



China: Consumer Electronics

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Summary

China has become one of the world's most important markets for consumer electronics in terms of market size, growth rate, and potential. China's consumer electronics market presents numerous business opportunities for U.S. suppliers of consumer electronics products and technologies.

Market Demand

As a result of China's sustained economic growth, China is now the second largest market for consumer electronics behind the United States. According to CCID Consulting, the size of China's consumer electronics market in 2007 was \$63.2 billion, an increase of 13.08% over 2006. Continued growth in this sector is expected as new technologies are developed. McKinsey & Company predicts that China's consumer electronics market will increase by over 12% annually, and will reach \$125 billion by 2010.

The digital revolution has enabled China's consumer electronics market to thrive. A large variety of products are made and sold here, including personal media players (PMP), digital cameras, mobile phones, digital and high-definition television sets, personal video recorders (PVR), and set-top boxes (STB). The rapid development of China's consumer electronics market has been attributed to the following factors:

- Emergence of a large, affluent population;
- The evolution of electronic technologies;
- A pro-technology popular culture

The following two sectors will spur the growth of China's consumer electronics market:

- Third generation (3G) telecommunications: Third generation telecommunications will spur the growth of the high-end mobile phone market. Smart phones with new features such as mobile TV, data processing, and video and audio entertainment functions will have good prospects.
- Digital TV: China is transitioning from analog television broadcasting to digital television broadcasting. This will create numerous opportunities for digital television sets, set-top boxes that convert digital signals into analog signals for existing analog televisions, as well as related products such as personal video recorders. The TV industry is also undergoing changes from the use of CRT displays to flat-panel displays and from low-resolution displays to high-definition displays.

Market Data

In 2007, China's consumer electronics market size was \$63.2 billion, an increase of 13.08% over the previous year.

Major product subsectors include:

- Digital Cameras: In 2007, 8.55 million cameras were sold and overall sales volume grew by 33% over the previous year. In 2008, the sales volume for the first quarter reached 2.35 million. Some reports forecast that sale volume for digital cameras will surpass 11 million in 2008.

Digital Camera Sales in China (Million Units)

2005	2006	2007
4.5	6.44	8.55

(Source: CCID Consulting)

- Digital Video Recorders: 2006 sales of digital video recorders was 1.21 million units, and 2007 sales was 1.22 million. Compared to digital cameras, the growth potential for digital video recorders is relatively weak.

Digital Video Recorders Sales in China (Million Units)

2005	2006	2007
1.04	1.21	1.22

(Source: CCID Consulting)

- MP3 Players: 2007 sales volume was 8.31 million, an increase of 11 percent over the previous year. Although continued growth is expected, future growth will flatten out due to intensified competition and competition from MP4 players and smart phones with music capability. Sales volume for the first quarter in 2008 was 1.37 million, while that of 2007 was 2.19 million, a decrease of 37 percent.

MP3 Sales in China (Million Units)

2005	2006	2007
5.94	7.48	8.31

(Source: CCID Consulting)

- PMPs: PMP sales volume experienced substantial growth of 122 percent in 2007 over 2006, and reached 1.17 million units.

PMP Sales in China (Million Units)

2005	2006	2007
0.31	0.53	1.17

(Source: CCID Consulting)

- Set-top boxes: The transition from analog TV broadcasting to digital TV broadcasting has resulted in explosive growth of the set-top boxes market. Household ownership of set-top boxes reached 13.19 million sets in 2007, an increase of 31 percent over the previous year.

Set-top Boxes Sales in China (Million Units)

2005	2006	2007
3.24	10.08	13.19

(Source: CCID Consulting)

- Flat panel televisions: China's TV market is undergoing rapid changes as CRT-dominated analog TVs give way to digital, flat-panel, high-definition, and large screen TVs. According to CCID, the sales volume of flat panel TV in the first quarter of 2008 reached 2.98 million, an increase of 70.8 percent over the same period in 2007. China currently has 470 million TV sets, and the potential for replacements is huge although flat-panel TVs are still relatively expensive.

Flat panel TV Sales in China for the first quarter (Million Units)

2005 Q1	2006 Q1	2007 Q1
0.6	1.75	2.98

(Source: CCID Consulting)

Major subsectors not included in CCID's consumer electronics market analysis:

- Laptop Computers: With the decrease in prices, laptop computers are now more popular with Chinese consumers. A report by China Electronic Appliances Association points out that laptops under the price of \$1,166 (RMB8,000) accounts for almost 70% of the total market, and the total sales volume of laptops in 2007 was 8.5 million, an increase of 49.5 percent over the previous year. According to CCID, the annual growth rate has been more than 38% since 2004.

- Automotive electronics: China is now the world's second largest automotive market, second only to the U.S. In 2007, some 8.79 million vehicles were sold in China, a 22 percent increase over the previous year. In 2007, vehicle ownership in China reached 48.79 million. With the tremendous growth of China's automotive market, the demand for automotive electronic products such as car audio and video equipment and is expected to increase sharply.
- Mobile phones: China boasts the world's largest mobile phone market with 565 million users as of February 2008. According to Analysis, 2007 sales volume of mobile phones in China was 150 million units, an increase of 25.2 percent over 2006. According to MIIT's website, the penetration rate for mobile phone at the end of 2007 was 41.6 percent. The market is expanding in two directions: upward expansion to smart phones with more advanced features and downward penetration to the rural regions with low cost phones. CCID Consulting predicts that the sales volume will surpass 180 million units.

Best Prospects

The transition to Digital TV and the launch of 3G will drive the future growth of China's electronics market. Digital TVs and 3G platforms will enable more applications for personal entertainment, and communications and services, such as mobile TV, gaming, stream media, and e-payment. The growth of China's automobile market will spur demand for electronic products for cars.

According to industry experts, the following will be the most active and promising areas in consumer electronics in the near future:

- Portable Media Players (PMP)
- Digital televisions and set-top boxes
- 3G terminals
- Automotive electronics

For U.S. suppliers, future opportunities will not be in the sales of end-user products, but will most likely be for technologies or services to local or international suppliers.

Trade Events

SINOCES 08 (China International Consumer Electronics Show)
July 10 – 13, 2008
International Exhibition Center
Qingdao, China
Website: www.sinoces.com

2009 International CES
January 8 - 11, 2009
Las Vegas, NV
Website: <http://www.ce.org>

International IC-China Conference and Exhibition (IIC)

- February 26 - 27, 2009
Shenzhen, China
- March 9-10, 2009
Shanghai, China
- March 2 - 3, 2009
Xi'an, China
- March 5 – 6, 2009
Beijing, China
- March 9 – 10, 2009
Shanghai, China

- September 14-15, 2009
Wuhan, China
- September 17-18, 2009
Dongguan, China
- September 22-23, 2009
Chengdu, China

Website: <http://www.english.iic-china.com/>

73th China Electronics Fair (CEF Shenzhen 2009)
April 9 – 11, 2009
Shenzhen, China

Website: http://www.icef.com.cn/spring_eng/index.shtml

Resources and Key Contacts

China Information Industry Trade Association (CIITA)
Web Site: www.ciita.org.cn (click on home page “English” link)

3C Industry Alliance, China Information Industry Association
Web Site: www.ciita.org.cn/3c/ (Available only in Chinese)

China Electronic Chamber of Commerce (CECC)
Web Site: www.cecc.org.cn (Available only in Chinese)

China Mobile Communications Association (CMCA)
Web Site: http://www.cmca.org.cn/index_english.htm

China Video Industry Association
Web Site: <http://www.cvianet.org.cn/indexE.jsp>

China Electronics News
Web Site: www.cena.com.cn (Available only in Chinese)

Twice China
Web Site: www.twicechina.com (Available only in Chinese)

For More Information

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