

VoIP Products



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VoIP PRODUCTS

Supplier capability in China

EXECUTIVE SUMMARY

China's overseas shipments of VoIP products are rising steadily as the technology is increasingly being adopted worldwide, particularly in the commercial and enterprise segments.

Leveraging their price advantage over foreign counterparts, makers in the country have secured a strong position in the low-end and midrange sectors. But they are still struggling to establish a niche in an industry that is dominated by a few large international companies.

The global financial crunch, meanwhile, is both a challenge and an opportunity for the VoIP industry. Suppliers expect export sales to continue their gradual upward trend as more enterprise and personal users choose VoIP instead of conventional telephony in pursuit of cost reductions amid the economic downturn.

But even though VoIP deployment is spreading worldwide and traffic increasing, China suppliers face stiff competition, especially from makers of other less expensive devices, including computer microphones.

The lack of standards in the use of VoIP phones, particularly from the operator side, also poses a challenge to suppliers, as does the variety of protocols used.

Under efforts to boost sales, suppliers are keeping an eye on the market as VoIP technology continues to advance toward the wireless mobile communication platform.

Many are also banking on the developments in China's telecom restructuring program, hoping that some provisions will benefit the line. And in an increasingly convergent and broadband environment, makers are optimistic that growth is in store for the VoIP industry.

The following are some of the key trends observed in China's VoIP product industry:

- Exports in the line are expected to grow in the next 12 months but at a moderate 10 percent rate.

- Makers are providing aftersales service even as they continue to offer prices relatively lower than foreign counterparts. They will maintain focus on the low-end and midrange sectors.

- Suppliers will direct product development on function integration, wireless connectivity and enhanced audio transmission. Improved hardware and software compatibility will likewise be emphasized.

- Anticipating increased demand from Europe, North America and the Asia-Pacific region, suppliers intend to raise capital expenditure between 20 and 50 percent in coming months.

This report covers the major types of VoIP products manufactured in China, namely VoIP products, including phones, PBXs, and gateways and routers. 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 section tracks production and export growth in China's VoIP industry. It also discusses the supplier base and the main production hubs.

The mainland has more than 80 VoIP phone suppliers, which turn out from 2,000 to 5,000 units a month, excluding USB phones. VoIP gateway and router makers number about 100. They have a monthly output of 1,000 to 5,000 units. VoIP PBX suppliers, meanwhile, are estimated at around 10.

Irrespective of product focus, the majority of makers focus on OEM and ODM business with only a few promoting in-house brands. A handful of suppliers with strong R&D capability lead product trends in the industry. The rest are small and midsize companies that follow in their footsteps. Guangdong, Fujian and Jiangsu provinces, Hong Kong and Shanghai host China's VoIP product suppliers.

In this report

- 14 in-depth company profiles
- 54 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.

CONTENTS

INDUSTRY OVERVIEW	7
Supplier summary	
Export statistics	
Major customers	
Main production center	
Suppliers demographics	
VoIP phones	10
VoIP PBXs	12
VoIP gateways & routers	13
Supplier survey	14
Export prices, price decrease, export sales, target markets, capital expenditure, challenges, export capability, R&D focus	
SUPPLIER PROFILES	17
Supplier locations	
Industry composition	
Exporter ranking	
Supplier matrix	
Production checklist	
Supplier profiles	
PRODUCT GALLERY	55
Top-selling export products	

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INDUSTRY OVERVIEW

Exports of VoIP products from China are increasing, but at a slow pace due mainly to gradual adoption of the technology worldwide and a saturated supply market. Currently, however, this low-cost alternative to conventional telephony is getting a boost from enterprises and consumers looking to cut costs amid the economic downturn.

Seizing this opportunity, suppliers in China are now more than ever emphasizing the products' affordability and highlighting the technology's cost effectiveness. Makers are promoting basic functionality and low prices as selling points, and providing aftersales service. Leveraging their price advantage over foreign counterparts, makers have secured a strong position in the low-end and midrange sectors.

The commercial and enterprise sectors are being targeted in particular. In fact, many small and medium enterprises worldwide have been migrating to VoIP in recent years, further expanding the application base, which previously was mostly confined to the residential sector. Suppliers are now diversifying into these segments, which are expected to spur innovations that in turn can push the product line up the value chain.

Makers are also keeping an eye on VoIP adoption in the wireless mobile communication platform. Skype, for example, launched a software application designed for smartphones that enables international calls using local wireless minutes. The company also released a similar product for the iPhone.

This new market is expected to boom by 2011, with estimates pointing to 100 million mobile VoIP users worldwide from 7 million in 2007, according to the consulting firm On World. Revenue from this segment may reach \$33.7 billion, swelling from \$516 million in 2006.

Demand for VoIP is expected to pick up speed in coming years. To

gather support for more widespread deployment of VoIP, major companies set up the Voice on the Net coalition in a bid to educate policymakers and consumers on the advantages of Internet communication.

In-Stat forecasts the worldwide total user base, including home, enterprise and commercial, will balloon to 55 million subscribers in 2009.

In addition, Infonetics Research forecasts that global VoIP service revenue increased 52 percent year-on-year in 2007 to reach \$24 billion. Although growth in worldwide revenue has been slowing down—the growth rate was 66 percent in 2006—it remains significant enough, makers say, to indicate market sustainability.

Amid this rosy outlook, however, VoIP product suppliers face a number of hurdles that could hamper export growth. One of the main challenges is minimal product differentiation among suppliers. The low technology barrier, which makes it easy to manufacture and export the products, has resulted in oversupply and price competition. Only suppliers with in-house design capability, mostly tier 1 makers, actively pursue R&D. The rest simply follow their lead and compete solely on price.

Consequently, profit margins have narrowed to critical levels, forcing many of the smaller companies out of the line. The positive aspect of this, however, is that much of the competition has been eliminated, eventually resulting in industry consolidation.

To win orders, China makers must have local sales and network support because a successful VoIP deployment depends largely on installation, configuration and maintenance. This, however, can erode profit margins from hardware sales.

To address the problem, some companies are incorporating user-friendly features such as automatic configuration, software upgrade and remote debugging, to lower the technology barrier for end-users and

Supplier summary

Suppliers surveyed	14
Export sales	\$24.3mn
Export ratio	64%
OEM business	62%
Capacity utilized	23%
Annual R&D spending	\$13.4mn
Full-time employees	5,956

Data: All surveyed suppliers

therefore lessen the need for vendor support. Further, silicone and software vendors have commoditized VoIP technology, benefiting China suppliers whose advantage lies in low-cost hardware production.

Another concern for suppliers is the slow adoption of VoIP globally. The technology is prohibited in 24 countries and restricted in 37 others, due mainly to telecom carriers' vested interests. Lax restrictions are in place in the EU and the US, while Japan, Hong Kong and Singapore impose strictly managed service provisioning. In some European countries, such as Ukraine, VoIP operators are required to establish their own network or cooperate with telecom service providers, especially those that provide long-distance phone services.

Many suppliers are banking on the developments in China's telecom restructuring program, hoping that some provisions will benefit the line. And in an increasingly convergent and broadband environment, makers are optimistic that growth is store for the VoIP industry.

Industry composition

The VoIP industry in China continues to be dominated by a few large companies. To establish a niche, companies are hard-pressed to boost quality and are, therefore, increasing investments in product development.

Large-scale suppliers generally have the capability for in-house SMT, plastic injection molding, silkscreen printing and assembly. Many of these companies also handle PCB, software and mold design, and most R&D and QC work.

Atcom Technology Co. Ltd

Last year, Atcom produced a monthly average of 14,000 VoIP products, including VoIP phones, PBXs, and gateways and routers.

About 85.7 percent of output in the line was exported to North America, Europe, the Asia-Pacific region and the Middle East. Total annual sales hit \$8 million.

The supplier's monthly capacity for VoIP products reached 30,000 units last year. OEM orders comprise 50 percent of shipments, with the balance being ODM contracts at 20 percent and OBM 30 percent.

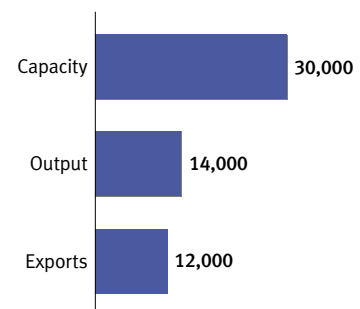
The mainland China-owned enterprise has 600 employees, 30 of whom are members of the product development team. It allocates \$800,000 for product development. This accounts for 10 percent of total sales.

The company plans to increase its annual capital expenditure by up to 50 percent. Export sales are also expected to increase between 10 and 20 percent in the next 12 months, with the EU as the main target market.

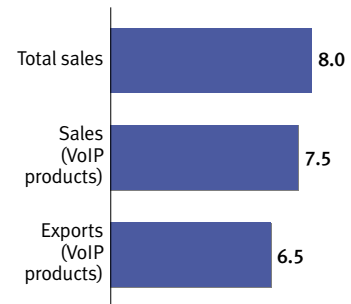
Established in 1998, Atcom has one factory with a capacity utilization of 47 percent.

Profile

Production units/mth



Sales \$mn/yr



Contact details

Business contact

ZHONG Forrest

Phone

(86-755) 8301-8869

Fax

(86-755) 8301-8319

E-mail

forrest@atcom.com.cn

URL

www.atcom.cn

Address

Room 6A/B, Shangtian Building,
70 Nanyuan Road, Shenzhen,
Guangdong, China

Company facts

Year established	1998
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	2,000sqm
No. of full-time employees	600
No. of R&D/design staff	30
No. of QC staff	30
Annual sales (all products)	\$8.0mn
Annual R&D spending	\$800,000
ISO certification	Yes

Sales & output: VoIP products

Annual sales	\$7.5mn
Share of total sales	94%
Annual export sales	\$6.5mn
Total monthly capacity	30,000 units
Average monthly output	14,000 units
Capacity utilized	47%
Average monthly exports	12,000 units
Export ratio	86%
OEM % of exports	50%
ODM % of exports	20%
OBM % of exports	30%
Major customers	Dlink (India), Topcom (US), Soyo (US)
Other products made	Telephony cards

Capability

In-house processes

SMT	Yes
PCB assembly	Yes
Mold making	No
Plastic injection	No
Housing design	Yes
Software design	Yes

Exports by product

VoIP phones	50%
VoIP PBXs	30%
VoIP gateways & routers	20%

Exports by market

North America	18%
European Union	28%
Europe (non-EU)	18%
Asia-Pacific	15%
Middle East	11%
Other	10%

Survey

- **Export prices**
Stayed the same
- **Export sales**
Increase 10-20%
- **Target market**
European Union
- **Capital expenditure**
Increase up to 50%
- **Major challenge**
Design copying/piracy
- **Export capability**
Shorten design/development time
- **R&D focus**
Wireless function

Popular export models



VoIP gateway & router

Model	AG188N
MOQ	100 units
Packaging	Carton
Delivery	20 days
Price	\$250

Description: Supports SIP (RFC3261, RFC 2543), IAX2, VLAN, T.38 fax function, reverse polarity, SNTP, STUN, RTCP, WAN-IP, DHCP client and server, PPPoE; E.164 dial plan and customized dial rules; tone generation and local DTMF regeneration according with ITU-T, G.711a/u, G722, G723 G729, G.168/G.165



VoIP phone

Model	AT610
MOQ	100 units
Packaging	Carton
Delivery	20 days
Price	\$40

Description: Broadcom chipset; WAN/LAN; supports SIP 2.0 (RFC3261), NAT transversal, STUN client, DTMF, SRTP, MWI; G.711a/u, G.723.1, G.729a/b, G.722, G.722.1, G.168; speakerphone, conference and voice record on SIP server, 10 ring tones; call forward, transfer, hold



VoIP phone

Model	AT530
MOQ	100 units
Packaging	Carton
Delivery	20 days
Price	\$45

Description: Infineon chipset; supports SIP (RFC3261, RFC 2543)/IAX2, DHCP client and server, PPPoE, STUN; E.164 dial plan and customized rules; tone generation and local DTMF regeneration

• Information not disclosed

PRODUCT GALLERY

VoIP phones


Acetech

(profile page 24)

Model: VOB822

MOQ: 500 units

Packaging: Color box

Delivery: 35 days

Price: \$40

Description: MIPS chipset solution; Ethernet network; supports SIP (RFC2543, RFC3261); 64/64 incoming/outgoing call records; 100 address book entries; 3-way conferencing; headset; voice-mail/pickup call key

Acetech

(profile page 24)

Model: VOB820

MOQ: 500 units

Packaging: Color box

Delivery: 35 days

Price: \$40

Description: MIPS chipset solution; Ethernet network; supports SIP (RFC2543, RFC3261); 64/64 incoming/outgoing call records; 100 address book entries; shows date, time on LCD; 3-way conferencing; headset; voice-mail

Atcom

(profile page 26)

Model: AT620

MOQ: 100 units

Packaging: Carton

Delivery: 20 days

Price: \$60

Description: Supports SIP (RFC3261, RFC 2543), 2 SIP lines + 1 IAX2 line, DHCP client and server, PPPoE, STUN; AGC, VAD, CNG, echo cancellation; CE, FCC, RoHS

Atcom

(profile page 26)

Model: AT610

MOQ: 100 units

Packaging: Carton

Delivery: 20 days

Price: \$40

Description: Broadcom chipset; WAN/LAN; supports SIP 2.0 (RFC3261), NAT transversal, STUN client, DTMF, SRTP, MWI; G.711A/μ, G.723.1, G.729a/b, G.722, G.722.1, G.168; speakerphone, conference and voice record on SIP server, 10 ring tones; call forward, transfer, hold

Atcom

(profile page 26)

Model: AT530

MOQ: 100 units

Packaging: Carton

Delivery: 20 days

Price: \$45

Description: Infineon chipset; supports SIP (RFC3261, RFC 2543)/IAX2, DHCP client and server, PPPoE, STUN; E.164 dial plan and customized rules; tone generation and local DTMF regeneration

Eacom

(profile page 28)

Model: IP 2000

MOQ: 200 units

Packaging: Carton

Delivery: 30 days

Price: \$250

Description: Built-in Web GUI; supports SIP RFC3261, HTTP/FTP/TFTP, RTP RFC3550/3551, RTCP RFC1889; SNTP; NAT traversal with periodical refreshing SIP registration; data and time display; customer logo and text display; call history

US\$

Total amount US\$

D My payment method



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