

# Consumer electronics to boom

Fu Chenghao

CHINA'S consumer electronics market may double to 1 trillion yuan (US\$126 billion) by 2010, or a quarter of the world's total, McKinsey & Co consultants told media briefing this week.

But many brands, especially those producing televisions and white goods, could disappear as retail shelf space becomes increasingly crowded, McKinsey said on Wednesday.

The Chinese electronics market will grow to 1.024 trillion yuan by 2010,

up from 589 billion yuan last year and 464 billion yuan in 2003. The rate of growth works out to a compound annual increase of 12 percent, said McKinsey's Chris Shu.

As with many other industries in China, the home appliance sector is undergoing intensive market consolidation. Shu said that by 2010, retail chains should control more than 70 percent of total sales in first-tier cities such as Shanghai and Beijing, given the experience in mature markets. The figure for smaller cities should be about 30 percent.

Among the major new linkups is the combination of Gome Electrical Appliances Holdings Ltd and China Paradise Electronics Retail Ltd. The partnership dominates the TV market in first-tier cities, soaking up more than half of all sales.

As a result, the number of TV brands may be reduced to 10 to 15 over the next five years from the current 40 or so as consolidation plays out on store shelves.

Makers of computers and cell phones may have a better chance of survival as they rely less on retail chains, according to the research.

"This is a fight for the China market," said Ingo Beyer Von Morgenstern, McKinsey director. "If multinationals lose China, it will be difficult to be a global winner, while for local players, winning China is the first and most crucial step toward global expansion."

Consumer electronics product makers should integrate their multiple business lines as most are now negotiating prices with retailers separately, Shu said.

They should also consider setting up self-branded stores, such as Sony Corp and air-conditioner maker Zhuhai Gree Corp have done, Shu added.

## Shangri-La to open in Europe, America

Wong Yee Fong

AFTER 35 years of taking root in Asia, Shangri-La Hotels and Resorts will expand to North America and Europe to capitalize on increasing traffic from China and other parts of the region, the company said yesterday in Shanghai.

The first Shangri-La Hotel in Paris will debut in late 2008, followed by London in 2010, Martin Waechter, the company's chief operating officer, told reporters. Vancouver, Chicago, Miami and Las Vegas are next after that.

The 140-room Paris property will be converted from the historic palace of Prince Roland Bonaparte, located in a prime Parisian district within walking distance to the River Seine and the Eiffel Tower.

Shangri-La London will occupy 18 floors of the London Bridge Tower, one of the tallest buildings in Europe. The lobby of the 210-room hotel will be located on the 38th floor, higher than the London Eye.

"It is likely that we will have four or five hotels in Europe and probably 10 more in North America," Waechter said. "We want to be present in gateway cities where Asian and Chinese travelers are going in the future."

Traffic from China and other parts of Asia to Europe and North America will increase every year, said

## Car sales speedup good news for Hella

Zhu Shenshen

HELLA Shanghai Electronics said yesterday it expects its revenues to surge fivefold within the next five years thanks to growing demand in China's automotive market.

The company forecast that revenue will surpass 1 billion yuan (US\$125 million) in 2010 and 1.5 billion yuan in 2012, compared with 200 million yuan in the fiscal year ended on June 30, Frank Rehfeld, general manager of HSE, a local subsidiary of Germany-based Hella Group, said in a statement.

"There is big growth ahead of us, and we will increase investment in China to boost revenue," Rehfeld said, without providing details.

HSE manufactures and as-



## Celebrating energy efficiency

Wolfgang Tiefensee (third from left), Germany's minister of traffic construction and city development, presents an Energy-Efficient Building Certificate to the developers of Pujiang Intelligence Valley, a business park in Shanghai's Minhang District. The park uses 10 new energy-saving technologies. — Gong Si

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