



AN INTRODUCTION TO THE OFFSHORE MARKET FOR CREATIVE PRODUCTION

25 JUNE 2020

TKM-CONSULTANTS.COM

1. THE NEXT 60 MINUTES

- **How mature is the offshore market for creative production today?**
- **The primary reasons for offshoring**
- **Which locations are the most attractive and why?**
- **Which services are most suitable for offshoring?**
- **Expectations around market rates**
- **Onboarding an offshore partner and how to make it work for you**
- **Barriers and risks and how to address them**
- **The latest trends and what to expect in the coming months**
- **Q & A**



ANIL NOORANI

MANAGING PARTNER, TKM CONSULTANTS

TKM is an independent Management Consultancy working alongside Brands and their Agencies.

Experts in Operational Marketing and MarTech.

We support Brand and Procurement Teams on Strategy, Selection and Implementation.

OUTCOME: TO DELIVER MARKETING EXCELLENCE, EFFICIENCY AND EFFECTIVENESS



2. OFFSHORE CREATIVE PRODUCTION: A MATURE MARKET

IN 2003

We set-up the first offshore production studio in Chennai, India: project LOTUS.

Chennai started to quickly develop a talent pool.

Layering creative production over an existing desk-top publishing capability, became commonplace.



IN 2020

17 years on...

- An entire generation of creative production talent and pre-media experts have been educated.
- Delivering outstanding work, for global brands, for almost 2 decades.
- The studio we set up in 2003 is still going strong.

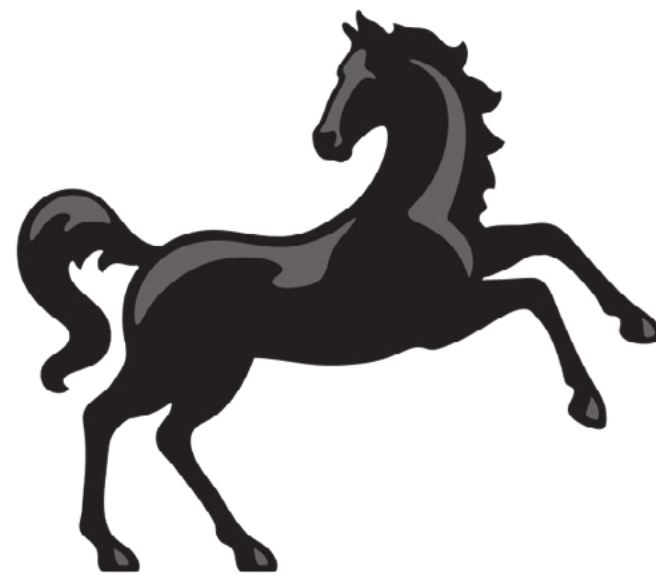
**Packaging | Advertising | Digital & Social
Motion Graphics | Retouching | CGI | Adaptation
Web Development | E-Commerce | Data Services
Animation | Video Post Production | Infographics
Transcreation | Publishing**





The 'offshore' epiphany moment for me came in 2010 when running a procurement tender for Lloyds.

**LLOYDS
BANKING
GROUP**



- ✓ **QUALITY**
- ✓ **BUDGET**
- ✓ **SERVICE LEVELS**
- ✓ **COMMUNICATION**
- ✓ **ROI**



Offshoring has dramatically and positively changed the way we plan and execute our marketing strategies.

Today, we focus on brand, marketing and E-business strategies that, from the very start, consider offshoring as a fundamental channel to achieve marketing production efficiencies, especially when considering the benefits of cost, creative and time execution.

Julia Loaiza, www.campaignlive.co.uk, 2019



NEW AND UP-TO-DATE MARKET INSIGHT WAS NEEDED

- 150 Global Agencies, Servicing Global Brands
- Sponsored by Amnet
- The key headlines will be shared through this webinar
- Full report available to download at:

https://weareamnet.com/what_is_smartshoring/

2020 State of the Market Report:

The Offshore Industry for Creative Production

CONTINUING WITH THE THEME OF MATURITY...

MANY BRANDS
ALREADY HAVE
SOME EXPOSURE
TO OFFSHORE
CREATIVE
PRODUCTION
VIA THEIR AGENCY
NETWORK.

Source: TKM 2020 State of the Market Report
for Offshore Creative Production



CONTINUING WITH THE THEME OF MATURITY...



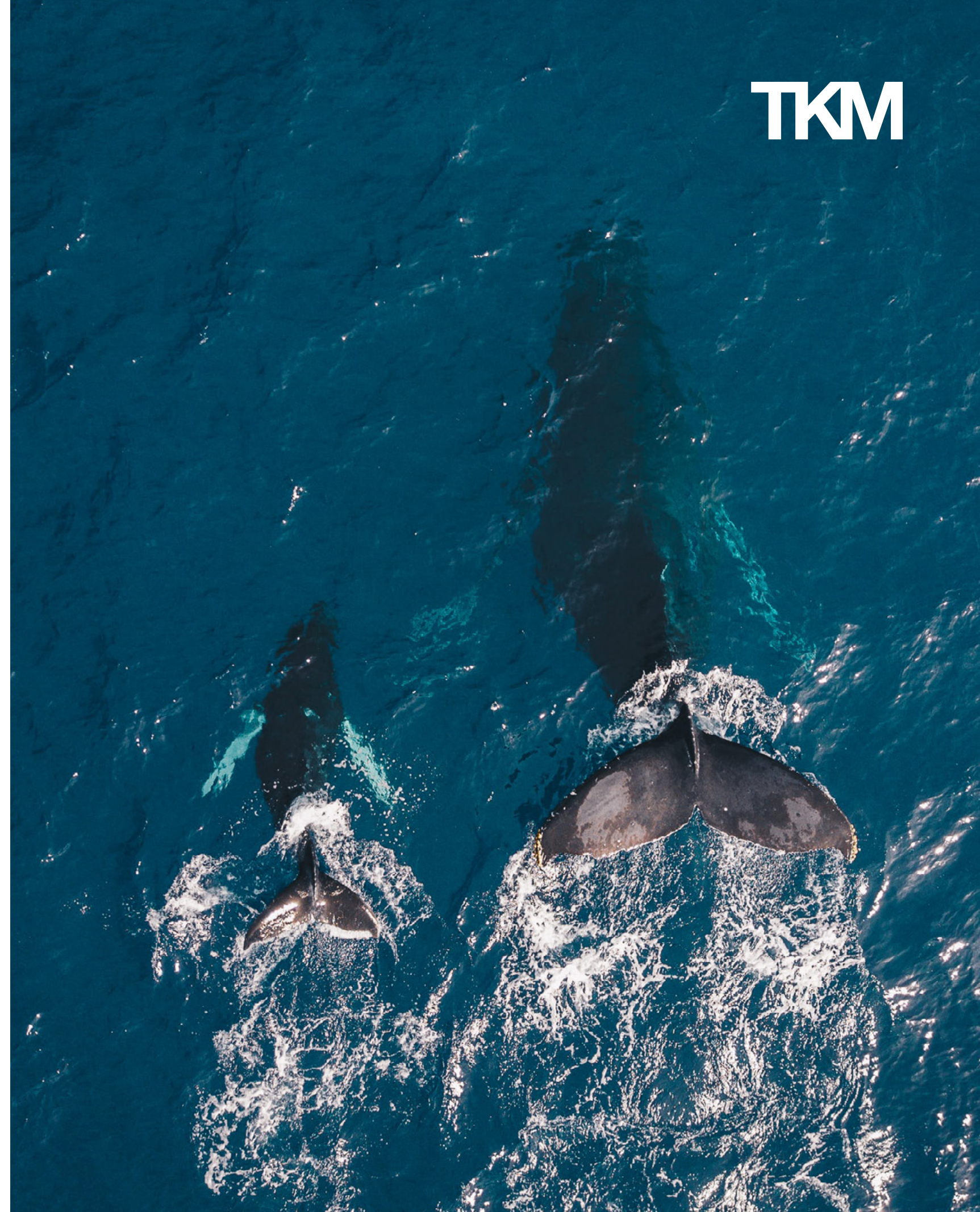
pre covid-19 – it is our belief this will be even higher in the “new world”

**BRANDS LOOKING TO REDUCE THEIR OPERATING COSTS SHOULD
CONSIDER DEVELOPING AN OFFSHORE STRATEGY DIRECTLY OR WITH THEIR AGENCIES.**

Source: TKM 2020 State of the Market Report for Offshore Creative Production

Deloitte.

According to Deloitte, companies using offshoring pre-media services are reporting fewer concerns with:
supplier proactivity,
innovation,
responsiveness,
resource quality
and service quality.



3. THE PRIMARY REASONS TO OFFSHORE

PRIMARY REASONS TO OFFSHORE

- Access to lower cost resource, significant cost savings.
- Access to 24/7 resource, for shorter lead times and overnight work.
- Access to flexible commercial models; transactional pricing and FTE teams.
- Scaleable resource; larger studios due to lower overheads.
- Reallocation of resource, capture ongoing value and move in-house resource to new services, for new value creation.
- Global coverage, for global campaign management and hyper-localisation; a network of hubs.

48%

**of respondents
said access to
low cost resource
was their
number 1 reason
to offshore**

40-70% OPEX SAVINGS

OUTSOURCING

THE TRADITIONAL AGENCY MODEL.

ESTABLISHED.

FLAWED.

WE NEED TO SHIFT FROM RELIANCE
TO MORE SELF-RELIANCE

COMMERCIAL MODEL
UNDER SCRUTINY

IN-HOUSING

BRINGING SKILLS IN-HOUSE.

BRINGING AGENCY RESOURCE TO SIT
INSIDE THE BRAND/ADVERTISER.

ACCOMMODATES SHIFT
TO DIGITAL SPEND.

HIGHER START-UP COSTS.

TYPICAL COST SAVINGS OF
20-40%

OFFSHORING

MOVING CREATIVE PRODUCTION TO
LOWER COST EXECUTION HUBS.

COST ADVANTAGES BUT ALSO SPEED
AND RESOURCE MODELS.

COVID-19 IMPACT WILL ACCELERATE
OFFSHORE INTEREST.

LOWER START-UP COSTS.

TYPICAL COST SAVINGS OF
40-70%

WHAT WE'RE HEARING FROM THE BRANDS

OFFSHORING



40%

SAVINGS ON DIGITAL

80%

SAVINGS ON VIDEO

*source campaignlive

IN-HOUSING



30%

SAVINGS ACROSS THE BOARD FOR U-STUDIOS

*source marketing week

IN-HOUSING AND OFFSHORING NOT MUTUALLY EXCLUSIVE

Brands are moving to maximising their budgets with In-housing for brand planning, creative development and programmatic whilst offshoring their pre-media.

**AGREEING A STRATEGY THAT ENCOMPASSES
BOTH WILL DELIVER MOST VALUE.**



4. WHICH LOCATIONS ARE THE MOST ATTRACTIVE FOR OFFSHORING AND WHY?

INDIA

- An unmatched talent pool
- Support from higher education institutions
- Good value for money, low monthly salaries
- Consistently high quality
- An understanding of the international outsourcing market
- Strong language skills

INDIA WILL RETAIN THE TOP BERTH FOR THE NEXT 10 YRS.



LEADING THE CHASING PACK < 10%

- CHINA
- SOUTH AFRICA
- MALAYSIA

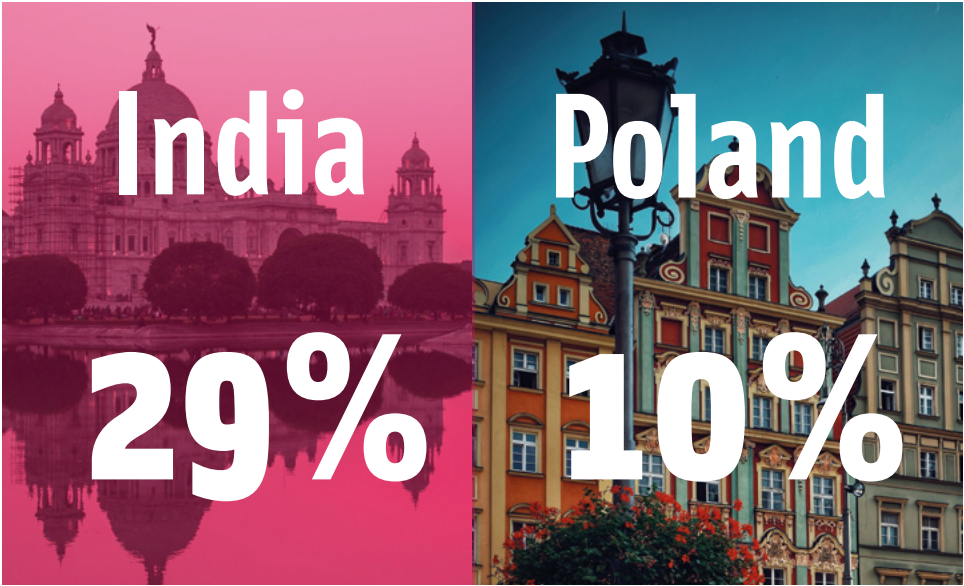
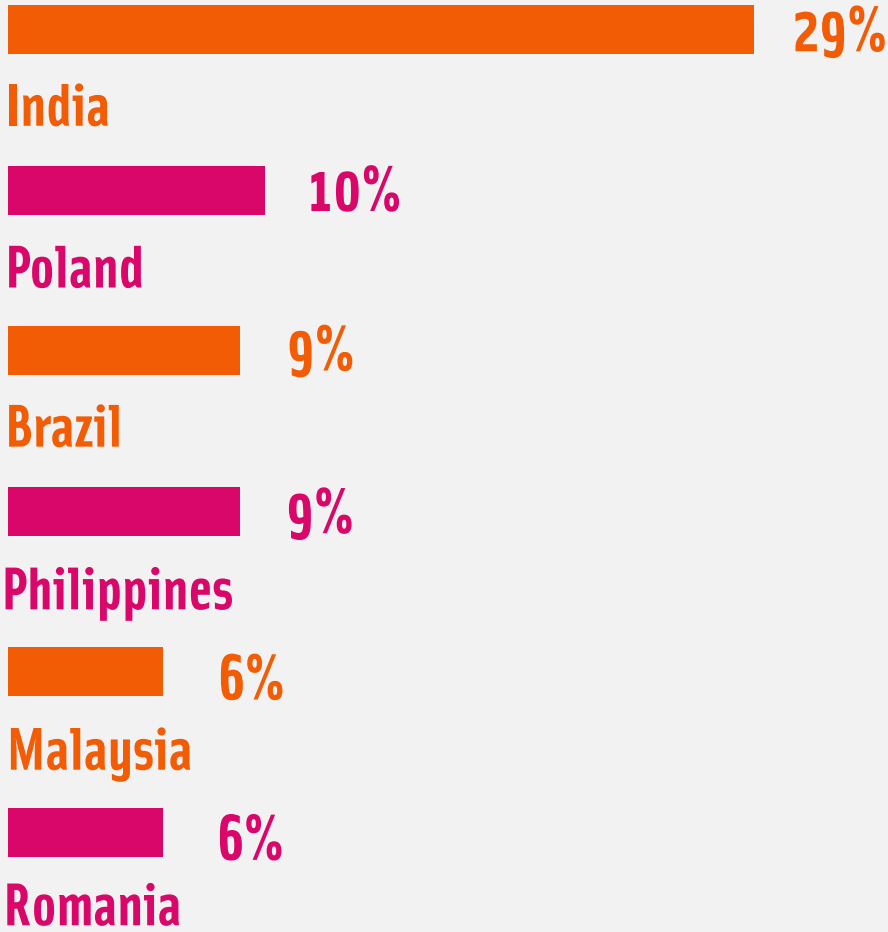


India's great economic boom, the arrival of the Internet and outsourcing, have broken the wall between provincial India and the world.

Aravind Adiga

COUNTRIES PROVIDING BEST VALUE FOR MONEY

Best Value for Money



4. WHICH LOCATIONS ARE THE MOST ATTRACTIVE FOR OFFSHORING AND WHY?

CHENNAI



MUMBAI



BENGALURU



MOST POPULAR LOCATIONS IN THE FUTURE

Brazil picking up the pace with 22% of the vote

- Fast growing creative economy
- Youthful population
- Distinct, “creative” culture
- Government supported programmes
- Improving infrastructure (tech industry is growing annually at 20%)

Brazil is well placed to become a key destination in the future but challenges to overcome include:

- Creative education is undervalued
- Under exploited international market
- Low levels of access to investment
- Complex structure of governance



Source: TKM 2020 State of the Market Report for Offshore Creative Production

EMERGING COUNTRIES

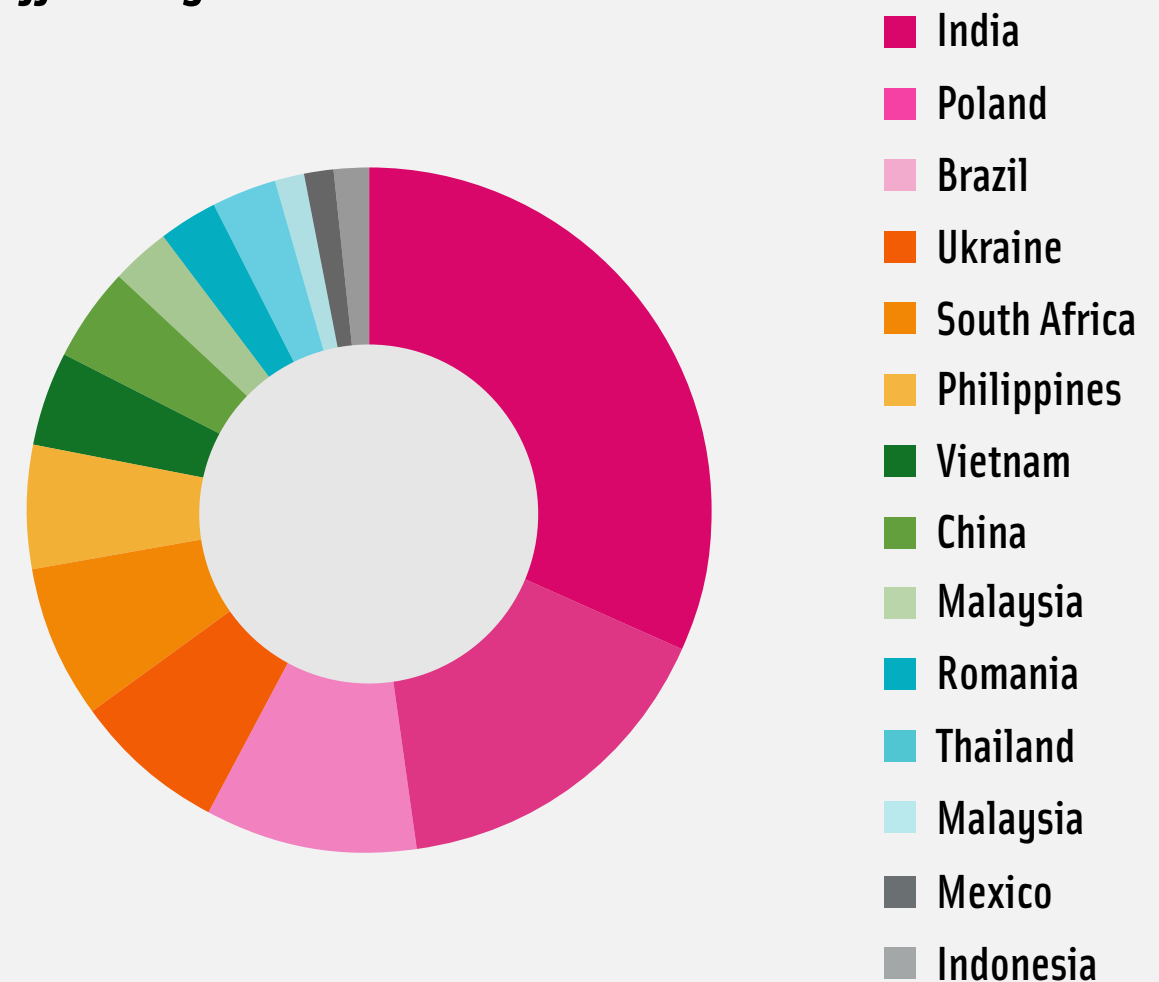
PHILIPPINES

- The offshoring and outsourcing economy is the second biggest contributor to GDP.
- English speaking
- A culture ingrained with a commitment to hard work

VIETNAM

- Strong geo-political location
- A stable talent pool
- Upgrades in infrastructure and transportation
- Fluency in English
- Family orientated culture
- Many overseas students welcomed back to the Vietnamese economy

Countries You'd Consider Offshoring to in the Future



Source: TKM 2020 State of the Market Report for Offshore Creative Production

4. WHICH LOCATIONS ARE THE MOST ATTRACTIVE FOR OFFSHORING AND WHY?



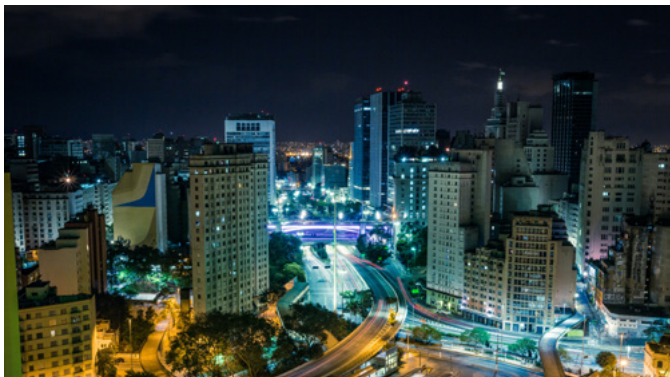
OLIVER
JOHANNESBURG



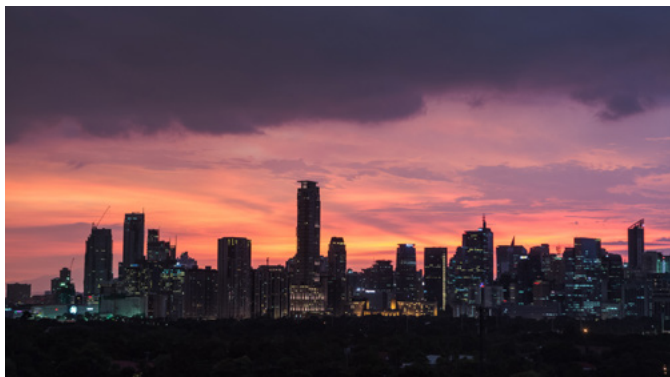
SPRING
Production
HO CHI MINH CITY



○ rhapsody
WARSAW



eg+
eg+ worldwide
SAO PAULO



sgsco
MANILA



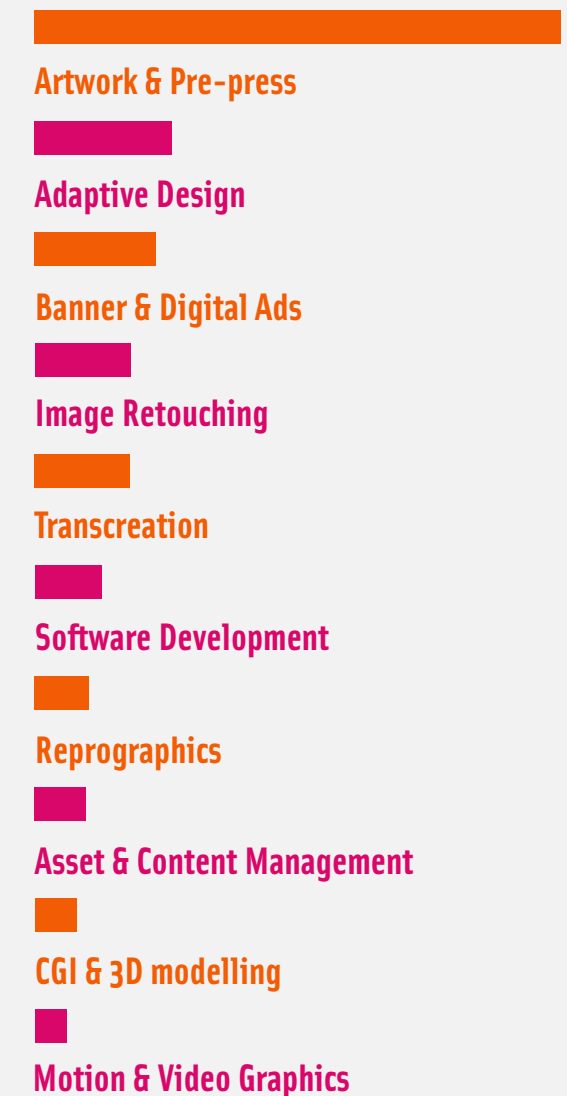
CreativeDrive
SHANGHAI

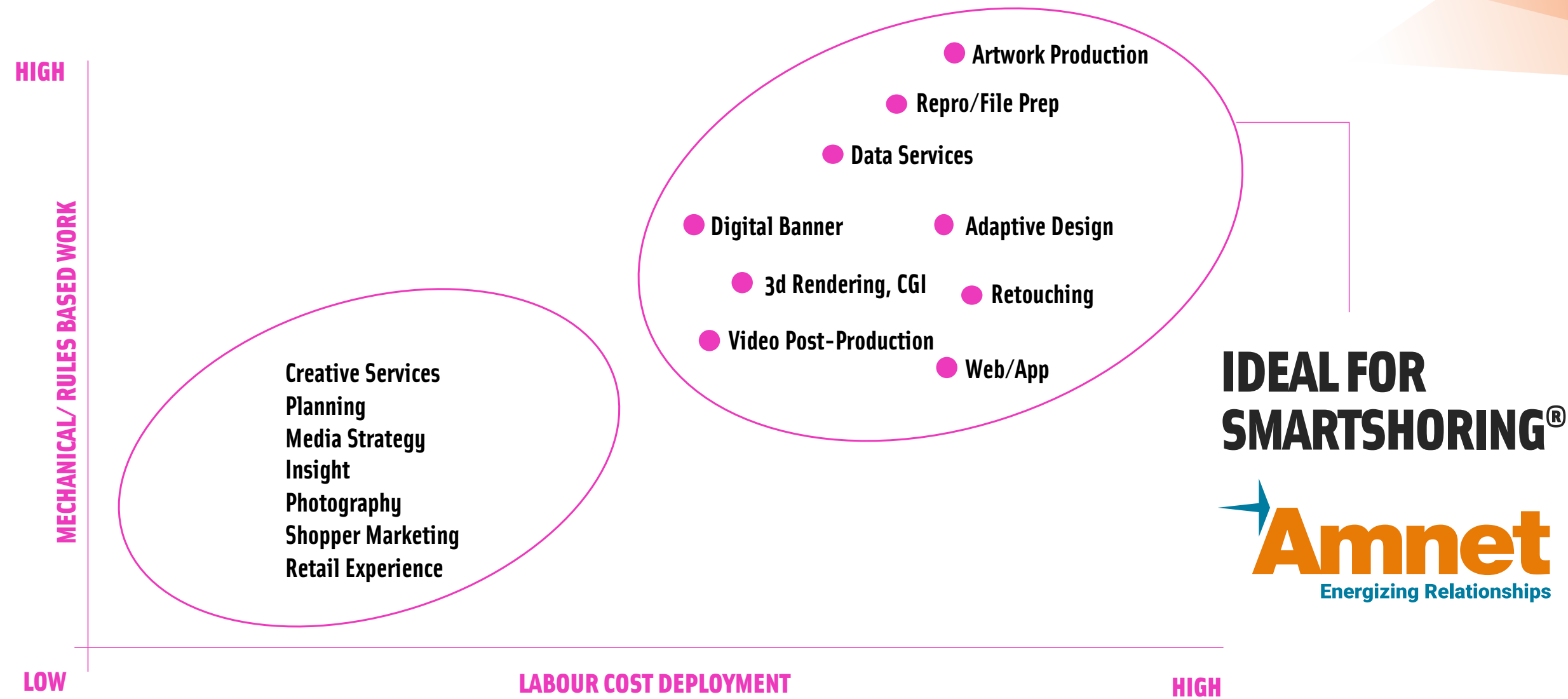
5. WHICH SERVICES ARE MOST SUITED TO OFFSHORING?

SERVICES MOST SUITED TO OFFSHORING

- The global packaging industry is projected to grow to \$1,012 billion by 2021, a CAGR of 5.5% (marketsandmarkets.com). The need for cost effective artwork and adaptive design is set to grow.
- Offshore packaging production is the most mature of the service lines.
 - Artwork lends itself to more mechanical repeatable execution
 - Easier to brief in with limited creative interpretation
 - Higher levels of automation.
- The online display advertising market will reach \$462.7 billion by 2025 growing at a CAGR of 12.8% (venturetoday.org).
 - Cost effective offshore solutions for large volumes of digital banners has propelled digital advertising into the top 3 most suitable services.
- Lower end image retouching, driven by e-commerce platforms and online content has become commoditised in recent years and is suitable to be managed offshore.

Services Most Suited to Offshoring





“Digital first and direct to consumer (D2C) strategies”, have accelerated the investment into e-commerce, CRM, CMS and app development. These services are now part of the Creative Production mix.

India, Poland and the Ukraine have large experienced talent pools.
(Publicis Sapient have 3000 people in India for coding, creative, production and analytics- Campaignlive)

6. MARKET RATE EXPECTATIONS

OFFSHORE RATES > AGENCY > BRAND



Agency offshore production rates to brands are naturally higher by ~x2 or x3.

**The additional fees covers in-country client services,
other onshore administrative overheads, technology & QA.**

OFFSHORE RATES > AGENCY > BRAND



24%

of agencies would expect to pay between £30 to £35 per hr for software development

Hourly rates for development services are higher than traditional creative production services, but still provide excellent value compared to onshore rates.

Creative Production Agencies need to ensure they have an offshore commercial model suitable for their clients in order to stay competitive.

There are significant cost savings for Brands who pass greater volume of Creative Production services to an agency with offshore capability.

7. ONBOARDING AN OFFSHORE PARTNER

4 STEPS TO SELECTION

1

PLAN

- **Decide which areas/services to offshore.**
- **Review extent of offshore capability with your current agency partners.**
- **Determine how you want your marketing eco-system to look.**
- **Ensure Marketing operations are available to support.**

4 STEPS TO SELECTION

2

SELECT THE RIGHT PARTNER

Areas to consider evaluating:

- Culture & Shared Vision
- Level of Expertise & Capability
- Experience
- Specialist Areas
- Resource & Partnerships
- Simple & Flexible Pricing
- Transition Strategy
- Operations & Process
- Technology & Automation

4 STEPS TO SELECTION

3

THE ROI

- **Rigorous SLAs; Value, Cost, Time, Resource, Quality**
- **Future Thinking / Roadmap**
- **Innovation / Technology**

4 STEPS TO SELECTION

4

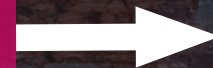
RELATIONSHIP

- **Site Visits**
- **Data Security & Standards**
- **Risk Management & Business Continuity**
- **Meet the Teams**
- **Case Studies & Studio Set-up**
- **Long Term Partnerships**

ONBOARDING

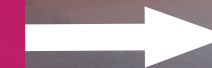
START

RECRUITMENT & TRAINING
DEFINE SERVICES & VOLUMES
SPOC AND REPORTING
KNOWLEDGE TRANSFER
TECHNOLOGY REQUIREMENTS
TRAINING REQUIREMENTS



PILOT

PRODUCE WORK IN PARALLEL
COMPARE OUTPUTS
CLIENT WORKSHOPS
AGREE PROCESS
BRAND GUIDELINES & SLA'S
INCREASE TARGET VOLUME
INCREASE ACCURACY
CONTINUOUS FEEDBACK
KPI'S



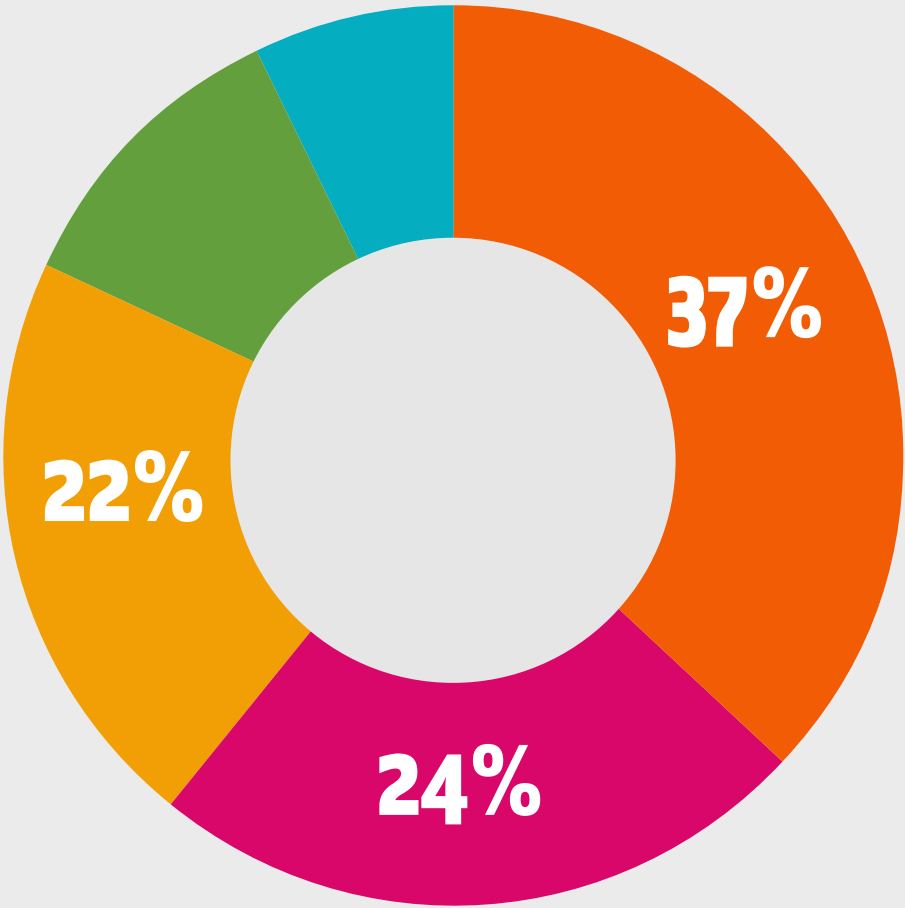
LIVE

ROLES & RESPONSIBILITIES
PROJECT TRANSFER
START LIVE PRODUCTION
ONGOING QA
REGULAR REVIEWS
SCALE

TRANSITION PERIOD IS 4 - 12 WEEKS, MUCH DEPENDS ON CULTURE

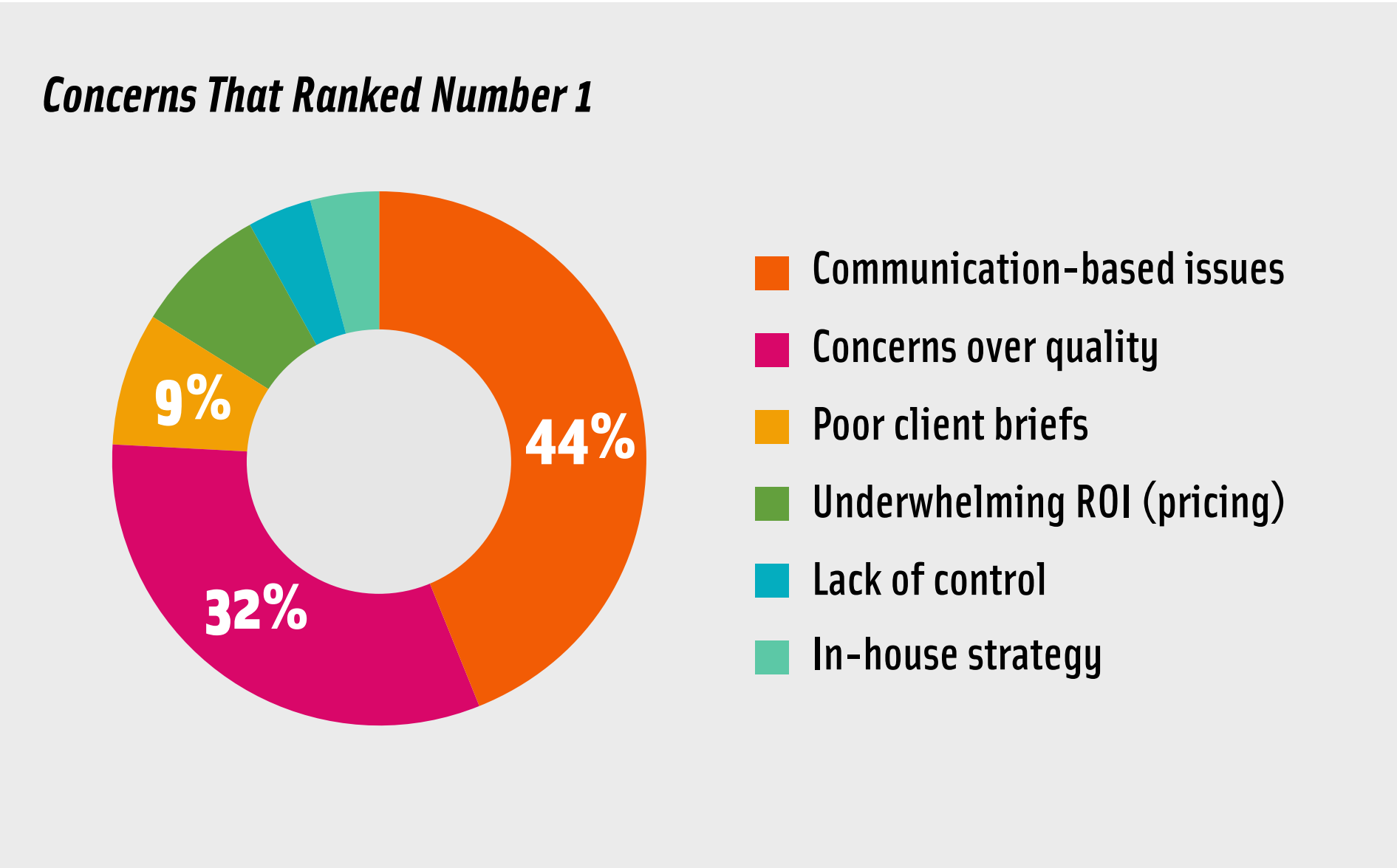
TECHNOLOGY EXPECTATION

Technology Expectations



- Approvals Workflow
- Studio and Resource Management
- Project Management
- Digital Asset Management
- Template Marketing (Digital and Print)
- Campaign Management
- Financial Management

BARRIERS AND RISKS



Communication and Quality issues not exclusive to offshore practices.

Communication risk mitigated by selecting partners with a hybrid model of offshore production and in-country client services.

Quality risks can be reduced with rigorous process. Select partners with Six Sigma or equivalent process centric ways of working.

“The single biggest problem in communication is the illusion that it has taken place.”
George Bernard Shaw

“ Culture eats strategy for breakfast

Peter Drucker

IN THE POST-COVID WORLD, OFFSHORE STRATEGIES FOR MANY BRANDS WILL ACCELERATE AND BECOME A REALITY, AS BARRIERS (CULTURALLY/TECHNOLOGY) TO REMOTE WORKING HAVE DISAPPEARED OVERNIGHT.

OFFSHORE CREATIVE PRODUCTION HAS BECOME ACCESSIBLE, PRACTICAL & COMMERCIALY EFFECTIVE.

8. TRENDS & WHAT TO EXPECT IN THE COMING MONTHS

THE SMARTSHORING™ MODEL

**UTILISING THE BEST TALENT
WHEREVER THEY MAY BE IN THE WORLD.**

**LOW COST PRODUCTION HUBS (OWNED AND
PARTNERS) ACROSS THE GLOBE.**

**RESOURCE, LOCATION, PRICE AND EXPERTISE
BUILT AROUND THE CLIENTS NEEDS. FIRMS UP
THE VULNERABILITY OF YOUR SUPPLY CHAIN.**

**CLIENT RELATIONSHIPS MANAGED BY
IN-COUNTRY PMS AND CLIENT SERVICES,
TO DELIVER THE BEST SERVICE POSSIBLE.**



**SMARTSHORING™ IS A
CONTEMPORARY, PROGRESSIVE MORE
RELEVANT FORM OF OFFSHORING.**

SMARTSHORING IS A TRADEMARK OF AMNET

“

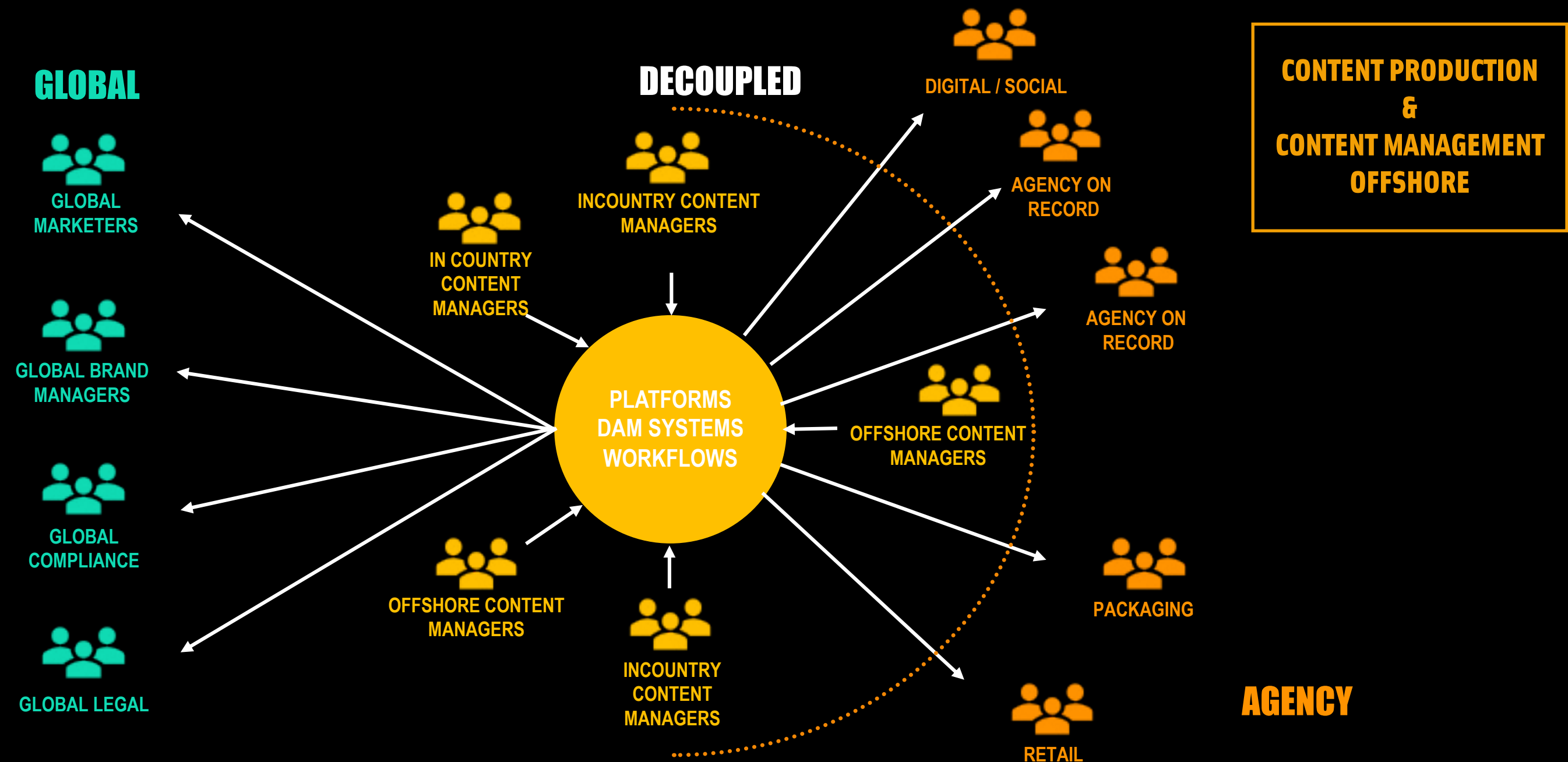
In 2020, content will become
marketing's biggest bottleneck.

Gartner®

**AS A RESULT THE BIG
CHALLENGE IS NOW
CONTENT MANAGEMENT**



DECOUPLED GLOBAL CONTENT MANAGEMENT AS AN OFFSHORE SERVICE



One final thought...
in today's global economy, where barriers based on location and ways of working have been decimated in the past 3 months, an offshore model is fast becoming a Strategic Imperative for brands of all sizes.

THANK YOU

If you'd like any additional advice or insight relating to your offshore strategy, our team would be happy to support any on-going initiatives and answer any questions.

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