



“Next-wave” Location Profile – Guangzhou, China

Locations Insider™ (LI)

Market Report – May 2018: Complimentary Abstract / Table of Contents

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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

This report provides perspectives on key aspects of the global sourcing market in the location

Guangzhou | Quick snapshot



Established location in China for regional delivery of IT-BP services; primarily leveraged for transactional non-voice business processes

KEY FACTOIDS

304,000-309,000 annual tertiary graduates

Annual operating 60-65% savings

5-10% savings c

Current overview

- Multiple companies leverage Guangzhou to support transactional back-office services, IT, and non-voice business processes
 - For example, 8,000-10,000 FTEs are involved in global and regional IT services delivery from Guangzhou
- Strong government support for IT-BPS sector through investment in innovation centers to accelerate next-generation skills such as Machine Learning (ML), RPA, and Artificial Intelligence (AI)

Key drivers

- Well-developed infrastructure, high ease of doing business in China and Asia Pacific, and safety from natural calamities
- Availability of large and high quality entry-level and experienced talent pool across functions
- Ability to support complex services, given high market maturity, leading to multiple players scaling up operations

Key challenges

- Market overheating and high cost of operations, especially for small players, given presence of significantly scaled leading players (>1,500 FTE)
- Challenges associated with scaling of operations for non-Cantonese
- High cost of operations relative to other locations like Chengdu

KEY PLAYERS: HSBC Bank of America Emirates citi FedEx Carlsberg accenture Microsoft



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Guangzhou | Risk profile (page 1 of 2)

Geopolitical stability and strong infrastructure make Guangzhou an attractive destination for global services delivery

Parameter	Everest Group rating	Comments
Geopolitical		<ul style="list-style-type: none"> Political environment likely to remain stable with the Chinese Communist Party retaining power China holds the 139th rank among 167 countries in the Democracy Index 2017 compiled by the Economist Intelligence Unit (EIU) There are instances of consolidation of power by the country's leaders that has fractured its position (down to 139th rank in 2017 from 136th in 2016); this is expected to undermine political stability in the short term
Macroeconomic		<ul style="list-style-type: none"> The Chinese economy is expected to grow at a modest ~6% in 2018, amid increase in overall debt and production curbs on industries such as coal and steel Moody's has downgraded China's rating to A1 from Aa3, citing concerns over slowing economy and growing debt for the country GDP growth has slowed down since 2014; additionally, poverty and pollution pose further threat Some economic issues are huge domestic debt, financial market instability, and trade tensions with the United States Consumer price inflation is expected to remain at ~3.0%
Infrastructure		<ul style="list-style-type: none"> Global Competitiveness Index 2017-2018 (World Economic Forum) ranks China 46 out of 138 countries for the quality of its infrastructure <ul style="list-style-type: none"> A score of 4.7 out of 7 indicates good availability of infrastructure, in comparison to its peers (India and the Philippines) Offers good infrastructure facilities and public transportation system through extensive road, rail, and air network; has good connectivity to key business centers within China through high-speed trains Good accessibility as multiple airlines operate out of Guangzhou. The city is also well connected to many other business centers in Asia and across the world

Source: Everest Group (2018); EIU; World Bank; Moody's; interviews with market participants



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Research calendar – Locations Insider™

Published
 Planned
 Current release

Flagship Locations Insider™ reports	Release date
"Next-wave" Location Profiles – Krakow, Poland	October 2017
"Next-wave" Location Profiles – Belfast, Northern Ireland	October 2017
"Next-wave" Location Profiles – Medellín, Colombia	November 2017
"Next-wave" Location Profiles – Atlanta, United States	February 2018
"Next-wave" Location Profiles – Manchester, UK	February 2018
"Next-wave" Location Profile – Guangzhou, China	April 2018
"Next-wave" Location Profiles – Monterrey, Mexico	Q2 2018
"Next-wave" Location Profiles – Timisoara, Romania	Q2 2018

Thematic Locations Insider™ reports	
Changing the Contact Center Delivery Model to Target Customer Experience	October 2017
What is the True Maturity of Indian Contact Center Market?	October 2017
Brexit, GDPR, and Digital Winds of Change: Disruption or Transformation of Service Delivery to the UK and Ireland?	October 2017
Poland Tier-2/3 Cities: Complementing Tier-1 cities or Carving a Niche for Digital Services	December 2017
Betting on the Future – The Bangladesh IT-ITeS Industry is Poised for Growth	December 2017
Where are FinTech Startups Concentrated?	Q2 2018
Locations Predictions for 2018	Q2 2018

Note: For a list of all of our Locations Insider™ reports, please visit the [Locations Insider™](#)

Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest:

1. **Global Locations Annual Report 2017: Signs of Structure in a Disordered World** ([EGR-2017-2-R-2234](#)); 2017. The global services locations landscape continued to witness stable growth in 2016 in terms of revenue; however, the growth rate was slower than the previous year owing to macroeconomic slowdown, political instability, and volatility in equity and investment markets. Similarly, the growth rate of center setups also dropped in 2016, in comparison to 2015. The period also continued to witness a shift from traditional locations (such as India) to leverage of other locations in Asia and Nearshore Europe. Additionally, there has been significant growth in delivery of disruptive technologies such as digital. The Global Locations Annual Report 2017 is a unique and comprehensive guide to understanding the nuances of the global services locations landscape and interpreting locations-related developments and trends to frame locations strategy. It presents insights into the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the maturity, arbitrage, and potential of locations (MAP Matrix™)
2. **IT Services Delivery from APAC** ([EGR-2017-2-R-2137](#)); 2017. While IT services delivery in the Asia Pacific region has traditionally been centered predominantly in India, companies have shown increased interest in exploring alternative locations such as the Philippines, China, Malaysia, Singapore, and even destinations such as Sri Lanka and Vietnam. In addition to offering lower cost than onshore United States and Europe, each of these locations has a unique value proposition, making them attractive choices for setting up alternative delivery centers / regional hubs for IT operations. This report provides a detailed assessment of location options within the Asia Pacific region for global IT service delivery
3. **Next-wave Location Profile – Dalian, China** ([EGR-2016-2-LP-1754](#)); 2016. Everest Group's Next Wave Location Profiles provide crisp, yet insightful assessment of emerging / "Next-wave" countries or cities for services delivery. This report on Dalian offers perspectives on global sourcing profile of Dalian, key opportunities, drivers, and challenges, along with an overview of talent and skills availability, financial attractiveness, and environment risks

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