

U.S. Commercial Service Market Brief
Featuring
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and
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Dalian, China Software Industry

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Doug Barry: Grab your boarding passes and pray for an upgrade, it's time for US Commercial Service Market Brief. Hello, I'm Doug Barry from Washington and I'm speaking tonight to Mr. Jin who is the Deputy Director of the Research Bureau for Dalian Bureau of Information Industry.

And we also have on the line Richard Craig of the US Commercial Service in Shenyang China and they are talking to me from two different places in that vast country.

We hope the technology is working well and we'd like to welcome both of you to the program. Hello Mr. Jin and hello Mr. Craig.

Richard Craig: Good evening, thank you very much, glad to be here.

Guowei Jin: I'm glad to be here too.

Doug Barry: Thank you. And you know not many Americans are aware of the growth of China's software industry which had revenues of about \$110 billion in 2008. And that's a pretty impressive number Mr. Jin.

Is Dalian a kind of Chinese Silicone Valley, and if so, how did Dalian come to play such an important role in China's software industry?

Guowei Jin: Dalian is an important port city located in Northeast China which has attracted a lot of international interest and investment.

In March 2007 Intel Corporation announced a plan to build a fabrication facility in Dalian, the \$2.5 billion US dollar investment for the factory, and it will become Intel's first fab in Asia.

Dalian is the first Chinese city to export software and has top three Chinese software companies in the city.

Over 40 multi-nationals such as IBM, HP, Del, Accenture, SAP and Sony have established software development and also have established centers here.

Some say that Dalian is the Bangalore of China. According to IDC's new global delivery index which compares such five cities in Asia Pacific as potential off shore delivery centers, Dalian ranks about fifth in the world and the first in China. Because of the concentration of firms in Dalian in this sector and the importance of software and the information technology as an engine for growth in the industry, China has established the only state level software fair known as a [China International Software and Information Service Fair](#).

Doug Barry: What is the outlook for the software industry given all of this money that the Chinese government is going to plow into the economy?

Guowei Jin: It is well known that the Chinese government has just approved \$588 billion US dollars for the economic stimulus program.

This program will help industries to combat the impact of financial crisis. Some of the ten key sectors being targeted by the [State Council](#) revitalization plan include information technology, logistics, equipment manufacturing and automotive industry.

Doug Barry: Now our listeners are very interested in opportunities for US software firms and can you tell us what you think those opportunities will be beyond the well documented successes of Microsoft and Oracle and the other companies you mentioned earlier?

Guowei Jin: In this field American software products have competitive advantages though they do need to localize their products to maximize chances for success.

We recommend that the American SMEs sell their products through distributors or agents. They should find Chinese partners, I firmly believe that the best way to find such partners is to exhibit in the China International Software and Information Service Fair which is scheduled in Dalian in June this year.

And the American companies can meet the many qualified Chinese software producers and the distributors here. And as a special service, because we are the organizer, we can also provide the one-on-one matchmaking meetings for the American exhibitors.

And we can also follow up with the Chinese firms introduced during the fair and the event to arrange additional post-show meeting if that is necessary.

Doug Barry: Okay. And then I know that a lot of the listeners are also concerned because they've read about intellectual property protection, particularly concerning software in China and they naturally want to protect their intellectual property when they go to trade shows or sales meetings in China.

What can you tell our audience to assure them that if they do business in China their intellectual property will be protected?

Guowei Jin: Dalian has been a pioneer in promoting IPR protection in this sector.

In 1998 Dalian government has assigned a project of licensed agreement 08, it's Microsoft China and located in the central government for the implementation of copyright for software.

We have created a service center for software, IP protection and provide services including copyright, patent and trademark services. In the last two years we set up a fund for encouraging companies to purchase software from local sources.

And the owners of those companies who made special offers to protect the IP of software from - your IP will be very safe here.

Doug Barry: Earlier you mentioned the importance of localizing software products for the China market.

Guowei Jin: US software companies have entered the Chinese market via JV or WFOE and their success has benefited rests upon how our firm pursues the proper strategy for its product.

The biggest problems for enterprises face when they hope to sell direct to users in the China's market by direct sale revolve around the need to set up their own marketing activities.

Establish distribution channels; address the appropriate marketing resource, problems with development of localized products and pricing.

Many firms want to find a suitable representative who understands the features and the benefit of their products to the appropriate end users and know how to find them.

This representative must also be able to provide after sales service and work with the buyer to make sure the product serves the evolving needs.

Doug Barry: Well that's great and I think that importantly, and we're going to speak with Mr. Craig in just a second, the US Commercial Services and its offices in China are perfectly positioned to assist in finding these market partners and other contacts that would be helpful.

And maybe even necessary in getting established there in the China market. So Mr. Jin, thanks very much for those answers, very interesting and encouraging.

And I know Mr. Craig has been waiting patiently in Shenyang. I'd like him to check in and tell us a little bit about the pavilion that Mr. Jin had mentioned.

Richard Craig: Well thank you very much Doug. In terms of the pavilion this is the first time that we're doing this, we've very excited about the opportunity to work with the organizers of the [CISIS '09](#).

And we believe that what they've offered to provide to the companies in terms of the tour of the Dalian software park, a very cost effective booth price for the package sales team.

And also another incentive for companies that are already established in the market who want to exhibit, giving them a special booth package as well.

These are good opportunities to come in and take a look at the show, meet the companies on the floor, assess their needs and find out of the products that the companies have available can meet the needs of the customers here.

We feel that overall that what we'll be able to do by staffing the booth and working with the companies before the show and after the show will help us create a better relationship with them for the longer term.

Because we see this show as an excellent showcase, but it's also a starting point. And we know that the companies will have a lot of questions about IP and we look forward to be able to working with them on those issues.

And they will also look at questions such as you know if they're a small company how do they find the right agent, they're looking at a JV or a WFOE if they're a larger company but poised to enter the market in a bigger way, we also want to be able to help them in those areas.

Doug Barry: So it sounds like you would agree with Mr. Jin that you have to have local contact, develop local relationships to introduce you to the market and help as he put it localize your product.

And it also sounds like if you go to a show like what you just described, you're going to come away after it's over with an understanding of how to develop a strategy for

entering the market and whether you have the stamina and the interest to be successful.

Richard Craig: Yes, I think that's true. I mean coming into this show as I understand they have a database of 30,000 professional buyers that they will be recruiting to come visit the exhibition.

And we'll be working with the organizers before the show to try to promote the pavilion in Chinese on our Website to people from this database that they said that they will have - come and look at our page to see more about the companies.

So we hope that in trying to work with the organizers to set up those one-on-one meetings, we will be able to qualify some of these people even more so that the exhibitors will have some idea who they will be meeting with when they come to the exhibition.

And then looking at the longer term, we really feel that we're ideally poised with our offices here in Shenyang, which is closest Commercial Service office to Dalian, as well as our other Commercial Service team members on the information technology team in Beijing, Shanghai, Guangzhou and Chengdu.

We can provide a well rounded service to companies for whatever regional markets they're looking at to target.

But having the show here in Dalian, and having it be state sponsored, will give US companies a leg up on getting into this market.

Doug Barry: Well great, and this has been a fascinating and rather quick tour of the software market in China, but we're grateful to both of you for spending your time with us on the program.

Richard Craig: Well thank you for the opportunity. And we really hope that people will come to take a look at our [Website in English](#) and also the one that will be up in [Chinese](#) to learn more about the show.

Doug Barry: We will definitely go there and study it with great interest. Mr. Jin, thank you so much for being with us from Dalian.

Guowei Jin: Thank you very much, thank you.

Doug Barry: We look forward to seeing you out there one of these days and hopefully listeners to this program will contact you and go to the Web page and will be making their plans to fly out and see you later in the year.

And so thanks again to both of you and hope you've enjoyed this rapid trip to northeast China to learn about the Chinese software industry.

And on behalf of all of my colleagues in China and around the world, I'm Doug Barry in Washington, welcoming you to look at our Website, export.gov/china. Check out the China Business Information Center there.

And also give us a call any time toll free at 1-800-USA-TRADE or visit your local export assistance center, part of a network of the US commercial service operates in the United States.

Once again thanks for being with us and we hope to see you again on another Commercial Service market brief. That's it. Thank you both very, very much.

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