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HOUSEHOLD APPLIANCES

Supplier capability in China

EXECUTIVE SUMMARY

China's household appliances industry is feeling the effects of the global economic slump as overseas shipments continue to fall.

Nevertheless, most suppliers are anticipating orders to rise in the months ahead as the recession wave is foreseen to recede toward the end of 2009. In fact, many companies expect sales to increase by at least 10 percent in the coming year.

Overseas revenue for the first seven months of 2009 reached \$3.2 billion, down 11 percent from the previous corresponding period. In volume terms, the drop was more severe at 48 percent.

To stay afloat amid diminishing export returns, makers are rethinking their business plans, which include refocusing target markets, product development initiatives and price strategies.

The following are some of the trends we see in China's household appliances industry:

- While traditional markets such as the US and the EU are still the favored export destination for most suppliers, shipments to Southeast Asia and the Middle East are growing.

- Many companies are concentrating on units with basic features as the economic slowdown spurred demand for less-expensive models. There are a few large makers, however, that are venturing into "intelligent" appliances production to carve a niche in this slim but high-profit market.

- In response to the global financial slump and the weaker purchasing power of buyers, most enterprises have either kept their prices steady or decreased quotes minimally in the past few months.

- As industry analysts predict better market conditions in 2010, many China manufacturers are planning to increase their capital expenditure and boost export capability.

This report covers the major household appliance categories shipped from China—electric and solar water heaters, space heaters, electric irons, electric fans, vacuum cleaners, and air-treatment appliances, including purifiers, humidifiers and dehumidifiers.

While air conditioners and washing machines are integral parts of the industry, these are excluded from the report. This is because both industries are highly consolidated and dominated by large branded players, especially the former.

The latest design and technology trends, and the key considerations that influence pricing are highlighted for each product category covered in this report. The industry composition and manufacturing hubs of each line are discussed here as well.

Projections for the next six to 12 months for overseas sales, capacity expansion plans and R&D focus are detailed in the Supplier Survey.

The Industry Overview section discusses the latest export figures and explains how makers are coping with key issues surrounding the household appliances sector.

Reflecting the nature and composition of the industry, nearly 90 percent of the suppliers interviewed for this report are based in Guangdong, Jiangsu and Zhejiang. These provinces are the top manufacturing hubs of household appliances in China. Some makers are located in Fujian province.

Further, most companies are manufacturers with direct export rights. In fact, 97 percent of the enterprises featured in this report have the capability to ship their output overseas.

Eighty-five percent of the featured suppliers are mainland China-owned. Others are either Hong Kong-invested or have partners from Western countries.

In this report

- 31 in-depth company profiles
- 13 additional suppliers
- 130 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 each company profile, 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 capabilities of each supplier.

All 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

Like most export industries in China, the household appliances sector has yet to recover from the economic slump. With the US and EU economies showing little signs of improvement, the downturn extended through mid-2009 just as many companies had predicted.

In fact, shipments in the first seven months saw a significant decline. Customs statistics show that the country collectively shipped 3.3 billion space heaters, fans, irons, vacuum cleaners and air-treatment appliances during the period, down a staggering 48 percent from the same time in the previous year.

The industry's aggregate revenue slipped by a more respectable 11 percent to \$3.2 billion. The fairly moderate slowdown is caused by the higher average export value per unit in most categories.

All key product segments covered in this report experienced weaker sales from January to July 2009 at varying degrees. The export value and volume of air-treatment appliances, for instance, dropped 3.5 percent to \$121 million and 17 percent to 3 million units, respectively. The line covers humidifiers, dehumidifiers and air cleaners.

Meanwhile, the space heaters segment saw a more dramatic drop. Shipments fell by as much as 35 percent to 6.5 million units.

The last few months of 2008 also witnessed a number of makers close down due to the lack of orders. While official figures have not been released, estimates peg the reduction in the supplier base at 30 percent from 2007.

Although small companies are the worst affected, midsize and large enterprises that depended on a few large buyers also succumbed to the economic situation. The main problem for small makers is the lack of financial funding, which prevents them from spending on R&D to upgrade models, or covering operating

expenses during lean periods.

At the same time, small players, most of which offer low-end and midrange products, have an advantage over manufacturers of mainly high-end designs. This is because some buyers source less-expensive appliances during the economic downturn. Others are even reducing their requirements for safety, functionality, energy efficiency and environmental friendliness in an effort to cut their costs. Companies focusing on basic products with no frills are a suitable choice for such clients.

Optimism in months ahead

Despite the bleak export performance, some appliance suppliers still anticipate better sales, as industry experts predict better market conditions in Q4 2009.

This forecast has prompted upbeat projections, with roughly 50 percent of interviewed companies expecting a sales increase of at least 10 percent in the next six months. Furthermore, many electric fan specialists are anticipating a 20 to 30 percent rise in revenue.

Makers of household appliances in China are taking a number of measures to speed up export recovery. Most companies are focusing on

Supplier summary

Suppliers surveyed	31
Export sales	\$443.6mn
Export ratio	77%
OEM business	56%
Capacity utilized	60%
Annual R&D spending	\$21.8mn
Full-time employees	12,850

Data: All surveyed suppliers

basic products with no value-added features to attract buyers looking for less-expensive releases. In the space heaters line, for instance, there is more demand for traditional oil-filled and halogen tube heaters instead of PTC models. Export sales of the last type experienced significant growth in the first half of 2008.

On the other hand, some large-scale, foreign-invested suppliers are starting to develop technologically advanced designs. This comes with an aim of carving a niche in the small but lucrative modern upscale market. Better energy efficiency, portability, personalization and user convenience are the main points such units address.

Of the various "intelligent" appliances now available in the high-end segment, robotic vacuum cleaners are among those China makers have technologies for. These go mainly to

Major customers

Changzhou Sunhome	BH (Mexico)
Foshan Shunde Augewei	Carrefour (France), LG (South Korea)
Foshan Shunde Jiling	Usha, Bajaj (India)
Natridy	Wal-Mart (US), Home Depot (Mexico)
Ningbo Changli	AFK (Germany), Taurus (Mexico)
Ningbo Homstar	Euro Sonic (UK)
Pacific Access	Arcelik, Beko, Migros, Grundig (Turkey)
Zhejiang Kende	EpiCentr K (Ukraine)
Zhejiang Sidite	Energia (Mexico)
Zhejiang Yueli	Severin (Germany), Carrefour (France)
Zhongshan New Nomura	Wal-Mart (US), Severin (Germany), Adexi (Denmark)

ADA Electrotech (Xiamen) Co. Ltd

ADA ships 27,000 units of household appliances each month to North America, Europe, the Asia-Pacific region and the Middle East. OBM orders make up half of exports, with the balance comprising OEM and ODM at 30 and 20 percent, respectively. All revenue is from the air-treatment appliances line.

The company currently utilizes 30 percent of its total production capacity, which reaches 100,000 units each month.

The mainland China-owned manufacturer invests 7 percent of

revenue in R&D per year. The product development team has 30 members.

The company is headquartered in Fujian province. It runs one factory with a total area of 25,000sqm.

There is a total of 300 workers, including 30 inspectors in charge of QC.

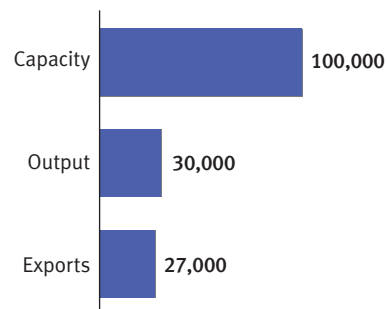
ADA will increase its capital expenditure by more than 50 percent in the coming 12 months.

Export sales are also expected to rise between 10 and 20 percent in the year ahead, with the EU as the main target market.

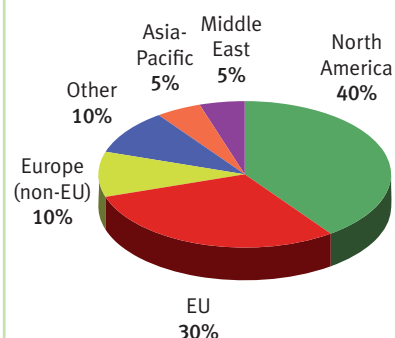
Profile

Production

units/mth



Export markets



Contact details

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Company facts

Year established	1997
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Xiamen (Fujian)
Number of factories	1
Factory location(s)	Xiamen (Fujian)
Total factory area	25,000sqm
No. of full-time employees	300
No. of R&D/design staff	30
No. of QC staff	30
Annual sales (all products)	\$15.0mn
Annual R&D spending	\$1.0mn
ISO certification	Yes

Sales & output: Household appliances

Annual sales	\$15.0mn
Share of total sales	100%
Annual export sales	\$14.0mn
Total monthly capacity	100,000 units
Average monthly output	30,000 units
Capacity utilized	30%
Average monthly exports	27,000 units
Export ratio	90%
OEM % of exports	30%
ODM % of exports	20%
OBM % of exports	50%

Capability

Production checklist

Makes molds in-house	Yes
Plastic-injection machines	10
Bending & punching machines	2
Lead-free soldering machines	20
Spray-painting & coating lines	2
Noise-testing lab	Yes
Aging lab	Yes
Voltage testers	30
Current-leakage testers	10

Exports by product

Space heaters	—
Water heaters	—
Air-treatment appliances	100%
Electric fans	—
Electric irons	—
Vacuum cleaners	—

Exports by market

North America	40%
European Union	30%
Europe (non-EU)	10%
Asia-Pacific	5%
Middle East	5%
Other	10%

Survey

- **Export prices**
Stayed the same
- **Export sales**
Increase 10-20%
- **Target market**
European Union
- **Capital expenditure**
Increase more than 50%
- **Major challenge**
Price competition
- **Export capability**
Improve operating efficiency
- **R&D focus**
Value-added features

Popular export models



Air-treatment appliance

Model	ADA981
MOQ	1,000 units
Packaging	On request
Delivery	35 days
Price	•

Description: Air purifier; 220m³/h maximum airflow rate, 130CFM; CADR 200m³/h; effective area 30sqm; 18dB; 15VDC; 5.65kg; 230x290x430mm; GS, CE, RoHS, UL



Air-treatment appliance

Model	ADA681
MOQ	1,000 units
Packaging	On request
Delivery	35 days
Price	•

Description: Air purifier; 90m³/h airflow rate, 53CFM; 60m³/h CADR; effective area 40sqm; <26dB; 100 to 240VAC; 39W; 6.8kg; 453x215x320mm; GS, CE, RoHS, UL



Air-treatment appliance

Model	ADA603
MOQ	1,000 units
Packaging	On request
Delivery	35 days
Price	•

Description: Air purifier; 40m³/h airflow rate; 23.5CFM; CADR 30m³/h; effective area 25sqm; 26dB; 12VDC; 14W; 3.5kg; 214x680.5mm; GS, CE, RoHS, UL

• Information not disclosed

PRODUCT GALLERY

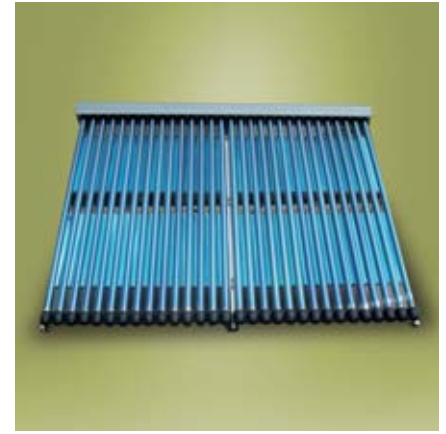
Water heaters



Changzhou Blueclean
 (profile page 38)
Model: SHE470-58 1800-20
MOQ: 3 units
Packaging type: Carton
Delivery: 8 days
Price: \$265.00
Description: Solar water heater; closed loop thermosyphon system; pressurized; 304 stainless steel housing; 175L; CE



Changzhou Blueclean
 (profile page 38)
Model: SP470-58 1800-18
MOQ: 3 units
Packaging type: Carton
Delivery: 8 days
Price: \$395.00
Description: Compact solar water heater; pressurized; SUS304 stainless steel housing; 1.2mm thickness; 150L; CE



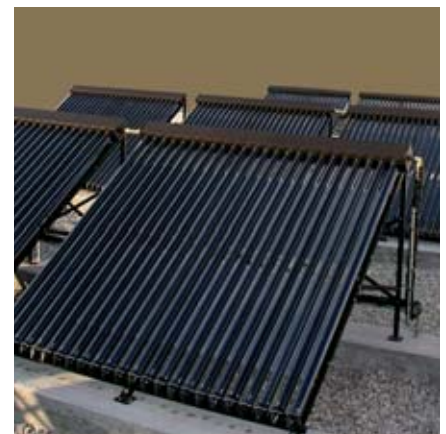
Changzhou Blueclean
 (profile page 38)
Model: SB-58 1800-30
MOQ: 3 units
Packaging type: Carton
Delivery: 8 days
Price: \$400.00
Description: Solar collector; aluminum, SUS201 stainless steel housing; 250L; CE



Changzhou Consol
 (profile page 40)
Model: Q-B-J-1 Platinum Series
MOQ: 1 unit
Packaging type: Carton
Delivery: 15 days
Price: •
Description: Solar water heater; food-grade SUS304 stainless steel inner tank; stainless steel outer shell and bracket; mirror finish; PU insulation; 15, 18, 20, 24 or 30 vacuum tubes with 1,500 or 1,800mm length; CE



Changzhou Consol
 (profile page 40)
Model: Internal Coil Series
MOQ: 1 unit
Packaging type: Carton
Delivery: 15 days
Price: •
Description: Solar water heater; SUS304 stainless steel inner tank in 0.55mm thickness; steel outer tank; 15, 18, 20, 24 or 30 tubes with 1,800mm length; 125, 150, 167, 199 or 248L; nonpressurized; antifreeze capable



Changzhou Consol
 (profile page 40)
Model: Q-R-F-2 Series Manifold Solar Collector
MOQ: 1 unit
Packaging type: Carton
Delivery: 15 days
Price: •
Description: Solar collector; aluminum alloy bracket; 0.8Mpa pressure tolerance; 90, 108, 120, 144, 180, 105, 126, 140, 168 or 210L; 15, 18, 20, 24 or 30 vacuum tubes in 1,500 or 1,800mm; for pressurized or nonpressurized systems

• Information not disclosed

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