

THE LIGHTING FIXTURES INDUSTRY IN CHINA

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CSIL published the eighth edition of the Report on the lighting fixtures market in China in July this year. It's around 150 pages on overall trends, market drivers and company data, including analysis of some 200 major players and other relevant companies. Here are some excerpts from the Report.

2014: THE BEST YEAR EVER FOR THE CHINESE LIGHTING INDUSTRY

Despite a local market growing but not booming, 2014 was the best year ever for the Chinese lighting industry. Chinese production of lighting fixtures for 2014 is estimated to be worth US\$ 39 billion, increasing by 17% on 2013. Exports, at US\$ 23,5 billion, accounted for 60% of Chinese production in 2014 (it was 50%), excluding US\$ 10 billion of lamps and other lighting equipment. United States is by far the main market of destination for Chinese export of complete lighting fixtures, although the share on the total is declining, from 30% at the beginning of the period to 21% for 2014. Average growth rate is 26% in US\$. Germany is ranking second and its weight on the overall Chinese export is declining from 9% to 6%. 2014 growth is 22%, while Germany recorded a 16% growth. Possibly, 150-200 million US\$

of additional growth refer to lamps or components.

NEW ENTRIES

The boom in lighting exports is mainly generated by increasing sales in the Asian markets.

Export to Russia in 2014 (1,5 billion US\$) is three fold higher than in 2013 (around one half billion). Also for Malaysia the year 2014 registered a doubling of lighting fixtures export. This growth probably includes lamps and components. Singapore was importing

just for some 30 million US\$ in 2009, to become some 300 million in 2013 and almost one billion in 2014. Iran is another "new entry" showing small figures till 2012, almost 300 million US\$ in 2013 and over 900 million in 2014.

NVC : WHEN LIGHTING IS AT THE STOCK EXCHANGE

NVC is the largest lighting fixtures manufacturer in China. On 20 May 2010, the company has been listed on the Main Board of the Stock Exchange (stock code: 02222). NVC Group revenues in 2014 amounted to US\$ 626 million (+1%).

LED revenues were about 40% of the total, representing an increase of 100% on 2013. During 2014, sales of lighting fixtures increased by 23% to US\$ 400 million, mainly resulting from a vigorous promotion and a rapid growth in revenue of LED products. Sales of lamps (now 29% of total) decreased by almost 25%. Sales of lighting electronic

products (7% of total) remain approximately stable. Production bases in China are located in Guangdong, Chongqing, Zhejiang and Shanghai, furthermore two R & D centres are active in Chongqing and Shanghai. Lamps are mainly manufactured at Zhejiang Leishi. NVC export sales of lighting fixtures amounted to US\$ 82 million in 2014 and



Guangzhou hosted the annual event GILE, Guangzhou International Lighting Exhibition from 9 to 12 June 2015

62 million in 2013. The company made efforts to explore the emerging markets establishing a subsidiary in Brazil, developing new opportunities in Mongolia and increasing market investment in Indonesia, Emirates, Brazil, and Saudi Arabia. NVC flagship stores were inaugurated in United Arab Emirates and Mongolia in 2013. A Brazil subsidiary was set up in Sao Paulo. Sales are growing under the NVC brand (+14%) while are decreasing as OEM (-15%). Today branded sales and OEM weight respectively 70% and 30%. Export is just 20% for branded products while it is predominant (75%) for OEM sales. NVC had 37 exclusive regional distributors by the end of 2013. Some 3,300 exclusive shops are part of the retail network (68 shops more compared with the previous year, with most of new shops located downtown). Around 482 out of 9235 employees are involved in R&D. R&D costs are equal to 1,5% of turnover. In June 2013 NVC Lighting's brand value of RMB 8.216 billion took the leading position amidst the "Top 500 Most Valuable Brands in China", continuing to rank first in the lighting industry.

OPPLE LIGHTING : NOW GOING TO WORLDWIDE MARKETS

Opple is among China's top players in the lighting business. The company has vertically integrated production facilities of 560,000 sq. m. in China and a total of 6,000 employees including a high-tech R&D department with a staff of about 350. Oppl'e's 2014 whole turnover reached US\$ 740 million, including US\$ 74 million for export (10% share). 60% are lighting fixtures and 40% lamps. About 50% indoor and 50% outdoor. LED lighting weights around 53% on total turnover. Oppl'e has the

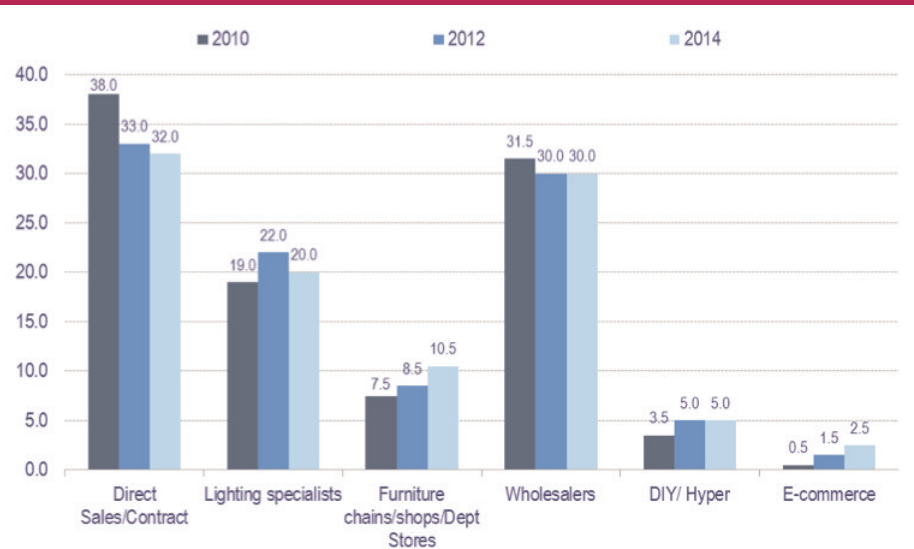
largest sales network in China, distributing its products through over 5,000 shops under the Oppl'e brand and over 20,000 points of sale. Main exporting markets are the Middle East, Thailand, Malaysia, Indonesia. The first overseas branch was set up in Dubai in 2004.

FSL: A SUCCESSFUL CASE FOR A FORMER STATE-OWNED COMPANY

Foshan Electrical and Lighting Co. is the first experimental enterprise of stock system transformed from the former state-owned (Foshan Bulbs Factory established in 1958) into a private enterprise Foshan Electrical and Lighting Company in October 1992. The group operates its headquarters with more than 20 factory buildings covering a total areal of 20 hectares. Other factories are

based in Luocun (lamps) and Gaoming (lighting fixtures, since 2005). Total number of employees in the lighting business stood at 9,000 in 2014. Sales totalled US\$ 497 million in 2014 (2013: 409 million), of which about 60% fixtures and 40% lamps. Commercial lighting is the main product, accounting for 50% of total lighting fixtures turnover, mainly for retail solutions. LEDs are about 40% (of the whole business, probably more if we consider only the lighting fixtures).

CHINA. LIGHTING FIXTURES BREAKDOWN BY DISTRIBUTION CHANNELS, 2010-2012-2014. % VALUES



Source: CSIL processing