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Competitive Landscape: IT Domestic Services, China

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As a dynamic and emerging market, China spurs huge competition and offers large opportunities to service providers. This research offers insights to IT services providers on how to differentiate themselves and strategize in order to negotiate in China's competitive landscape.

Key Findings

Global service providers compete with Chinese service providers in consulting, ITO and BPO services based on global best practices and well-defined methodologies, tools and strategic thinking.

In next three to five years, Internet providers and telecom operators will dominate the public cloud service market based on their large well-established public cloud infrastructure. As a result, local service providers will partner with them, offering PaaS or SaaS.

Partnership and alliances with local Chinese service providers will continue to be the go-to-market approach for multinational corporations trying to consolidate their positions in China.

Due to network censorship policies and leaked information on U.S. surveillance activities, global service providers are keeping national security concerns in mind when engaging government agencies and major state-owned enterprises in China.

Recommendations

Channel managers need to forge new partnerships with telecom operations and local ISVs in China to leverage their local infrastructure and client base to build innovative offers based on cloud and analytics.

CFOs and strategic functional managers should look into new pricing models such as risk sharing or gain sharing. These pricing models will be accepted widely in the next five years, as customers increasingly face pressure to improve return on investments.

HR managers should design attractive internal career development plans in the next three to five years to retain scarce, highly skilled employees and midlevel project managers, as wage inflation is spurring 25% salary increases and high turnover rates, especially in the largest cities.

Business strategists should understand that the Chinese government remains a major IT industry influencer and stimulator — it even issues mandatory IT standardized metrics. Strategists must stay up-to-date on government policies, consult third-party policy research companies, and leverage local industry associations with indirect government relationships, then quickly adapt go-to-market strategies as needed.

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Analysis

Competitive Situation and Trends

This research contains changes and updates to the competitive landscape of the IT service domestic market in China and is based on "Competitive Landscape: IT Domestic Services, China" published in 2009.

Market Dynamic and Forecast Data

China currently has three types of service providers: global service providers, native Chinese large service providers, and native Chinese regional (province-level and city-level) service providers. We list their characteristics, differentiators and market positions in Table 1.

Table 1. Service Providers' Market Position in the Chinese Domestic IT Service Market

	Types of Service Providers		
Market Position	**Global Service Providers**	**Native Chinese Large Service Providers**	**Native Chinese Regional (Province-Level and City-Level) Service Providers****
Market Size* in China (Average Revenue Ranges)	$250 million to $1.5 billion	$100 million to $700 million	About $30 million
Key Services Offerings	Mostly focus on business services including consulting, implementation, IT outsourcing (ITO) and business process outsourcing (BPO), or combination of these services segmentation	Mostly focus on implementation services, certain levels of consulting capabilities Hardware and software support services	Mostly focus on implementation services Hardware and software support services
Clients Targeted	Large multinational enterprises — global enterprise customers with operations in China State-owned companies Large and midsize private corporations	Midsize multinational enterprises, parts of state-owned company Local large and midsize private companies, and parts of small enterprises	Province-level or city-level-based companies and small or midsize business (SMB) market
Key Capabilities	Senior consultants, high-end talent, and industry expertise Well-defined project execution process, and standardized post-support services Some of the expertise and resources can be leveraged worldwide	Strong customized solution development capabilities for most industries Large after-sales support team to deliver on-site and remote hardware and software maintenance services	Customized solution development capabilities in one or two industries Provide on-site and remote support services on hardware or software products to enterprises that have less than 1,000 or even less than 500 employees
Go-to-Market Strategy	Likely to leverage global best practices, to have mature delivery methodologies, to leverage advanced technology and thought leadership, and to cooperate with other players in joint ventures and R&D Carefully track central and local government policies and guidance, and work closely with government	Knowledgeable about local markets and mostly target local customers Partner or obtain subcontracts with large global service providers to serve multinational enterprises Most have branch offices or subenterprises throughout the country More closely work with local government	Focus on province-level or city-level enterprises, closely work with local government, or obtain subcontracts with native Chinese large service providers Some are niche players that focus on one or two industries
Examples of Providers	IBM, Samsung SDS, HP, Deloitte, KPMG International, PwC, Accenture, Oracle, EY, Unify	Digital China, Lenovo, Neusoft, Yonyou, China National Software and Service, Pactera, Tongfang, Huawei, Founder Group	CVIC SE, Teamsun Group, Tongtech, Insigma, Softmit

	Types of Service Providers		
Market Position	**Global Service Providers**	**Native Chinese Large Service Providers**	**Native Chinese Regional (Province-Level and City-Level) Service Providers****
* = Based on our tracking vendor market size lists (top 10 providers); ** = As China has tens of thousands of province-level and city-level service providers, Gartner does not track market size; revenue is based on our average estimation.			

Source: Gartner (February 2015)

Gartner publishes each quarter services forecast data to let service providers know the end users' spending changes in IT services. Compared with data from the last five years, there are no more big changes for the segmented services demands by end users. Table 2 shows the IT services forecast by segment for the Chinese domestic IT services market through 2018. (For more information on IT services, see Definitions later in this document.) Basic support services (support for software and hardware) are more mature and show no major differences compared with the global market in the next five years due to users being more accepting to purchasing maintenance services normally. Business services (consulting, implementation, ITO and BPO) show double-digit growth rates through 2018. More demand for BPO, ITO and consulting services means most Chinese enterprises have built foundational IT systems and now need more services to focus on their business expansion as well as to improve global competitiveness, process change management, cloud-related IT outsourcing services and core competence focus. Except for the compound annual growth rate (CAGR), we see the percentage growth is very steady each year.

Table 2. China: Domestic IT Services Market Revenue Forecast (Millions of U.S. Dollars)

Service Segment	2013	2014	2015	2016	2017	2018	CAGR 2013-2018
Consulting	3,846	4,332	4,886	5,490	6,169	6,959	12.6%
Implementation	4,875	5,347	5,942	6,604	7,416	8,384	11.5%
ITO	2,608	2,929	3,316	3,790	4,352	5,027	14.0%
BPO	726	825	952	1,101	1,278	1,486	15.4%
Software Support	1,370	1,424	1,496	1,570	1,653	1,753	5.0%
Hardware Support	2,739	2,791	2,857	2,913	2,968	3,027	2.0%
Grand Total	**16,165**	**17,648**	**19,448**	**21,467**	**23,834**	**26,636**	**10.5%**

Source: Gartner (February 2015)

Government Role and Market Impacts

The Chinese government is the single most important influencer on competition in all sectors in China today. China has enjoyed huge benefits because of its high GDP growth rate over the last 10 years. As new government leadership came onboard last year, China began to evaluate the results and risks of 30 years of market reform and openness and how government-related policies directly and indirectly affected IT and the IT services market. Table 3 shows some of the government's impacts on the IT services market.[1]

Table 3. Government's Impacts on China's Domestic IT Services Market

Government Policy	Impact on IT Services
China's new leadership will start to promote the urbanization concept. More provinces and cities are preparing to invest in the construction of hospitals, schools and transportation systems, as well as the creation of welfare programs for new residents (farmers who have become city residents).	More IT systems, along with different industrial packages and customized solutions, will be required to support not only these changes toward urbanization, but also the increased demands placed on support and maintenance services.
China's new leadership has introduced some uncertainty for political reform and economic development, as the initial aim of the new leadership is to fight corruption and control financial risk.	Anti-corruption efforts mostly focus on internal government departments and on enterprises controlled by state government. Officials will carefully define the budget strategy compared with last year, including purchasing IT services. This obstacle will make some large global service providers — previously focused on multinational and state-owned enterprises business — shift focus on Tier 1 and Tier 2 private enterprises, or other less-IT mature vertical sectors such as mining and agriculture. However, economic development will continue to be of focus, and vendors do not expect economic policies to change dramatically.
The Chinese government continuously supports remote, regional places to promote local economic development such as "Go West" incentive policies.	These incentive policies — such as tax-free periods or tax returns during a fixed period of time — are intended to decrease enterprises' operational cost, including those of IT services providers. For example, Amazon Web Services signed an agreement with regional government of Ningxia to set up a data center there to deliver cloud services to China and the world market.
The Chinese government pays attention to its telecom network, Internet and data security. In order to guarantee data security, the Chinese government does not allow foreign service providers to set up their own data center in China; they need to find local partner to have a joint venture data center in China.	Very few global service providers run public cloud services in China because regulatory restrictions; these providers also need a Chinese government license to deliver services as well.
As a result of leaked information by Edward Snowden on U.S. surveillance activities, the Chinese government will initiate network security censorship to guarantee its national network security and its citizens' network rights.	As part of the upcoming network censorship, any service providers' offerings and products that do not match Chinese regulations will not be used in the market, which especially affects global service providers' market share due to their global background.

Source: Gartner (February 2015)

The Nexus of Forces and Related Models Are Making Service Providers Differentiate Their Capabilities to Target Customers' Fragmented Demands

In the last five years, the global economic environment has closely linked mature and emerging markets together and has quickly changed people's mindsets on advanced technology leveraged through the Internet. As a result, service customers are becoming more mature in their understanding and knowledge and are recognizing the value of IT services, especially on consulting, ITO and BPO services. Previously, customers sought more basic services — such as installing first-generation ERP solutions, building service-oriented architecture and leveraging virtualization solutions — to fully utilize their server or storage space to save on costs. Today, most leading vertical sectors such as finance (banking and insurance), telecom operators, large manufacturing are mostly focused on leveraging new advanced technologies such as the Nexus of Forces (see "The Nexus of Forces: Social, Mobile, Cloud and Information") to improve business efficiency, to enable business transformation via cloud platform and services, to diversify marketing promotions, and to define customer layers to differentiate go-to-market strategies through social and mobility technology and solutions. Service providers not only need to understand customers' fragmented demands, but also need to clearly define their own business strategy and differentiate their market position by exploiting new technologies like those in the Nexus of Forces.

Market Players

We selected six providers for this Competitive Landscape based on the three types of service groups mentioned above. These providers are known brands in the Chinese IT service market. Some providers — such as IBM, Neusoft and Pactera — appear in the top 10 of our market share database. Others — such as ABeam Consulting, CVIC SE and Beijing Teamsun Technology — take diverse approaches to competitiveness. It should be noted that China has about 100,000 service providers, which limits how many competitors can be mentioned, especially those on the same level as the six market players that we profile in this document. Also, acquisition or consolidation may change the status of the providers mentioned.

In addition, we will see emerging service providers like telecommunication operators (such as China Telecom) and Internet service providers (such as Alibaba) with significant potential capabilities to provide public cloud-related services such as platform as a service (PaaS) and SaaS based on their large infrastructure platforms. However, the relative revenue of these emerging service providers is not scaled yet, so we will use other research such as Market Trends reports and Emerging Market Analyses to further state our findings. We note that in the future, the more diversified service providers will reshape the competitive landscape, and the future of competition is more likely to show parallels between competition and cooperation.

The Future of Competition

The competitive landscape of Chinese IT services is made up of various players that are focused on developing a local presence and creating client-focused strategies. Gartner expects considerable changes in the competitive landscape in the next three to five years as the Chinese economy gains traction based on the market developments mentioned below. Service providers should first focus

on several key areas summarized here so they can gain more market share and compete for leading positions.

Key Areas

Policy tracking: Providers should closely track the Chinese government's special and temporary policies all the time. These policies include not allowing global service providers to set up their own data centers in China. Such awareness will help providers save time and to build a competitive strategy correctly.

Big data: Big data analytics are gaining more attention from users. However, most users do not know what big data is, what analytics tools are, or how to leverage big data to run their business. Chinese users characteristically like to follow suit, so business intelligence and related consulting and solutions will be in strong demand for the next few years.

Cloud adoption: Most of the large local enterprises still like to build private clouds because of security concerns. Also, more SMBs might leverage public cloud services such as accounting, HR, and SaaS. As a result, public cloud, private cloud and even hybrid cloud may converge and be leveraged in this market in the next three to five years. Providers need to know what the advantages of these cloud models are in order to compete.

Disruptive providers: Most of the public cloud services in China are not from traditional service providers, but rather are Internet providers or telecom operators. These providers have the disruptive power to grab market share from traditional local service providers; many of these local providers do not have much of the capabilities or resources needed to support cloud-related services.

Market Development Trends

Cooperation and Partnerships Are Mainstream Methods for Competition

Companies chasing after more new technology or new delivery models will recognize that partnerships are critical relationships to have between different IT providers — for example, SaaS models are often linkages between software providers and telecom operators/hosting providers. Telecom operators will leverage their well-established infrastructure to establish cloud platforms and attract more software developers and independent service vendors (ISVs), as well as attract service providers that are working to sell more value-added business in integration and orchestration activities domestically or globally. It is likely that Lenovo may become one of the world's largest mobile providers, and China Telecom may become a leading cloud provider (see "Predicts 2013: Strong IT Market Transformation in China"). As these scenarios unfold, China will be home to about 150 global companies. Service providers will plan and budget for new ideas and prepare for newly created business. They may not see ROI quickly, and they will focus on a long-term strategy, achieving higher ROI and attaining market share.

We also see that while there are no limitations to service providers offering only a single type of service, they require seamless cooperation among themselves. Except for telecom operators, the

largest Internet providers (business-to-business-to-consumer — B2B2C) like Baidu, Alibaba and Tencent (grouped together under the acronym BAT) will work with service solutions providers through their platforms to deliver infrastructure as a service (IaaS), PaaS and SaaS services to enterprises as well as consumer-level services. Business process service (BPS) offerings related to analytics and the cloud will emerge in public and private BPaaS cloud offerings and asset-based BPS portfolios with strong intellectual property (IP) roots. Both consumer and enterprise buyers will benefit from more choices. But on the flip side, it will be hard to decide which offerings are the best for any given situation. (See "Maverick* Research: What the West Can Learn From China's Hothouse of Technology Innovation.")

End-User IT Spending Trends

In the last five years, the Chinese stock market experienced both bearish and bullish cycles — especially last year, as hundreds of companies were listed or were planning to be listed in the stock market. As a result, enterprises face more serious market competition and need to either chase high profits or end up struggling to survive. Customers also are pressured to balance high profits with high costs because of market conditions, which results in a heavy focus on ROI. Risk-sharing or gain-sharing pricing models will be widely accepted in the next five years — if providers are ready for them. Service providers will have to show they have the capabilities to undertake risks with customers at the strategic level and the confidence that both sides are gaining more benefits through these pricing models. However, we still do not see a dedicated legal environment to support these models, which will be another risk factor that both sides need to consider — for example, it is difficult to know what levels of risks can be guaranteed if the related laws or regulations have not defined the levels yet.

Compared with CIOs in mature markets, CIOs in China are relatively new and have less power in the decision-making processes for business strategy. Gartner's 2015 CIO survey revealed that finding high-caliber and experienced managerial IT professionals with business acumen is extremely difficult. These factors will affect the IT budget in terms of choosing an adaptable IT system and choosing related services in the competitive business environment.

Network Censorship and Security Issues

Network censorship and U.S. surveillance leaks have spurred on national security concerns in China as global players engage government agencies and major state-owned enterprises. We have seen "get rid of IOE" initiatives (IOE is a group acronym for IBM, Oracle and EMC) within China, which shows the shift of technology procurement by leading Internet companies and some leading banks, telecom operators and enterprises away from some prominent global vendors because of perceived high cost, sensitive technology security issues, and lock-in to open source and local vendors. These factors will affect global players' market position in China. We continue to see international service providers face difficulties in operating in China and the resulting poor financial results from last year, which may extend these impacts into the next three to five years (see "'IOE Out' Sidelines Global Technology Providers in Chinese Market").

Impact on Talent Resources

China has experienced a stage of rapid growth in the last 10 years through the government's "reform and openness" policies and economic stimulus packages worth $583.9 billion in efforts to plan against the global economic crisis. Today, the Chinese government prefers a "soft landing" approach to economic development and has tightened monetary policies to control the yuan's currency appreciation. As a result, the consumer price index has increased, wage inflation levels have elevated. Also, a continuing and significant supply and demand imbalance remains for skilled IT labor, especially in the major cities. Gartner has heard of providers offering pay increases between 20% to 30% to attract or retain highly skilled technology workers, especially in the Tier 1 cities such as Beijing, Shanghai and Guangzhou. Keeping turnover rates low and designing great internal career development plans will be long-term strategy objectives for all service providers.

Drivers of New Technology

New technologies, such as cloud computing, mobility and big data, are gaining traction in business development. More data center installations and consolidations are done in large state-owned enterprises to support business expansion. Even mobility devices, such as tablets, are well-accepted and used in different-sized companies, especially in vertical sectors such as retail, consumer products manufacturing and insurance. All cases will create opportunities for purchasing different kinds of hardware products and after-sales maintenance in the next five years. In addition, cloud computing has been gaining momentum in China and has become a major focus of the government's development plan for the next few years. The government stated that "the rapid development of the Internet, cloud computing, the Internet of Things, knowledge services and intelligent services offers a powerful tool and a favorable environment for service innovations." In November 2010, the government named Beijing, Shanghai, Shenzhen, Hangzhou and Wuxi as the first five pilot cities for cloud computing service innovation, development and demonstration (see "Q&A: What You Need to Know About the Chinese Government's Cloud Computing Initiatives"). Since then, regional, provincial and local governments have named other technology zones and cities as similar pilot sites.

Competitive Profiles

IBM

Market Overview

IBM is ranked as the No. 1 service provider in China in Gartner's 2014 IT services market share analysis. IBM delivers services across infrastructure, application, business process and business consulting services. IBM has had a long presence in the Chinese market for more than 35 years. IBM provides services spanning infrastructure management and support, cloud-based services, applications and business process services, business consulting services. The company has branch offices in 31 provinces, with about 30,000 employees. IBM has active business pursuits through its Global Business Services (GBS), Global Technology Services (GTS), and Global Process Services (GPS) units in China.

How This Provider Competes

IBM positions itself in the Chinese IT services market as being a full-service provider, offering clients core IT services (infrastructure, applications and business processes) along with new cloud, mobility, security and analytics solutions that look to integrate business and technology in a smarter vision, which is supported by IBM's Smarter Planet global initiative. Based on the central government's guidance on urbanization, IBM actively brings additional best practices to work with local governments and partners to set this market up for growth. For example, IBM worked with Pactera, Changhong and the municipal government of Mianyang in a smart home project in Mianyang, a city in Sichuan province. Also, IBM worked with Changhong, a producer of home appliances, to establish a big data competitive analysis center.

IBM focuses on understanding the needs of the Chinese market, addressing the needs of the CxO suite and business leaders, having an extensive local sales and delivery presence, and giving customers access to IBM's globally integrated services network. One tenant of IBM's strategy is to "remake enterprise IT for the era of cloud;" for global and Chinese customers, this means the emergence of cloud is transforming their IT and business processes into digital services.

IBM GBS is a key business unit that delivers application and business consulting services and has strong capabilities to provide these services with a good combination of technology skills, industry expertise and business advice across its organization. IBM has around eight global services delivery centers to deliver services to its local and global customers. IBM GBS' application expertise is strongest in SAP and Oracle across all the primary domains. IBM GBS is a great fit for enterprises that are seeking technology innovation and integration of complex environments to address enterprise application initiatives. IBM has significant investments in its Global Business Solution Center in Beijing to develop assets and solutions and an extensive network of global delivery centers in China for Chinese and global customers. IBM has important global certifications, such as ISO 27001 (information security management), CMMI Level 5 and SEI-CMML5 (1.3 version), which shows it can provide highly qualified services offerings to clients based on strict quality control. IBM is considered by customers as one of the best providers in its solution offerings in China, with many local assets specifically in banking, telecom, manufacturing, utility and energy, retail, insurance and consumer goods, automobile, transformation, smart city industries, and process solutions around human capital management, CRM, enterprise asset management and finance.

Because of get-rid-of-IOE initiatives, IBM faces challenges in dominating the Chinese market. It takes continuous effort to build and maintain a good image to bring benefits to the Chinese market. For example, IBM closely works with local service providers — Inspur preloads IBM's DB2 and WebSphere software in its K1 series server products, which also leverage IBM POWER8 chip technology. Such work represents a win-win solution, which helps IBM hold onto market share made by its DB2 and WebSphere products, resist having its products get phased out by a get-rid-of-IOE initiative, and have local service providers inject IBM products into their products' full life cycle.

ABeam Consulting

Market Overview

ABeam Consulting, headquartered in Japan, has been expanding its enterprise application service business in China and Asia/Pacific. In China, its strongest capabilities are in SAP ERP in the manufacturing and retail sectors, and it has a growing practice in Oracle solutions. It has more than 630 enterprise application service professionals in China, and 27% of them are global delivery professionals in its Chinese delivery centers.

How This Provider Competes

Unlike many other Japan-headquartered providers in China, ABeam Consulting has a large Chinese and U.S./European customer base (85%), and only 15% of its enterprise application service business is derived from Japan-based customers who all operated in the Chinese market. ABeam Consulting has a strategic partnership with BearingPoint and serves as BearingPoint's deployment partner for European clients in Asia/Pacific, including China. ABeam Consulting is a good fit for Japanese and multinational enterprises that are expanding in China, for midsize to large local Chinese enterprises that are expanding domestically and internationally, and for enterprises that want to leverage the best practices from ABeam Consulting's experience with Japanese enterprises.

In order to approach advanced technology or delivery models, ABeam Consulting is expanding its execution capability and staffing (outside of ERP) into SuccessFactors, SAP Hana, hybris, BearingPoint, HyperCube, and Fusion. It has also increased its market reach by launching its Beijing office with a specific focus in the financial services industry. ABeam Consulting has a broad set of horizontal and vertical tools and assets, many of which — such as the real estate, financial reporting and tax, supply chain planning, and big data solutions — have been localized for the Chinese market. Its global delivery centers in Shanghai, Xi'an and Dalian also play a key role in supporting application service projects for customers in China and overseas.

Neusoft

Market Overview

Neusoft is the leading IT solutions and IT services provider in China. Neusoft is located in Shenyang, Liaoning province. Focusing on software technology, Neusoft provides industry solutions and product engineering solutions, related software products and platforms, and services. Neusoft was founded at China's Northeastern University in 1991. Today, Neusoft has 20,000 employees worldwide.

How This Provider Competes

Neusoft was founded and spun off from Northeastern University. The company has set up three information institutes as well as biomedical and information engineering school in Dalian, Nanhai, Chengdu and Shenyang, respectively. Neusoft has established 10 software R&D bases in several

large cities such as Beijing, Shanghai, Nanjing, Guangzhou and Dalian. Neusoft develops enterprises solutions that are strong in ERP and supply chain management, and has a growing practice in business intelligence and data analytics. Neusoft has also developed its own management planning and control software solution for all industries that it covers. Neusoft is a good fit for customers with highly customized services and who need IT solutions and systems tailored specifically for the Chinese and global markets.

Neusoft has been committed to converting technology into an efficient driver that can improve peoples' lifestyles and well-being, thus driving society's sustainable growth, which also aligns with the central government's long-term objectives for social development. This commitment includes investing into industry-based solutions such as community healthcare solutions, smart transportation management system, supervision and tracking system for food safety, and security solutions for school bus services. Neusoft is effectively leveraging new technologies — such as cloud, mobility, Internet of Things, and data/analytics — to develop customized or repeatable solutions in a number of industries. These solutions include remote healthcare supervision system, smart telematics, sensor networks for tracking supply chain of food and produce, and big data solutions for the healthcare industry. Neusoft has a strong emphasis on R&D compared with other service providers. The company invests about 10% of sales revenue each year to develop solutions based on advanced technologies. Neusoft has already built global R&D and service delivery centers in markets including the U.S., the Middle East, Japan, Finland, Germany and Switzerland.

Pactera

Market Overview

Pactera, headquartered in Beijing, is one of the top five IT services providers in China. Pactera was formed as the result of the merger between the top two Chinese offshore service providers — VanceInfo Technologies and HiSoft Technology — on 9 November 2012. The firm has more than 22,000 professionals, 3,000 of which are enterprise application services consultants. The major service offerings include package and customized solutions and outsourcing services to the customers. Its strongest domain focus is ERP, and it has increasing traction in business intelligence, CRM, and core banking and finance solutions for both domestic and overseas clients.

How This Provider Competes

Pactera previously delivered offshore services to customers outside of the Chinese market, and it has around 25 global delivery or operation development centers to remotely serve these clients. After the 2009 financial crisis, Pactera gradually shifted its business focus back to the domestic market and currently has more than 50% of its business revenue coming from the domestic market. It leverages the merger and acquisition strategy to gain more supplemental talent to deliver implementation and outsourcing services in the domestic market. Pactera gained both global SEI-CMML5 and CMMI Level 5 certification — something that only a few India offshore players have. Pactera leverages offshore methodologies and tools to serve domestic clients based on its strengths, such as low-cost labor, a mature delivery model and a strong reputation on intellectual property protection (which is strictly demanded by previous clients outside of China).

Pactera has strong application and industry expertise in finance and manufacturing, and is able to leverage repeatable in-house or external enterprise application solutions to address customers' business issues at both the business and technical levels. Pactera is one of the few Chinese local service providers that has a comprehensive solution portfolio with developed intellectual properties and assets. For instance, Pactera has ERP, CRM and business intelligence practices across different domains, and it has partnerships with global and local technology providers, such as SAP, IBM, Oracle, Teradata, SAS and Yonyou. Pactera also has its own solutions for airlines, pharmaceuticals, enterprise collaboration management, call centers, cloud, mobility, digitization and testing. With the acquisition of BearingPoint Australia in 2012, Pactera aims to expand its consulting and advisory services in China and overseas. Pactera is a good fit for midsize to large Chinese private and state-owned enterprises, as well as the Chinese and Asia/Pacific operations of multinational corporations.

CVIC SE

Market Overview

CVIC SE is China's largest provincial services provider and is located in Jinan, Shandong province. CVIC SE mainly delivers customized application solutions and related middleware products to domestic customers in finance, insurance and transportation industries. The company was founded in 1991 and has more than 2,000 services professionals.

How This Provider Competes

CVIC SE has a clear strategy to differentiate itself from other competitors by focusing on niche solutions — such as electronic toll collection system for highways — and has a dominant position in implementing financial leasing solutions in the finance and insurance industry. These solutions are mostly customized by CVIC SE based on its middleware platform. CVIC SE also actively cooperates with OW2, the largest global middleware open source software alliance. CVIC SE CEO Jing Xinhai is the newest elected president of OW2.

Recently, 80% of financial leasing companies in China leverage CVIC SE solutions to deliver financial and insurance leasing-related services. CVIC SE delivers credit management and risk management solutions to the largest national banks such as Bank of China, Industrial and Commercial Bank of China, the largest commercial banks such as China Minsheng Bank, China Guangfa Bank, and the largest national management banks such as China Development Bank and the Export-Import Bank of China. CVIC SE's future target clients are small and midsize commercial banks such as city banks or city rural commercial banks.

In the transportation sector, CVIC SE delivers electronic toll collection systems in eight provinces and will expand coverage into other provinces in China's southwest or northwest regions. It implements shipping, dock and container management system for more than 1,800 large and midsize docks around China. CVIC SE is customer-oriented and has many long-term clients with more than 10 years of business relationships. Though CVIC SE has strong technical and industry expertise on solution functional upgrades and enhancements, it is weak on its consulting/advisory

experience in handling complicated business models and requirements on advanced technology, as well as innovation around cloud and digital business.

Beijing Teamsun Technology

Market Overview

Beijing Teamsun Technology located in Beijing, is a subsidiary of Teamsun Group. The major focus of this business is on software development and IT services delivery to its key customers who are in different vertical sectors, including telecommunication, finance, manufacturing, education and utility. Beijing Teamsun Technology has around 2,500 service staff employees.

How This Provider Competes

Beijing Teamsun Technology is a major part of Teamsun Group. The company grows mostly by leveraging mergers and acquisitions to expand its business focus. It acquired large Hong Kong IT services provider Automated Systems (H.K.) Limited (ASL), which brings with it more mature services methodologies and development tools to strengthen Teamsun's services capabilities. ASL also enables Beijing Teamsun Technology to serve multinational enterprises based on these capabilities.

With more professional skills joining the company based through mergers and acquisitions, Beijing Teamsun Technology can provide a full range of services to customers, from product support services to business services based on new advanced technology, such as business intelligence and analytics and cloud IaaS. Beijing Teamsun Technology can share customer bases with other subsidiaries in the Teamsun Group.

References and Methodology

This research document's analysis is based on vendor interviews, our understanding of market share leaders in China, and the identification of the three types of players that represent the spectrum of service providers in the local China IT services market. This research is also based on documentation and secondary research from company websites and public media. Vendors are selected based on their market position and service offerings. We send vendors their profiles for review to ensure accuracy.

Definitions IT services

IT services are the application of business and technical expertise to enable enterprises to create, access, manage, and optimize information technology and IT-intensive business processes. IT services does not include stand-alone product development. IT services includes business services and product support services.

The IT services market is evaluated in three dimensions:

Geographic area — Segmentation is based on buyer's location.

Vertical — Segmentation is based on buyer's industry.

Market segment — In segmenting the IT services market, we consider both the type of skills that are employed to deliver the service and the capabilities specified in the purchase agreement. This market segmentation can also be aligned with the type of engagement provided by external service providers:

- Design
- Build
- Run
- Cloud access
- Product support

Business services include consulting, implementation, ITO and BPO. Product support services include software and hardware support. (For more information, see "Market Definitions and Methodology: IT Services.")

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"'IOE Out' Sidelines Global Technology Providers in Chinese Market"

"Predicts 2014: Platform Innovation, Big Data, Mobility and E-Commerce in China"

"Chinese CIOs Should Accelerate Their Focus on the Business Value of IT in 2014"

"Magic Quadrant for Enterprise Application Service Providers, China"

"Predicts 2014: Platform Innovation, Big Data, Mobility and E-Commerce in China"

"Emerging Market Analysis: IT, China, 2014 and Beyond"

"Competitive Landscape: IT Domestic Services, China"

"Market Insight: What IT Services Providers Need to Know About China's 12th Five-Year Plan"

"Emerging Market Analysis: China's Top 10 Technology Trends in 2014"

"Maverick* Research: What the West Can Learn From China's Hothouse of Technology Innovation"

Evidence

[1] For more information, see the following Chinese government websites. Note that some of these websites do not have an English version.

www.miit.gov.cn

www.cnnic.net.cn

www.mofcom.gov.cn

www.stats.gov.cn

www.gov.cn

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