

ENVIRONMENTAL SYSTEMS

The China Market 2003 - 2008

The Fastest
Growing and Potentially
Largest Market in the World



Intelligent Controls in Buildings



- DEMAND FORECAST
- MARKET DYNAMICS
- ROUTES TO MARKET
- SUPPLIER PERFORMANCE
- STRATEGIC OPTIONS
- INTEGRATION
- TRADING PRACTICES
- TECHNOLOGY & STANDARDS



All you need to know to plan your marketing strategy in P.R. China & Hong Kong



Introduction

This study is part of a series of multi-client reports on the China market for Intelligent Controls in buildings. "The China Market 2003 to 2008" is our second edition on the environmental controls business (IBC(e)¹) in China and, based on data from manufacturers representing more than 70% of sales to this market, is the most detailed and accurate report published on this subject. This report also benefits from the fact that it has been run in parallel with two other studies on Fire Detection Systems and Electronic Security Systems and this has allowed us to determine the importance and potential for integration. Support from all the major manufacturers and suppliers over the last eighteen years has enabled us to develop robust business models that take account of sales from all distribution channels. This 356 page report benefits

from being in its second edition and this has allowed sales trends to be charted for numerous market segmentations and compares product and systems cost structure over the last eight years. It is split into two volumes, where Volume I comprises the executive summary, comparing findings such as supplier shares and market segmentations and Volume II, provides the detailed analyses using the same format separately for the Special Administrative Region (SAR) of Hong Kong and P.R. China. Data on the past, present and future market for IBC(e) is clearly presented in both quantitative and qualitative terms, so that strategies can be developed to fully exploit opportunities for all regions of this vast, under-developed and fast growing country.

Market Appreciation

The China market has grown at an average compound rate of 11.5% over the last eight years. The total IBC(e) systems market in 2002 was worth US\$ 261 million and of this, IBC(e) manufacturers contributed US\$ 146 million. The main demand drivers have been increased output of new building construction in the commercial and industrial sectors and further penetration of ddc controls and their convergence on conventional systems. Some 80% of all sales are restricted to just three regions surrounding Beijing, Guangdong and Shanghai, whilst the rest of the country to the west and north is underdeveloped.

WORLD PERSPECTIVE

The China market accounts for only 3% of world sales, but this is the fastest growing, least developed and potentially one of the largest markets in the world. If it continues growing at the same rate that it has consistently achieved in the last eight years it will reach its predicted status of second largest "single country" market by 2018 when it overtakes Germany. It is quite feasible to achieve these levels of growth because the present penetration is almost two orders of magnitude smaller than the highest levels currently recorded in western markets. However, this will only be achieved if political stability remains whilst the much needed reforms to the economy are introduced.

SUPPLY STRUCTURE

Just three major global suppliers jointly take some 72% of the product market but their share of the systems market has gradually been eroded as third party routes to market have developed. This trend will continue unless manufacturers start promoting and winning Integrated Building Management Systems (IBMS)² business.

DISTRIBUTION CHANNELS

In our 1995 study we identified that the market was being held back by a lack of skills and appropriate

distribution channels. China has the third largest land mass of some 9.6 million square kilometers, much of it having extremes of climate conditions and poor transportation and therefore strong distribution channels are vital. Controls Contractors are now well established and play an important role, accounting for some 60% of all value add, but lack of application skills is holding back the penetration of ddc controls.

PRICE PRESSURE

Virtually all ddc product is imported into China from approximately ten international manufacturers. Local manufacture has recently been set up but has not yet secured a strong foothold in the market. Despite strong demand and a lack of local production driving down prices to gain market share, prices have fallen but no more than is typical across developed markets.

ROBUSTNESS

At this time demand is very much dependent upon new construction output and provided that the economy continues to boom this can be relied upon. However, this does not make for a robust market because there is very little potential for retrofitting to existing building stock and this will not kick-in for another 8/10 years.

FUTURE STRATEGY

The next five years present major challenges to all those in the supply chain as growth in demand continues across all sectors and the intensity of competition increases. Suppliers that focus on delivering total solutions to particular vertical building types and multiple building owners will grow rapidly and profitably. Technology will continue to drive product development and there will be a migration towards information communication technology and Internet protocols for the transmission and management of data from building control systems and its integration within the wider enterprise environment.



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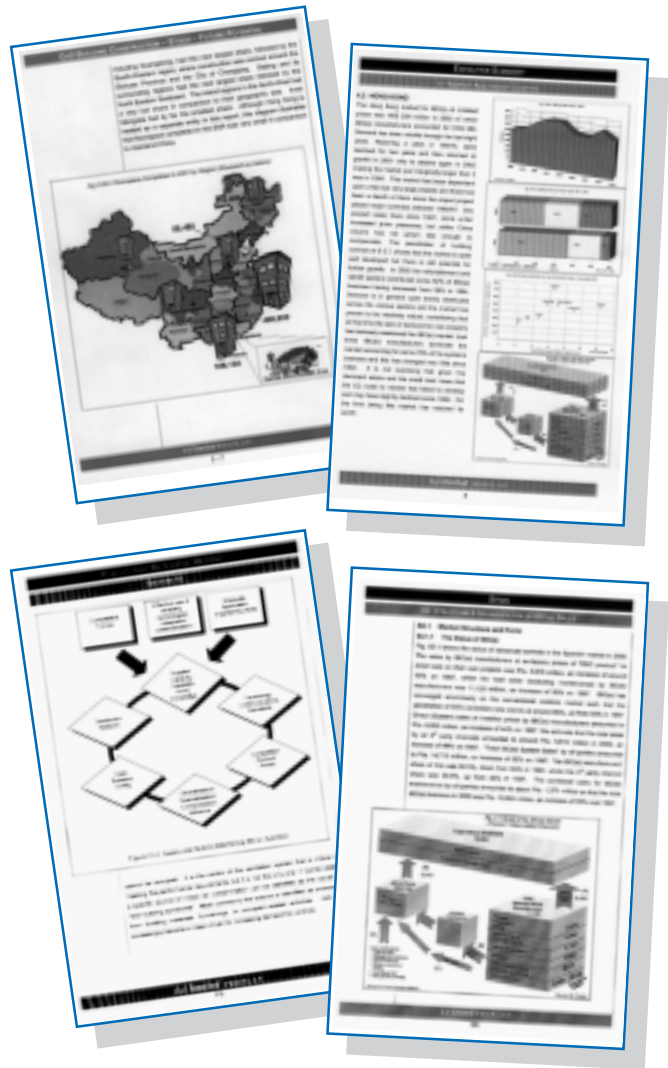


Review

Within its 356 pages and over 110 charts and tables this study tells you in two separate reports for P.R. China and Hong Kong :-

- The market size, its growth from 1995 and forecast to 2008.
- The market size by type of project, new construction, refurbishment and retrofit.
- The market size by contract value (4 segments).
- The market size by single, multiple & multi-site projects.
- The market size by type of hardware (7 products).
- The market size by type/end use of building (15 categories).
- The geographic distribution of sales.
- The distribution channels and the volume of business that they handle.
- Sales and market share bands for all established suppliers, by DDC product, and total system sales.
- Profiles of established suppliers provided in a standard format allowing comparisons to be made.
- An analysis of the major demand forces & buying motives.
- An analysis of the part played by all third party suppliers and the impact they are having on the business.
- A detailed analysis of the channels of distribution and emerging trends and the impact of contractual procedures.
- Technology which is the crux of structural change is reviewed under the headings:
 - Overview of Current & Emerging Technologies
 - Product Standards
 - Communication Standards

- "Open" Systems
- Communication Transmission Systems
- Assesses the IBC(e) suppliers' influence on Integrated Building Management Systems (IBMS) and measures the incidence of fully integrated projects for seven different building services including lighting, security/cctv, access, fire, smoke, electrical management and "others". Analyses the incidence of integration in twelve different building types.



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The China Market 2003 - 2008



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Definitions

¹ **IBC(e)**: Intelligent Building Controls - environmental controls: - Computerised / microprocessor products and systems that control/ monitor environmental plant such as heating, ventilation, air conditioning in non-domestic buildings, comprising a central user interface, communications network and data acquisition/direct digital controllers (DDC)

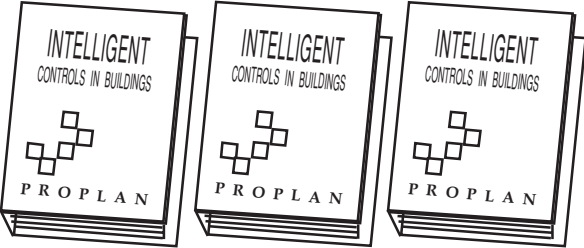


² **IBMS**: Integrated Building Management Systems - Systems that integrate two or more different building services under one contract.



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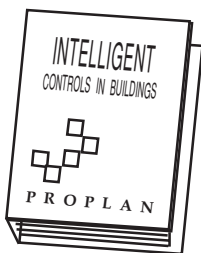
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