

# Networking Products



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# NETWORKING PRODUCTS

## Supplier capability in China

### EXECUTIVE SUMMARY

China's networking equipment industry remains in an upturn, spurred by widening adoption in the home and enterprise segments worldwide. The former is buoyed by declining implementation costs and the broadening range of multimedia entertainment devices and applications that support an interconnected infrastructure. The globalization of business and resulting need for efficient data sharing and storage, electronic commerce and even services such as videoconferencing to increase productivity are feeding the second sector.

Although export sales declined recently as users, in particular businesses, curtailed spending on equipment to streamline overhead, China suppliers are confident of sustained momentum. The majority forecasts an increase in overseas trade in the next 12 months, with nearly 60 percent expecting a more than 20 percent adjustment.

In preparation for the projected upswing, makers are developing models with enhanced performance and transmission. Most of them will continue targeting the entry-level and midrange sectors to steer clear of the high end, which is dominated by international companies. Many are, however, stepping up R&D to move upmarket and widen reach. They are adopting wireless technologies and incorporating specialized applications to cater to niche segments such as schools and the military.

The following are some of the key trends in China's networking equipment industry:

- Prices will remain in a downward trend as makers boost competitiveness.
- Product development is geared toward enhancing the data rate and integrating value-added features to support more applications.
- Wireless, Gigabit Ethernet and IP technologies will be increasingly

adopted. Suppliers of routers, access points, and LAN cards and adapters are releasing more cable-free versions to broaden selections and reach a wider client base. Falling chip cost and the rising popularity of 802.11n will accelerate WLAN's penetration.

- Gigabit Ethernet will drive R&D in the switches segment even as Ethernet-based units continue to account for the bulk of output. Manufacturers of KVM switches will be emphasizing IP-enabled units.

- Feature integration is another key trend. More combination router, access point and gateway variants will be launched in coming months.

- Companies are exploring new destinations in non-EU countries, the Middle East and the Asia-Pacific region even as they broaden reach in the US and the EU.

- To strengthen export capability, makers are shortening design and development time, and improving operating efficiency. They will be increasing capital expenditure to support expansion plans.

This report covers the major types of networking devices manufactured in China, namely switches, gateways, routers, access points, cards and adapters. These are discussed in separate product sections, each detailing common features found in mainstream models. Price and R&D trends are also covered.

The Industry Overview identifies the factors shaping the market, including challenges faced by makers and steps taken to overcome these hurdles and boost product positioning.

Most of mainland China's more than 300 suppliers are based in Guangdong province. Shenzhen, in particular, is the center of R&D and manufacture. Jiangsu province in the eastern part of the country is evolving into another key sourcing center, spurred by its expanding pool of Taiwan-owned enterprises.

### In this report

- 21 in-depth company profiles
- 67 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. 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

Widening adoption and maturing R&D are sustaining China's networking equipment industry despite sluggish sales due to the global economic downturn. Makers are riding on growing adoption of home networking and migration of businesses to Gigabit Ethernet to prop up the line.

Reductions in the cost of implementing a home network and the steady influx of multimedia entertainment devices that support such setups augur well for the networking industry. In fact, global shipments of network-enabled video products are forecast to hit 167.4 million units by 2012, a huge climb from 11.4 million in 2007, according to IDC.

In the enterprise networking segment, spending has slowed down in recent months as businesses curb operating outlay to ride out the financial crunch. The cost benefits of a faster, more efficient LAN, however, will soon outweigh these concerns, with investment in equipment expected to pick up steam in 2010. Gigabit Ethernet, 802.11n and even VoIP are the main growth catalysts.

To match projected strong demand, makers are developing devices capable of meeting the performance and transmission requirements of today's networking environment. This is also in step with efforts to bridge the technology gap with international companies, which have been dominating the global industry.

Although many local suppliers will continue to target the low-end and midrange sectors where they can leverage their price advantage, a rising number are planning to move upmarket. Emboldened by the success of Huawei and ZTE in penetrating overseas markets, they are keen to roll out equipment that is on a par with foreign brands and upgrade product positioning.

Despite the generally positive outlook, manufacturers in China are expecting a dip in overall sales in 2009

as orders dropped due to competing products and economic uncertainties in overseas markets. They are adopting several strategies to remain buoyant.

Maintaining price competitiveness is a priority. Makers are grabbing the opportunities created by the financial crunch to leverage lower quotes and offer alternative solutions to upscale, expensive models from foreign providers, and therefore secure more orders. Some large enterprises are increasing output to achieve economies of scale and keep prices to a minimum.

Broadening the application range is another step taken by manufacturers. Those specializing in routers and gateways are exploring the enterprise segment after years of concentrating on home networking products.

Several companies start out by introducing combination routers and gateways designed for SOHOs and small businesses with no more than 10 users. Besides widening their market reach, the strategy forces many to take feature enhancement a notch higher, which yields upscale products.

Suppliers of stand-alone access points, which face threat from routers integrating AP functions, are exploring niche applications such as schools. This has enabled such players to stay afloat and even broaden their user base.

Those specializing in LAN cards and adapters are weathering

### Supplier summary

Suppliers surveyed	21
Export sales	\$312.4mn
Export ratio	66%
OEM business	57%
Capacity utilized	63%
Annual R&D spending	\$74.1mn
Full-time employees	13,914

Data: All surveyed suppliers

competition from motherboards with embedded LAN chips by shifting to wireless versions and concentrating on emerging markets where demand is rising.

Many are also expanding their geographical reach to boost orders. Suppliers of LAN cards and adapters are eyeing new destinations in northern Europe, the Middle East and the Asia-Pacific region to offset weakened sales in key areas such as the US and the EU.

### Wireless, Gigabit Ethernet & IP

R&D priorities in the networking products line center on implementing wireless, Gigabit Ethernet and IP technologies.

Even as wired networking devices experience a downturn, the outlook for the wireless segment remains positive. This is propelled by widespread adoption not only in the networking but also in the computing, consumer electronics and mobile device sectors.

### Major customers

Company	
Eastern Times	Targa (Germany); Sanwa (Japan); HP (Singapore); iHome (US); Verbatim (US, UK)
Full River	Belkin (US); Loglink (Germany)
Kasda	ST (Slovakia)
MTN	Inca (Turkey)
Netcore	Airlive, Top-Link (US)
Shenzhen East-Toptech	Sharp (US); WEC (Germany); Volex (Singapore)
Wiretek	Elecom, Buffalo, Fujitsu, Toshiba, Casio (Japan); Xerox (US); Siemens (Germany)

Data: All surveyed suppliers

### B-Link Electronic Ltd

B-Link offers gateways, routers, access points, switches, cards and adapters, which collectively account for 80 percent of total sales. Annual revenue from networking products reached \$12 million in 2008.

Last year, the supplier shipped 3 million units worth \$8 million to North America, the EU, the Asia-Pacific region and the Middle East. OEM orders make up 80 percent of exports, while ODM and OBM account for the rest. Plans are under way to boost shipments to the EU.

The company operates a 5,000sqm

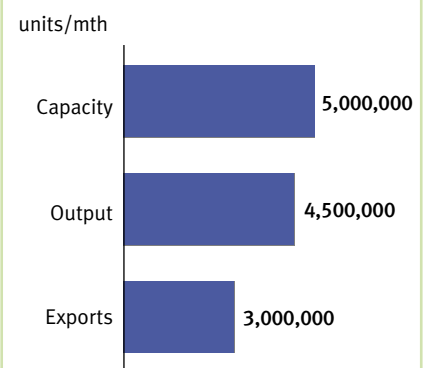
ISO 9001:2000-compliant factory that is currently running at 90 percent capacity. Except for mold making, all major processes are conducted in-house.

Of the 350 workers, 30 are assigned to QC and another 30 to R&D. Eight percent of total sales are allotted to product development, which is focused on enhancing the data rate.

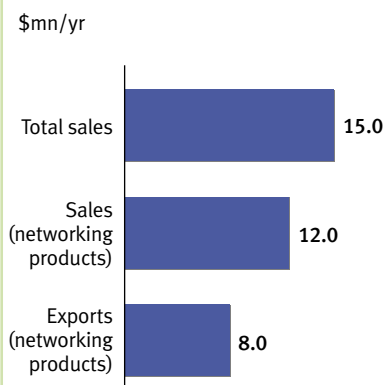
B-Link plans to increase its annual capital expenditure by up to 50 percent. Revenue from shipments is also expected to rise between 10 and 20 percent in the next few months.

#### Profile

##### Production



##### Sales



##### Contact details

###### Business contact

HE Cindy

###### Phone

(86-755) 8159-9535

###### Fax

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lefen@globalsources.com

###### URL

www.lefen.com

www.globalsources.com/lefen.co

###### Address

B-Link Industrial Park, Guanlan,  
Bao'an, Shenzhen, Guangdong, China

#### Company facts

Year established	1997
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Shenzhen (Guangdong)
Number of factories	1
Factory location(s)	Shenzhen (Guangdong)
Total factory area	5,000sqm
No. of full-time employees	350
No. of R&D/design staff	30
No. of QC staff	30
Annual sales (all products)	\$15.0mn
Annual R&D spending	\$1.2mn
ISO certification	Yes

#### Sales & output: Networking products

Annual sales	\$12.0mn
Share of total sales	80%
Annual export sales	\$8.0mn
Total monthly capacity	5,000,000 units
Average monthly output	4,500,000 units
Capacity utilized	90%
Average monthly exports	3,000,000 units
Export ratio	67%
OEM % of exports	80%
ODM % of exports	10%
OBM % of exports	10%
Other products made	Bicycle and clock radios, fax machines, 3D computer speakers, computer controller cards, flash and HDD portable media players, cable modems, digital media centers

### Capability

#### In-house processes

Housing design	Yes
Metal parts making	Yes
Mold making	No
Plastic injection	Yes
PCB making/design/ subassembly	Yes
SMT	Yes

#### Exports by product

Gateways, routers & access points	10%
Switches	40%
Cards & adapters	50%
Storage equipment & servers	—

#### Exports by market

North America	10%
European Union	20%
Europe (non-EU)	—
Asia-Pacific	20%
Middle East	50%
Other	—

### Survey

- **Export prices**  
Decreased
- **Export price decrease**  
11-15%
- **Export sales**  
Increase 10-20%
- **Target market**  
European Union
- **Capital expenditure**  
Increase up to 50%
- **Major challenge**  
Price competition
- **Export capability**  
Widen product range
- **R&D focus**  
Increase data rate

### Popular export models



#### Adapter

Model	BL-LW06-A
Minimum order	500 units
Packaging type	Color box
Delivery time	7 days
Indicated price	\$12.50

**Description:** Wireless USB adapter; 802.11b/g, Draft N; Windows OS; 32-bit PCI port; 300Mbps data rate; 100m indoor, 300m outdoor operating ranges; external antenna; CE, FCC



#### Adapter

Model	BL-LW05-150
Minimum order	500 units
Packaging type	Blister
Delivery time	7 days
Indicated price	\$6.20

**Description:** Wireless USB adapter; 802.11b/g, Draft N; Windows, Mac OS; USB 2.0; 150Mbps data rate; 100m indoor, 300m outdoor operating ranges; 20/40MHz bandwidth, Bluetooth, internal antenna



#### Router

Model	BL-WP01
Minimum order	2,000 units
Packaging type	Color box
Delivery time	7 days
Indicated price	\$23.50

**Description:** Wireless router; Draft N; one WAN, four LAN ports; 300Mbps data rate; 32MB capacity; 100m indoor, 300m outdoor operating ranges; wall- or desk-mount design; for 150 computers

### PRODUCT GALLERY

#### Cards & adapters



**B-Link**  
(profile page 30)  
**Model:** BL-LW05-150  
**Minimum order:** 500 units  
**Packaging type:** Blister  
**Delivery time:** 7 days  
**Indicated price:** \$6.20  
**Description:** Wireless USB adapter; 802.11b/g, Draft N; Windows, Mac OS; USB 2.0; 150Mbps data rate; 100m indoor, 300m outdoor operating ranges; 20/40MHz bandwidth, Bluetooth, internal antenna



**B-Link**  
(profile page 30)  
**Model:** BL-LW06-A  
**Minimum order:** 500 units  
**Packaging type:** Color box  
**Delivery time:** 7 days  
**Indicated price:** \$12.50  
**Description:** Wireless USB adapter; 802.11b/g, Draft N; Windows OS; 32-bit PCI port; 300Mbps data rate; 100m indoor, 300m outdoor operating ranges; external antenna; CE, FCC



**Changzhou One World**  
(profile page 32)  
**Model:** USB WF-B 2in1  
**Minimum order:** 100 units  
**Packaging type:** Color box  
**Delivery time:** 7 days  
**Indicated price:** •  
**Description:** USB 2.0 card with Bluetooth adapter; 802.11b/g, Draft N; Windows OS; Bluetooth 2.0+EDR class 1 port; 54Mbps data rate; single installation package for both WLAN and Bluetooth device setup; programmable DSP; CE



**Full River**  
(profile page 36)  
**Model:** GEM-8169  
**Minimum order:** 5,000 units  
**Packaging type:** Gift box  
**Delivery time:** 28 days  
**Indicated price:** \$4.30  
**Description:** Adapter; 802.3ab; eight ports supporting auto-MDI/MDIX, RJ-45 Ethernet; 10/100Mbps full/half duplex, 1,000Mbps full duplex, store/forward switching, wire speed and nonblocking, hardware-based learning and aging, 1.25Mbit packet buffer



**Hame**  
(profile page 40)  
**Model:** HM-618U+  
**Minimum order:** 100 units  
**Packaging type:** CD box  
**Delivery time:** 14 days  
**Indicated price:** •  
**Description:** Wireless network card; USB 2.0, SIM card ports; 236.8Kbps EDGE, 85.6Kbps GPRS/GSM data rates; 850/900/1800/1900MHz bandwidth; worldwide roaming, global connectivity with one modem, SMS, up to 4GB microSD memory



**Haoliyuan**  
(profile page 42)  
**Model:** UWL8187-01  
**Minimum order:** 1,000 units  
**Packaging type:** PP bag, color box  
**Delivery time:** 15 days  
**Indicated price:** •  
**Description:** Wireless USB adapter; 802.11b/g, 802.1X; USB 2.0; 54Mbps data rate; 64/128/152-bit WEP encryption, WPA/WPA2, TKIP, AES, WL8187; Windows 98 SE, ME, 2000, XP, Vista OS; Realtek chipset

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