

Siveco China

Lessons from 20 years in the Chinese maintenance market

ABOUT SIVECO CHINA

Siveco China (<https://www.sivecochina.com/en>) was founded in 2004 by a French entrepreneur active in China since 1999, in partnership with French SME Siveco Group. Drawing on its founder's experience of the Chinese maintenance and digital technology markets, the company set out to address unfulfilled needs by combining industrial expertise and software solutions.

Over the past two decades, Siveco China has grown to become the largest supplier in this niche with over 1 000 client sites. With its main office in Shanghai, smaller operations in Beijing and Hong Kong, the company has developed a R&D spin-off, the **bluebee®** lab (named after its main product line). Siveco China boasts a growing export business, working alongside Chinese construction companies mostly in Southeast Asia but also Africa and South America. It currently employs 60 employees, has a turnover of 5 million EUR, with key target clients mainly in infrastructures, manufacturing plants and multisite facilities.

STRATEGY AND MARKETING

A localised positioning



Siveco China's unique positioning, as both a maintenance consultancy and a specialist software supplier, has no equivalent in Western markets. It was **designed to address specific needs of a local market that**

developed by leaps and bounds, in contrast with the long industrial history experienced in the West. Siveco China's positioning is also meant to address known sales challenges, with local clients valuing high technology and, more generally, tangible deliverables, as opposed to pure service. In Siveco China's model, software is a gateway to the company's range of consulting services.



Branding challenges

An obstacle often faced by European SMEs is that Chinese customers prefer to buy from market leaders rather than from small entrepreneurial firms, however good these firms may be. This is especially the case for large Chinese industrial groups. Since its inception, Siveco China has partnered with French company Siveco Group, the European leader in maintenance management software and has put forward this partnership in its marketing messaging. In addition to lending its trade name to the new company and providing software products, Siveco Group also invested a minority stake. Siveco China rapidly became a leader in its own right and is now better known under its Chinese brand name.

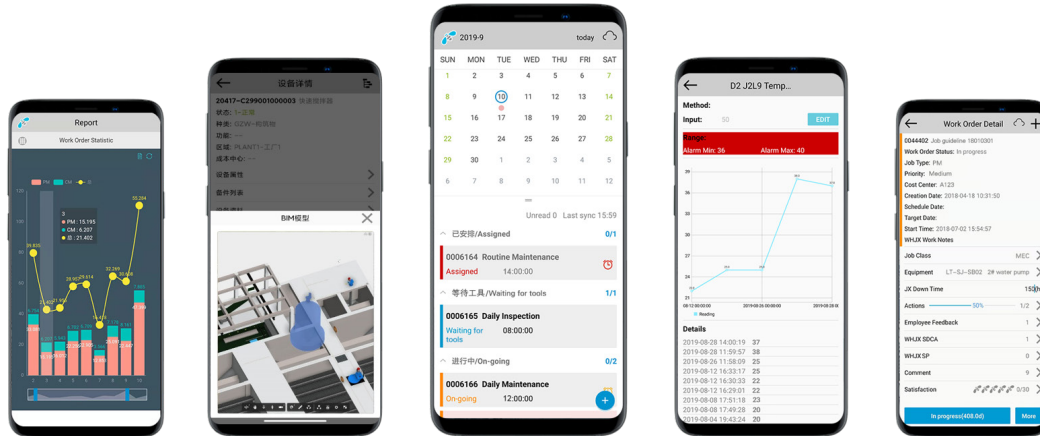
Siveco China helps infrastructures and industrial projects, in China and on the Belt & Road, to optimise their assets lifecycle, to control their technical risks and to ensure regulatory compliance, by implementing **Smart Operation & Maintenance solutions**.

Working with local clients

While most international SMEs choose the comfort of working for larger multinationals, **Siveco immediately set out to win contracts with local firms**, in particular in environmental and energy infrastructures. Contrary to common belief, the



experience of the company's founder showed that **local firms often pay better and on time** as opposed to their Western counterparts. Among the other advantages of dealing with local clients are the facts that decision centres are located in China and the internal cultural conflicts that plague many multinationals operating in China do not exist. Today, Siveco China's business is balanced between MNCs and local clients, between mainland and overseas, which helps smooth out economic cycles and ensures the long-term viability of the firm.



R&D in China

In 2008, Siveco China launched its **Shanghai R&D centre, the bluebee® lab**, initially focused on innovative mobile apps for maintenance technicians. The bluebee® lab benefited from strong **government incentives in the form of multiple tax breaks**. Over the years, Siveco China extended its product portfolio to address local needs for industrial risk prevention and regulatory compliance, to what is known today as a **Digital Twin for Operation & Maintenance solution**. Although the challenges and costs of R&D proved to be much higher than initially thought, local development has become the main pillar of Siveco China’s success both at home and in export markets.

On the Belt & Road

Since 2004, Siveco China tried to engage with Chinese engineering and construction firms working on export projects, **never succeeding in finding the right contact person in those state-owned giants**. Patience and longevity paid off: Siveco China later won contracts with Chinese-built power plants in Malaysia and Indonesia. Around 2014, a breakthrough occurred with major projects in Korea, Algeria and later Thailand, Egypt, etc. In early 2022,



Siveco China won its largest single contract with a leading Singaporean engineering firm to supply the Operation

& Maintenance digital platform for the new integrated waste treatment facilities of Hong Kong’s Environmental Protection Department, confirming the company’s position as a leading international player.

CHALLENGES

Many challenges that Siveco China has faced and overcome, at least temporarily, are shared by other SMEs.

Initial capitalisation of the Chinese WFOE

SMEs are often reluctant to invest large amounts of capital. A recurring theme in the early 2000s was that China’s capital requirements were too high for consulting firms. They were significantly reduced to as low as EUR 20 000 (from the initial amount of around EUR 100 000). This added to the confusion: many SMEs, underfunded, ill-advised, or both, are undercapitalised and suffer cash flow problems within their first year of operation, when the China dream does not materialise in orders. Recapitalisation and other methods to inject funds can be complex and costly. Siveco China was initially capitalised to the then-minimum amount of EUR 100 000, **enough to cover a year of full operation without income**. This proved to be enough, albeit barely. The company has since been financially self-sufficient, including its R&D activities.

Recruitment and turnover

Recruitment challenges and high turnover rate are known problems. After a few painful years, operating in the usual way – a recruitment firm hiring for a hefty fee experienced engineers who proved both underperforming and high maintenance – Siveco China radically changed its approach. **The company now systematically hires young graduates, recruited for their sharp brains and positive attitude, rather than for the prestige of their degrees, and coaches them on-the-job, working alongside more experienced staff**. Although demanding in terms of management support (although so-called experienced engineers were

also demanding in their own way), this approach has resulted in very low turnover rate with a strong home-grown management team in place ten years later.

Partnerships



Founded on a partnership, Siveco China has experienced various types of alliances. The most successful have been with Chinese engineering and construction firms and a few major multinationals, such as ABB in the power industry or Suez in water treatment. Discussions with local partners, who almost inevitably claim to bring relationships and a better understanding of the Chinese market, often lead to demands for exclusivity or the setup of a joint venture. However, due to the nature of these companies' businesses, **these are more likely one-off partnerships**: in effect, the local partner is sourcing a supplier for his relationship and will have a hard time building new relationships (selling). **Realistic expectations help rationalise partnership**. Later years (2015 onwards) brought their share of challenges with all the VC and digital crazes. Despite the relative slowdown brought by the COVID-19 years, Siveco China has survived and is still growing and profitable.

Market confusion

The **overhyped trends of IoT** (Internet of Things) such as BIM (Building Information Modelling) and Digital Twins



have **brought confusion to clients and suppliers** alike. Many companies popped up, both start-ups and established firms, claiming to offer dizzying "predictive maintenance" solutions. Today, most of the new start-ups have disappeared and **clients have grown frustrated by the lack of practical outcome**. This situation benefits Siveco China thanks to its long, proven track record and high tech yet practical solutions.

Market fragmentation

The Chinese maintenance market in general remains comparatively small. **Most potential clients still are unaware of what suppliers like Siveco China can offer. Competition is highly fragmented**, with a seemingly unlimited number of IT companies, automation specialists, and consultants that decide to target projects with no prior experience. Apart from two US firms long established in the field, Siveco China seldom meets the same competitor twice. **Marketing and educating the market remain the company's top priorities** even after nearly two decades.

Copycats

Some companies chose to copy Siveco China's product design (the highest form of flattery, perhaps) or in some cases to fraudulently use the company's brands, software code, and copyrighted documents. Among the dozen copycats identified so far, about half are purely local firms, the other half are international companies. Most of them have since disappeared. In a recent example, a large US firm used metatags with Siveco China's brands to drive traffic to their website: a **lawyer letter** was sufficient to stop it. Two copycat cases involved **former employees who left with the company's database**. Siveco China sees such unethical behaviour as a source of disappointment and frustration rather than a real business threat.

ADVICE

Siveco's advice is, first of all, to acquire **knowledge of the Chinese market** to define a well-suited strategy, which may differ slightly from that applied in other markets. When setting up a Chinese company, **SMEs should do their homework and not rely entirely on lawyers or local agents**.

More generally, **a long-term view of the Chinese market is needed.** The Chinese dream of quick riches is likely just a dream. This is true of recruitment and management as well: expect that more management support will be needed, even with senior staff. Expect to be **slightly overstaffed by Western standards** to account for staff in a training period and less efficient work habits. This is true of partnerships with local companies: err on conservative side in terms of expectations and keep control of the partnership at all times.

While maintaining realistic expectations, do not hesitate to take bold steps. China is still a great market for brave adventurers. For a maintenance service firm such as Siveco China, China represents not only the world's largest business potential, it also has the potential to change the world of maintenance. This is why Siveco China has invested heavily in local R&D and has set out to develop its business on the Belt & Road. As a result, **Siveco China has now started to export its invented-in-China technologies to the world.**

Intellectual property (IP) has never been a problem as long as it is properly managed, not leaving obvious loopholes for greedy former employees or disloyal partners to exploit. On the contrary, in Siveco China's case, properly registered IP (the company's name, slogan, logo, publications, software code, etc.) have been financially productive and contributed to the company's reputation. In fact, Siveco China has been eager to share its know-how via its monthly newsletter, now in its 15th year.



THE POST-PANDEMIC YEARS

The future is impossible to predict, even or perhaps especially in the short term. Yet, in the past twenty years, **China has followed the development path that was announced by its government.** Siveco China, grounded in local reality, was thus **able to "predict"** the increasing strict environmental and safety regulations (which led to the development of the bluebee® product) or to benefit from Belt & Road development (starting even before the Belt & Road term was coined). It is often heard nowadays that the Chinese market has become harder, that foreign firms are not welcome anymore, etc. Yet, from the standpoint of laws and procedures, market size and maturity, and even foreign presence, English language fluency, local talent and so on, the Chinese business environment is far easier than in 2004.

Do you want to know more? Visit the official website www.sivecochina.com or contact Siveco China's team directly:

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Or view the following resources:

Siveco China video case studies: http://newsletter.sivecochina.com/en/video_case_study/

Article detailing Siveco's approach in the Asia Pacific Urban Association (APUEA) magazine "Controlling your industrial risks": <https://www.sivecochina.com/sites/default/files/ressources/apueamagazine-siveco-china.pdf>

Interview of Siveco China's MD in China Flexpat Podcast "The Belt & Road brings new opportunities for flexpats": <http://newsletter.sivecochina.com/en/get-to-know-the-siveco-people/china-flexpat-interviews-siveco-chinas-md-about-his-career-in-china-and-on-the-belt-road/>