



# 7 Offshoring Terms You Need to Be Familiar With



# Introduction

The world today is embracing a **global workforce like never before**. With many businesses going the offshore route, it can be a challenging task to maneuver through the plethora of overseas offerings that are available.

This collection of [offshoring terms](#) provides the first step towards defining offshore vendors and making an informed decision for moving parts of your business to another location.





# 1 Outsourcing

**Outsourcing** means **engaging with an external third-party** vendor on a contract basis to deliver products or services.

Because outsourcing involves working with freelancers or vendors who have access to freelancers, the results can be hit-or-miss, given the staggeringly low prices some vendors offer.

On the positive side, **outsourcing provides flexibility as you're hiring people on a contract basis, and no resources are spent on idle workers.**





## 2 Offshore Development

**Offshoring** means **moving a business process to overseas territories.**

With companies in the US and Western Europe struggling to find the right talent, businesses are increasingly under pressure to optimise their operations at minimal costs.

By **going offshore**, businesses can build a **dedicated team of developers** in emerging tech hubs such as India, China, the Philippines, etc.





## 3 Nearshoring

**Nearshoring**, aka 'near' to home, is the same as offshoring **but with greater geographical proximity**. For instance, hiring developers in London can be very expensive. Good Ukrainian developers, however, work in a similar time zone, and the operational costs would be somewhat lower.

However, the economic gains by nearshoring haven't been as pronounced as those for offshoring.





## 4 Smartsourcing

Smartsourcing is a paradigm that is derived from the hard-won lessons of outsourcing and traditional offshoring that goes beyond hiring developers abroad to reduce operational costs.

By smartsourcing, **you can engage with an offshore partner who can help you build your own dedicated, cost-effective development team,** without compromising on innovation.

One of the pillars of smartsourcing is performance benchmarking, which means that If the lowest price is your priority, then you won't get quality.

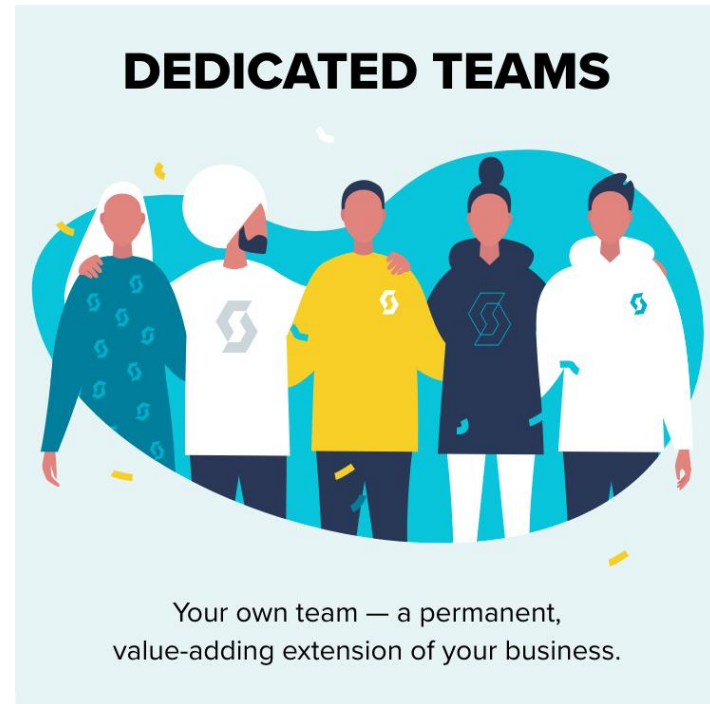




## 5 Dedicated Development Teams

A dedicated development team is **a permanent, full-time extension of your local team**. This model is not geographically specific, so, irrespective of where they sit, they are just as much a part of your business as your local team.

Dedicated teams do not handle multiple projects across multiple clients, ensuring 100% customer focus.







## 6 Offshore development centre

An offshore development centre is established when a **company opens a brand new office and hires a team of software developers** in another location abroad.

For instance, IT giants like Google, Microsoft, and Apple have all established their offshore R&D centres in Bangalore.







## 7 Cost arbitrage

Developers are one of the most highly-paid workforces in the world today. But if you compare the salaries of engineers in India and London, the average pay in India is comfortably 3–4 times lower than in London. And that's excluding the employee-centric benefits that follow.

Apart from that, office space and administrative expenses are also significantly lower. And thus, by going offshore, **you can save capital and increase your margins, without compromising on your output.** This is cost arbitrage.

### COST ARBITRAGE



Leveraging lower operational costs to scale your business.

# Thank you

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