

# Home Entertainment



February 2009 US\$495



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# HOME ENTERTAINMENT

## *Supplier capability in China*

### EXECUTIVE SUMMARY

Suppliers of home entertainment products in China are projecting moderate growth in 2009 as they anticipate a slowdown in sales due to the global financial crisis. Many makers remain optimistic that China can continue to leverage its price advantage in the product line, but companies are nevertheless revising business strategies to remain competitive.

More suppliers of LCD TVs, for example, are boosting core technology development through in-house LCD panel production. Several large companies have established their own panel production facilities to control the supply and cost of this key component.

Suppliers are exploring new export markets to offset the sales downturn in key export destinations, specifically the US. Makers of home theater systems are eyeing countries in South America, the Middle East and Southeast Asia. Companies supplying mini-component systems are confident rising demand in the Middle East and Africa will boost sales this year.

Meanwhile, the robust global gaming market, specifically the console game and handheld gaming device sectors, will sustain growth in the game controller line in China. Suppliers expect sales to start rebounding in 2H09.

The following are some of the key trends we see in China's home entertainment industry:

- Many companies will lower their prices to stimulate demand. Adjustments will, however, be limited to within 5 percent so as not to risk further denting thinning margins.
- The EU is a target market for many suppliers, especially as companies expect sales in the US to continue to slide.
- Licensing costs continue to

present a challenge to suppliers, in particular those offering DVD mini-component systems, DVB receivers and game controllers. Some makers do not include the IPR cost in their price and negotiate with clients to shoulder it.

- Audio quality tops product development priorities of suppliers of home audio products. Makers are also innovating the housing design.

- High definition and digitization are two main trends this year. Many new releases of home video products are either HD-ready or full-HD models.

- Rising supply and the falling cost of large LCD panels will boost the production of larger LCD TVs. Reductions in the cost of plasma display panels will spur the development and manufacture of larger plasma TVs.

This report covers home audio, home video and game controllers. The home audio product range encompasses home theater systems, high-end speakers, amplifiers and mini-component systems. Home video products include plasma and LCD TVs and DVB receivers. The game controllers are gamepads, joysticks, steering wheels, dance pads, drum machines and guitar game controllers.

The supplier survey was conducted on manufacturers and traders of these home entertainment products. The Industry Overview section discusses developments in China's supply market and suppliers' strategies to survive the global financial crunch. Trends in the different product categories are discussed in the product modules.

The majority of China's suppliers of home entertainment products are based in the key cities of Guangdong province. The Yangtze River Delta region is also a major manufacturing hub for TVs.

### In this report

- 19 in-depth company profiles
- 37 additional suppliers
- 50 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

### METHODOLOGY

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that may or may not be clients of Global Sources.

The selection of suppliers is designed to reflect the composition of the industry in China in terms of geographic spread, business type and company ownership.

For in-depth company profiles, our research teams interviewed senior executives and export managers who discussed their recent performance and provided price, R&D, production and export forecasts for the next 12 months. The interviews were done in person, by phone or e-mail.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including their production and export statistics, and a breakdown of exports by product type and market. Our production checklist details the product-specific manufacturing capability of each supplier.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry in the next 12 months. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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## INDUSTRY OVERVIEW

China remains a major player in the global home entertainment industry with an expanding supplier base and product range. The supply market, which spans home audio, video and gaming devices, continues to grow even as competition tightens and export sales dip in some segments. Suppliers are starting to feel the crunch of the financial crisis and are projecting moderate growth in 2009. However, they are keen to leverage price advantage and boost product development to offer products on a par with those from leading international players.

Suppliers of LCD TVs, generally confident of sustained growth, are stepping up efforts to bolster competitiveness. More makers, in particular large companies, are realizing the need to be able to develop core technologies and reduce reliance on international component and raw material providers. China customs statistics indicate that exports reached 11.67 million units in 1H08, a YoY increase of 54.9 percent. Export revenue rose by 58.9 percent to \$3.63 billion.

The set-top box industry is projected to continue expanding in the next five years with the ongoing worldwide transition to digital TV broadcasting. This is despite marked reduction in demand from certain markets, specifically Germany, Spain and Italy, which prompted some suppliers to revise export ratio projections from 70 to 80 percent to about 50 percent. Makers, however, expect rising domestic demand will offset waning export sales, largely due to the China government's efforts to switch to digital by 2010.

Suppliers of home theater speaker systems, which estimate a 5 to 10 percent slide in export sales in Western Europe, South Africa and the US, are exploring other markets. Many are setting their sights on South America, the Middle East and South Asia, specifically India, while securing their

hold on established markets. Makers are taking advantage of the downswing in traditional home theater systems to promote the same high-quality but lower-priced desktop versions in demand in Europe. The strategy clinched a 20 to 30 percent increase in export revenue for some in 2H08.

Makers of mini-component systems agree rising demand from the Middle East and Africa and stable orders in South America and Asia will compensate for slower sales in the US.

In the gaming segment, suppliers project sales will start rebounding in 2H09. The robust global industry will spur growth in China's game controller market. DFC Intelligence forecasts worldwide video game and interactive entertainment industry revenue will reach \$57 billion in 2009. This covers video game and dedicated portable system hardware and software and PC, online and console games. The major growth drivers are console and handheld gaming devices. A report from PricewaterhouseCoopers estimates the console game market will expand at an annual rate of 6.3 percent until 2012, while the mobile gaming sector will post 19 percent growth annually.

### Challenges

In addition to weakened overseas sales resulting from the global economic

### Supplier summary

Suppliers surveyed	19
Export sales	\$1,244.8mn
Export ratio	83%
OEM business	49%
Capacity utilized	62%
Annual R&D spending	\$266.6mn
Full-time employees	31,777

Data: All surveyed suppliers

slowdown, suppliers are preparing for tighter competition and rising production costs.

A stiff price war has shrunk China's home amplifier supplier base by 30 to 50 percent compared with five years ago. Some makers have migrated to other lines, including car amplifiers and digital speaker systems. Notwithstanding the shakeout, product development and manufacturing have remained active. Surviving suppliers have maintained strong exports, with most shipments going to North America, Europe and Southeast Asia.

To reduce risks arising from fluctuation in currency conversions, some makers are offering product quotes with shorter validity periods when transacting with US customers.

A major concern for suppliers of DVD mini-component systems, DVB receivers and game controllers is the high cost of licensing. Some makers do not include IPR fees in

### Major customers

Company	
Creative Vision	Alba (UK); Azuma (Japan)
Dongguan Qisheng	Elta (Germany); Videocon (India); Vitek (Russia); Emerson (South Korea)
Dongguan Synst	Sanyo (Japan); Best Buy, Wal-Mart (US)
Ningbo Boigle	El-Kol Electronics (Israel)
Shenzhen Aivtech	Target, Wal-Mart (US); Xoro (Germany)
Shenzhen Gamtec	Eurocase (Brazil); Exploiter (Germany)
Shenzhen Kingkong	Hama (Germany)
Shenzhen Zhouxun	Worldwide Sales (Spain); Maptec (Brazil)
Zhongshan Aivin	Best Buy (US); TouchTunes (Canada); Advance (France)

Data: All surveyed suppliers

## Creative Vision Technology Co. Ltd

Guangdong-based Creative Vision specializes in home entertainment products, offering video players and recorders, speakers and home theater systems. Sales from the line totaled \$9.6 million in 2008, all of which came from export sales.

The company averages 30,000 units in export shipments a month. Its main overseas markets are North America, the EU, Eastern Europe, the Asia-Pacific region and the Middle East. It plans to boost its EU market this year.

Creative Vision expects overseas sales to increase by more than 20

percent in the next 12 months.

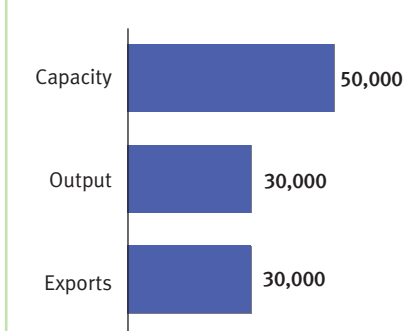
ODM generates 70 percent of exports for Creative Vision. OEM accounts for 20 percent and OBM for 10 percent.

The supplier operates one factory in Dongguan with an area of 30,000sqm and a workforce complement of 500. It has a monthly capacity and output of 50,000 and 30,000 units, respectively.

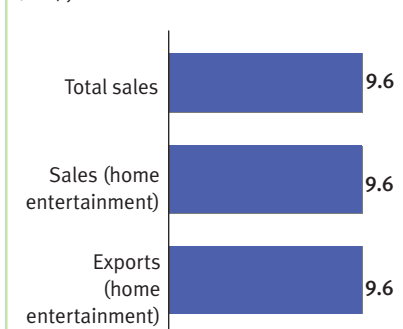
Creative Vision forecasts steady prices this year. It plans to boost capital expenditure by 50 percent. Export sales are projected to rise by more than 20 percent in the next six to 12 months.

### Profile

#### Production



#### Sales



### Contact details

#### Business contact

LUO Vendy

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#### E-mail

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#### URL

www.szcvt.com

www.globalsources.com/creative\_vision.co

#### Address

East Section, 5F Building 1, Laobing Industrial Park, Gongle, Xixiang, Bao'an, Shenzhen, Guangdong, China

### Company facts

Year established	2005
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Shenzhen (Guangdong)
Number of factories	1
Factory location(s)	Dongguan (Guangdong)
Total factory area	30,000sqm
No. of full-time employees	500
No. of R&D/design staff	10
No. of QC staff	30
Annual sales (all products)	\$9.6mn
Annual R&D spending	\$500,000
ISO certification	Yes

### Sales & output: Home entertainment

Annual sales	\$9.6mn
Share of total sales	100%
Annual export sales	\$9.6mn
Total monthly capacity	50,000 units
Average monthly output	30,000 units
Capacity utilized	60%
Average monthly exports	30,000 units
Export ratio	100%
OEM % of exports	20%
ODM % of exports	70%
OBM % of exports	10%
Major customers	Alba (UK); Azuma (Japan)

Capability

Production checklist

Cosmetic design in-house	Yes
Mold making	No
PCB making/design/ subassembly	Yes
SMT	Yes
Plastic injection	No
Woodworking in-house	No
Raw speaker assembly	No
Software design	Yes
Silkscreen/offset printing	No
QC/QA testing	Yes

Exports by product

Home theater systems	15%
Speaker systems	35%
Video players & recorders	50%

Exports by market

North America	25%
European Union	35%
Europe (non-EU)	10%
Asia-Pacific	20%
Middle East	5%
Other	5%

Outlook

- **Export prices**  
Stay the same
- **Export sales**  
Increase more than 20%
- **Target market**  
European Union
- **Capital expenditure**  
Increase up to 50%
- **Major challenge**  
Price competition
- **Export capability**  
Widen product range
- **R&D focus**  
External design innovation

Popular export models



Speaker system

Model	i3000
Minimum order	500 units
Packaging type	Gift box
Delivery time	30 days
Indicated price	\$32.00

**Description:** 60Hz to 20kHz frequency response; 10W power output; 80dB S/N ratio; 10 percent THD; MP3, WMA; FM radio, USB, SD card; 265x135x50mm; 690g



Video player & recorder

Model	DVR-622
Minimum order	500 units
Packaging type	Gift box
Delivery time	30 days
Indicated price	\$70.00

**Description:** Realtek 1262 IC; 3.5in SATA HDD (max. 1,000GB); MP3, WMA, Ogg Vorbis, AAC, DAT, MPEG, VOB, TS, AVI, DivX 3.0 to 6.0, AVID, 1920x1080p; RJ-45 LAN port, Wi-Fi, HDMI, recorder; 240x220x125mm; 1kg



Video player & recorder

Model	DVR-625
Minimum order	500 units
Packaging type	Gift box
Delivery time	30 days
Indicated price	\$62.00

**Description:** Realtek 1262 IC; 2.5in SATA HDD (max. 1,000GB); MP3, WMA, Ogg Vorbis, AAC, DAT, MPEG, VOB, TS, AVI, DivX 3.0 to 6.0, AVID, 1920x1080p; RJ-45 LAN port, Wi-Fi, HDMI, recorder; 240x220x125mm; 1kg

## PRODUCT GALLERY

### Amplifiers


**Dongguan Qisheng**

(profile page 40)

**Model:** AV-1119

**Minimum order:** 1,000 units

**Packaging type:** Carton

**Delivery time:** 40 days

**Indicated price:** •

**Description:** 5.1ch; 20 to 250Hz frequency response subwoofer, 20Hz to 20kHz satellite speakers; 300W rms power output; 71dB S/N ratio; 1 percent THD


**Zhongshan Aivin**

(profile page 72)

**Model:** 7102

**Minimum order:** 550 units

**Packaging type:** Carton

**Delivery time:** 60 days

**Indicated price:** •

**Description:** 105W power output; 20Hz to 20kHz frequency response; 90dB S/N ratio; 0.03 THD; 8/1 A/V input/output; 538x423x228mm; 10kg


**Zhongshan Aivin**

(profile page 72)

**Model:** HA100

**Minimum order:** 960 units

**Packaging type:** Carton

**Delivery time:** 45 days

**Indicated price:** •

**Description:** 75W power output; 20Hz to 20kHz frequency response; 85dB S/N ratio; 0.1 percent THD; A/V input/output; 495x360x155mm; 10kg


**Zhongshan Aivin**

(profile page 72)

**Model:** HA200

**Minimum order:** 550 units

**Packaging type:** Carton

**Delivery time:** 45 days

**Indicated price:** •

**Description:** 110W power output; 10 to 100kHz frequency response; 90dB S/N ratio; 0.015 percent THD; A/V input/output; 495x360x155mm; 8kg


**Zhongshan Aivin**

(profile page 72)

**Model:** S610H

**Minimum order:** 550 units

**Packaging type:** Carton

**Delivery time:** 60 days

**Indicated price:** •

**Description:** 100W power output; 20Hz to 20kHz frequency response; 85dB S/N ratio; 0.1 THD; A/V input/output; 540x423x220mm; 12kg

• Information not disclosed

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