

The outsourcing survival kit

It's reshaping the 3D industry – yet facts, figures or even-handed discussion about it are almost impossible to find. 3D World delivers five-point plans to help freelancers and studios flourish in the new era of outsourcing

BY MARK RAMSHAW

Few, if any, issues affecting the computer graphics industry are quite as contentious as outsourcing. Call it sub-contracting, and nobody bats an eyelid – but mention the 'O' word, and those who fear it begin sweeping statements about job losses and poor standards of work; while the studios that do use it often put the shutters up, believing that to admit to outsourcing might call their patriotic loyalty or the quality of their work into question.

Outsourcing is simply defined as a method where some processes in a project are handed to a third party. Because the motivating factors are often ones of cost and efficiency rather than a need to access additional or distinctive skills or talent, outsourcing tends to go to specialised studios in countries where prices are more competitive, due to cheaper business costs, lower salaries or better tax breaks. And, although the global economy is a complex, ever-changing thing, the trend is inevitably for work to migrate from the richer West to the poorer East. No wonder it's so controversial.

"Outsourcing is not a new phenomenon," says Eddie Leon, president and CEO of Spine3D. The architectural visualisation firm has outsourced for several years and now maintains a studio in China. "Manufacturing industries have done this for decades, and the IT industry has also done this successfully. It's a given fact that the beginning stages of any industry's supply chain will begin overseas."

While the emergence of outsourcing in 3D was perhaps inevitable, many are surprised at how quickly it has taken hold. Jason Manley, president of lauded art-creation company Massive Black, says there were just a handful of teams offering outsourcing services when they started out. "Now we're looking at around 300 studios that try to compete with us," he says. "That's resulted in much more competitive pricing on our part, and industry-wide."

The gold rush mentality undoubtedly drew in more outsourcing studios than the industry could possibly sustain, with a good number offering rock-bottom rates to attract clients rather than a proven track record. While this helped

push outsourcing to the fore, it also highlighted some teething problems.

“Five years ago, offshore production costs were such that the raw computer animation production costs for a half-hour television programme produced in India could be 40 per cent of what one would expect to pay in North America,” says industry expert and president of Pixel, Robi Roncarelli. “But the reality was that there were many additional, initially hidden, costs involved, mainly resulting from the increased supervision and direction times that had to be devoted to the project by the main producers. The labour pool in the offshore production companies soon became inadequate for the demands, so considerable training costs were also required.”

Although it’s undoubtedly still evolving, particularly in territories where a CG workforce is only now emerging, the outsourcing industry as a whole has matured enormously since then. There are now many studios with proven track records, a good understanding of the market and a level of professionalism equal to that of any standard facility.

“Talent isn’t exclusive, and the days of cheap labour – if you can call it that – are being replaced by studios that can deliver exactly what the client expects the first time, every time,” says Bettina Kast, senior creative designer at Netherlands studio Streamline Studios. “Back when we started, outsourcing was a dirty little secret – along the lines of what happens in Vegas, stays in Vegas – the difference being that developers really needed assistance. We had to spend a lot of time proving ourselves while also educating the market on the value of the services as a whole. Now we’re seeing studios weigh partnership, quality and delivery above price to remain competitive.”

“Two years ago it was a little different, as the new outsourcing studios were doing sub-par work at cost or even below, just to get the gigs,” says Manley. “Honestly, I never thought the industry would go for that ruse, but quite a few did. But I think the outsourcing industry is becoming more balanced, now that both the clients and a handful of the providers are establishing themselves.”

And as the outsourcing industry matures, along with the CG industry in general in each of the emerging territories, so the issues of cheap labour become less of an issue. “There’s a talent war going on in all development centres,” says Manley. “The industry has grown everywhere. For example, when we opened in Shanghai it was easy to recruit, but now there are a couple of hundred companies devouring talent, which drives the costs up.”

Increased competition between territories is also having an impact, adds Jon Harrison, external development director at Blitz Games Studios. “At one point India had very cheap labour and a grasp of the need for outsourcing. But

now China, Malaysia and Australia have broken through with gusto. Everything is balancing out.”

The way that clients interact with and use outsourcing studios has also changed. “Until 2003 or 2004, we were mainly seeing a lot of last-minute placing of work, using outsourcing to meet deadlines,” says Rajesh Rao, CEO of Dhruva Interactive, India’s oldest games company and one that has also handled outsource work for Western clients, including Microsoft. “Now people are starting to incorporate it into their long-term strategies; they’re sharing information; and at our studio, we’re also entering into long-term contracts with clients.”

Some Western studios are taking the notion of forging long-term relationships even further, either by actively investing or partnering with facilities in the East, or by opening their own outposts. “The large investments by American film makers are mainly aimed at lowering the cost of their productions – instead of growing their local facilities, they are directing some of that growth to their offshore facilities,” explains Robi Roncarelli. “There will be more of these set-ups as the industry plays follow-the-leader to cope with tighter budgets and more demanding VFX and computer-animated films and TV shows.

Prominent American studios that have set up shop in the East include Lucasfilm, Rhythm & Hues, Spine3D, Massive Black and Sony Pictures Imageworks. “We actually started out in an outsourcing situation with FrameFlow, handing over roto and simple compositing to their facility,” says Jenny Fulle, executive vice president of production at Sony Pictures Imageworks. “We were looking to save money like everybody else. We could see the benefits of doing work there, but our use of proprietary tools limited what could be sent over, so it made sense to partner with them.”

While cost savings are one benefit of opening in India, Fulle says that’s not the only reason for the expansion beyond US borders. “Another part of our philosophy is that not everybody in this industry wants to live in LA, so as well as keeping costs down, our satellite offices in places like India and New Mexico give us access to talent around the world.”

Another trend to note is that some Eastern territories are, for one reason or another, placing less emphasis on servicing the West’s outsourcing needs, and instead capitalising on expanding local markets. “In China, the government doesn’t want any more imported films and TV than they have to, so growth there is directed to feeding the huge local market,” says Robi Roncarelli. “Over in India, the studios are all trying hard to get jobs from North America, UK and Western European companies and TV broadcasters; but the local film industry

there is now also using copious amounts of animation and VFX, so companies there look to that industry as the low-cost bread-and-butter work.”

Nvidia’s Laura Dorhmann has been working in India for over two years now, driving the company’s Digital Bollywood Initiative, which is designed to strengthen and grow the local film and animation communities. “I don’t think outsourcing is going to disappear completely, but in terms of what Indian studios are producing, we are seeing a vast improvement in the quality of content being produced in India,” she says. “Further, as the market continues to evolve, we’re going to see them entering areas of specialisation. With more than 700 films being made in Bollywood each year, it’s on a completely different scale when compared to Hollywood’s standards.”

“This is a transition phase for the industry,” says Amit Anand, co-founder of India’s EttaminA Studios. “On one hand, Indian studios are looking inwards at the very lucrative and ever expanding domestic entertainment market, and on the other they intend on capturing a sizeable portion of the global outsourcing market. I don’t think countries like India can create their positioning based on pricing, and I am not sure there is enough volume, at least not yet, for India to justify its presence or dominance by volume of suppliers. Eventually, I think, this duality would provide longer lasting legs to India studios as compared to others from countries/regions, such as Eastern Europe, where outsourcing services for western markets is the primary business driver.”

Around four billion cinema tickets are sold annually in India, and Bollywood expansion shows no signs of slowing down – quite the opposite, in fact, as Indian cinema becomes an exportable commodity.

“PricewaterhouseCoopers predicts that domestic Indian film revenue will almost double from 96 billion rupees, or £1.14 billion, in 2007 to 176 billion rupees in 2012,” says Tony Bradley, communications director at Prime Focus London.

“And increasingly, these films are using Hollywood-style VFX to supplement traditional storytelling.”

Some facilities in the East have also gained enough size, experience and strength to buck to the West-to-East trend, and instead expand their operations to include facilities in Europe and America. This is the case with Prime Focus, India’s largest entertainment service company, which now runs 14 offices worldwide, including facilities in New York, Los Angeles and Vancouver, and four sites in London.

“The expansion of Prime Focus from its Indian base into the UK and US markets was a very natural progression,” says Bradley. “As the most mature and competitive post-production market in the world, London was the obvious first

choice. In 2006, Prime Focus purchased and brought together the VTR group of companies and boutique creative house Clear. The acquisitions of Frantic Films and Post Logic Studios in North America have followed a similar thought process – buy into some of the best companies in the industry, with the most talented staff, and offer their clients extra value and a new way of working if they require it.”

Bradley says that this last point is a key part of the company’s strategy. Clients can continue using the high-end suites in Soho as before, for example, or choose more cost-effective solutions by utilising Prime Focus facilities in other territories. And with over 600 visual effects artists employed worldwide, there’s also the ability for studios within the Prime Focus umbrella to work alongside one another on the same project. Recent collaborations have included effects work on films like *28 Weeks Later*. “We can compete with any other VFX facility in the world in terms of scale and talent, whilst taking advantage of the different cost bases and tax breaks at the various locations to offer highly competitive pricing,” says Bradley.

It is worth noting that this collaboration does not always involve work being shared from West to East. Says Bradley: “A number of Indian advertising campaigns have been completed in London, including a recent commercial for Sony Bravia commissioned by JWT India, which involved extensive character animation. As another example, Prime Focus India used Frantic Films in Canada for a number of shots in the new Bollywood movie *Love Story 2050*.”

UNFOUNDED FEARS?

The perception that outsourcing is somehow always wrong, damaging or compromises quality still endures. “Some people believe that jobs are being lost because of outsourcing,” says Leon. “In fact, I have never heard of any artists losing their jobs or studios downsizing because of outsourcing. One of the biggest challenges that Western studios continue to face is finding enough good local talent.”

“It’s a heated topic, but with regard to video games, it can be clarified very simply,” says Manley. “10 years ago, the most expensive games were a few million [dollars] on average, whereas development costs are now much higher for the major titles. There has to be some give in production budgets. Outsourcing is actually keeping people in work: without it, the industry would not see the necessary profits required to continue growing.”

“I haven’t witnessed a noticeable change in the two years that I have been freelancing,” says Chris Syborn, a TD currently freelancing at Framestore CFC in

London. “I think there is still a lot to be said for actually being in the studio, where you can interact face to face with people, as opposed to over the phone or email.”

Freelancers even have a potential new source of work: the outsourcing studios. “We’ve brought in freelancers and contract staff to work on-site for projects that demanded it,” says Chris Morland, business development manager at UK-based outsource studio 3D Creation Studio. “We’ve used external freelancers to supplement the internal team as well. It’s great to know that there are some quality freelancers out there to help us when we’re running to capacity in the studio.”

Another argument is that outsourcing is unethical – yet another example of rich countries abusing poorer ones by using them for cheap labour. But the computer graphics industry is fairer than most in this respect. Facilities in the East hardly operate in the manner of a sweat shop and, by partnering with Western companies, do help to grow and advance the skills base in their own territories, arguably raising living standards.

Neither can outsourcing facilities still seriously expect to compete solely by employing cheap labour. “We’ve seen people attracting clients by offering rock-bottom rates, but what’s the point of getting it done for half-price and putting the project at risk?” says Rajesh Rao. “Really, it’s the same with any service industry. Everybody jumps in at the beginning, but only those who really understand the business and have long-term commitment survive.”

TIME AFTER TIME

There are certainly some cultural, technical and creative issues to consider, however, with a different set of variables to weigh up for each territory that offers outsourcing services. Take time zones, for example. “Time zone differences are fine for stand-alone tasks, but for work driven by direction and feedback, it can be a problem,” says Jenny Fulle. “We were doing compositing on *Eagle Eye* and *Open Season 2* in India, and found that we needed a compositor working nights over in the US, to be able to have interactive feedback.”

Other factors to consider include language, culture, business practices and the type and level of education typically found in a country’s 3D industry workforce. As executive director of operations at Imageworks India, Joe Gareri has first-hand knowledge of how these can affect a project. “In India, things never happen when they say they will happen, which can be frustrating when you’re relying on something to be delivered,” he says. “And of because of that time difference, if something goes wrong, you can lose two days out of your schedule.”

“There are definitely differences, both culturally and in business practices, and these vary throughout the India,” says Laura Dorhmann. “But my experiences have been tremendously positive. Time and again I see people working passionately to have India recognised as a key player in the global community.”

Nevertheless, some clients do inevitably feel more comfortable handing their outsourcing work to facilities in the Western. Europe, Canada, South America, and even North America all now successfully compete with those in the East. “Local contact, proven expertise, accountability, and similar cultural knowledge are all important factors in our favour,” points out Chris Morland at 3DCS.

Some of the Western facilities now servicing clients include those with established track records for full production of their own projects. Core Digital Pictures is a case in point. The Montreal-based studio is well established as both an animation and visual effects house. It even produced CG feature *The Wild* two years ago. Yet it also acts as a service house, with recent credits including Aardman’s *Chop Socky Chooks*.

“Aardman co-produced the show with Canada’s Decode Entertainment, which helped them take advantage of the very competitive tax credits and incentives over here,” explains Doug Masters, head of toons at Core Digital Pictures. “We’ve worked with Decode for a decade now, so they were a natural choice when they were looking for a service provider over at this end.”

Masters says the studio’s experience in this field meant that Aardman could deliver full realised concept and prop designs, and then simply let Core get on with the animation work. “The creative developments skills we offer are value-added,” he says. “People come to us because we can get the animation done, and then they also find that they can rely on us for more, so they feel comfortable about us making creative calls for them. And because we have established tools for remote working, it’s an increasingly transparent process.”

Masters points out that a similar level of comfort is rare with outsourcing. “It usually involves some substantial investment, taking measures such as installing your own people at the outsourcing facility.”

Masters believes that clients are now concerned more with value than cost. “In the early days it was strictly a cost-based decision, but cheap resources are always dangerous. If you have an outsourcing facility that just throws more people at a project, then the efficiency level isn’t going to be very high. I think people now want that ‘premium dealership experience’, from a studio that can look after the customer’s needs. As the smoke clears, people are realising the value of security and quality – that’s when you get the most bang for your buck.”

“We have a few clients that tried outsourcing to the East but came back to us,” says Gavin J Rothery, art director at UK outsourcing outfit Think Tank Studios. “They’ll start working with these companies for cost reasons, but come up against language problems and find that there’s no indigenous history of games production. That can be a real pain when you’re working on a technical games development job. And while cost is always going to be a factor, it’s a myth that places in the East are always much cheaper. Prices are steadily increasing over in India and China.”

Rothery also highlights the potential pitfalls of outsourcing work to countries that lack a good understanding of Western pop culture: “People in the West grew up on things like *Star Wars*, and the games industry in particular constantly draws on those reference points. Without that knowledge, you’re lost. I’ve seen models based on my concept art come back from China, and the effect is like when your clothes have been through the wash too many times: the lustre is missing. Although we’re an outsourcing company, the people here work as artists rather than drones.”

Jon Harrison isn’t so sure. Blitz outsources art tasks right across the board, with around 30 per cent of the work typically sent to studios in other countries, including Australia, China, Malaysia, India and the US. “Years ago there were cultural barriers, but those are being broken down now,” he argues. “A lot of outsourcing companies are also employing Europeans, to ensure that they’re working on the right level.”

“Some outsourcing companies, particularly in Eastern Europe, are actually headed by locals who have worked in North America,” says Robi Roncarelli. “Back home, they have local contacts and sources of funding – with their American experience helping attract that funding, as well as bring in jobs from contacts developed over there.”

MARKET PLAYERS

Of the territories that are now home to substantial numbers of outsourcing facilities, Eastern Europe continues to compete, while the last few years have also seen the Philippines, the Pacific Rim countries and even South America also enter the fray. In the West, companies in Canada, the UK and even the US are securing work from clients. But it is still India that is very much in the lead.

“With a large, well established local film industry, a strong technical reputation and a universal use of English in business, India remains the prime outsourcing provider, and will continue as such,” says Roncarelli. “China appears to be a strong contender for outsourcing. But government controls, local

participation mandates, political agendas and language barriers continue to be deterrents.

That said, some companies have had success tapping into the Chinese talent base. Both Spine3D and Massive Black have enjoyed success in China, to the point where they've established satellite studios over there. "We found the balance between quality, speed and work ethic to be ideal," says Leon. "There were other studios in Russia and Brazil that offered higher levels of precision, but we had difficulties with reliability and pricing."

"Chinese artists definitely have a strong aptitude for 3D, which is natural given their country's historical strength in manufacturing and production as well as traditional sculpture and drawing," adds Manley. "For Massive Black, it was a no-brainer to grow there."

While outsourcing vendors are targeting all the key sectors within the CG industry, it's worth noting that the options available vary between the visual effects and animation, gaming and architectural visualisation fields, as well as between projects of different scale. Work on commercials tends not to be outsourced, for example, because of the short deadlines. "One of the hardest things to outsource is concept art," says Jon Harrison. "If you're going to send this to a vendor, be prepared to do revisions with lots of back and forth, and try to keep the brief watertight."

"It's always a challenge to figure out what a client wants with concept work," agrees Manley. "Dealing with 'we need 20 underwater characters that are edgy, fashionable and come from the year 2040, just after the second apocalypse' isn't easy when even the client isn't sure what that means."

HORSES FOR COURSES

Outsourcing has always been well suited to grunt work, of course. In the visual effects industry, this has led to a strong focus on sending tasks such as roto and matchmoving out-of-house. But, increasingly, more complex 3D tasks such as modelling, rigging and animation are being outsourced. Manley reckons 3D work, though demanding, is actually probably the easiest thing to outsource. "It's not too difficult to hand over photos, precise concept drawings, and tech specs and say 'make this'."

Animation for games is still at a relatively simple stage and so is easier to deal with, but at the higher level – on animated series and feature-length CG cartoons, for example – cultural problems can again arise. Artists in countries less familiar with Western cartoon and acting styles can find it difficult to adapt. "India has a very different aesthetic when it comes to animation," says Gareri.

“There are nuances to the performances in Western work that can make it very tricky.”

When it comes to visualisation, it's the modelling work that is the most complex element. It's not enough for a model to look good: it also needs to be architecturally correct. While there have been isolated instances when Western clients have had problems with sub-standard model work, Spine3D's Eddie Leon says this is the one area where it makes perfect sense to outsource, provided a capable vendor is used. “This phase of the project is mostly technical and can be easily performed by artists with proper training and the ability to read the plans in the language they are written,” he explains. “The parts you probably don't want to outsource are the final touches in post-production, which define your style.”

A NEW WORLD ORDER

Outsourcing isn't a simple, one-size-fits-all option. Not only does the suitability of outsourcing each task vary wildly from project to project, but what works for one client may not be suitable for another. Furthermore, outsourcing is a tool that requires time, effort and understanding to utilise correctly. “You can't just expect to press a button and start outsourcing,” says Rajesh Rao. “How much time you spend preparing is key. And each company has to find its own formula getting the right balance for what to keep in-house and what to outsource.”

“You need to plan, to cost properly, and give the external studio time to get up to speed when producing the work,” notes Andy Gahan, art/outsource manager at Sony's Evolution Studios. “You also need to assign internal staff to manage the process, critique the work, resolve any problems and generally help the outsourcers succeed.”

Like it or not, outsourcing is here to stay. Now that the CG industry has spread across the globe, it's only natural that projects are going to expand beyond immediate physical boundaries, with studios using distributed production to access additional talent and make projects more cost-competitive. Migration of work is inevitable, but as the industry itself continues to grow and disparity in costs and quality between the West and East continues to shrink, it seems unlikely that outsourcing is going to have quite the negative impact on the more established centres of CG excellence – the US, Canada and the UK and Western Europe – that some have feared.

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Five-point plan: freelancers

How to compete when your clients are tempted by outsourcing specialists

01

PRICE SENSIBLY

It's crucial that your rates reflect industry levels as well as your own skills. "If you price too low, you may get taken advantage of by unscrupulous developers, but if you price too high, you'll never get the work," says Andy Gahan at Evolution Studios.

02

AIM FOR LONG FORM

"Film visual effects is a good area to aim for, as movie projects suck up a lot of freelance artists," says freelance TD Chris Syborn. "Work tends to be specialised, but it pays to have a wide range of knowledge."

03

NETWORK

Forge links not only with potential clients but also other artists. "Knowing other freelancers is also really good, as they sometimes pass work your way if they are unable to do it themselves, and that in turn opens up new avenues of potential contacts for the future," says Syborn.

04

COME CLEAN

"Be up-front and honest if you're running late, and don't be afraid to ask questions," says Gahan. "The customer is always right, so get a detailed brief right at the beginning – it'll protect you if someone changes their mind later on."

05

DON'T BEAT 'EM, JOIN 'EM

Look for local companies that provide outsourcing services to see you can get freelance work from them. "We've brought in freelancers and contract staff to work on-site for projects that demanded it, as well as bringing them in to supplement the internal team when we're running to capacity," says Chris Morland at 3DCS.

Five-point plan: small studios

How to grab your share of the growing quantity of outsourced projects

01

BE LOCAL

Outsourcing studios in the West can make the most of their location, both for winning projects and for recruiting. “Talent is talent, no matter where you go in the world, but being in Europe has helped us attract artists from all over the world, while the same cultural understanding has given us a leg up,” says Bettina Kast at Streamline Studios.

02

BE VISIBLE

Get your name known by actively participating in the CG community. “We teach and help in the industry because we find it to be one of the most fulfilling parts of our work,” says Jason Manley of Massive Black. “It’s kind of a ‘pay it forward’ mentality.”

03

BE RELIABLE

“A good vendor should be somebody you can trust,” says Rajesh Rao at Dhruva Interactive. “In eight years, we’ve never once needed a client here on site. If outsourcing becomes management-intensive, it drives costs up, and the whole idea becomes a pointless exercise for the client.”

04

BE COST-EFFECTIVE

You may not have access to a cheaper workforce, but there are other ways to remain competitive. “It was clear from the beginning that we wouldn’t be able to survive in the UK with large offices and a lot of staff,” says Gavin J Rothery at Think Tank. “We opted for a decentralised set-up, with artists working remotely.”

05

SELL YOUR PROXIMITY

Emphasise your close communication to potential clients worried about sending work across the world. “Our entire team is available during UK working hours,” points out Chris Morland at 3DCS.

Five-point plan: large studios

How to choose the right outsourcing firm and get the results you deserve

01

CONSIDER GOING LOCAL

Balance costs against convenience and the ability to build strong relationships. “You don’t necessarily have to outsource to China or India to get a good deal,” says Andy Gahan. “There are a lot of studios in the UK and Europe that we use on a regular basis, which are only a few hours away if we need to visit.”

02

DO YOUR HOMEWORK

“We look carefully at a company’s portfolio and send out a small test of couple of days’ work that relates to the project,” says Jon Harrison at Blitz Games Studios. “Also, think about the issue of security, to ensure that nothing is likely to get leaked.”

03

PLAN AHEAD

“If you want to get your work done within the time frame requested, be prepared to fully understand the full extent of the work that you’re looking to commission,” says Bettina Kast at Streamline Studios. “Velocity in speed, quality and delivery of service is every bit a reflection of your game as it is the service provider.”

04

STAY IN TOUCH

Once you’ve picked the right people for the job, you still need to manage them correctly. “Don’t rush into it,” says Gahan. “Take the time to keep quality high and the need for reworking to a minimum. Regular reviews, forums and revisions are all great tools.”

05

LOOK FOR A PARTNER

“You have to be able to work closely and trust each other, which takes a lot of time and hard work before it can really pay off,” says Eddie Leon at Spine3D. “Remember that your choice of provider can seriously affect your business, in a good way or bad.”