



# Health of the Global CE Industry

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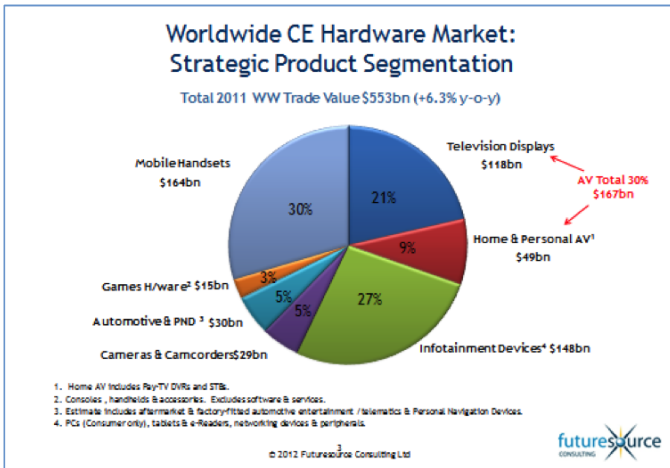
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**Introduction**

In 2011 the consumer electronics market grew some 6.3% in spite of the difficult economic climate in the industry’s two largest markets, Europe and North America, coupled with the impact of the Thai floods and the residual effects of the Japan earthquake. The market reached \$553 billion US dollars in trade value worldwide.

TV’s continue to represent nearly one-quarter of overall CE spend. TV sales in 2011 were flat (in volume) while growth in emerging markets was offset by saturation in Western Europe and North America, and a 50% fall in demand in Japan due to the vacuum created by the eco-points scheme in 2011, and the completion of analogue terrestrial switch-off. The outlook for TV display sales is positive, while penetration of flat panels in highly populated countries such as China and Brazil is only 40% and 50% respectively, compared with nearly 200% in the UK and US where homes have on average nearly 3 sets per household. While these ‘emerging’ economies continue to grow due to growing disposable incomes and infrastructure (channel/distribution, regulated environment, availability of entertainment content), TV’s are expected to benefit as much as any other CE hardware market.



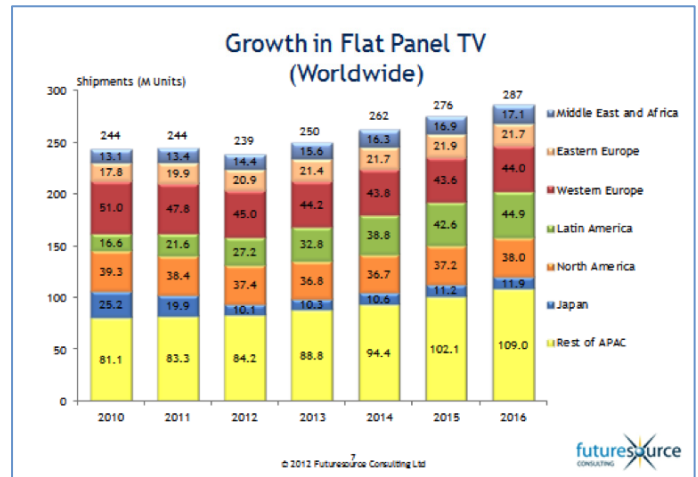
Growth in Global Consumer Electronics market is converging on ‘emerging’ geographies, and portable ‘infotainment’ devices: Smartphones, Tablet PC’s.

**Growth converging on infotainment devices**

Growth in smartphones and tablets is impacting demand for *dedicated* devices like handheld games, MP3, cameras, camcorders and personal SatNav devices: these 5 segments combined fell 13% in 2011

In the portable device market, where multifunctional ‘infotainment’ devices are winning the battle with dedicated devices, e-Readers are bucking the trend, driven by low prices and digital [‘e’]books. Consumers’ insatiable demand for internet access and digital content such as mobile apps, games, and e-books continue to fuel demand.

Over 478 million smartphones shipped in 2011. This is expected to grow 44% in 2012 to reach 689 million units. Meanwhile 63.4 million tablets shipped in 2011, expected to rise to 123.7 million this year.



In developed markets TV sales will be driven by replacement fuelled by internet functionality and 3D, expected to build over the next 2 to 4 years. Consumers are yet to fully embrace both features particularly 3D, partly because of the lack of 3D content and consumers’ reluctance to use the glasses.

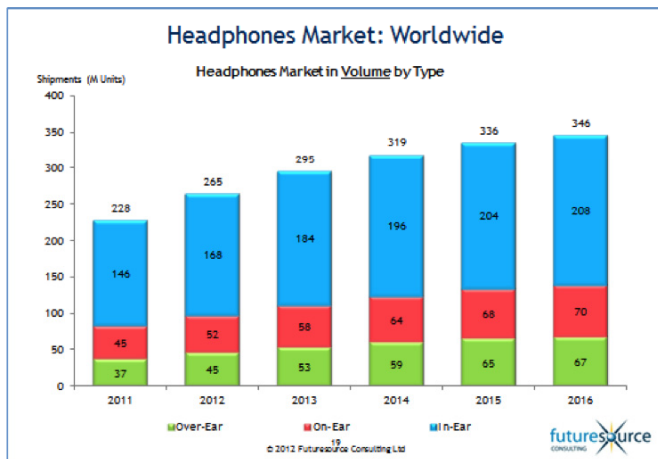
A shift to digital content and connected devices is affecting demand for DVD and Blu-ray Players. Whilst the on-going requirement for disc playback will ensure that the global market for physical media players remains significant in the foreseeable future, the trend is towards Video-on-Demand, Electronic Sell-Through and Over-

the-Top Catch-Up TV. As a result, global trade value for DVD and Blu-ray video hardware is set to fall by over 50% by 2016.

Outside Japan, those consumers who still wish to record TV programmes now rarely use physical media discs, preferring Hard Disk recording. As a result, Personal Video Recorder sales are growing. 90% of these sales occur in the Pay-TV operator channel, although there is some growth at retail.

Home Audio sales are being buoyed by digital speakers, wireless connectivity and growth in soundbars, but high end of this market is struggling as demand for ‘heavy’ HiFi stagnates. iPod culture (characterising personal and portable jukeboxes), fuelled by Smartphones in recent years has created demand for docking solutions (for charging and playing-out music) and increasingly wireless speaker solutions. Networking to PC’s and accessing music streaming services such as Spotify and iTunes are also supporting growth in this sector.

This market is also helping drive impressive growth in Headphones, which will grow 20% globally in 2012, and 7% between 2012 and 2016.



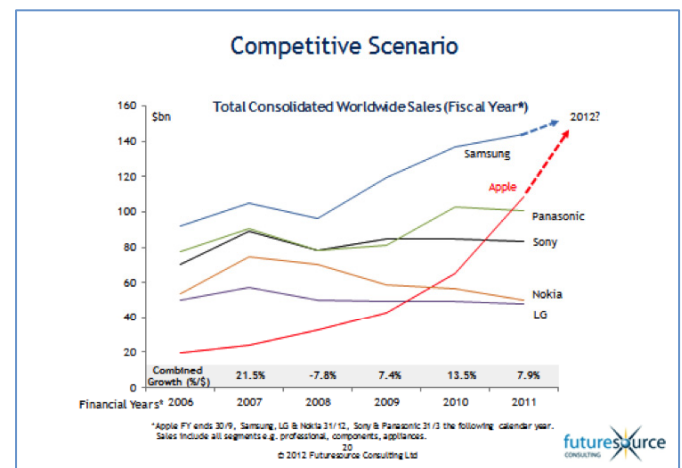
The games console market is contracting as mobile apps take their toll on handheld games and tablets compete for consumer dollars, with a possible long term challenge to consoles coming from games on Connected TV’s.

### Apple’s success story continues.

Samsung is now global #1 in both TV and mobile, but is being challenged by Apple, which is still seeing revenues growing over 30% year-on-year in 2012, and is almost certain to catch up with Samsung in total revenue this year.

Driven by iPhone & iPad, Apple has grown its share of total CE wallet from 12% in 2007 to 20% in 2011. Even more impressively, Apple is taking about 70% of the CE industry profit pool, Samsung 20%.

Japanese brands continue to be impacted by factors include a strong yen, share loss, and a domestic TV market slump in 2011. As a result they are losing or rationalising CE production, outsourcing and downsizing.



### Emerging markets driving growth

Emerging Markets accounted for 47% of global CE demand in 2011, up from 41% in 2009.

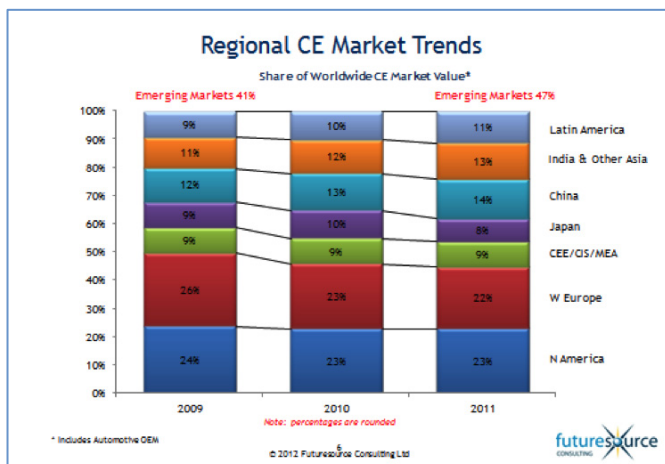
While the emerging markets remain strong and are driving economic growth, economic uncertainties are evident in countries like China and growth could falter, not least because of their reliance on economic health in developed markets of Western Europe and North America.

Emerging Markets continue to grow strongly, offsetting weak demand in Western markets, but

again growth is highest in converged mobile devices (smartphones & tablets).

North America is steady at 23% of global demand. US market growth is centred on tablets, especially iPad.

Western Europe is down to 22% of worldwide market in 2011, from 26% in 2009. A weak economy and market saturation are key factors in depressing the market.



## Outlook

Futuresource forecasts 4% growth in 2012, then a flattening of the market to 1.7% CAGR 2012-2016. Growth in Smartphones and Tablets, as well as a recovery in the TV Displays market fuelled by a number of 'emerging' geographies will be tempered by declines in a number of 'dedicated' CE devices where their value will be marginalised by Smartphones.





# Find out more...

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