

# CHINA SHARED SERVICES LOCATION COMPARISON: Beijing, Dalian and Tianjin



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# INTRO

# 介绍

China's shared service sector is booming as cost factors and Government incentives encourage MNCs and POVs to start their shared services journey. In addition to this, China's State-owned Assets Supervision and Administration Commission of the State Council is now directing 130+ large scale SOEs to set up finance SSCs, in order to increase control and financial visibility, thereby generating a wave of emerging finance SSCs within local companies.

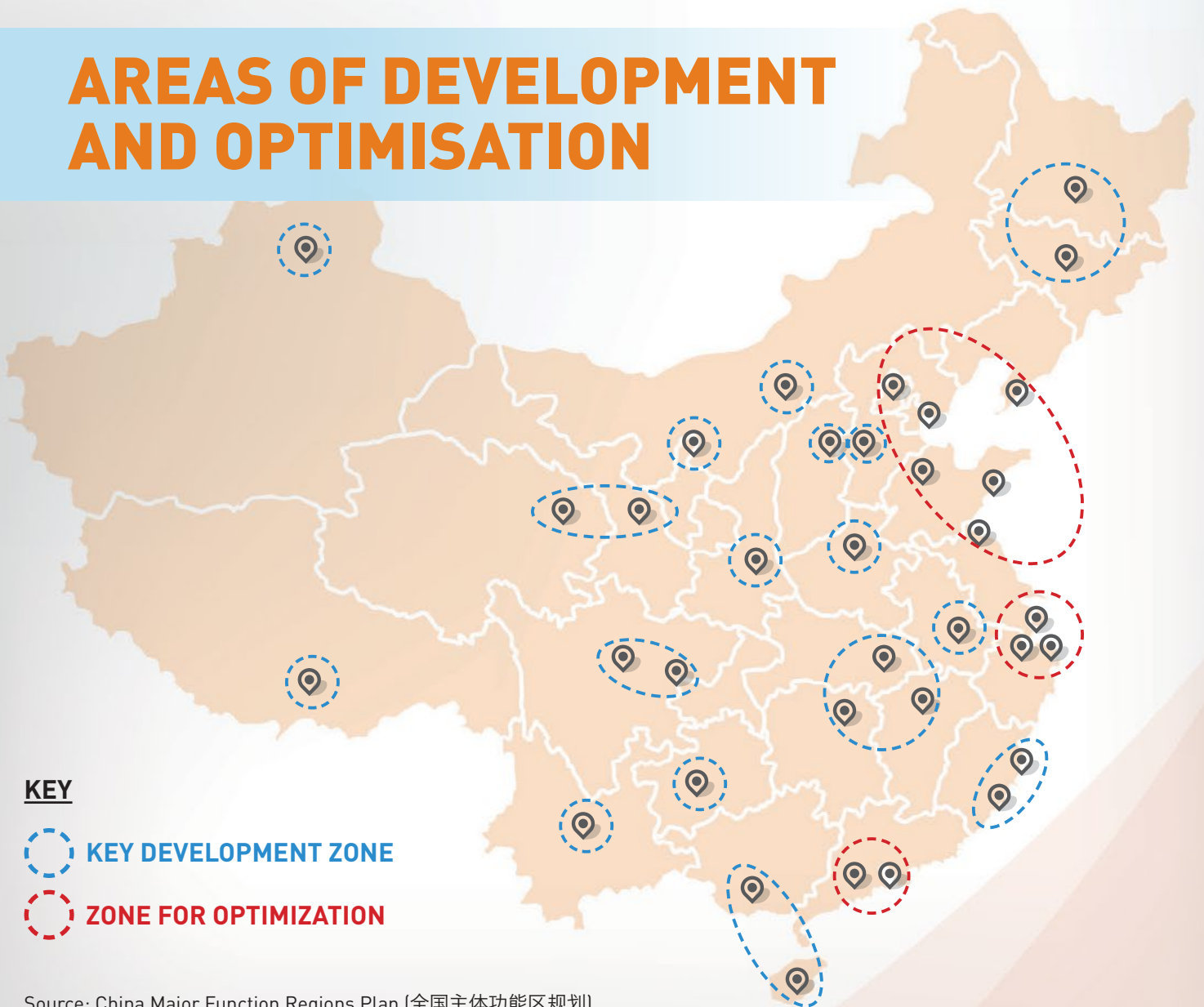
In order to support these trends and fuel economic development, the Chinese Government has taken great pains to improve its geographic capacity and capabilities. This has been achieved through the strong development of tier 2 and 3 cities, since the tier 1 cities have become overcrowded and expensive.

As a result, China's SSO cities are trying to differentiate themselves by focusing on specific services and markets. For example, Dalian in Northern China capitalises on its established software enterprises to focus on IT services as well as its supply of Japanese and Korean speaking professionals.

Due to these factors, organisations looking to set up their shared service centre need to prioritise and closely match their requirements in order to find the right location fit. So to shed light on the latest development trends, we take a close look at three hot locations for shared services and outsourcing in the North East of the country, Beijing, Dalian and Tianjin.

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## AREAS OF DEVELOPMENT AND OPTIMISATION



### KEY

 KEY DEVELOPMENT ZONE

 ZONE FOR OPTIMIZATION

Source: China Major Function Regions Plan (全国主体功能区规划)

# MAP OF CHINA'S MAJOR SHARED SERVICE CENTRES

\*Based on research by SSON

● Beijing.....24	● Nanjing .....5
● Changzhou.....2	● Qingdao.....2
● Chengdu .....7	● Qinghuangdao .....1
● Chongqin .....1	● Shanghai.....101
● Dalian .....14	● Shenzhen.....12
● Foshan .....1	● Suzhou .....12
● Guangzhou .....15	● Tianjin .....7
● Hangzhou .....2	● Wuhan.....7
● Hebei.....1	● Wuhu.....1
● Hunan .....1	● Wuxi .....1
● Jiangmen.....1	● Xiamen.....2
● Jingzhou .....1	● Xian .....1
● Mianyang .....1	● Xiantan.....1



## Key Development Zone Focuses:

- ➔ Big CAPEX growth
- ➔ New economy growth pillar
- ➔ Rapid industrialization & urbanization or industry modernization
- ➔ Infrastructure establishment/ improvement

## Zones for Optimisation Focuses:

- ➔ Innovation
- ➔ Industrial optimization
- ➔ Urban environment/life/layout improvement
- ➔ Global competitiveness build-up

## CITY PROFILE


Beijing is the capital of China and one of the four key municipalities directly under China's Central Government. It is a world-renowned historical and cultural centre and ancient capital.


Beijing is China's political, economic, cultural, educational and international exchange centre, and is an important air traffic, railway and highway hub for China.


## Sample of the Major Shared Service Centres in Beijing


Account	Function	City	Enterprise Type
ABB	HRSSC	Beijing	MNC
Amazon	FSSC	Beijing	MNC
ANZ	HRSSC	Beijing	MNC
Aviva COFCO	FSSC	Beijing	MNC
Baidu	FSSC	Beijing	POV
BMW	HRSSC	Beijing	MNC
China Development Bank	FSSC	Beijing	SOE
Cisco	FSSC	Beijing	MNC
CNOOC	FSSC	Beijing	SOE
CR Double-Crane	FSSC	Beijing	POV
Credit Ease	FSSC	Beijing	POV
Daimler	FSSC	Beijing	MNC
EMC	FSSC	Beijing	MNC
Ericsson	FSSC	Beijing	MNC
FESCO	HRSSC	Beijing	SOE
Gome	FSSC	Beijing	POV
HP	SSC	Beijing, Wuhan, Dalian	MNC
Life Technologies	HRSSC	Beijing	MNC
Novartis	HRSSC	Beijing	MNC
Schneider Electric	FSSC	Beijing, Wuhan	MNC
Siemens	SSC	Beijing, Shanghai	MNC
Sunshine Insurance Group	FSSC	Beijing	POV
Total	FSSC	Beijing	MNC

## OVERVIEW


 **Geographical location:**  
Beijing is located north of the huabei plain, bordered by tianjin to the south-east and surrounded by hebei province in other directions.

 **Climate:**  
Warm and semi-humid continental monsoon climate

 **Annual average temperature:**  
13.4°C (2011)

 **Annual average rainfall:**  
720.6Mm (2011)

 **Population:**  
20,693,000 (2012)

 **Key industries:**  
Finance, electronics, communication, high-tech, education, tourism

### Key

**MNC:** Multi-National Company

**SOE:** State Owned Enterprise

**POV:** Private Owned Venture

**FSSC:** Finance Shared Service Centre

**HRSSC:** Human Resources Shared Service Centre

**SSC:** Multi-Function Shared Service Centre

## Some of the main contributing factors for Beijing becoming a favoured service outsourcing destination

- 1** Beijing is one of the 21 State Council-approved **Service Outsourcing Model Cities** across the nation.
- 2** In 2012, Beijing approved foreign invested contracts worth **USD 11.35 billion**, a **0.5 percent increase** compared to 2011. The actual use of foreign capital reached **USD 8.04 billion**, a 14 percent increase over 2011. Of this, the Lease and Business Service industries accounted for 20.1 percent, while Information Transmission, Computer Services and the Software industry accounted for 16.8 percent.
- 3** By the end of **March 2012**, there were **116 multinationals with regional headquarters in Beijing**, 76 of which were Fortune 500 companies. There were also 325 foreign invested R&D institutions, including Microsoft, Google and Nokia.
- 4** In 2008, the Beijing Municipal Government approved the Beijing Central Business District, Zhongguancun Science Park-Haidian Park, Zhongguancun Biopharmaceutical Industry Park, Zhongguancun Life Science Park, Beijing Call Centre Industry Base, and Beijing Economic and Technological Development Area to be Beijing's pilot service outsourcing zones. **They focus on the International Finance, Culture and Media, Software Outsourcing, Biopharmaceutical, and Call Centre businesses.**

## Present state of the service trade sector

- ➔ According to preliminary statistics, at the end of 2012, Beijing's service industry **out performed all other cities in China with RMB 1,359.24 billion, exceeding Shanghai**, which ranked second domestically, by RMB 153.2 billion. The GDP of Beijing's service industry accounted for 76.4 percent of the whole city's GDP.
- ➔ **By the end of 2011, Beijing's service trade sector was worth USD 90 billion**, which accounted for nearly 20 percent of the domestic amount and around 1 percent of the global total.
- ➔ It is predicted that Beijing's **service trade sector will generate USD 120 billion by the end of China's 12th Five-Year Plan.**
- ➔ Beijing's service outsourcing sector has gradually **switched from Information and Software Business to Biopharmaceutical, Financial, Telecommunication and Call Centre business.**
- ➔ In 2012, **Beijing's offshore service outsourcing contract executions amounted to USD 3.56 billion, a 45.4 percent increase year-on-year.** This includes information technology outsourcing (USD 2.52 billion), business process outsourcing (USD 690 million) and knowledge process outsourcing (USD 350 million), for which the implementation amount accounted for 70.9 percent, 19.3 percent and 9.8 percent respectively of the total amount. The top five offshore initiating countries were the US, Japan, Ireland, Finland and the Netherlands.
- ➔ There are **more than 400 service outsourcing enterprises in Beijing**, with a total workforce of nearly 100,000 people.



## CITY PROFILE

Dalian is a port city in Liaoning province and is the major gateway for China's north-east region.

Dalian is one of the country's open coastal cities, and one of the most important centres for trade, industry and tourism.

### Sample of the Major Shared Service Centres in Dalian

Account	Function	City	Enterprise Type
Accenture	HRSSC	Dalian	MNC
Accenture	FSSC	Dalian, Chengdu	MNC
Addidas	FSSC	Dalian	MNC
Citi	FSSC, IT centre	Dalian	MNC
Coca-Cola	FSSC	Dalian	MNC
DTZ	FSSC	Dalian	MNC
E&Y	FSSC	Dalian	MNC
Genpact	FSSC	Dalian, Suzhou	MNC
Goodyear	HRSSC	Dalian	MNC
HP	SSC	Dalian, Beijing, Wuhan	MNC
Johnson Controls	FSSC,	Dalian	MNC
Johnson Controls	HRSSC	Dalian	MNC
Pfizer	FSSC	Dalian	MNC
Wanda Group	FSSC	Dalian	POV

## OVERVIEW



### Geographical location:

North of the Shandong Peninsula, Dalian is located on the southern tip of the Liaodong Peninsula, east of the Yellow Sea, west of the Bohai Sea, and with the Dongbei Plain to the north.



### Climate:

Warm temperate zone and continental monsoon climate



### Annual average temperature:

10.5°C (2011)



### Annual average rainfall:

750mm (2011)



### Population:

5,903,000 (2012)



### Key industries:

Petrochemicals, Electronic Information, Software, Advanced Equipment and Ship Manufacturing, Light Textiles/ Garments, Metallurgy and Construction Materials, Food, Medicine, Finance, Consultancy, Tourism

### Key

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**FSSC:** Finance Shared Service Centre

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## Some of the Main Contributing Factors for Dalian Becoming a Favoured Service Outsourcing Destination

- 1** Dalian is one of the 21 State Council-approved **Service Outsourcing Model Cities across the nation**.
- 2** In 2012, the setting up of **283 foreign investment enterprises with registered foreign investment of USD 9.16 billion was approved**. There are 102 foreign investment projects worth over USD 10 million each, of which 11 projects are worth over USD 100 million each. Eight of the new foreign investment projects are from Fortune 500 companies. Actual used foreign direct investment reached USD 12.35 billion, 12.2 percent higher than the previous year.
- 3** By the **end of 2012, Dalian had built up the only innovative software industry clusters nationwide**. The Dalian Hightech Industrial Zone, with its leading Software and Service Outsourcing industry, ranks among the nation's best in terms of enterprise scale, average growth rate, sales revenue, space potential, industry and university cooperation, brand image, etc. There are more than 1,500 companies in the High-tech Zone which specialise in software and service outsourcing. In addition, the city also contains 20 professional software parks and seven of the top 10 global software developers and service outsourcing suppliers.
- 4** **Dalian Software Park has adopted a business model of being "run by the private sector, sponsored by the government"**. It has been **honoured as one of China's Demonstration Regions for Service Outsourcing**, and has been designated as a National Torch Program Software Industrial Base, National Software Industrial Base, National Software Export Base, and Pilot Base for China's Software Export to Europe and the US.

## Present State of Dalian's Service Outsourcing Sector

- ➔ The main fields of Dalian's service outsourcing are: 1) binding the operation of ITO services and BPO services; 2) developing embedded software; 3) and settling overseas data centres and backup centres. The focus is to **attract Finance, Insurance, Social Welfare and Public Service data centres and backup centres to settle in Dalian**.
- ➔ In 2012, the signed contract value and actual conducted value of offshore outsourcing services were USD 1.792 billion and USD 1.529 billion respectively, a year-on-year increase of 41 percent. By the **end of 2012, Dalian was home to 988 service outsourcing enterprises, with a total of 119,800 employees**.
- ➔ In 2010, Dalian realised **total sales turnover of USD 8.65 billion from software and service outsourcing**, a year-on-year increase of 33.75 percent. Of this, exports increased by 28.6 percent to USD 1.5 billion.
- ➔ In 2010, Dalian was **home to 941 software and service outsourcing enterprises**, of which there were around 300 foreign invested enterprises and 56 Fortune 500 enterprises. The total number of employees reached 100,800. There were 40 software enterprises which achieved CMM certification, accounting for a quarter of the nation's total, four of which achieved CMMI5.
- ➔ In terms of **Dalian's service outsourcing activities in 2009, 50 percent were ITO, 30 percent were BPO and 20 percent were KPO services**.

## CITY PROFILE

Tianjin is one of the four municipalities directly under the control of China's Central Government, and it is one of the biggest coastal cities in northern China.

Tianjin is one of the most important comprehensive industrial bases in China, and one of the cores cities in the Bohai Economic Rim.

### Sample of the Major Shared Service Centres in Dalian

Account	Function	City	Enterprise Type
Bunge	FSSC	Tianjin	MNC
Caterpillar China	FSSC	Tianjin	MNC
Caterpillar China	HRSSC	Tianjin	MNC
Freescale	FSSC	Tianjin	MNC
John Deere	FSSC	Tianjin	MNC
Standard Chartered	FSSC	Tianjin	MNC
TATA Consultancy	HRSSC	Tianjin	MNC

## Some of the Main Contributing Factors for Tianjin Becoming a Favoured Service Outsourcing Destination

- 1 Tianjin is one of the 21 State Council-**approved Service Outsourcing Model Cities in China**.
- 2 In 2012, Tianjin **witnessed sound growth in investment attraction, with 632 approved foreign invested enterprises contributing to a total contract value of USD 18.585 billion, an increase of 10.4 percent from 2011**. The actual use of foreign capital was USD 15.016 billion, an increase of 15.0 percent from 2011. At the end of 2012, the number of countries and regions investing in Tianjin had risen to 134 and the number of Fortune 500 enterprises investing in Tianjin rose to 152.
- 3 The **Tianjin Hi-tech Industry Park was founded in 1998**, and is a National Software Export Base, National Torch Plan Software Industry Base, National 863 Software Professional Incubator, Pilot Zone of Chinese Service Outsourcing Model City, and an Information Service Core Zone of the National Comprehensive Hi-tech Industry Base.
- 4 Tianjin is one of the **national software export bases**, and has formed an offshore service outsourcing industry cluster with the development zone and new technology zone at its core.

## OVERVIEW

### Geographical location:

Tianjin is located north-east of the North China Plain, downstream of the Haihe River, west of the Bohai Sea, south of Yanshan and east of Beijing.

### Climate:

Medium latitude monsoon climate



### Annual average temperature:

12.9°C (2011)



### Annual average rainfall:

485.8mm (2011)



### Population:

14,131,500 (2012)



### Key industries:

Engineering Mechanics, Automobiles and Components, Home Appliances, Electronic Information, New Materials, Biopharmaceuticals

### Key

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**POV:** Private Owned Venture

**FSSC:** Finance Shared Service Centre

**HRSSC:** Human Resources Shared Service Centre

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## Present State of the Service Industry in Tianjin

- The Tianjin National Tax Bureau and the Tianjin Commerce Committee together **issued Implementation Opinions on Taxable Services for the Value-added Tax rate and Tax Exemption Policy (2013)** to apply the tax exemption policy to those enterprises and people registered in Tianjin providing services overseas in the Transportation industry and some other service industries.

## Present State of the Service Outsourcing Sector in Tianjin

- The development of the outsourcing service sector in Tianjin has **four key focus areas: Software Development, Biomedicine, Finance Outsourcing and Corporation Shared Service Centres for MNCs.**
- **Service outsourcing in Tianjin grew rapidly in 2012.** There were 3,067 newly signed contracts, with an increase of 62.8 percent. These contracts were worth USD 1.53 billion, an increase of 64.1 percent from 2011. The executed contract value was USD 1.23 billion, double the amount in the previous year. The offshore outsourcing executed amount grew by 90.1 percent.
- Tianjin's service outsourcing industry witnessed rapid development and increased scale in Tianjin in 2012. There were 104 enterprises which were newly registered in 2012, bringing the total number of service outsourcing enterprises registered with the Ministry of Commerce to 397. **Total employment reached 75,300, with 28,500 new joiners during 2012.**
- **ITO continued to expand in 2012, mainly in Software R&D and Information Services,** with the executed value at USD 567 million, accounting for 46.2 percent of Tianjin's service outsourcing activities. KPO became increasingly stable, and mainly covers areas such as biomedicine, engineering design and experimental tests. The total offshore outsourcing amount was USD 293 million, which equates to 39.2 percent of Tianjin's offshore activities.

Source: *Inside the Dragon 2013: Outsourcing Destinations in China*, KPMG



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Sources:

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