

Location Spotlight – Shenzhen, China

February 2024: Complimentary Abstract / Table of Contents



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- ▶ Rewards and Recognition
- ▶ SAP Services
- ▶ Service Optimization Technologies
- ▶ Software Product Engineering Services
- ▶ Supply Chain Management (SCM) Services
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Contents

1. Research methodology	4
2. At a glance	5
3. Overview	6
4. Market activity	7
5. Talent and cost overview	9
6. Global services delivery overview	11
7. Risk profile	12
8. Research calendar	14

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

Location Spotlight – Shenzhen, China

Shenzhen | at a glance



Moderately mature innovation hub and Special Economic Zone (SEZ) offering favorable operating environment; leveraged for engineering R&D, IT-ADM, and digital services

KEY FACTORS

- 54,000-56,000 annual tertiary graduates
- Annual growth: 60-70% (55-60%)

Location Spotlight – Shenzhen, China

Shenzhen | risk profile (page 1 of 2)

Well-developed infrastructure; however, some concerns around political and economic stability

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> Shenzhen is also known as the Silicon Valley of China or Silicon Delta. It acts as an innovation hub for industries such as electronics, IT, healthcare, and new energy Shenzhen hosts multiple Global Business Service (GBS) centers and Service Providers (SPs) delivering a broad range of IT, R&D, and digital services, such as design and RPA Potential for delivery of non-voice BP services, such as complex F&A and digital marketing, in addition to contact center services in regional language 	<ul style="list-style-type: none"> Attractive cost arbitrage with respect to established locations in the US, Singapore, and leading tier-1 cities in China Favorable ecosystem for global services delivery, supported by the well-developed infrastructure, SEZ status, and government initiatives to improve the business environment Elevated quality of life, marked by a pleasant climate and excellent medical facilities, attracts talent from across China A robust culture for R&D and innovation in hi-tech industries 	<ul style="list-style-type: none"> Lack of strong cyberspace security, and petty crime Higher labor costs relative to other services locations, such as India Slightly scarce available talent in major centers such as Beijing and Shanghai Some concerns around geopolitical tensions with the US

KEY PLAYERS:

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Parameter	Everest Group rating	Comments
Geopolitical		<ul style="list-style-type: none"> China's score fell to 1.96 in the 2022 Democracy Index, compiled by the EIU, and is now ranked 156 out of 167 countries and was labeled as an authoritarian regime Strained relations with the United States, characterized by increasing trade tariffs, security, and technological embargos, and issues related to Hong Kong's autonomy and the reunification of Taiwan with mainland China have been sources of geopolitical tension The crackdown on dissent and civil society, closure of independent media outlets, the arrest of human rights activists, and religious persecution have led to increased social unrest in the country
Macroeconomic		<ul style="list-style-type: none"> China has been one of the fastest-growing major economies for several decades and is now the second largest economy in the world. However, in recent years, there have been signs of a slowdown China's overall economy has started to recover after a long period of lockdown as the economy is expected to grow by around 5% in 2023, up from 3% in 2022; however, the rate of growth of GDP has not returned to its pre-pandemic level China is currently experiencing number of macroeconomic challenges including property market downturn, rising unemployment, high debt levels, shadow banking system, and trade restrictions with the US Shenzhen has been ranked number 1 for its favorable business environment in the Chinese Cities of Opportunity report 2022 by the China Development Research Foundation and PwC. It houses the 6th largest stock market in the world
Infrastructure		<ul style="list-style-type: none"> China has excellent infrastructure quality. It is ranked overall 17th out of 141 countries and 21st for its infrastructure quality in the International Institute for Management Development (IMD) World Competitiveness Index 2022 Shenzhen has a comprehensive transportation network that includes buses, metros, taxis, and ferries. The city is also home to Shenzhen Bao'an International Airport, and closely connected airports in Hong Kong and Guangzhou through a developed highway system as well as an efficient bullet train network In close proximity to Hong Kong, Shenzhen is an essential node in the Belt and Road and a significant transport hub, with an international deep-water port, and the largest land ports in Asia Shenzhen has made substantial investments in technological infrastructure (R&D parks, innovation hubs, and technology clusters) driving success in several high-tech sectors, such as DNA sequencing and meta-materials

Source: Everest Group (2024); EIU; Transparency International; World Bank; WEF; IMD; investment agencies; interviews with market participants

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Published Planned Current release

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