Entering the European market for VR and AR services

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On the European market you need to comply with mandatory requirements and additional requirements that buyers may have. European service providers and intermediaries are your most realistic market entry channels. As competition is strong, you should differentiate on quality rather than purely on costs. Specialising is also a good way to reduce competition.

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1. What requirements and certifications must VR and AR services comply with to be allowed on the European market?

On the European market for VR and AR services, requirements vary per industry, per segment and even per country. Different industry-specific standards, rules and regulations exist for the automotive industry, education, healthcare and so on. New legislation is always in the making. As it would be impossible to list (or to know) all possible requirements, this chapter discusses the most common requirements. For more information, see our study about the requirements outsourcing services must comply with on the European market.

What are mandatory requirements?

Legal requirements include legislation about copyright (the Directive on the legal protection of computer programs) as well as personal data protection. Privacy is highly protected in Europe, via the General Data Protection Regulation (GDPR) and the ePrivacy Directive. If you do not respect these directives, you may be subject to enforcement actions and/or possible claims – even though you are located outside of the European Union.

The European Union is considering far-reaching new laws on the use of artificial intelligence. Under the proposed new regulation systems that use AI to track movement of people in public spaces will most probably be forbidden.

We advise you to check the exact regulations in your European target market. All European Union member states have implemented the European Directive in national legislation. Although they are generally the same, there could be minor differences. Read more about the legal protection of computer programs on the website of the European Commission.

On the ePing website you can find an overview of country-specific measures that affect trade and differ from the international standards, as well as for the contact persons per country that the World Trade Organisation (WTO) has appointed. You can also subscribe to receive alerts (called ePing alerts) that might be relevant for your

product or service.

Tips:

If you are dealing with personal data, study the GDPR's new European data protection rules and principles, for a good understanding of what is allowed and what is not. For software development-specific GDPR information, check the seven-step guide to GDPR-compliant software development. Be aware of what data you store and where, to be able to comply with potential consumer requests.

Use IDC's GDPR Readiness Assessment to determine how compliant you are and what you may need to improve.

Set up clear consent request forms and privacy policies that inform customers how you process their personal data. Look at the GDPR consent guidance from the British Information Commissioner's Office (ICO) and Econsultancy's GDPR: How to create best practice privacy notices. Keep records of your obtained consent. For more information, see ICO's advice on how to record consent.

Read more about digital privacy on the website of the European Commission. This is also where you can keep up to date on the reforms of the European ePrivacy rules.

Pay attention to copyright and infringement (the act of breaking or disobeying the contract) clauses in the contracts you sign with European buyers.

Security

Non-legal requirements mainly deal with security. Although you are not obliged to comply by law, they are considered minimum requirements to enter the European market.

Data security is one of the main challenges for IT outsourcing service providers. This includes both data protection and recovery systems. Many European buyers expect you to implement an information security and management system, especially in industries in which security is essential, such as finance and banking, healthcare or mobile applications. Although there is no specific legislation on this, the ISO 27000 series contains common standards and guidelines for information security.

Tips:

Make sure you have effective security processes and systems in place, from business continuity and disaster recovery to virus protection.

Ask your buyer to what extent they require you to implement a security management system like the ISO 27001 standard.

Consider obtaining the ISO/IEC 27701:2019 certification. To do so, you will need to either have an existing ISO 27001 certification or implement ISO 27001 and ISO 27701 together as a single implementation audit.

What additional requirements do buyers often have?

Quality management

Some European buyers only do business with companies that have a quality management system in place. Even though implementing a quality management system does not automatically guarantee good-quality VR or AR solutions, it proves that you have a repeatable process, and that you are a serious company that values standardisation.

The IEEE Standards Association has developed several IT and BP standards. For VR and AR solutions, they have the IEEE Digital Reality branch the mission of which is to develop global standards related to digital reality, AR, VR, human augmentation and related areas.

Some standards that are already developed by the IEEE are IEEE IC 15-004-01 (3D body processing), IEEE IC 16-004-02 (AR in the Oil/Gas/Electric Industry) and IEEE IC 16-005-02 (consumer healthcare). They are also working on a standard for VR and AR in general. You can find more about their standards for VR and AR-related areas at the standards page of their website.

Acknowledged and common (including VR and AR) systems are ISO 9001:2015 and the Capability Maturity Model Integration. Other ISO standards that can be applicable to AR or VR services are ISO/IEC 9126, ISO/IEC 9241-11, ISO/IEC 25000:2005 and ISO/IEC 12119.

Tips:

If you (aim to) specialise in particular sectors, find out which certifications are relevant. When considering a particular quality certification, ask yourself three questions before working out the details: is it good for my company? Is it good for my clients? Does it have marketing value?

Regularly check with your clients and with standards associations (like ISO or IEEE) if there are any new relevant standards for your product or market. For example, ISO developed guidelines for developing VR and AR-based education and training systems.

Check if you can apply for financial support to achieve quality certification. Contact your national IT association (such as TAG Georgia or BPESA from South Africa) or a business support organisation in your country responsible for (IT) export promotion.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to companies taking responsibility for their impact on the world. Not only in the products or services they offer, but also concerning consumer rights, education and training of staff, human rights, health, innovation, the environment and working conditions.

CSR is becoming particularly important to large companies and governments in Northern and Western Europe. Many European companies involve their suppliers in their CSR policies. Having a well-documented CSR policy may therefore give you a competitive advantage over companies without one. The ISO 26000 standard provides guidance on CSR. For small software companies, the most relevant and practical aspects of this standard are labour practices, fair operating practices and community involvement.

You can also match the CSR policy of your potential buyer by becoming an impact sourcing destination. This is a relatively new term; it refers to a sourcing model that aims to improve people's lives, families, and communities through meaningful employment in ITO and BPO. This can be achieved either through outsourcing or by setting up remote or virtual teams using digital technology. Impact sourcing has good potential for companies that wish to make their business more socially responsible (buyers as well as sellers of VR and AR solutions). And it can be

a Unique Selling Point (USP) for your business, because not every company can offer impact sourcing.

Another example of how CSR initiatives extend to small IT businesses is fair-trade software. This means software that is developed for better prices, under decent working conditions, supporting local sustainability and with fair terms of trade. In essence fair-trade software is a part of impact sourcing. Impact sourcing has a wider reach than fair-trade software.

Tips:

Clearly communicate your commitment to CSR in your marketing activities. Also, show that you care about your impact on society and the environment by implementing your own CSR policy. It can be a USP when your buyer has to select a provider.

Consider profiling yourself as an impact sourcing provider or a fair-trade software tester. See if you meet the requirements for impact sourcing supplier. For more information about fair-trade software, see the Fair Trade Software Foundation and Web Essentials' video on what fair-trade software development actually means.

Consult the ITC Sustainability Map for a full overview of certification schemes addressing sustainability in the outsourcing sector.

Up-to-date knowledge and skills

As a VR and AR service provider, you have to stay on top of the developments in the market. European buyers expect you to be able to offer them the possibility to work with the latest technology. Developing VR and AR software may also require hardware knowledge. In general VR and AR development requires the following skills: programming, 3D design (rendering), video and sound production, game development, and UI/UX skills.

Tips:

Continuously train your staff to stay up to date on the required software and hardware skills for your product and/or market. An example is personal Unity certification for your game designers.

Provide references, testimonials and examples of recent work, preferably on your website, as European companies often require proof of your technical skills.

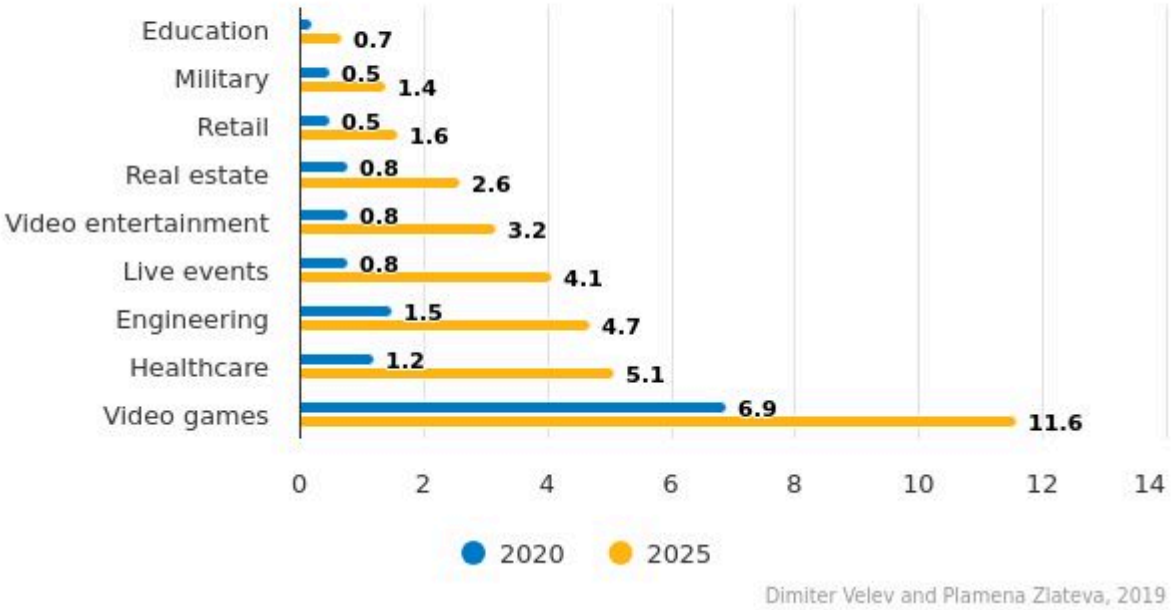
2. Through what channels can you get VR and AR services onto the European market?

How is the end market segmented?

The market for VR and AR services can be segmented by the type of industry (vertical market) they serve. By 2025, the main industries to use VR and AR technology are expected to be video games and healthcare. Consumers are projected to drive around 60% of VR and AR software revenue, compared to 40% for enterprises and the public sector.

Figure 1: Estimated share of VR and AR software spending per industry in 2025

By industry

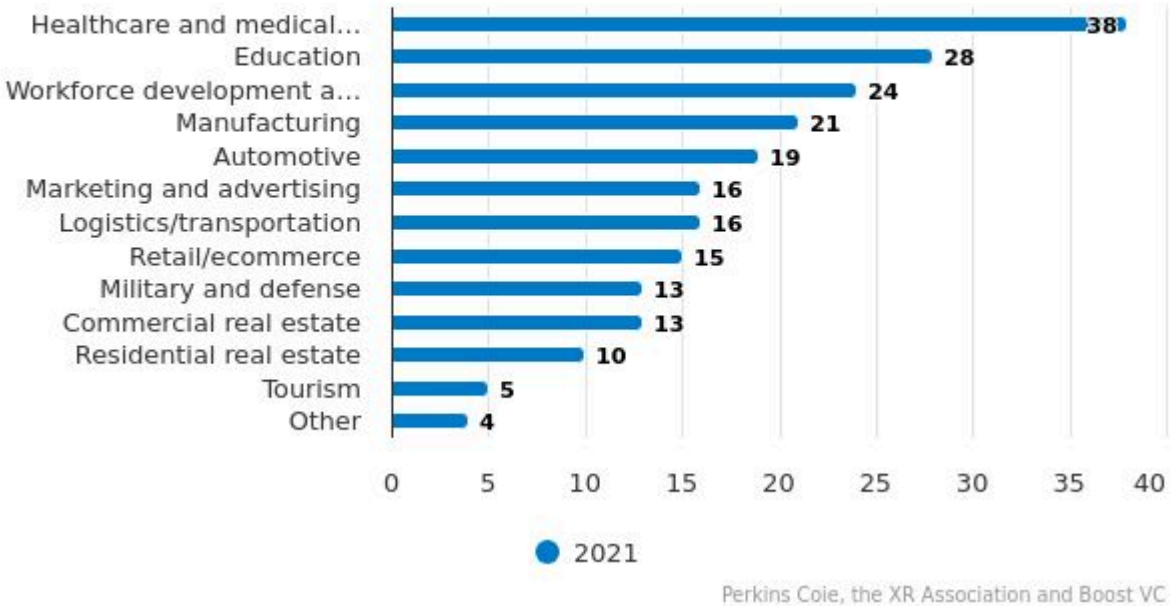


Dimiter Velev and Plamena Zlateva, 2019

The research above was done before the COVID-19 pandemic, so there are some segments that will see a different growth. For 2021, industry professionals expect the most disruption from VR and AR in healthcare and education.

Figure 2: Sectors expected to experience the most disruption from VR and AR

2021



Perkins Coie, the XR Association and Boost VC

This list does not include the entertainment industry, as VR and AR technology is relatively mainstream in this sector.

VR and AR technology offers many possibilities in the healthcare sector, including training applications, assisted surgeries and remote monitoring. The demand from this sector will be accelerated as the COVID-19 pandemic

has further boosted the need for telemedicine solutions. Also, in education there is great potential for remote learning solutions, including immersive teaching experiences and soft skills development.

Tips:

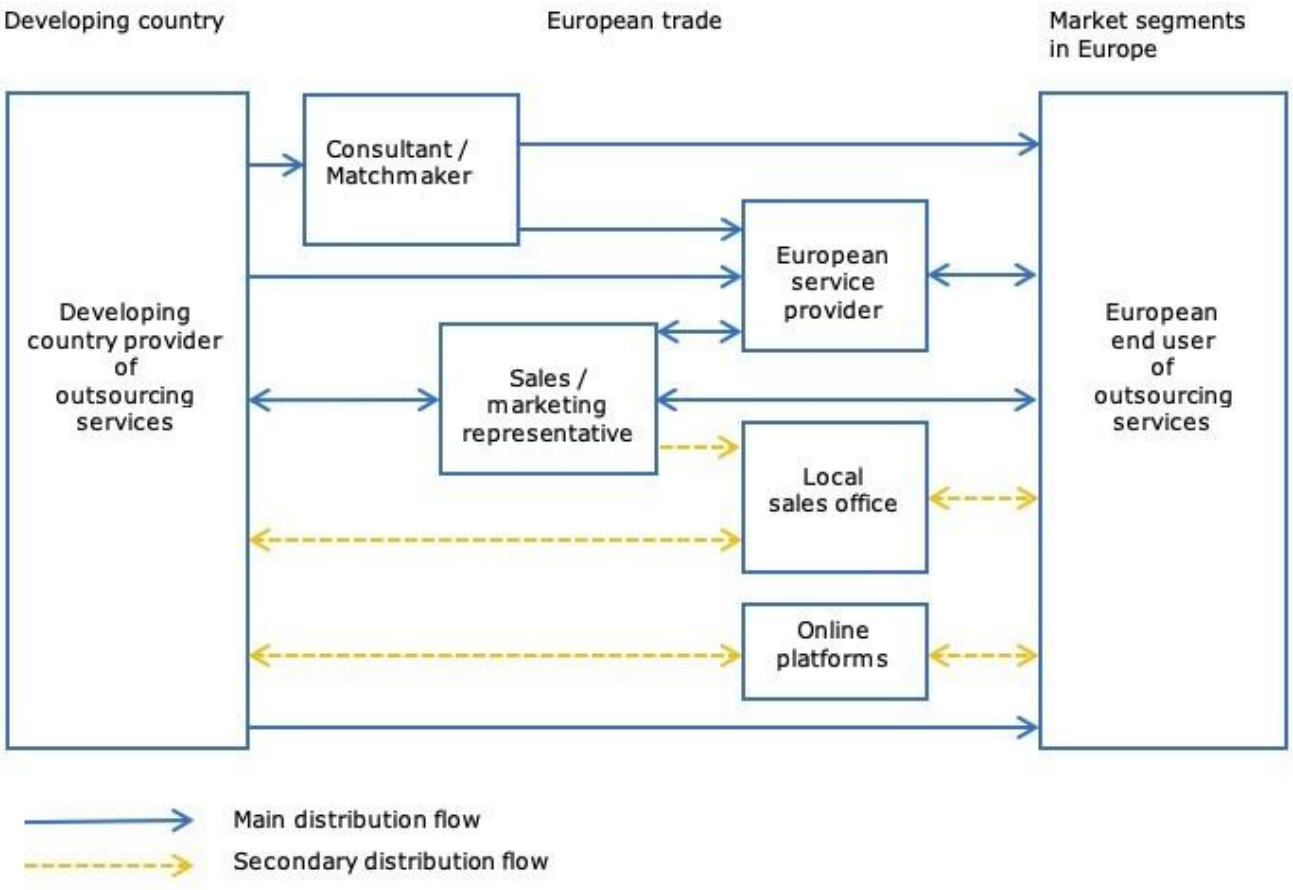
Specialise in a specific industry, like healthcare or education. Industries where VR and AR technology have yet to become mainstream may be less competitive, as there are fewer specialists.

Research the industry that you want to focus on. This allows you to effectively market your company.

Through what channels do VR and AR services end up on the end market?

As a service provider in a developing country, you can use several trade channels to enter the European market. Figure 3 provides an overview of the trade structure. This is more or less the same in every European country.

Figure 3: Trade structure for outsourcing VR and AR services in the European market



What is the most interesting channel for you?

Your most common and most promising market entry channels are European service providers, consultants/matchmakers, and sales/marketing representatives. Other channels are working with a local sales office or direct sales (possibly through online platforms). In the VR and AR segment, there are also good opportunities for companies to innovate and develop their own product, especially in a niche or underserved market segment (like agriculture).

The selection of a channel depends on the type of your company, the nature of your product or service, your target market and the available resources for market entry. Regardless of the channel you choose, marketing your business is a vital part of your market entry strategy and you are responsible for that yourself.

European service provider

Subcontracting for European service providers is generally your most realistic market entry channel. A European service provider that is similar to your company would be your most suitable subcontractor. Ideally, this company should design, develop, market, sell and maintain their own software products and offer IT services that are similar to yours. For VR and AR, a European service provider is usually an Independent Software Vendor (ISV) in the target country.

The relationship between an ISV and a subcontracted supplier is generally characterised by:

- trust
- interdependence
- a structured relationship (functions, tasks, communication and procedures)
- potentially limited marketing visibility and market access opportunities for the subcontracted supplier
- no intellectual property (IP) rights, or a loss of IP rights for the subcontracted supplier
- work orders on an if/when necessary basis

You can find a European service provider to partner up with either directly or by working together with a matchmaker and/or a sales representative. Because many European companies prefer to deal with a local contact person, an intermediary is a good option.

Tips:

Attend leading (online) European trade fairs to meet competitors and potential customers, such as AR/VR World. Do your homework and select events that fit your profile well. Create a list of relevant events using trade event directories such as 10Times, EventsEye and UK Exhibitions, and update this list regularly.

Use industry associations to find potential customers in Europe, such as the European XR association EuroXR, and IT associations like Bitkom in Germany, NLdigital in the Netherlands, and techUK and BIMA in the United Kingdom. If you specialise in a particular industry, you can also use associations for those specific niches, such as the Association of British HealthTech Industries.

Use outsourcing associations to find potential customers, such as the Global Sourcing Association, the German Outsourcing Association and Sourcing Nederland.

Consultant/matchmaker

A consultant/matchmaker is a person or a company with a large number of relevant contacts in a specific market segment or industry. As an intermediary, they are a ‘door opener’ and not an agent to make cold calls or send cold emails.

Make sure you properly inform your consultant/matchmaker about your company. They speak with many potential customers and are often involved in creating long lists of potential outsourcing providers. The more information they have on your company and the better they understand your capabilities, the more they can spread the word about you.

If you work with a consultant/matchmaker:

- the consultant/matchmaker makes appointments with prospects for you
- the presentation and sales process remains in your own hands
- you pay a retainer + success fee (which can be expensive)
- the consultant/matchmaker usually has multiple clients
- you need to set clear expectations and objectives to measure their performance

A retainer + success fee construction can be expensive. While the success fee depends on what the intermediary has delivered, you have to pay the retainer (usually a fixed monthly payment) regardless of their performance. Together, they should provide a strong motivation for the intermediary to deliver: the retainer should be high enough to cover some of the costs, but low enough to encourage delivery. A properly drafted contract, by a lawyer, is a must!

You also need to determine an exit strategy in the contract, with a clearly defined period after which the contract can be terminated without any further consequences. This period is usually not longer than three or four months, after which the contract will be evaluated and can be terminated or prolonged. For this period, there should be clearly defined delivery expectations and targets for the consultant/matchmaker (such as the number of relevant contacts, meetings and leads). You could also negotiate a trial period.

Tips:

When contracting an intermediary, involve a good lawyer who knows the applicable law of the country where the intermediary resides and has previous experience with this type of contracting. Pay special attention to exit clauses, success criteria, deliverables and payments.

Try to avoid limitations to your marketing coverage and activities in your contracts.

Some food for thought: although convenient, your uncle who lives in Germany might not be the best intermediary for your company.

Sales/marketing representative

Another type of intermediary is a sales/marketing representative. These representatives are more involved in the sales process than consultants/matchmakers.

When working with a sales/marketing representative:

- the sales/marketing representative contacts prospects for you
- the sales/marketing representative also makes the sales and sometimes manages projects
- you pay a retainer + success fee (which can be expensive), or a fixed monthly fee
- the sales/marketing representative can have multiple clients or work exclusively for you

A good sales/marketing representative has a large, relevant network, so they do not make cold calls to provide services for you. Their success fee is often a percentage of the projects they bring in. Your expenses will rise by having to pay a sales/marketing representative, but you will be free to focus on your core business and search for other markets yourself.

Tips:

Like with consultants/matchmakers, involve a good lawyer when contracting a sales/marketing representative and include exit clauses, success criteria, deliverables and payments.

Be cautious if intermediaries (both consultants/matchmakers and sales/marketing representatives) work based only on a success fee, because either they are excellent at their job, or they are desperate and may not (be able to) deliver. Also be cautious if intermediaries want to work for you part-time besides their regular job, because they are often so busy that they do not deliver.

Local sales office

Ideally, you should establish a local sales office in your European target market. A local presence makes it easier to build up long-term relationships with customers through personal contact. It also increases your credibility, builds trust and allows you to retain complete control over your marketing and sales activities. However, this is very difficult in practice, as it requires a lot of experience and large investments. Most companies in developing countries are simply too small and do not have the financial strength for this.

Tips:

Be aware that establishing a local sales office will be very costly and you will need to have a strong financial position.

Consider establishing your own office if you have already established a client base in the target country/region, or if you have a well-founded indication of the demand for your services/products. If you decide to establish an office, involve your sales/marketing representative.

Look for alternatives to lower your costs, such as business incubators or government incentives to bring your business to a particular country or region.

Direct sales and online marketplaces

You can also try to sell your VR and AR services directly to European end users. Many European companies are looking for cost reduction and delivery capacity, which developing countries can often provide. This is one of your unique selling points. However, you should be aware that these end users might not have qualified IT staff to work with.

Electronic marketplaces are a cheap marketing tool that may make direct sales easier. They are expected to lead to lower transaction costs for searching, evaluating, integrating and monitoring cloud services. Although they mainly contain smaller projects for freelancers, they could lead to pilot projects for companies. However, you would need excellent end market knowledge.

Direct sales require experience in the European market. This strategy is most suitable for relatively large providers that want to target large European end users. Your best bet is to focus on a small, underserved niche market. However, for most suppliers from developing countries it is very challenging to sell VR and AR services directly. Sometimes, they work together to make a direct sales offer. Having one or more existing customers in Europe will help, as references are a must when you want to enter this market through direct sales.

Tips:

Look for potential leads in the field of VR and AR on online outsourcing marketplaces. UpWork, TopTal and Freelancer are interesting for freelancers or really small companies

Combine offline and online promotion channels to develop as many contacts as possible. This maximises your chances of finding suitable partners/customers. Use (professional) social media platforms as a marketing tool to reach potential customers. LinkedIn can be particularly useful for making initial contacts and conducting market research.

Have a professional, high-quality company website, where you can present full, accurate and up-to-date details of your offering at low cost. Make it compatible with mobile devices and invest in Search Engine Marketing and Search Engine Optimisation, so potential customers can easily find you online.

3. What competition do you face on the European VR and AR services outsourcing market?

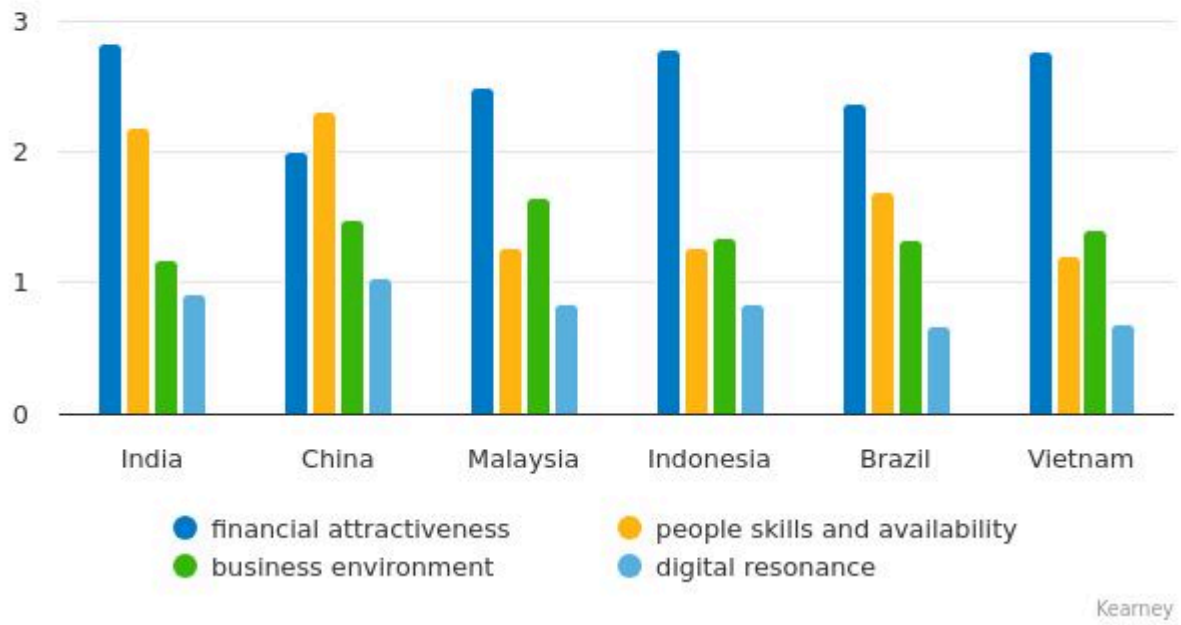
Which countries are you competing with?

In general, European companies prefer to outsource services to providers within the same country (also known as homesourcing, or simply outsourcing). For more information on nearshoring versus offshoring, see our study on the European market potential for VR and AR services[CM1] .

The Global Services Location Index (GSLI) ranks the competitiveness of ITO/BPO destinations based on four categories: financial attractiveness, people skills and availability, business environment and digital resonance. For software development services, we have selected six countries that can be considered your strongest competition. The GSLI5 weighs the following selection criteria: digital resonance 60%, business environment 20%, financial attractiveness 10%, and people and skills 10%.

Figure 4: Selected country scores based on the Global Service Location Index

2021



India

India continues to lead the GSLI, mainly due to the combination of excellent English language skills and low-cost services, because when it comes to digital resonance, India only takes the 17th place. India was one of the countries to successfully tap into the first ITO and BPO demand wave and it has been consistent in developing low-skilled workforces to meet traditional demand. However, with the current digital transformation, a gap has emerged between the demand for digitally savvy professionals and the talent pool that India is producing. This illustrates that although offering competitive rates is important, you should not compete only on price. As relatively simple (and therefore cheap) tasks can be automated, your focus should be on excellent skills, knowledge and creativity, which have a higher value. Demonstrating your commitment to quality through references and quality management systems is key to building trust among potential European clients.

China

China is one of the leaders in the VR and AR industry. Their VR and AR adoption rate is very high, mainly because Chinese are very enthusiastic about most emerging technologies. The VR market is expected to grow to 36 times the current size in the next four years (from 2021 to 2025). In 2014, the country began a campaign to support entrepreneurship in the VR and AR segment. Since then, around 1,600 VR or AR start-ups have been registered.

China is also the runner-up in the GSLI. It is catching up with India thanks to its business environment and digital resonance, which includes the digital skills of the labour force. However, if the trade conflict between the United States of America and China and its technology companies continues, this may deter global investors from doing business with the country.

Like India, China offers some of the lowest hourly developer rates in the world. Again, the ambivalence of buyers towards extremely low rates is reflected in the perceived quality of the developer population. With a score of 76%, Chinese software developers are ranked 43rd out of 44 assessed countries. Combined with the relatively moderate English proficiency in China, this offers you opportunities to compete.

Vietnam

The Vietnamese outsourcing industry is relatively young, compared to the Philippines or India. However, in the past 10 years (2010 to 2020), the Vietnamese government changed its policy from a strictly controlled and

centrally planned system to a more outward looking, market-oriented economy, boosting the outsourcing sector greatly. The Vietnamese VR and AR market is highly influenced by the Chinese market. Vietnamese consumers are also very interested in most emerging technologies.

The country has climbed from number 24 to number 20 to number 6 (2017, 2019 and 2021) in the GSLI by improving its infrastructure costs and business environment. Vietnam is home to a large talent pool of VR and AR developers. And although Vietnamese generally have low English proficiency, most Vietnamese VR and AR developers have intermediate to upper-intermediate English language skills.

Poland

Poland is a major player in software development outsourcing and it is growing as a VR and AR player. As a Central and Eastern European (CEE) country, it benefits from European buyers' preference for nearshore providers due to proximity, language, cultural similarities and relatively small time differences (if any).

Poland saw an increase in its GSLI ranking by ten points (from 24th position in 2019 to the 14th in 2021). The increase is primarily due to its financial attractiveness and start-up activities. Polish people also score very high on English proficiency, making it relatively easy for European clients to communicate with them. This makes the country a particularly fierce competitor for you. Learn more about Poland as an ITO or BPO destination by reading their destination guide, issued by the German Outsourcing Verband.

Belarus

Belarus is another well-known CEE destination for nearshoring. Like Poland, the country benefits from its location close to the main Northern and Western European markets and their ITO industry is growing quickly.

Belarus has a very high literacy rate of more than 99%, their education levels are high and they generally have a moderate proficiency in English. The country can offer competitive prices for VR and AR solutions, but also offers a skilled workforce. And the IT industry in Belarus is supported by the High-Tech Park, a government initiative to develop 'the Silicon Valley of Belarus'.

Egypt

Egypt is a strongly emerging African destination for offshoring. Its time zone (GMT+2) partly overlaps with Western and Northern Europe, eliminating the time differences generally associated with offshoring. The country ranks 15th in the GSLI, as its considerable investments in infrastructure and cybersecurity are boosting the country's business environment performance. The New Administrative Capital is designed as a Smart City using the Internet of Things and big data analytics, and is meant to create an Egyptian Silicon Valley.

The country is home to a large technically educated workforce that is skilled in English, Arabic, French, German, and other European languages. The hourly developer rates in Egypt are relatively low at €17–€34, which is comparable to the average rates in Asia. Learn more about Egypt as an ITO or BPO destination by reading their destination guide, issued by the German Outsourcing Verband.

Tips:

Compete on the quality of your services, rather than just on costs.

Specialise in specific vertical markets and/or niche market segments to avoid competition.

Visit the websites of IT outsourcing associations and VR and AR associations in particular, to get a better understanding of competing countries. Examples are the Central and Eastern European Outsourcing Association (CEEOA) and the Ghana Export Promotion Authority (GEPA).

Which companies are you competing with?

Examples of successful VR and AR service providers from the abovementioned six countries are:

India

India is home to many VR and AR companies. Some of the most appreciated ones are Hyperlink Infosystem, Yudiz Solutions, Fusion VR and Plutomen Technologies. Plutomen provides augmented and virtual reality solutions to enterprises worldwide. They focus on continuous education for their staff. Some of the solutions they offer are AR-based self-assistance and remote collaboration, Vnotes, AR-based apps that serve as a personal guide for equipment and machines for demonstrating, configurating and sharing information on machine parts, and AR-based indoor navigation tools.

60% of their services are AR and VR solutions, but they also work on app development (20%) and wearable app development (20%). Their clients appreciate them for their seemingly unlimited solutions and their industry-specific products. Find more VR and AR service providers in India, and their reviews, on the website of Clutch.

China

There are many VR and AR service providers in China, but most of them are still in the hands of foreign tech companies. Some Chinese AR and VR experts say that while the United States of America is better at fundamental research, China is better at implementing and commercial application. In the past ten years, there has been an increase in Chinese-owned innovative VR and AR companies.

Examples of Chinese-owned and innovative VR and AR companies are Peanut Digital and HeiVR for VR content. In the education segment of the VR and AR market, the five major Chinese players are Fly VR, Menke VR, Growlib, VRSchool and HEIVR.

To get an understanding of what these companies do, you can take a look at their (Chinese) websites. If you want to know more or contact them, the English page usually provides contact information.

Find more VR and AR service providers in China, and their reviews, on the website of Clutch. A list of the most promising VR start-ups in China can be found here.

Vietnam

Vietnam is home to several AR and VR companies. Examples are AVR Creative, Halo Media, Marvy Co and VR Tech. Marvy Co focusses mainly on AR/VR development (80%), and they also develop mobile applications (20%). They specialise in advertising and marketing, but also have thorough experience in the gaming and information technology industry. Clients praise them for their creativity, communication and the look of the end product.

Find more VR and/or AR service providers in Vietnam, and their reviews, on the website of Clutch.

Poland

The number of VR/AR companies in Poland is relatively high. Some examples of Polish VR and AR companies are 4Experience, Nomtek, Apzumi, Dyfuzja and Lune. Nomtek is an award-winning app development company. They impressed their clients with their coding and product development and by sticking to the project schedule. They are one of Poland's larger VR and AR companies and also have offices in Germany, the United Kingdom and the United States of America. Find more VR and AR service providers in Poland, and their reviews, on the website of Clutch.

Belarus

One of the most outstanding VR and AR service providers in Belarus is Egorov. They were awarded the title of one of the three most creative studios in Belarus. They offer development in the areas of WebAR, e-commerce, corporate site and chat-bots. They mostly work for small businesses (70%) and AR/VR development is their

biggest service line (50% of their projects). Their customers praise their personal approach, fast issue solutions and innovative development suggestions.

Find more VR/AR service providers in Belarus, and their reviews, on the website of Clutch.

Egypt

The VR and AR industry in Egypt is not yet very big, but its reputation is increasing. Some interesting AR and VR companies from Egypt are Appsinnovate, 5dVR, VRapeutic, and VR Egypt. VR Egypt specialises in training simulations, applications of VR and AR and a combination of them, Mixed Reality (MR). They mainly work for the official and civil sectors. Like most VR and AR companies, VR Egypt has a very good website with good quality pictures, clear (but not excessive) information and some nice interactive features as a proof of their professionalism.

There is currently only one VR and AR service provider in Egypt listed on the website of Clutch. Welp Magazine has a more extensive list.

Tips:

Use the services of your national export promotion agency and actively participate in the creation of export strategies.

Search company databases to find more competing companies. These databases can be free, like company.info, or paid, via chambers of commerce (such as the Dutch Kamer van Koophandel) or commercial databases like Bold Data.

Which products are you competing with?

In the VR and AR services industry, the product is the service. This means that the real question here is: what makes one service provider different from another? The answer is: technical knowledge, available capacity, references, domain knowledge, flexibility, scalability, reliability, communication and language capabilities, quality management, security infrastructure, vertical and/or horizontal market focus and niche market orientation, among other things. The location (country) of the service provider is also an important factor.

Tips:

Invest in country branding. For more information on this topic, see our tips on doing business with European buyers.

Find out how you can get a competitive advantage, based on factors such as quality, cost, technology or product characteristics. For ideas, study the annual Developer Skills Report. This includes the most popular programming languages and frameworks, the kind of frameworks hiring managers want versus the frameworks developers know (so you can see where there is more demand than supply) and more.

See XRA's Developers Guide for better XR, Chapter 1 and Chapter 2.

4. What are the prices for VR and AR services outsourcing?

Although price is often not the most important selection criterium for VR and AR services, it has to be right and competitive. The price for VR and AR services is influenced by technological requirements, skill levels, complexity of the project, length of the contract and other requirements written in the Service Level Agreement (SLA). In general, clients are often less price sensitive if the product or service is highly specialised and/or the market is a smaller, niche segment.

It is impossible to make an exact price breakdown. First of all, VR and AR projects are so diverse that there is no single price breakdown that suits all (or even most) projects. Secondly, it requires so much estimating and unforeseen elements that even the process itself is an estimation.

Your offer should include the price, with your hourly rates (specified with the various disciplines working on the project) and an honest estimation of the number of hours you expect to work on the project. Choose a type of price model for your outsourcing contract. For more information, see this paper on pricing models in outsourcing. The most common price model for VR and AR services is a Fixed-Price Contract. This is an all-inclusive offer, where clients are billed based on pre-defined (in the SLA) milestones.

Tip:

Some specific VR and AR software development pricing sources are Invisible, mlsdev or Empeek (about VR and AR for the healthcare industry). You can also research the average salaries for VR and AR developers via platforms like Payscale. If you are developing VR applications, this article might help you understand the price breakdown. For general software development prices, look at reports such as those by Cleveroad, DAXX, Qubit Labs, Yalantis and SourceSeek.

This study was carried out on behalf of CBI by Globally Cool B.V. in collaboration with Laszlo Klucs.

Please review our market information disclaimer.