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Networking Products



August 2010 US\$495

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NETWORKING PRODUCTS

Supplier capability in China

EXECUTIVE SUMMARY

Suppliers of networking products in China are increasing production by 10 percent this year in anticipation of a demand rebound and as wireless adoption picks up pace. The country's share in global output, however, will not even breach 5 percent, being limited to the home and SOHO markets.

Manufacturers are confident of further expansion in both these segments due mainly to the spreading adoption of Wi-Fi in telecom, computer and consumer electronic devices. Many companies are, therefore, diversifying their wired selections and strengthening nonenterprise bases.

To compete with large players that dominate the line, suppliers are leveraging their price advantage to attract sales in the low-end and midrange segments.

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

- Makers decreased prices to boost competitiveness even as labor costs rose. The trend will carry over to 2011 as they continue to focus on volume to raise sales levels.

- Routers, access points, and WLAN cards and adapters lead China's wireless shift. These are being upgraded to the latest 802.11n standard in keeping with international trends. Decreasing chipset costs is fast-tracking product rollouts. Gateways remain wired-based.

- LAN cards and adapters now comprise a minority business for China suppliers. The line is on the decline as the wireless segment continues to grow.

- WLAN adapters are expected to continue advancing in the years ahead, thanks to USB variants. The latter has a wide penetration rate, covering both desktop and notebook PCs. The majority is based on USB

2.0, with USB 3.0 models likely to increase in 2H11.

- Makers are emphasizing better cost performance rather than upscale models, keeping 10/100Mbps or entry-level Gigabit Ethernet switches as their core products. Gigabit and 10 Gigabit variants are offered to serve higher requirements.

- Networked media capability is boosting China's sluggish NAS manufacturing industry. NAS and network media players, however, remain niche lines due to their upscale categorization. Local products consist mainly of entry-level and midrange units.

- Suppliers continue to offer NAS and media players without HDDs, using this to gain a price advantage. They have no capability to produce the component in-house.

- Makers are eyeing potential markets in South America, Africa, the Middle East and the Asia-Pacific region to expand their reach.

This report covers access points, routers, Ethernet switches, LAN and WLAN cards and adapters, NAS and network media players manufactured in mainland China. The products are grouped and discussed in separate modules, which detail common features found in mainstream models.

The Industry Overview tackles developments in this line in the mainland, including growth opportunities in coming months. It identifies the factors shaping the segment.

The majority of the mainland's more than 300 makers are based in Guangdong and Jiangsu provinces. Shenzhen is the main hub in the first, and Suzhou and Kunshan in Jiangsu. The latter plays host to Taiwan-invested companies and some local private ventures. Other suppliers are based in the provinces of Zhejiang, Sichuan and Fujian.

In this report

- 20 in-depth company profiles
- 106 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 are verified by Global Sources.

Each supplier is confirmed to be authentic with a legally registered business. All companies are visited three or more times to ensure they are export-ready and have real offices and products.

The listed contact person has been verified to represent the registered company. In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials.

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.

Suppliers are ranked based on a 6-star ranking system. Companies with a higher star ranking provide more business information and verification reports on their Global Sources online homepages.

Suppliers rated 5 or 6 stars have a Credit Check report from First Advantage or Sino-Trust and a Supplier Capability Assessment report provided by Bureau Veritas online.

The rankings are correct at the time of publication and may be subject to change.

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INDUSTRY OVERVIEW

Suppliers of networking products in China are boosting manufacture as they look to benefit from technology upgrades and rising demand amid economic recovery. They are expecting an output increase of 10 percent this year, even as the country's share worldwide is projected to stay within 5 percent. This is because large players continue to dominate the line, especially the lucrative enterprise segment, while domestic makers' reach is limited to the home and SOHO markets.

Nevertheless, the majority of China's small and midsize operations are confident of further advancement in these categories, counting on Wi-Fi's broadening adoption. The technology transcends the enterprise network and extends to telecom, computer and consumer electronic devices. This has provided makers with an opportunity to strengthen their foothold in nonenterprise lines, even as wired configurations comprise most core products.

Wi-Fi has in fact been speeding up the shift to wireless in China's networking equipment industry, particularly in the router sector. Suppliers estimate wireless configurations of the last now take up nearly 60 percent of the country's overall output, with a 5 to 10 percent projected rise in store for 2011.

Reflecting global trends, China's total yield of nonwired routers surged 25 percent in 2009. It placed the country's share of global output at nearly 25 percent, which is expected to remain at this level in 2010. China currently accounts for 60 to 70 percent of the world's supply of routers, with the bulk coming from ZTE and Huawei. The last has replaced Alcatel-Lucent in the top third spot in market share, according to Infonetics.

Wi-Fi is also fueling a rebound in the country's access point segment, which contracted last year due to the rise of combination products

integrating the AP function. The line is expected to enjoy stronger demand this year. Besides the declining quote, an important growth driver is the product's widening application in large and midsize enterprises switching to a cable-free setup. Penetration has likewise been rising in schools, mining operations and military, where a wired network is not cost-effective.

Makers of WLAN cards are banking on the strong Wi-Fi market to boost slow sales resulting from limited applications. Although the expanding adoption of wireless technology has been sustaining the line, its use is mainly confined to desktop PCs. In this segment, cards are sold separately to buyers who want to enable noncorded connectivity, which is still less expensive than computers with embedded WLAN modules.

The bullish laptop industry, however, has eclipsed tabletop counterparts, invariably affecting WLAN card revenue. Further, the influx of the former type with built-in Wi-Fi capability is denting exports of WLAN cards.

WLAN adapters, meanwhile, are enjoying brisk sales, with USB variants dominating because application covers both desktop and notebook PCs. With a wide penetration rate, the line is expected to continue advancing in the years ahead. The majority of the country's USB units remain based on USB 2.0, with USB 3.0 models likely to increase in 2H11.

Providing additional momentum is the ratification of 802.11n in 2009, fast-tracking R&D and product rollouts. Routers based on it account for more than 50 percent of the total nonwired router yield of China makers. Suppliers expect the share to rise by at least 15 percent this year as companies shift to the version. More APs are projected to step up to 802.11n as well even though supply this year will continue to be led by 802.11b/g versions.

Supplier summary

Suppliers surveyed	20
Export sales	\$461.8mn
Export ratio	58%
OEM business	54%
Capacity utilized	66%
Annual R&D spending	\$91.1mn
Full-time employees	17,850

Data: All surveyed suppliers

In addition to better signal coverage and transmission penetration, the technology enables a data rate three to five times faster than 802.11g. Declining chipset costs likewise augur well for the standard. Some suppliers also predict quotes of equipment based on 802.11n will drop in coming months and close the gap with 802.11g devices. This in turn is expected to translate into rising orders for the former.

Market positioning

China makers are capitalizing on their low price advantage to remain viable as international players continue to dominate the global industry, particularly the high end. The only way for small and midsize domestic suppliers to compete is to capture the low-end and midrange sectors.

For Ethernet switches, the strategy is appropriate since 90 percent of the country's total shipments comprise 10/100Mbps or entry-level Gigabit units that are widely used in SOHOs and small businesses. Only a small percentage is composed of Gigabit and 10 Gigabit variants. Given the relatively low production outlay in the country, makers are opting to specialize in models with better cost performance rather than upscale versions, enabling them to secure higher margins.

In gateways, some suppliers ventured into 3G development in the last two years but devices from such efforts target mainly SOHO and home users. Mainstream applications are still in midsize and large enterprises

B-Link Electronic Ltd



B-Link’s networking product selection covers adapters, cards, switches, gateways, routers, access points, storage equipment and network media players. These collectively contributed 65 percent to the company’s \$80 million overall revenue last year. Aside from OEM and ODM services, the supplier promotes its own B-Link brand.

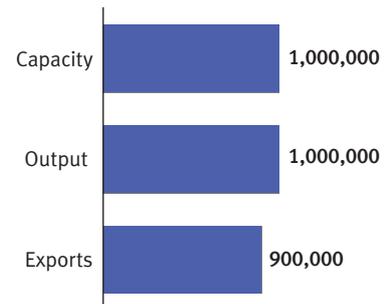
In 2009, sales from the line totaled \$52 million, of which 90 percent came from exports. B-Link expects a more than 20 percent increase in overseas trade in coming months with increased marketing efforts in North America.

Currently, the area receives 20 percent of shipments abroad, while Europe has a 50 percent share. The other export destinations are South America, Africa, the Asia-Pacific region and the Middle East.

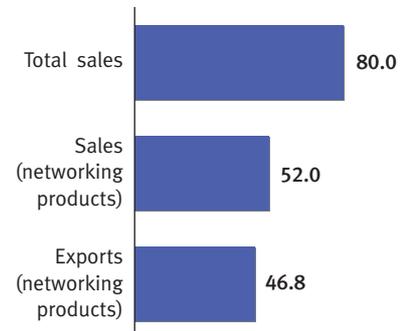
B-Link has a 15,000sqm factory in Guangdong province. It has a total workforce of 300, including 20 QC specialists and 30 R&D personnel. Utilizing 100 percent of capacity, the facility churns out 1 million networking products a month, 90 percent of which are shipped overseas. Half of exports comprise cards and adapters.

Profile

Production units/mth



Sales \$mn/yr



Contact details

Business contact

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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	15,000sqm
No. of full-time employees	300
No. of R&D/design staff	30
No. of QC staff	20
Annual sales (all products)	\$80.0mn
Annual R&D spending	\$10.0mn
ISO certification	Yes

Sales & output: Networking products

Annual sales	\$52.0mn
Share of total sales	65%
Annual export sales	\$46.8mn
Total monthly capacity	1,000,000 units
Average monthly output	1,000,000 units
Capacity utilized	100%
Average monthly exports	900,000 units
Export ratio	90%
OEM % of exports	50%
ODM % of exports	40%
OBM % of exports	10%
Other products made	Bicycle and clock radios, fax machines, 3D computer speakers, computer controller cards, cable modems

Capability

Production checklist

Housing design	Yes
Metal parts making	Yes
Mold making	No
Plastic injection	Yes
PCB making	Yes
SMT	Yes
EMI/EMC testing devices	Yes
Frequency analyzers	Yes

Exports by product

Gateways	10%
Routers	10%
Access points	5%
Switches	10%
Cards	20%
Adapters	30%
Storage equipment	5%
Servers	—
Network media players	10%

Exports by market

North America	20%
European Union	30%
Europe (non-EU)	20%
Asia-Pacific	5%
Middle East	5%
South America, Africa	20%

Survey

- **Export prices**
Increased
- **Export price increase**
Less than 5%
- **Export sales**
Increase more than 20%
- **Target market**
North America
- **Capital expenditure**
Reduce expenditure
- **Major challenge**
Price competition
- **Export capability**
Widen product range
- **R&D focus**
Improve stability

Popular export models



Network media player

Model	BL-P08-B
MOQ	500 units
Packaging	Colored box
Delivery	30 days
Price	\$120

Description: 3.5in SATA HDD with 2TB capacity; 2.4GHz RF wireless audio expansion interface, 10/100Mbps LAN; stereo L/R, SPDIF optical/coaxial, HDMI 1.3; 720x576 pixels at 25fps for PAL, 720x480 pixels at 30fps for NTSC; high-definition digital TV reception, scheduled recording



Access point

Model	BL-AP01
MOQ	500 units
Packaging	Colored box
Delivery	20 days
Price	\$15

Description: Wireless type; 802.11n Draft 2.0, 802.11b/g; one WAN, four LAN RJ-45 ports; 300Mbps data rate; PPPoE, dynamic/static IP, UPnP, DDNS; 64/128-bit WEP, 128-bit WPA, 802.1X; static routing; integrates router, 4-port switch, firewall; automatic, on-demand, fixed time dialing



Card

Model	BL-LW05-A
MOQ	1,000 units
Packaging	Colored box
Delivery	15 days
Price	\$12

Description: USB wireless LAN type; 802.11b/g/n; USB port; 150Mbps data rate; 100m indoor, 300m outdoor operating ranges; 64/128/152-bit WEP, WPA, 802.1X, TKIP, AES; Windows 2000, 2003, XP, Vista, CE 5.0, 6.0, 7, Linux, Mac OS; 2dBi antenna gain; 100x26x12.2mm; 120g

PRODUCT GALLERY

Adapters



Chongqing Jinou
(profile page 28)
Model: BTS2404c2p
MOQ: 1 unit
Packaging: Colored box
Delivery: 3 days
Price: \$10 to \$200
Description: Bluetooth type; Bluetooth 2.1+EDR; RS-232 port; up to 1.384Mbps multiple baud rates; 10 to 100m operating range; external antenna, automatic energy-saving mode; -25 to 85 C operating temperature



Full River
(profile page 34)
Model: WL13U-P
MOQ: 1,000 units
Packaging: Gift box
Delivery: 27 days
Price: \$7.90
Description: High-power USB type; USB 1.1/2.0; 802.11n Draft 2.0, 802.11b/g, 802.3, 802.3μ, CSMA/CA with ACK; 150Mbps data rate; 120m indoor, 500m outdoor operating ranges; 64/128-bit WEP, WPA, WPA2, 802.1X, 802.11i; Windows XP, Vista, 7, Mac, Linux OS



Full River
(profile page 34)
Model: WL-RT8190-4R
MOQ: 1,000 units
Packaging: Gift box
Delivery: 27 days
Price: \$16
Description: Wireless PCI type; 802.11n Draft 2.0, 802.11b/g, CSMA/CA with ACK; 300Mbps data rate; 120m indoor, 360m outdoor operating ranges; 64/128-bit WEP, WPA, WPA2, 802.1X; Windows 98 SE, ME, 2000, XP, Vista, 7, Linux OS



Kasda
(profile page 36)
Model: KW5321
MOQ: 1,000 units
Packaging: Gift box
Delivery: 30 days
Price: Negotiable
Description: Wireless USB type; 802.11n; 300Mbps data rate; 64/128-bit WEP; 2T2R MIMO; 2.4GHz frequency; 15dBm transmitted power



Konix
(profile page 38)
Model: W-201
MOQ: 3,000 units
Packaging: PE bag
Delivery: 15 days
Price: \$5
Description: USB network card type; USB 1.1/2.0 at 10/100Mbps; Windows 98 SE, ME, 2000, XP, Mac OS 9.0 or higher; LED light indicator



Konix
(profile page 38)
Model: W-236-2
MOQ: 1,000 units
Packaging: Blister
Delivery: 15 days
Price: \$10.50
Description: Wireless USB LAN type; 802.11b/g/n; 11, 54, 150, 270, 300Mbps data rates; 100m indoor, 300m outdoor operating ranges; ad-hoc, infrastructure modes; 18dBm transmitted power; 2.4 to 2.485GHz frequency range; 2x2dBi on-board antennas

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