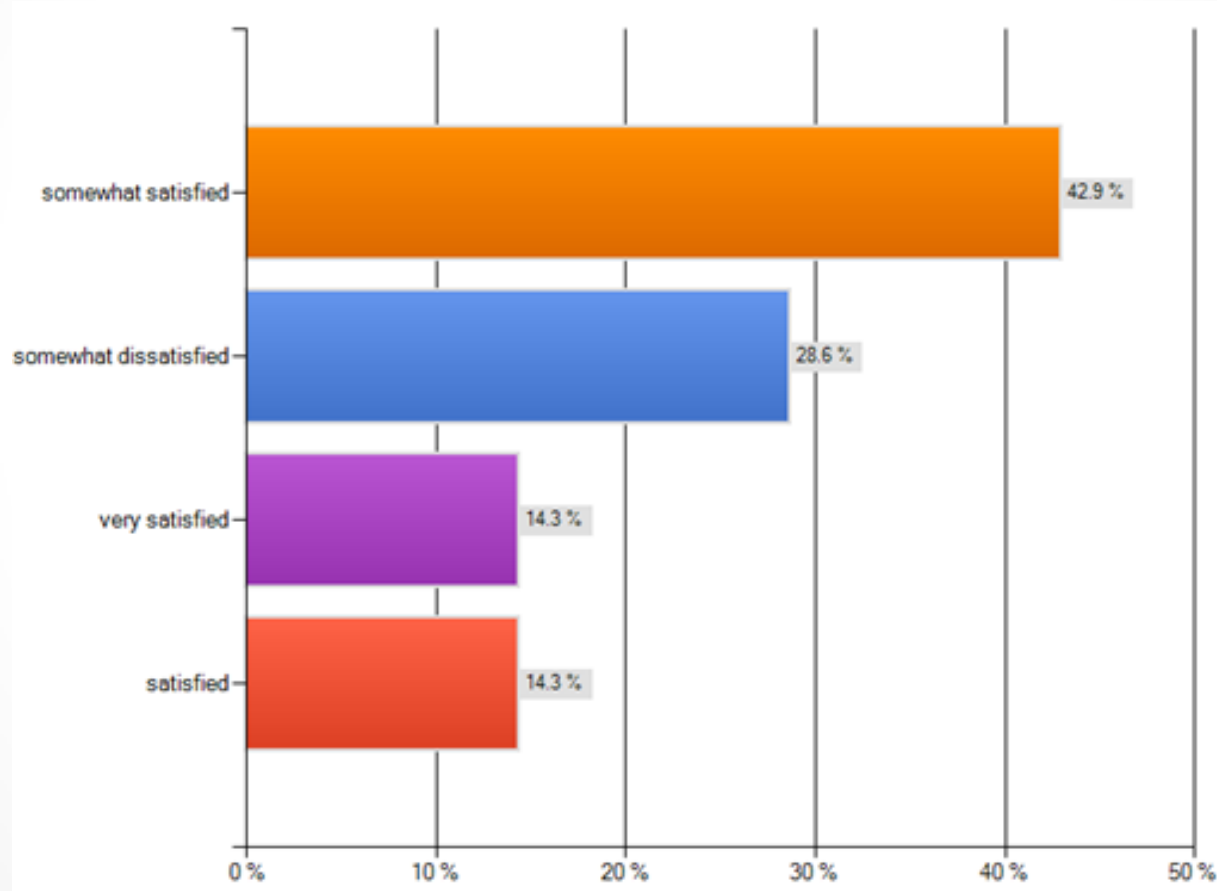
21. Who Selects IT Specialists To Be Involved In the Outsourcing Project?





Client - Vendor Relations

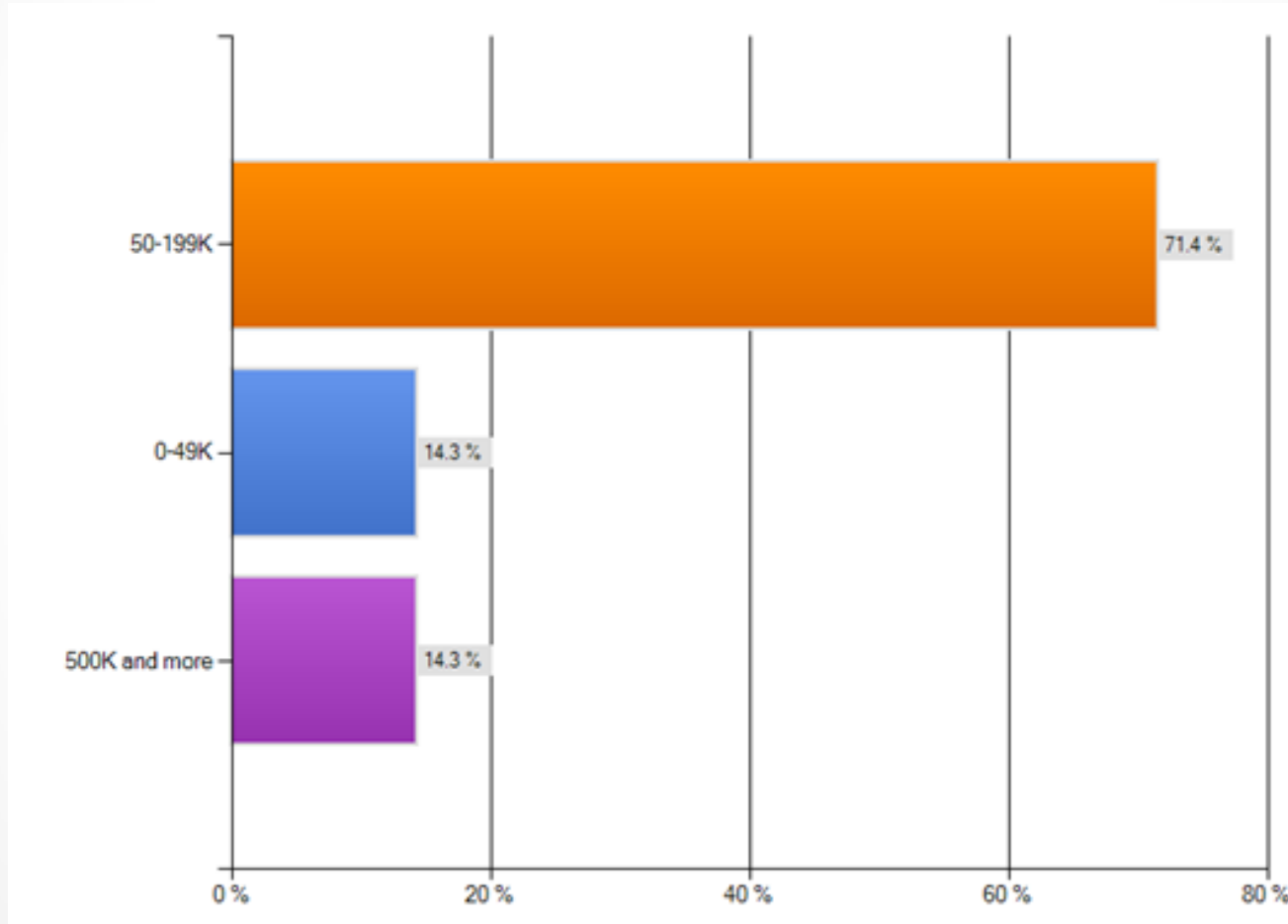
22. Level of Satisfaction With ITO Partner(s), Their Work Quality and General Attitudes





IT Outsourcing Costs

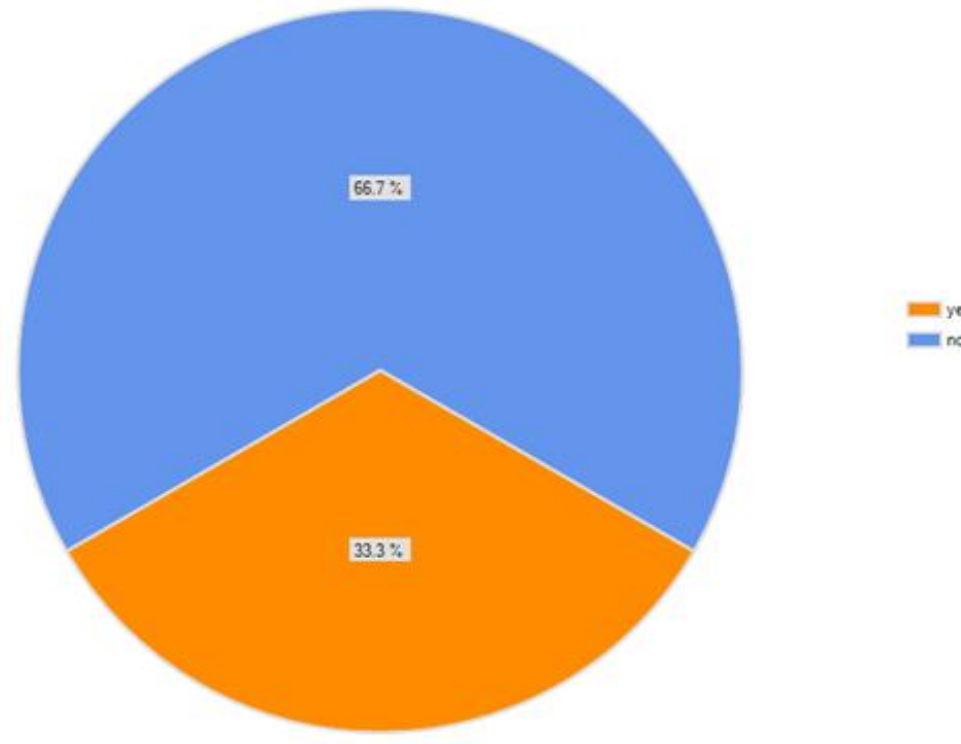
23. Outsourcing Projects Value (€)





IT Outsourcing Costs

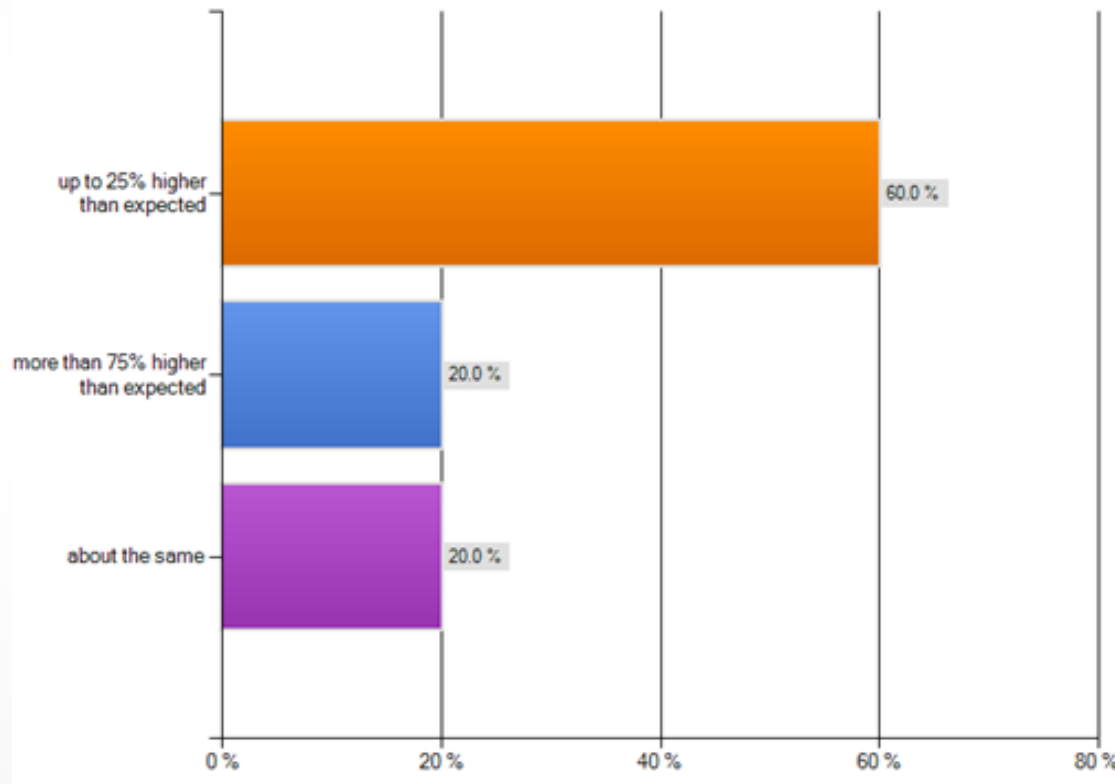
24. Do Companies Know Exact Salaries of Their Project Executors On ITO Vendor's Team?





IT Outsourcing Costs

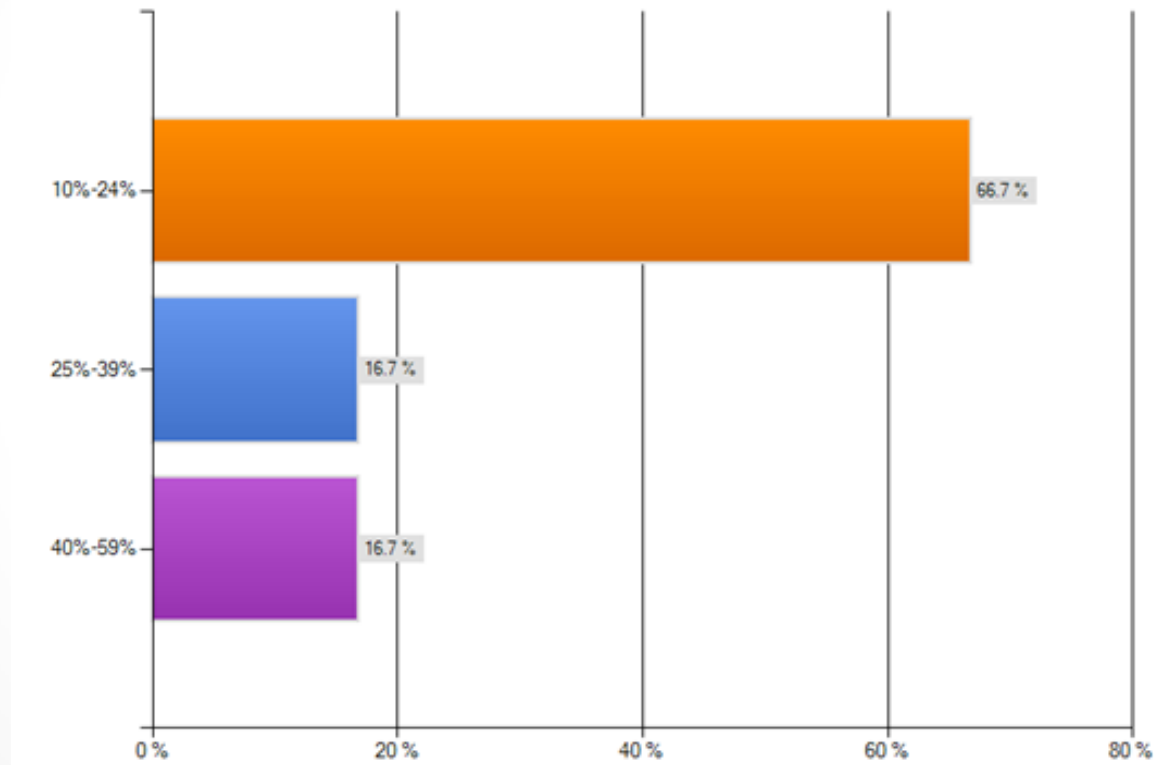
25. How Do Actual Annual Incurred Costs Compare To the Contracted Ones?





IT Outsourcing Costs

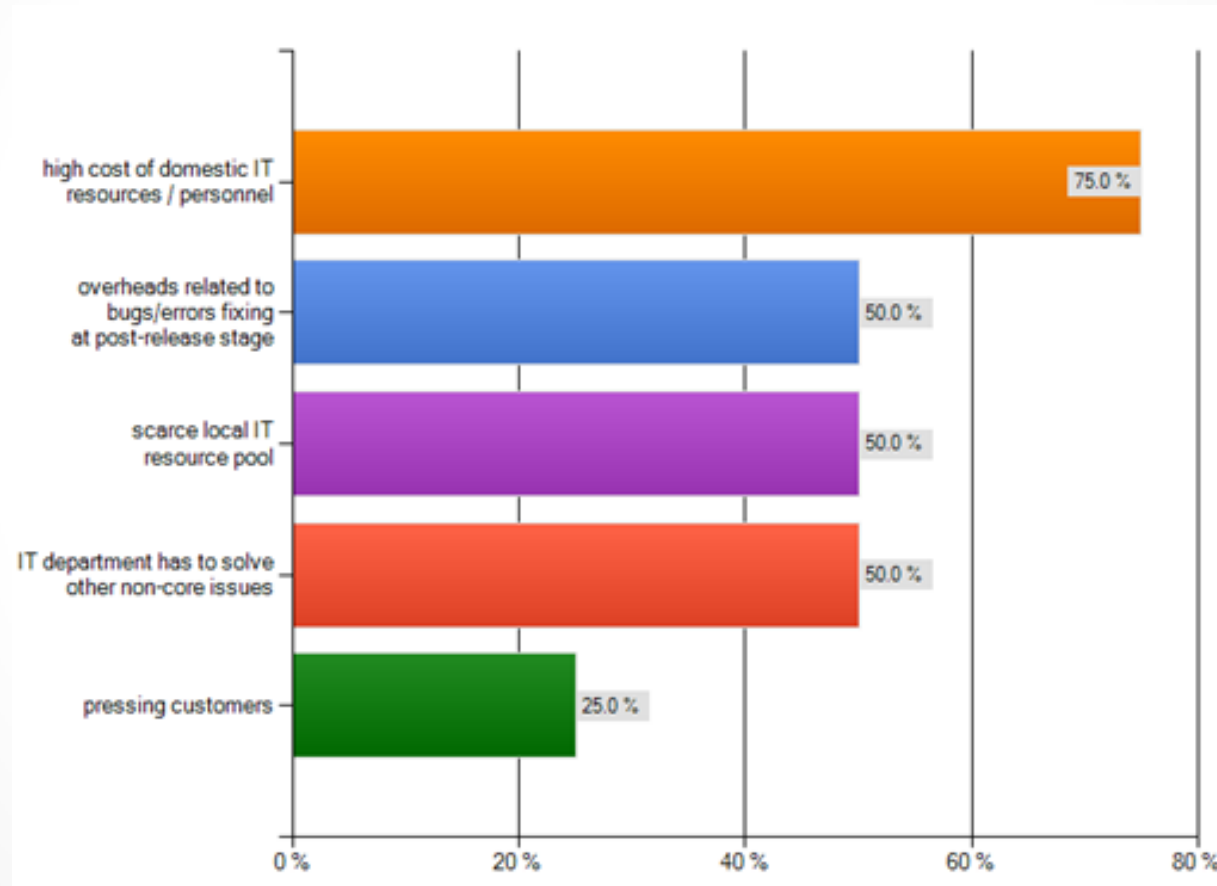
26. Actual Savings From ITO





In-House Games Development Trends

27. Challenges of In-House Development*

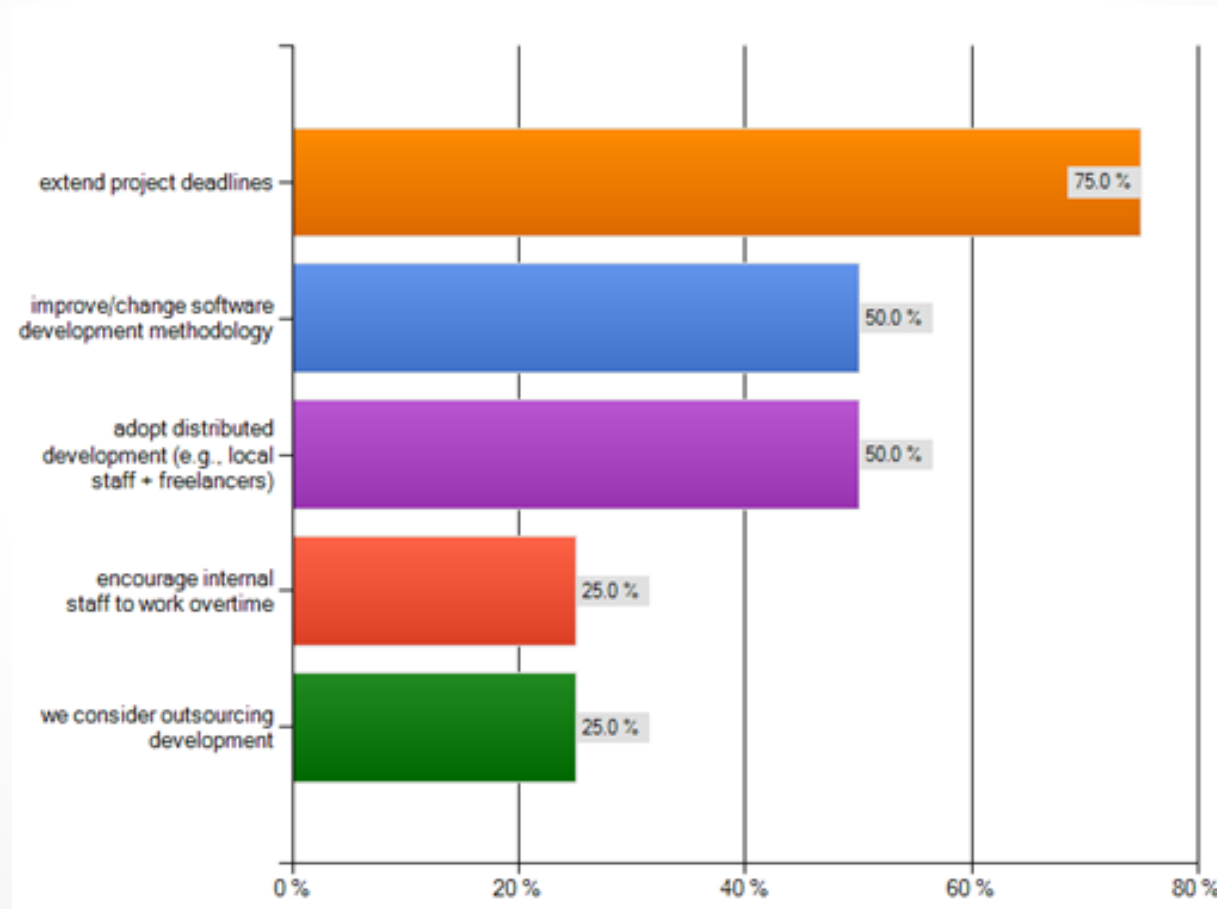


*Participants were asked to choose top 3 challenges



In-House Games Development Trends

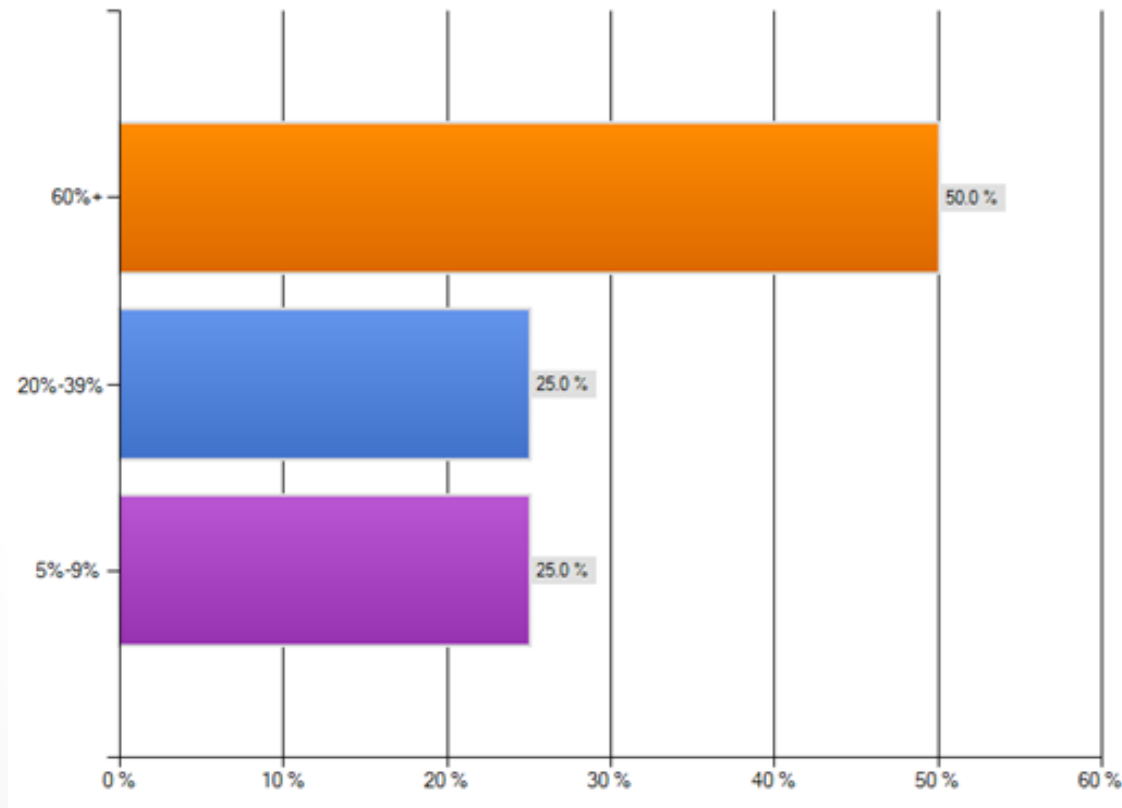
28. How Companies Respond To Challenges





In-House Games Development Trends

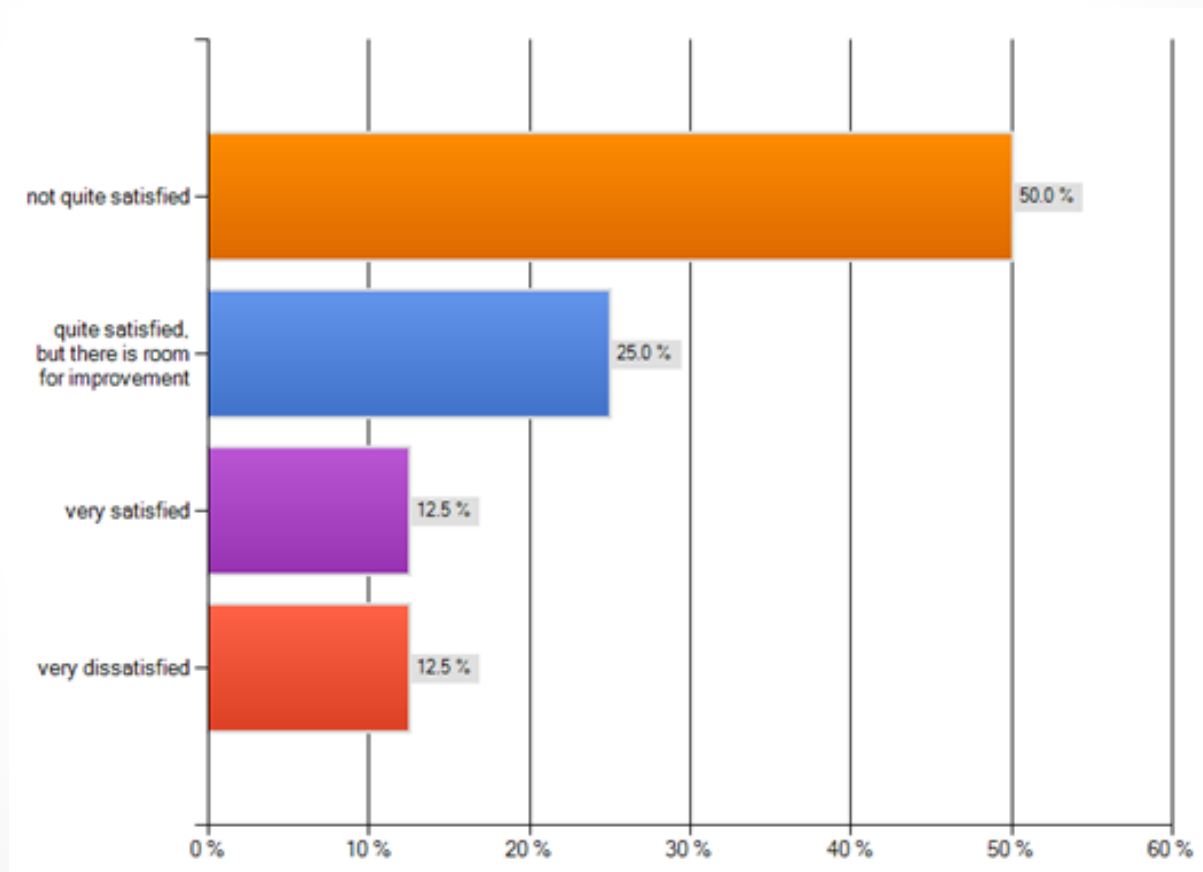
29. Part of Corporate Budget Spent On Games Development





In-House Games Development Trends

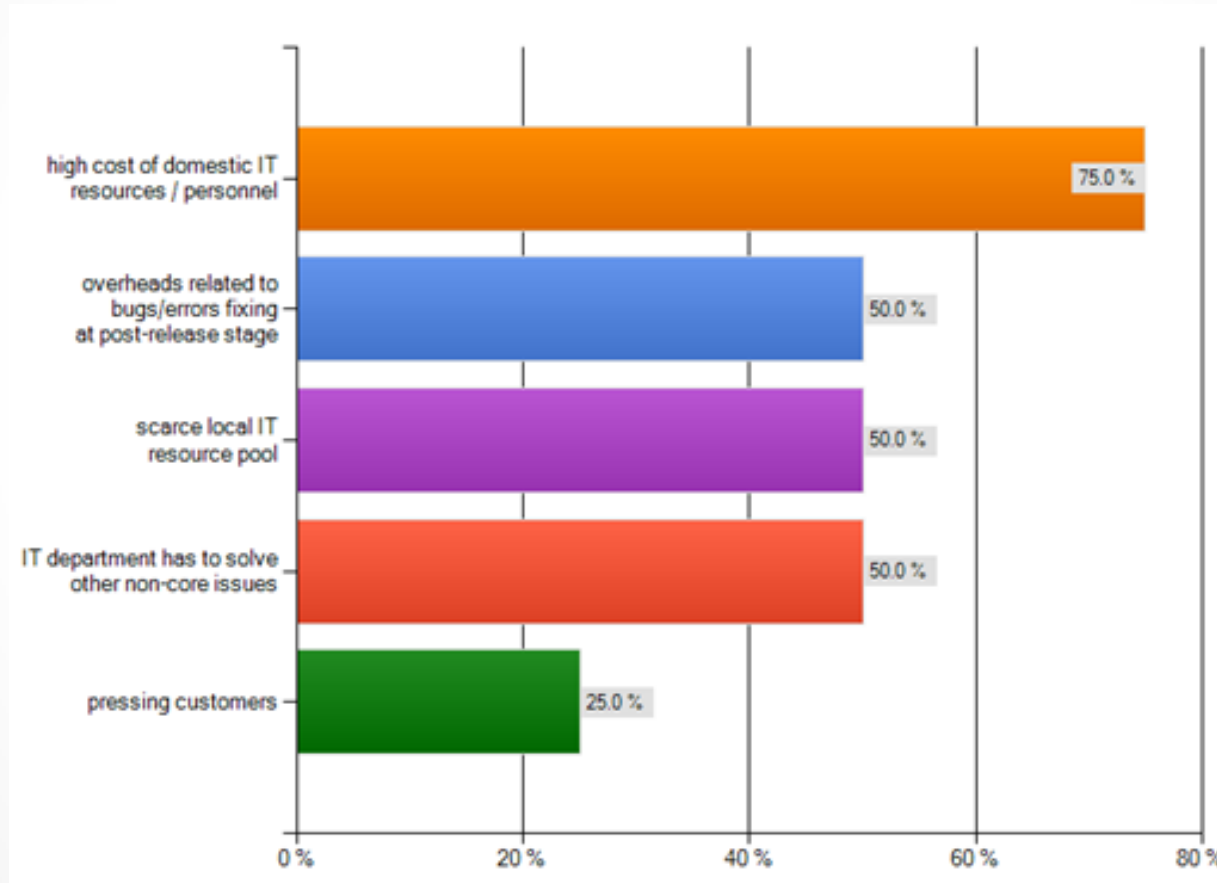
30. Level of Satisfaction With the In-House Development





In-House Games Development Trends

31. Challenges of In-House Games Development*

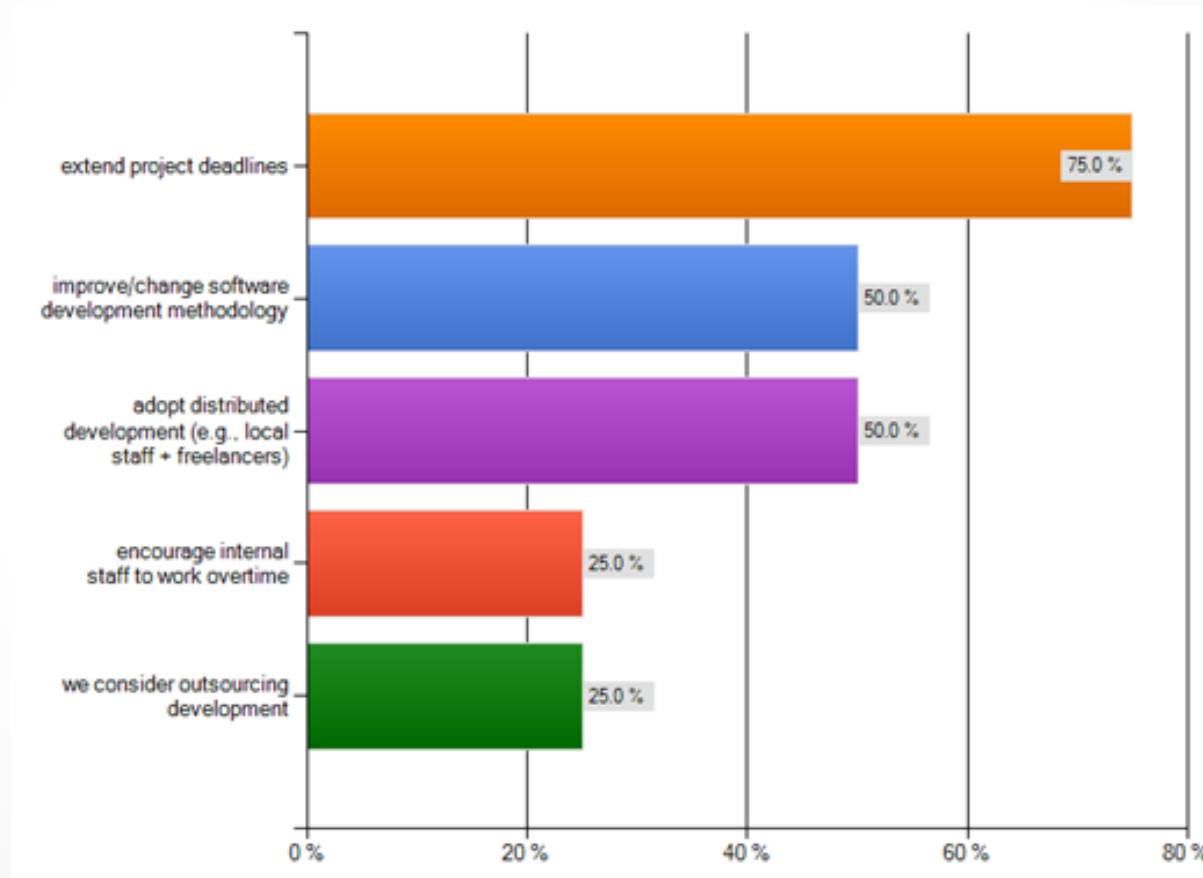


*Participants were asked to choose top 3 challenges



In-House Games Development Trends

32. How Companies Respond To Their In-House Development Challenges*

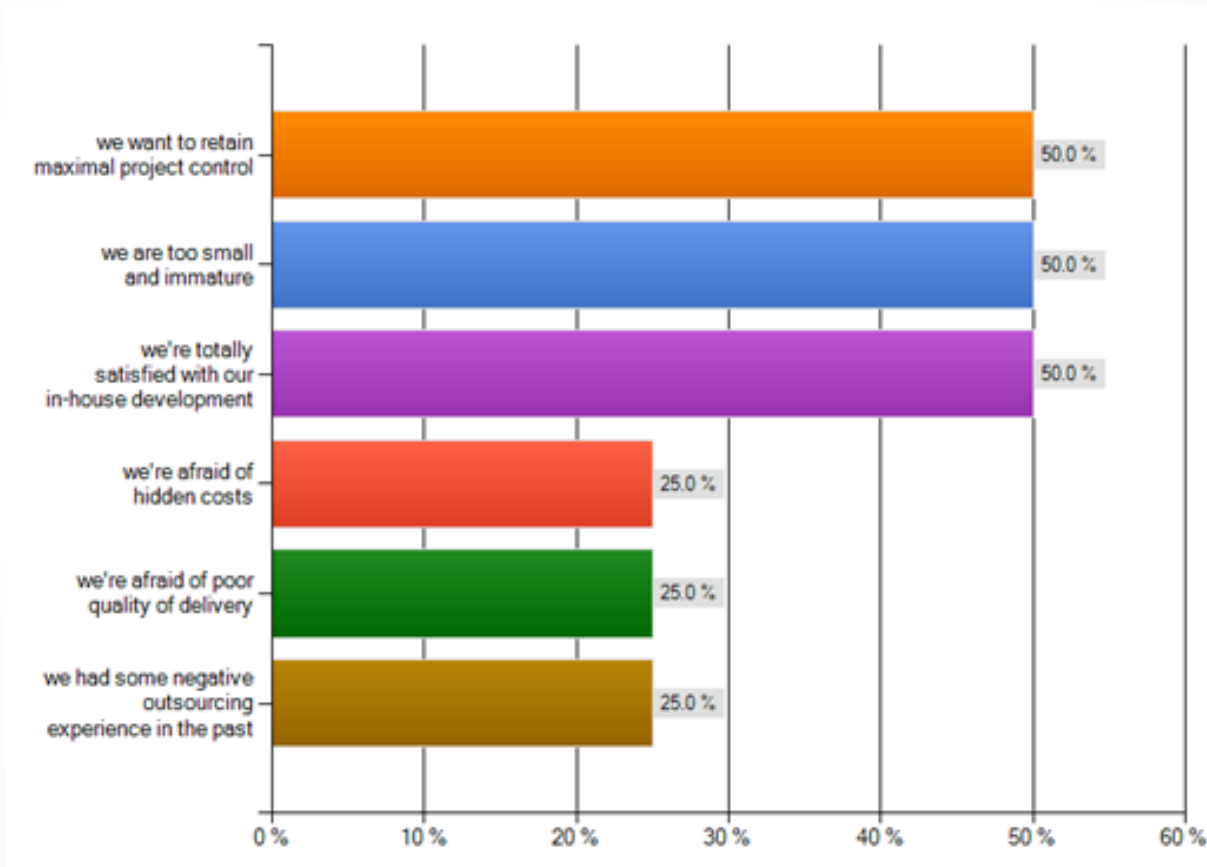


*Participants were asked to choose top 3 challenges



Future of IT Outsourcing Within UK Gaming Industry

33. Reasons Keeping Companies Away From Outsourcing*

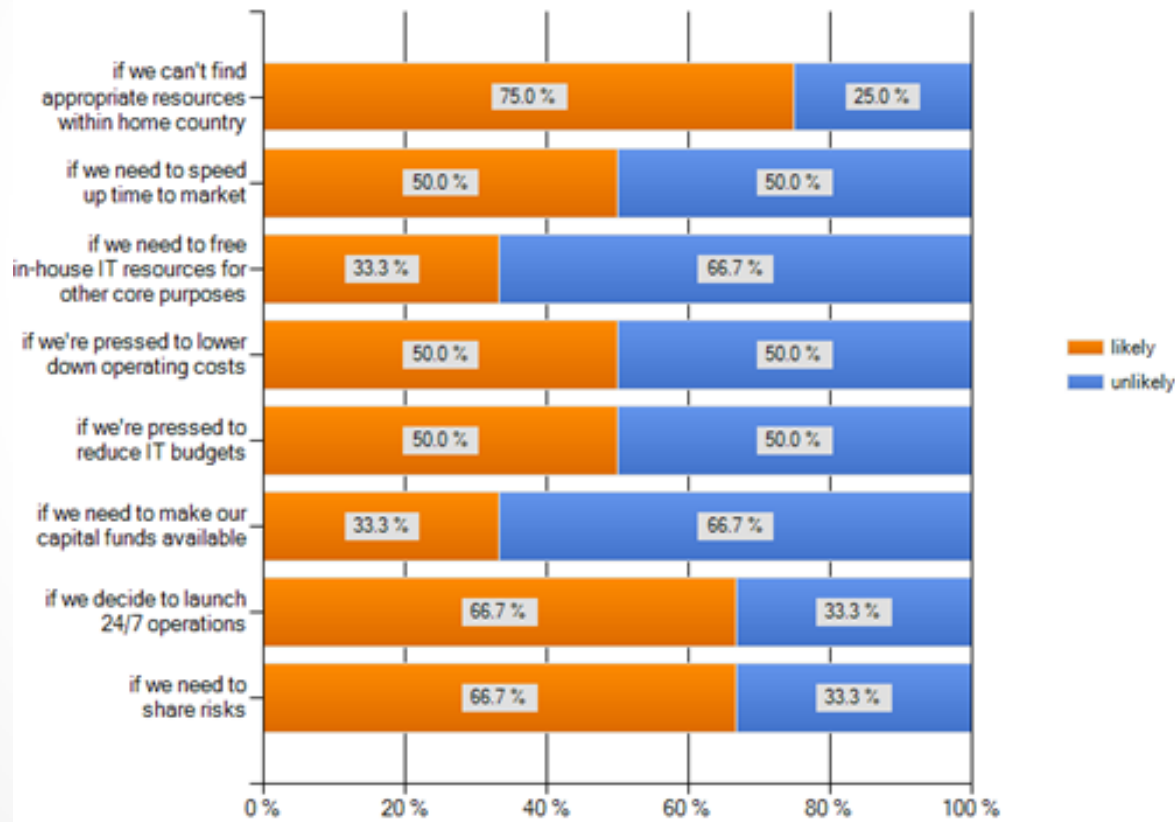


*Participants were asked to choose top 3 reasons



Future of IT Outsourcing Within UK Gaming Industry

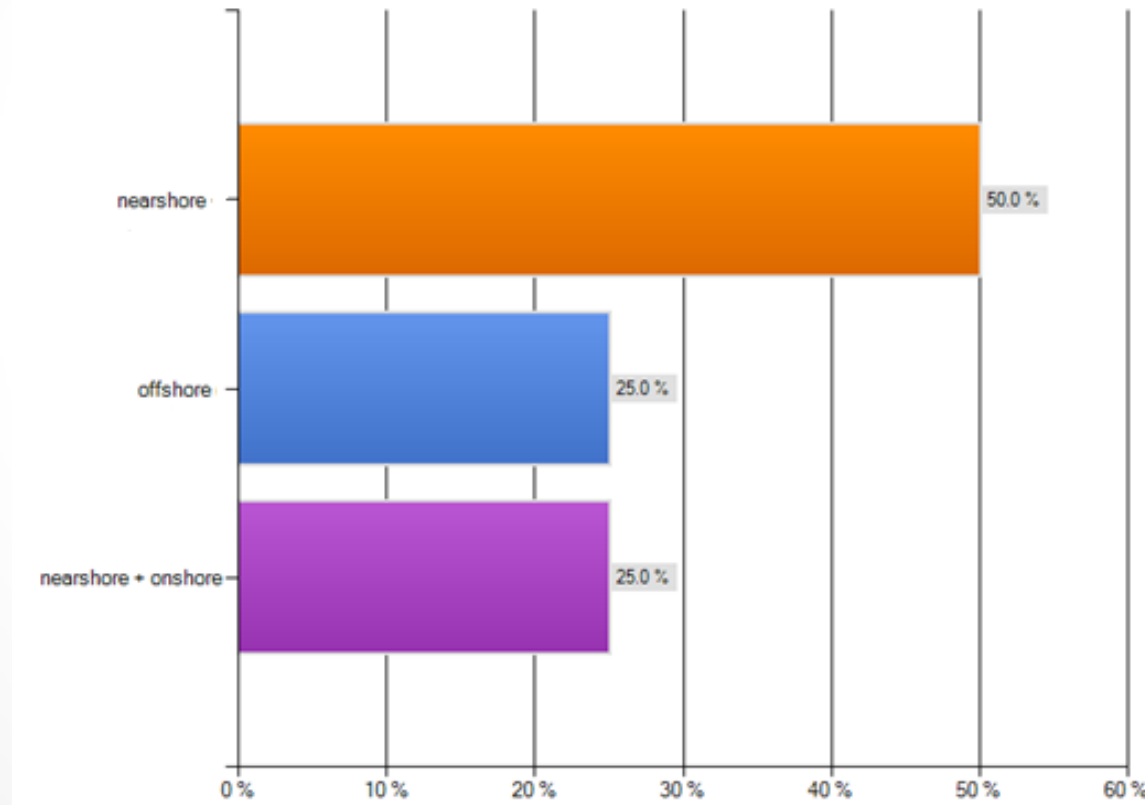
34. Circumstances In Which Companies Would Consider Outsourcing Their Games Development In The Future





Future of IT Outsourcing Within UK Gaming Industry

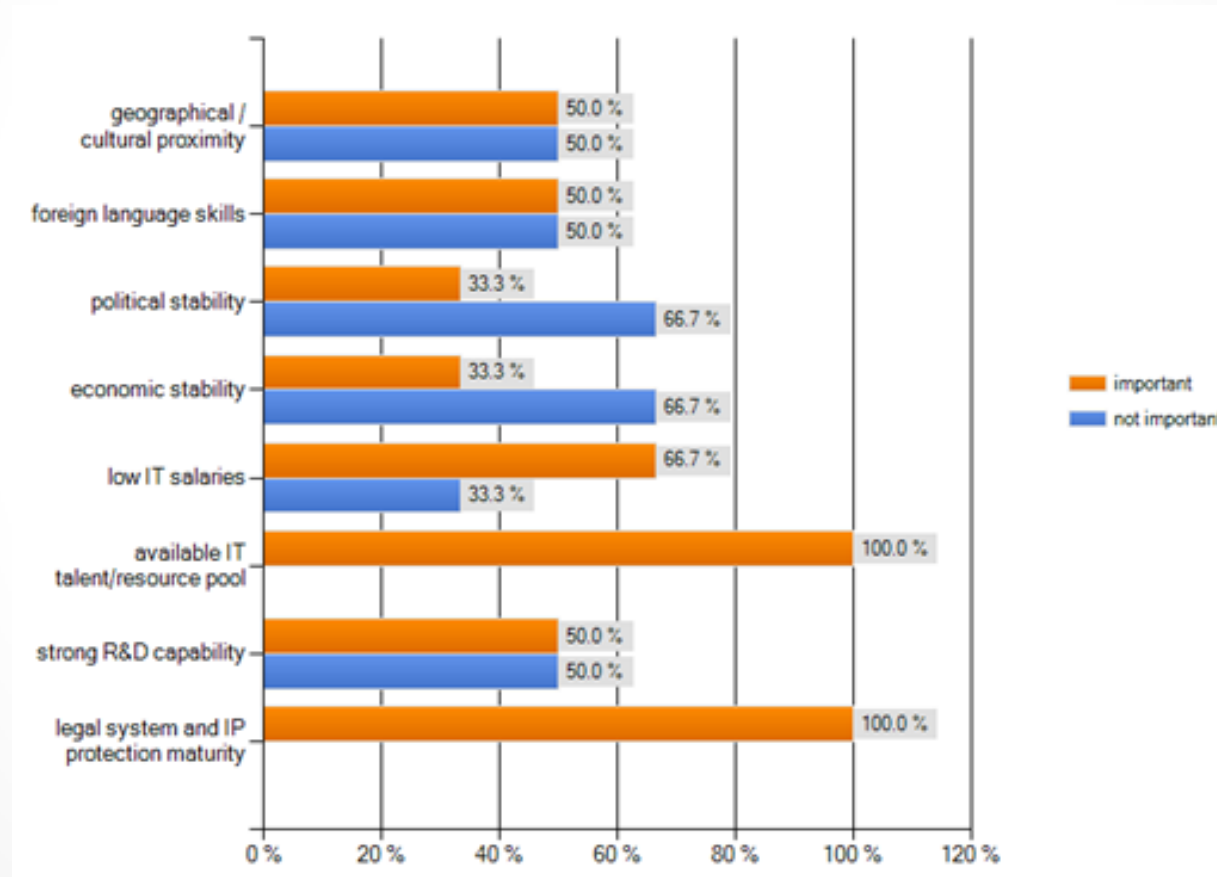
35. Destinations Companies Will Outsource Their Development If They Make Such a Decision In The Future





Future of IT Outsourcing Within UK Gaming Industry

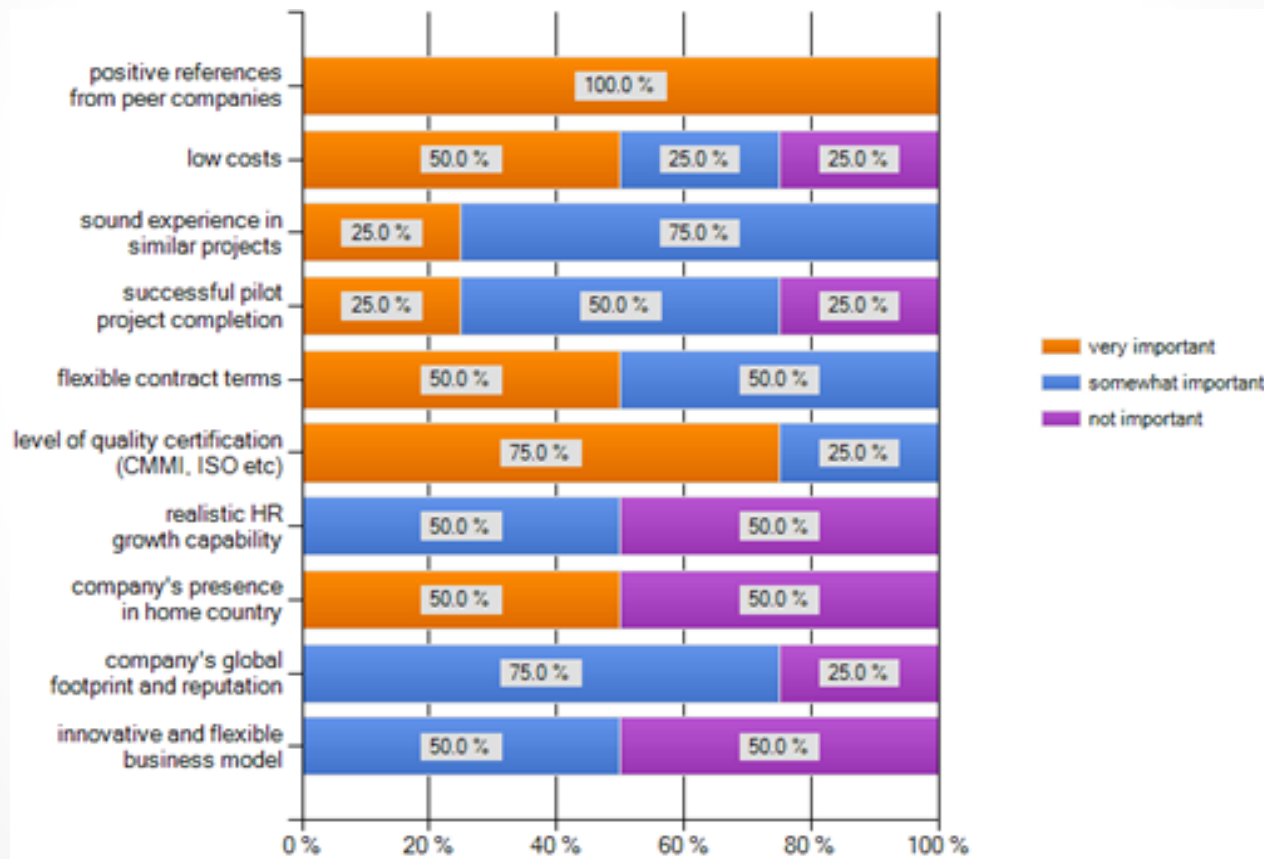
36. Ranking Factors By Their Importance In The Future Choice of Outsourcing Locale





Future of IT Outsourcing Within UK Gaming Industry

37. Ranking Factors By Their Importance In The Future Choice of Outsourcing Partner





Conclusions

The survey of the UK gaming industry actors allows an optimistic outlook for the future adoption of the outsourced games / gaming solutions development. Currently, companies are driven to outsource by pressures to lower down operating costs/software development budgets and needs to free in-house IT staff for other business purposes and speed up TTM. Since some of the key challenges of the in-house games development are high cost of / shortage of qualified domestic IT personnel/resources and 25% of today's non-outsourcers admit their plans to outsource, it is possible to conclude that demand for outsourcing services from UK games studios / online gambling providers will definitely increase in the following months.

Summing up positive trends of the UK gaming outsourcing:

- Outsourcing allows companies to speed up their games development process by scaling up the project execution teams (Fig. 6, 7)
- 40% of outsourcers engage with their ITO providers via Own Team model that allows them to extend in-house IT departments to geographically remote locations, while retaining maximal control of projects and team management. Within this model, the execution team fully belongs to the ITO buyer, adheres to its corporate policies, shares corporate values, objectives and mission, while ITO partner helps find the most appropriate resources and solve client's HR and administrative issues (Fig. 20, 21).

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Conclusions

- Almost 17% of game development outsourcers save 40% to 59% of their operating costs via IT outsourcing (Fig. 26)
- Almost 43% of survey participants are somewhat satisfied with their current ITO partners and 37.5% generally think that outsourcing their games development has been the right decision (Fig. 22, 17)
- 75% of today's non-outsourcers are likely to outsource in the future in order to access broader, better qualified and lower-cost pools of IT talent (Fig. 33)

Summing up negative trends of the gaming outsourcing:

- Another 40% of survey participants still engage with their ITO partners via project-based models (i.e., fixed-price), which partly explains why the actual annual incurred costs are higher than expected (contracted) (Fig. 20, 25) and why many companies do not know exact salaries of their project executors on vendor's teams (Fig. 24)
- The UK companies rely too much on outsourcing references from their peer companies (Fig. 18). This finding proves many UK gaming outsourcers to make their outsourcing decisions in haste as a short-term tactic to reduce costs and speed up TTM rather than a long-term company growth strategy. It also partly explains the hidden agenda behind many outsourcing transactions.



Conclusions

- The prevailing majority of game development outsourcing companies manage to save no more than 10% to 24% of operating costs from their outsourcing operations (Fig. 26). This finding can be attributed to another research finding that 60% of the UK gaming companies outsource their operations to small providers (Fig. 19) who usually bid lowest at the RFP response stage, but surcharge clients at later stages for extra work (intentionally omitted in the RFP response), staff turnover (small providers are, as a rule, incapable of attracting and retaining the highest qualified IT personnel just because they cannot afford to pay above average local workforce rates and/or offer working conditions as favorable as those of their mid-sized and large competitors) or post-contract due diligence.
- 50% of non-outsourcers surveyed still believe in the myth that outsourcing can be beneficial for large companies only (Fig. 33). This finding shows that UK gaming companies are still lacking sufficient knowledge about innovative business models able to effectively satisfy their outsourcing demands regardless of their size and annual revenue

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About IT Sourcing Europe

[IT Sourcing Europe](#) is a UK-based market intelligence company specialized in the European IT Outsourcing (ITO). IT Sourcing Europe offers independent and unbiased ITO market research and analytics, free access to ITO service providers in Central and Eastern Europe, and assistance in ITO strategy development. IT Sourcing Europe cooperates extensively with the [European outsourcing organisations and market intelligence companies](#) in terms of free ITO knowledge sharing.

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