

AN ULTIMATE GUIDE ON **IT OUTSOURCING**

How to save costs, while ensuring in-house level of delivery quality and speed.



Introduction

In today's competitive business environment, companies are constantly seeking ways to optimize their operations and reduce costs while maintaining high-quality delivery. IT outsourcing has emerged as a powerful strategy to achieve these goals. According to Deloitte's Global Outsourcing Survey 2022, a significant percentage of companies outsource their IT functions, including software development, infrastructure services, and technical support, to save costs, access innovation, improve quality, and increase agility.

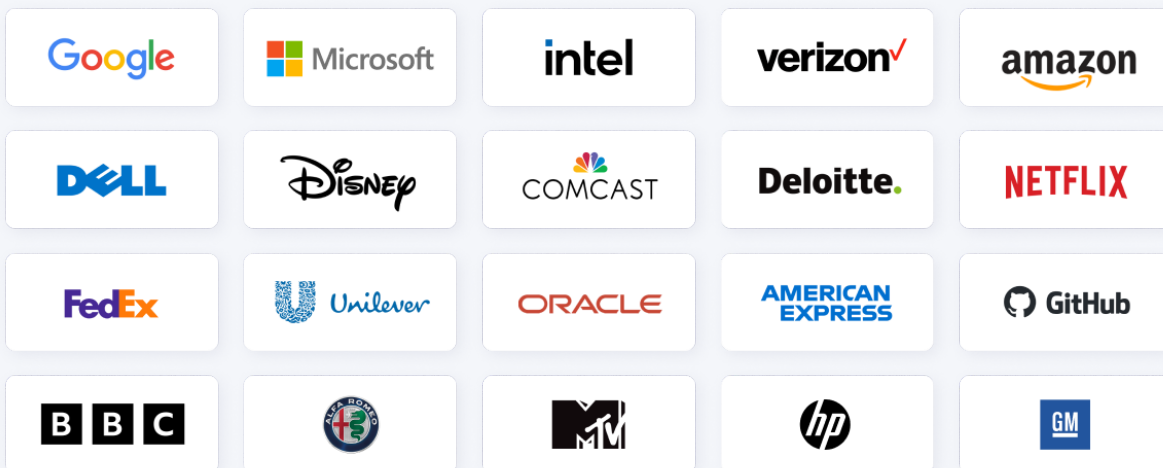
This white paper aims to provide an ultimate guide on IT outsourcing, helping businesses understand how to save costs without compromising on the quality and speed of delivery. We will explore the costs associated with hiring and maintaining in-house software engineers, the benefits of IT outsourcing, and how to choose the right outsourcing destination and partner. Additionally, we will highlight why ZoolaTech is an ideal technology partner through our success stories and unique value propositions.

Deloitte's Global Outsourcing Survey 2022 indicates that companies outsource an average of

76%

of their IT, including app development, infrastructure services, next-gen tech, and technical support.

Industry leaders that outsource software development



32.3%

of companies outsource their software development because it helps them to save costs, according to KMPG.

Other reasons include access to innovation, quality improvement, increased agility, speed to market, and risk transfer.

So, how can IT outsourcing help you **optimize** your project budget? How to choose the right destination for IT outsourcing? And how to select **the right tech partner** to save costs while maintaining the in-house delivery quality and speed?



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HOW IT OUTSOURCING CAN HELP YOU **SAVE COSTS**



Costs of hiring and maintaining in-house software engineers

The cost of assembling an in-house software development team can vary widely based on factors such as geographic location, team composition, seniority levels, and specific roles.

Direct costs

Direct costs primarily include the salaries of in-house software engineers. The approximate annual salary ranges below are based on data from sources such as Glassdoor, Indeed.com, and country-specific research reports.

Average annual salaries for senior tech positions

	USA	Mexico	Turkey	Ukraine	Poland	Romania
Software Engineer	\$160K	\$63-78K	\$60-84K	\$60-78K	\$72-102K	\$78-102K
QA Automation Engineer	\$130K	\$56-71K	\$48-66K	\$48-66K	\$60-72K	\$66-78K
DevOps Engineer	\$150K	\$66-80K	\$72-84K	\$72-84K	\$84-102K	\$90-102K
Data Engineer	\$150K	\$56-84K	\$60-78K	\$60-78K	\$72-90K	\$84-90K

*The data was taken from career website such as Glassdoor, Indeed.com, Levels.fyi, and country research reports. The actual rates may differ from average ones depending on depending on many different criteria.

Overhead costs

Overhead costs are often underestimated but play a significant role in the total cost of in-house teams. These costs vary widely by location and company size but are crucial considerations when calculating the total expense of maintaining an in-house software development team.



Social security tax

In the USA, the social security tax is 7.5%. If an engineer's annual salary is \$160K, you would need to pay an additional **\$12K** per year for each software engineer.



Office management

Office-related costs (rent, office management, utilities, supplies) amount to \$800K annually for 100 employees, which translates to **\$7-8K** per person per year.



Medical insurance

The cost of medical insurance is **\$15K** per year for each software engineer.



HR management

Talent management and retention, events, training, certifications, and mentorships cost around **\$1.36K** per person per year.



Severance pay

On average, 3 monthly salaries + \$8K (Cobra insurance) are paid at once.

Assuming 20% of the personnel are laid off every three years and each one is paid a Cobra insurance and a severance payment that equals three times their monthly salary, then 6,67% of employees get 125% (12 + 3 monthly salaries) their annual salary each year + \$8K



Recruitment costs

Recruiting a new hire typically costs 20-25% of that specialist's base salary. For example, if a senior software engineer earns around \$160K annually, it would cost you an additional **\$32K** to recruit a specialist.

According to Glassdoor, a recruiter's salary in the US starts at \$110K per year, with an additional \$4,000 needed to hire an employee within 24 days. If you need to hire multiple strong tech experts quickly, a team of recruiters is necessary.

Overhead per person per year

6,67%* \$8K + 6,67%*25% (of their annual salary) = \$533.6 + 1.7% (of their annual salary)

Assuming, the average annual salary for a Senior Software Engineer is \$160K, then the overhead per person per year is

\$533.6 + 1.7%*\$160,000 = \$533,6 + \$2,720= 3,253.6

So, the average overhead per person per year is approximately **\$3,254** considering a \$160,000 salary and a 6.67% annual layoff rate.



Training & development

Investing in employee training and development is critical. On average, companies spend about **\$1.2K** per employee per year.

The overall overhead costs per in-house software engineer

32K Recruitment costs	+	12K Social security tax	+	15K Medical insurance
8K Office management expenses	+	3.25K Severance payment	+	1.36K HR management overhead
≈ \$71.6K				

So, it means that when you hire an in-house engineer with a salary of \$160K annually, you need to pay around **\$71.6K** more, which adds an additional **45%** to the salary you pay.

$$\text{\$160K (salary)} + \text{\$71.6K (indirect costs)} = \text{\$231.6K}$$

the actual amount you pay for an average **senior software engineer**.

If you need to hire 1-3 in-house tech specialists, this makes a slight difference. However, if you need to hire a team of 10 in-house senior software engineers, you **must pay an additional amount** equivalent to the salaries of 4.5 more engineers. Let's do the math:

$$160,000 * 10 = 1,600,000$$

$$2,316,000 - 1,600,000 = 716,000$$

$$231,600 * 10 = 2,316,000$$

$$716,000 / 160,000 \approx 4.5$$



The larger the team you need, the more overhead costs you incur.

For instance, if you need to hire 20 in-house senior software engineers, you will have to **pay overhead costs equivalent to the salaries of 9 more software engineers**. That indeed makes a significant difference.

How you can benefit from IT outsourcing

According to Forbes, companies can achieve up to

70% savings on operational costs by outsourcing their IT needs.

The amount saved through IT outsourcing can vary significantly based on factors such as project complexity, outsourcing company location, and specific role requirements.

Benefit from IT outsourcing



Fast access to global tech talent



Lower rates



Reduced overhead costs



Accelerated time-to-market

Fast access to global talent

Deloitte's Global Outsourcing Survey 2022 highlights that 50% of executives face challenges in talent acquisition. In contrast, outsourcing provides swift access to global tech talent.

This access accelerates project milestones, reduces downtime, and speeds up the time-to-market for new features.

Lower rates

IT outsourcing often offers lower rates, typically by 50-70%, compared to countries like the USA or Canada. This cost advantage is due to differences in tax systems, regulations, and economic structures.

Average annual salaries of senior software engineers

USA	Mexico	Turkey	Ukraine	Poland	Romania
\$160K	\$63-78K	\$60-84K	\$60-78K	\$72-102K	\$78-102K

*The data was taken from career website such as Glassdoor, Indeed.com, Levels.fyi, and country research reports. The actual rates may differ from average ones depending on depending on many different criteria.

Reduced overhead costs

Outsourcing IT significantly reduces overhead expenses associated with maintaining an in-house team. These savings include benefits, office space, infrastructure, and more. A reliable IT outsourcing company manages recruitment, HR, admin, and operational overhead.

What you get for IT outsourcing rates

-  Fast and efficient recruitment
-  Strong tech talent
-  Scalability & flexibility
-  Getting work done
-  Office and admin management
-  Talent management & retention
-  People management
-  Knowledge transfer management
-  Proven tech and domain expertise
-  Best engineering practices & cost-optimization tips



CHOOSING THE RIGHT LOCATION FOR IT OUTSOURCING

Here's an overview of top global destinations with average rates for senior specialists, helping you estimate IT outsourcing costs. These locations were selected based on their **optimal cost-to-quality ratio**, robust tech talent pools, and cultural compatibility.



Mexico

Mexico is a leading IT outsourcing destination in Latin America. It ranks third among Latin American countries on the Global Innovation Index. According to Clutch, it is home to around [500 IT outsourcing companies](#). The country has an excellent infrastructure, including reliable transportation and telecommunications networks.



Tech Talent Pool

The country's strong focus on technology education ensures a steady supply of qualified specialists, resulting in over **700,000 tech experts**.



Education & English Proficiency

Proficiency in both Spanish and English is common. According to the [Coursera Global Skills Report 2023](#), Mexican developers **rank #2 in Latin America and the Caribbean and #4 in the world for technology skills**.



Tech Community

Key hubs include Mexico City, Guadalajara (the "Silicon Valley of Mexico"), Monterrey, Tijuana, and Querétaro.

Average annual salaries of senior tech specialists

USA

Mexico

	USA	Mexico
Software Engineer	\$160K	\$63-78K
QA Automation Engineer	\$130K	\$58-71K
DevOps Engineer	\$150K	\$66-80K
Data Engineer	\$150K	\$56-84K

*The data was taken from career websites such as Glassdoor, Indeed.com, Levels.fyi, and country research reports. The actual rates may differ from average ones depending on many different criteria.

Turkey

Situated at the crossroads of Europe, the Middle East, and Asia, Turkey is a burgeoning tech powerhouse. Its IT outsourcing market generated \$0.69 billion in 2023, with expectations of nearly doubling by 2026. According to Clutch, it is home to around [250 IT service companies](#).



Tech Talent Pool

Turkey offers a large pool of IT professionals. As of 2020, there were [140K software developers](#), increasing by 10K annually.



Education & English Proficiency

According to [OECD](#), Türkiye ranks top in Europe in access to universities. Every year, around [98,000 students with STEM](#) degrees graduate from universities. English proficiency is widespread in the tech sector.



Tech Community

Istanbul (home to Delivery Hero's tech hub), Ankara (implementing smart city initiatives), and Antalya (emerging as a tech destination).

Average annual salaries of senior tech specialists

USA

Turkey

	USA	Turkey
Software Engineer	\$160K	\$60-84K
QA Automation Engineer	\$130K	\$58-71K
DevOps Engineer	\$150K	\$66-80K
Data Engineer	\$150K	\$56-84K

*The data was taken from career websites such as Glassdoor, Indeed.com, Levels.fyi, and country research reports. The actual rates may differ from average ones depending on many different criteria.



Poland

With over [525,000 IT specialists](#), Poland boasts the most extensive IT talent pool in Central & Eastern Europe. Poland holds the [9th place](#) on the list of all European countries by GDP. The country also ranks 13th according to Kearney’s Global Index.



Tech Talent Pool

Poland hosts a diverse IT workforce. According to Clutch, it is home to around **1,000 IT service providers**.



Education & English Proficiency

Poland is known for its technical universities and high English proficiency among specialists.



Tech Community

Major hubs are located in Warsaw (a quarter of Poland’s tech workforce), Kraków, Wrocław (“Silicon Valley of Poland”), and Katowice.

Average annual salaries of senior tech specialists

USA

Poland

Software Engineer

\$160K

\$72-102K

QA Automation Engineer

\$130K

\$60-72K

DevOps Engineer

\$150K

\$84-102K

Data Engineer

\$150K

\$72-90K

*The data was taken from career websites such as Glassdoor, Indeed.com, Levels.fyi, and country research reports. The actual rates may differ from average ones depending on many different criteria.

Romania

Romania balances cost-effectiveness with quality, grossing \$653.5 million in its IT and Business Process outsourcing market by December 2023. According to Clutch, it is home to around **350 IT service providers**.



Tech Talent Pool

It boasts one of the largest talent pools in Central and Eastern Europe. According to the U.S. International Trade Administration, Romania had almost **192,000 ICT professionals** as of 2023.



Education & English Proficiency

Romania is known for its leading technical universities and proficiency in multiple languages including English, German, French, and Italian.



Tech Community

Key hubs include Bucharest (major hub with multinational corporations), Cluj-Napoca ("Silicon Valley of Transylvania"), and Timișoara (a growing hub for software development).

Average annual salaries of senior tech specialists

USA

Romania

Software Engineer

\$160K

\$78-102K

QA Automation Engineer

\$130K

\$68-78K

DevOps Engineer

\$150K

\$90-102K

Data Engineer

\$150K

\$84-90K

*The data was taken from career websites such as Glassdoor, Indeed.com, Levels.fyi, and country research reports. The actual rates may differ from average ones depending on many different criteria.

Ukraine

With over **242,000 IT professionals** and a thriving tech industry growing at **23% annually**, Ukraine ranks high globally for IT outsourcing. It's known for its skilled workforce and innovative tech solutions. According to Clutch, it is home to around **1,000 IT service companies**.



Tech Talent Pool

Ukraine offers a large and growing pool of IT specialists, supported by strong STEM education initiatives.



Education & English Proficiency

Ukraine is known for its emphasis on STEM education, strong English proficiency among tech experts, and government-supported IT education projects



Tech Community

Key hubs include Kyiv (home to UNIT.City), Lviv (second-largest tech hub), Kharkiv, Odesa, and Dnipro (hosting major international companies).

Average annual salaries of senior tech specialists

USA

Ukraine

	USA	Ukraine
Software Engineer	\$160K	\$60-78K
QA Automation Engineer	\$130K	\$48-60K
DevOps Engineer	\$150K	\$72-84K
Data Engineer	\$150K	\$60-78K

*The data was taken from career websites such as Glassdoor, Indeed.com, Levels.fyi, and country research reports. The actual rates may differ from average ones depending on many different criteria.



HOW TO CHOOSE THE RIGHT TECH PARTNER FOR IT OUTSOURCING

When outsourcing software development, maintaining in-house levels of delivery speed and quality is essential. The key to achieving this lies in selecting the right tech partner. Here are the top criteria for **choosing the right outsourcing partner and ensuring high-quality delivery.**



Top criteria for choosing a reliable software development partner

Strong tech talent & proven recruitment practices

- **Brand strength & access to global talent**

Choose an outsourcing partner known for a strong employer brand with a proven ability to access a global pool of top-tier tech talent.

- **Transparency in hiring**

Ensure the partner maintains high standards in hiring, **avoiding the misrepresentation of junior developers as senior ones.**

Choose partners that offer full hiring transparency, well-established recruitment practices, and custom automation tools to streamline the process.

- **Talent management, retention, & development**

Choose partners who invest in talent retention through continuous development and a strong corporate culture.

Ensuring team loyalty & commitment

- **Dedicated teams**

Look for a partner that provides dedicated engineering teams, **fostering a strong sense of ownership and commitment to your project.** A dedicated team will go the extra mile to meet your goals.

- **Corporate culture & work ethic**

The outsourcing partner's corporate culture and work ethic should align with your own. An established corporate culture promotes team loyalty and a shared commitment to success.

Customized services

- **Tailored team composition**

Ensure the partner can provide tech talent and team compositions that match your company's needs, **delivering the best cost-value ratio.**

- **Meticulous screening process**

It is vital to conduct a meticulous screening process for hard and soft skills, experience, and cultural compatibility.

- **Collaboration flexibility**

Opt for a partner that offers flexible cooperation models tailored to your needs. The ability to adapt these models as your requirements change is crucial for maintaining productivity and quality.

Time-tested practices

- **Culture of engineering excellence**

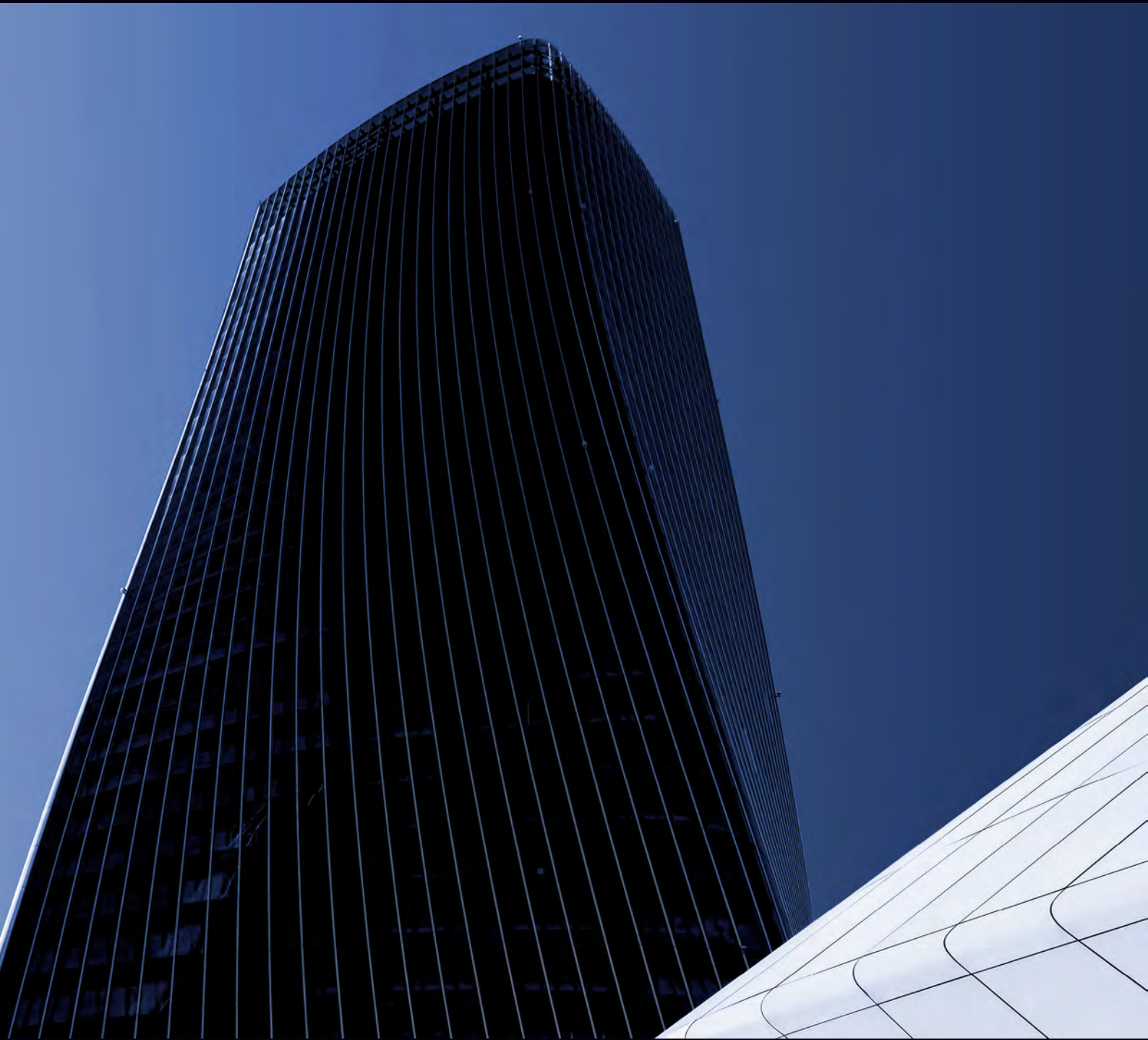
Choose a partner with a track record of applying Agile management practices and a culture of engineering excellence.

- **CI/CD pipeline**

A streamlined Continuous Integration/Continuous Deployment (CI/CD) pipeline is essential for maintaining high-quality software development

- **Knowledge transfer management**

Creating an effective knowledge transfer plan is key to IT outsourcing project management. A well-organized plan is essential for maintaining high quality and avoiding unnecessary costs.



**WHY CHOOSE
ZOO^LATECH AS YOUR
TECHNOLOGY PARTNER**



Top 7 reasons why you need to choose ZoolaTech as your technology partner

01. Access to top-tier tech talent globally

ZoolaTech allows businesses to access a global pool of top tech professionals. With a dedicated team of 16 recruiters, ZoolaTech efficiently fills positions within one month, hiring over 30 experts monthly. This swift and effective recruitment process ensures businesses can **quickly and seamlessly scale** their IT capabilities.



- To fill a position

1 month

- Senior software engineers

60%

- Talent pool in Europe and LatAm

1M

02. Full hiring transparency & efficiency

ZoolaTech offers full transparency in the hiring process, utilizing well-established recruitment practices and custom automation tools to streamline operations. Their high standards, comparable to industry giants like Google and Microsoft, ensure that only the best engineers are hired, **fostering a culture where strong talent attracts other strong talent.**

03. Flexible cooperation models

ZoolaTech provides versatile cooperation models, including ODC (Offshore Development Center), Team Extension, Managed Delivery, or mixed approaches. This flexibility allows businesses to choose a partnership model that best suits their specific needs and operational strategies, **ensuring optimal collaboration and project success.**

04. Experienced & diverse teams

When starting a cooperation with ZoolaTech, businesses **are provided with a team of experts with over 5 years of experience.**

ZoolaTech values diversity, embracing teammates regardless of age, gender, race, religion, sexual orientation, physical abilities, cultural background, or nationality. This commitment to inclusivity fosters a rich, collaborative environment.

05. High client retention & satisfaction

ZoolaTech **boasts a 96% client retention rate**, demonstrating their ability to meet and exceed client expectations consistently. Trusted by Fortune 500 companies, ZoolaTech goes the extra mile to help businesses achieve their operational, tactical, and strategic goals, ensuring long-term partnerships and continued success.


06. Strategically designed teams for long-term value

ZoolaTech designs teams and delivery processes aimed at delivering long-term value. They provide tech talent and team compositions that are the best fit for a company's specific type and timing, ensuring the best cost-value ratio. **Their partners typically stay with them for over 5 years**, benefiting from sustained excellence in results, talent management, and cost efficiency.


07. Commitment to gender equality & leadership

ZoolaTech emphasizes gender equality, **with 50% of leadership positions held by women**. This commitment to balanced leadership not only promotes diversity but also brings varied perspectives and innovative solutions to the table, enhancing overall business performance and fostering a more inclusive workplace culture.


Why partner with ZoolaTech?



Fast & Efficient Recruitment



High Hiring Standards



Loyal & Committed Teams

• Key Locations



• Customer Retention Rate

96%

• Women in Leadership Roles

50%

• Employee Promoter Net Score

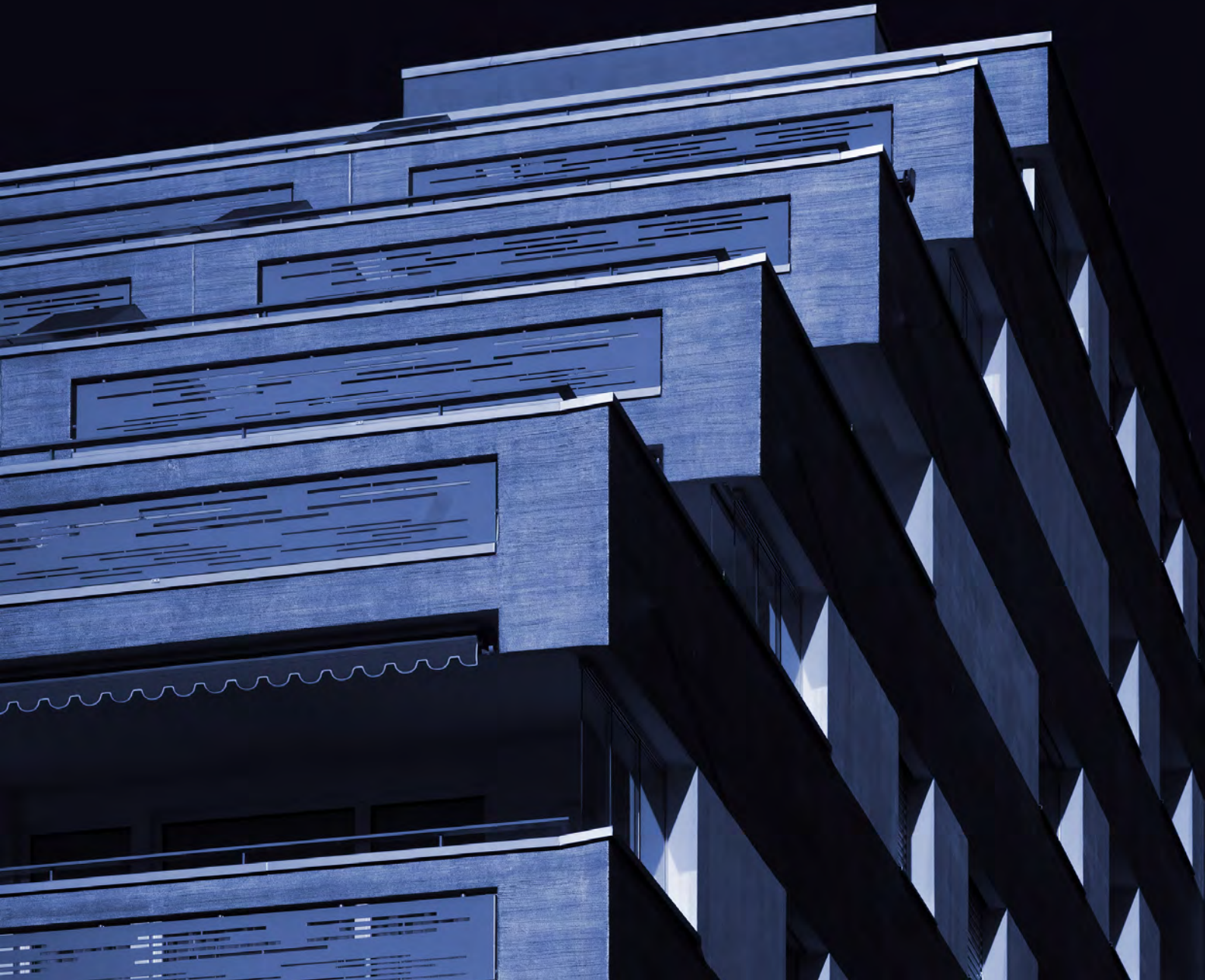
92%

• Referral Rate

96%

• Long-lasting Partnerships

96%



OUR FEATURED SUCCESS STORIES



Driving digital transformation for a leading European retailer

📍 Europe 🕒 2021-ongoing 🌐 Retail 👤 26 experts

Business challenge

In 2021, the company started its Digital transformation to support its growth strategy. The company decided to develop a scalable integration hub based on Event-Driven Architecture and Kafka to solve the following issues and build a solid foundation for digital transformation:

- Reduce latency & increase data accuracy
- Increase scalability
- Eliminate data duplication
- Reduce the amount of memory & processing power used
- Reduce maintenance expenses & complexity
- Make the efficiency & correctness of data exchange more trackable
- Eliminate operational & analytical data discrepancies

ZoolaTech approach

With a precise focus on the company's business needs, we helped our client choose the most suitable tech stack and architecture for the platform to reduce maintenance expenses, withstand high load, and mitigate risks.

We provided a strong engineering team that built a PoC and MVP and proceeded with further product development. The ZoolaTech team prepared a set of **clear engineering standards to drive operational excellence and optimize costs.**

We helped our client streamline, unify, and standardize all DevOps processes and apply the best DevOps practices. We also helped integrate their ERP, transportation management, and warehouse management systems and made the data exchange between these diverse systems fast, efficient, and consistent. It helps to **provide real-time or near real-time visibility into all inventory levels and optimize logistics and transportation management.**

Value delivered

- Seamless integration between multiple systems, making data exchange between them fast, efficient, and accurate
- Decreased latency from 36 hours to milliseconds & improved data accuracy
- Real-time data analytics & visibility into all business processes
- A solid foundation for Advanced Data Analytics & AI
- Integrated omnichannel user experience
- Increased fault-tolerance
- More efficient logistics & transportation management
- Future-proof scalability
- Reduced maintenance expenses & complexity

[Read the full success story](#)



An offshore delivery center for a Fortune 500 FashionTech company

📍 USA 🕒 2018-ongoing 🏪 Retail 👤 186 experts

Business challenge

Our client is a Fortune 500 company and a major player in the US FashionTech sector. They needed to rapidly expand development capabilities to **boost flexibility and accelerate modernization**, adoption of innovations, and delivery of new apps. So, the company required a reliable software development partner to help with this goal.

ZoolaTech approach

For the Fortune 500 retail company, we facilitated the establishment of an Offshore Delivery Center (ODC) comprising 185 people and 40 teams. This ODC provided the flexibility to scale the team as needed and granted access to a diverse talent pool, **fostering innovation and swift problem-solving**.

ZoolaTech has evolved into a strategic software development partner for our client. Our teams at ZoolaTech and in the United States share equal rights and responsibilities. This collaborative effort ensures proactive leveraging of technical expertise, implementation of standardized processes, and proactive proposal of innovative solutions to **optimize costs and mitigate potential risks**.

Value delivered

- Legacy modernization resulting in a high-load, scalable, and reliable **7x faster service**
- A two-fold increase in development velocity and time-to-market
- Enhance user experience without downtime during peak periods
- Substantial **cost savings** in software development and IT operations
- **Doubled app revenue** in just three years, concurrently increasing user engagement time by over 40%. The result was not just revenue growth but a competitive edge in the market.
- 10 million app downloads on both iOS and Android platforms, with **179k monthly downloads**.

Accelerating time-to-market and boosting scalability for MasterControl

📍 USA ⌚ Since April 2022 🏢 Life Sciences & Healthcare 👤 60 experts

Business challenge

Our client is a leading provider of MES and QMS solutions, focusing on ensuring compliance with regulations and improving the quality and safety of the products for regulated industries.

As MasterControl prioritizes its products' immaculate quality and supreme user experience, the company decided to **modernize the existing solutions and build new-generation systems**. To avoid downtime and accelerate the delivery process, they needed a strong partner for technology team extension.

ZoolaTech approach

We provided MasterControl with a team of strong senior software engineers, working closely with the client's in-house team to **ensure engineering excellence, improve velocity, and accelerate time-to-market**. Starting with just two engineers, 60 experts across Europe were hired within 18 months.

Value delivered

We fostered a collaborative environment, breaking down traditional customer-vendor barriers, which resulted in a fast delivery process and high product quality. In particular:

- The collaboration resulted in operational improvements, including increased velocity and overall product quality.
- Seamless integration with the in-house team allowed for **quickly delivering new features**.
- ZoolaTech's proactive collaboration has contributed to innovation and efficiency.
- We played a pivotal role in extending the feature base of legacy systems to meet MasterControl clients' requirements.
- The successful partnership addressed immediate challenges and positioned our client for **sustained growth in the dynamic pharmaceutical sector**.

Conclusion

IT outsourcing offers a strategic advantage for companies looking to reduce operational costs, access global tech talent, and accelerate time-to-market for their products and services. By carefully selecting the right outsourcing destination and partner, businesses can achieve significant savings while maintaining or even improving their delivery quality.

At ZoolaTech, we pride ourselves on our ability to deliver top-tier IT services, backed by a strong pool of tech talent and a commitment to excellence. Our flexible cooperation models, high client retention rates, and focus on diversity and inclusion set us apart as a trusted technology partner. The success stories shared in this white paper demonstrate our capability to drive digital transformation, enhance scalability, and deliver tangible value to our clients.

We look forward to the opportunity to partner with you and help your business achieve its strategic goals through effective IT outsourcing. Thank you for considering ZoolaTech as your technology partner.

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