

## Location Spotlight – Wuxi, China

August 2020: Complimentary Abstract / Table of Contents



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- 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

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# This report provides perspectives on key aspects of the global sourcing market in Wuxi, China

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## Wuxi | At a glance



An upcoming low-cost location for delivery of R&D and application development services

**KEY FACTOIDS**

- 15,000-20,000 annual tertiary graduates
- Annual operating cost per FTE: 76-78% savings over Dallas, 26-28% savings over Shanghai

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> <li>Multiple companies leverage Wuxi to support application development and R&amp;D services work – Currently being leveraged to support low to moderate scale delivery (&lt;500 FTEs)</li> <li>Caters to domestic and regional demand in Asia Pacific</li> <li>The government recognizes Wuxi as part of their service outsourcing model cities and offers significant incentives and government subsidies to new center setups (e.g., reduced tax rates for high-technology enterprises performing outsourcing services)</li> </ul>	<ul style="list-style-type: none"> <li>Attractive cost arbitrage with respect to established service delivery locations in the US, Singapore, and leading tier-1 cities in China</li> <li>Favorable location for global services delivery, especially in terms of infrastructure availability and government initiatives to improve the business climate</li> <li>Suitable for delivery of a broad range of IT, R&amp;D, and digital services such as design, software development, and RPA</li> </ul>	<ul style="list-style-type: none"> <li>Scarcity of English-speaking talent makes it difficult to provide support to English-speaking markets</li> <li>Economic activity and trade might get impacted due to protectionist sentiments across key demand geographies amidst COVID-19 and potential relocation of manufacturing hubs outside of China</li> <li>Trade war with the US is likely to negatively impact the Chinese economy</li> </ul>

**KEY PLAYERS:** AstraZeneca, CAT, DANA, faurec, IBM, JABIL, Microsoft, NTT DATA, SOFTSTONE, Softtek, etc.

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## Wuxi | Talent and cost overview (page 1 of 2)

Wuxi offers sizable entry-level talent pool; predominantly leveraged for application development and engineering services

**Entry-level talent pool**

**Annual tertiary graduate pool<sup>1</sup> 2020; '000s**

Total <sup>1</sup>	15-20
IT & engineering	5-7
Finance, accounting, and business	2-4
Arts, social sciences, and humanities	1-3
Others <sup>2</sup>	5-7

- Wuxi offers a sizable pool of fresh graduates every year, with basic technical knowledge and soft skills in IT and engineering sector
- The city houses two major universities – Jiangnan University, a key national university housing the center for scientific research and The Taihu University of Wuxi, one of the largest in China. Wuxi also houses educational institutions such as National Institute of Information Technology (NIIT) Outsourcing College (a training base for the city's outsourcing businesses) and iCarnegie of the US
- Microsoft, in collaboration with the government, has opened an IT training center in Wuxi and offers professional IT training to students every year

■ Highly favorable   
 ■ Favorable, some concerns   
 ■ Least favorable

**Functions supported**

Functions	Maturity
R&D/engineering	■■■■■
IT ADM	■■■■■
Digital	■■■■■
IT infrastructure	■■■■■
Customer care	■■■■■
Non-voice BP	■■■■■

- An emerging delivery location leveraged by both service providers and enterprises, to deliver application development and R&D / engineering services
  - Select evidence of peers creating process-specific hubs (e.g., one peer has a central robotics development team in Wuxi to support the Asia Pacific region); other work-type includes building design capabilities and 5G technology support
  - Within IT services, high focus on application development with some players supporting next-generation judgment intensive services such as IoT and cybersecurity; limited evidence of IT infrastructure support from Wuxi
- The location is still very nascent in terms of the overall delivery for business processes; limited evidence of players supporting voice and non-voice-based delivery
  - Select evidence of a few players leveraging Wuxi for industry-specific functions (e.g., corporate investment banking, financial crime & compliance, and banking operations)

<sup>1</sup> Total annual tertiary graduates include university and technical/vocational graduates across all streams excluding secondary pool (e.g., high school graduates); excludes postgraduates  
<sup>2</sup> Others include streams such as education, law, agriculture, and medical sciences  
 Source: Everest Group (2020); inputs from recruitment firms, market players, and investment agencies

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# Research calendar

## Locations Insider™

■ Published
 ■ Planned
 ■ Current release

### Flagship Locations Insider reports

	Release date
Location Spotlight – Trivandrum, India	October 2019
Location Spotlight – Mumbai	February 2020
Global Locations State of the Market Report 2020	March 2020
Location Spotlight – Bulgaria	April 2020
Location Spotlight – Indonesia	April 2020
Location Spotlight – Slovakia	May 2020
Location Spotlight – Georgia	June 2020
Locations Spotlight – Guatemala	June 2020
<b>Location Spotlight – Wuxi, China</b>	<b>August 2020</b>
Location Spotlight – Taiwan	Q3 2020
Location Spotlight – San Antonio, Texas	Q3 2020

### Thematic Locations Insider reports

	Release date
Global Handbook – Focus on Language Skills Availability Across the World	November 2019
Global Handbook – Focus on Cloud Skills Across the World	June 2020
Engineering Services Skills Handbook: Preparing for Next Wave of Growth in R&D	July 2020
Africa: Emerging IT-BP Delivery Force	July 2020

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