

# Future Development of the Market for Home Appliances in China through 2025

---

May 12, 2020

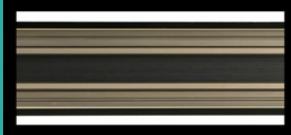
---

**Strategy Consulting Partners Asia Pte Ltd**

Website: <https://www.scpartersasia.com>



**SCP/ASIA**



---

# Future Development of the Market for Home Appliances in China through 2025

By Wilfried Brouwer

China's economic growth is slowing. But a country so huge, with an economy the second largest in the world, does not suddenly have to become less attractive for players and investors in the field of home appliances. Merely it is important to realize how changes in the fundamentals of growth in the Chinese economy, changes in consumer behavior and preferences, markets, distribution channels, and even banking practices require an adjustment in the approach. Roughly 12% of the market for home appliances in China is occupied by multi-nationals in 2019.

This study, released on May 12, 2020, provides valuable insights to financial advisors, strategy-and corporate development personnel as well as to marketers and management responsible for China. It will point out the challenges but more so also the opportunities lying ahead in the China market for home appliances.

This study is not a resource to absolute sub-market size numbers, but it shows the trends in the factors influencing the market make-up sometimes missed by investors and in board rooms. These factors are -where possible-quantified, illustrated with plenty of examples and projected into the future through 2025.

***“China’s economy will undergo an adjustment to lower, but longer term more healthy growth levels. Understanding the future home appliance market dynamics will be key for market players active in China ”***

---

### **About the Author:**

Wilfried Brouwer held the last 25 years executive positions in corporations in Asia, most of this time residing and working in China, including Hong Kong SAR. He has hands-on experience in industrial and retail businesses in China, India, Vietnam, Indonesia and Papua New Guinea and other South East Asian countries. He has an analytical and strategic view, but with a practical twist.

Wilfried studied chemistry and business; he received a PhD from Eindhoven Technical University in The Netherlands, worked as a post-doctoral fellow at Lehigh University in Bethlehem, PA and received an MBA from Pace University, New York, NY. He resides currently in Hong Kong SAR.

### **About SCP/Asia:**

SCP/Asia was founded in 2016 by bringing together a group of experienced professional advisors with supplementary skills in consulting, research, and industry. We help our clients by creating clarity and consensus on what drives the value of their business and by working together to develop strategies, evaluate investments and implement solutions that are highly focused on the most critical areas that drive growth and profitability.

Our clients include PE/VC investors, portfolio companies and corporate clients across Asia and our expertise is concentrated in the following domains:

- **Consumer** (Retail, Wellness, Consumer Products & Services, F&B, Media & Entertainment, Travel)
- **B2B** (Industrial Products, Business Services, Automotive, Energy & Power, Cleantech, Agribiz)
- **Healthcare** (Pharma & Biotech, Medtech, Healthcare Services, Pharma Value Chain)

**The 2020 report is available for purchase (US\$4,900). If you like to order a copy of the report or like to commission and updated version with the latest views and forecast, then please e-mail [info@scpartnersasia.com](mailto:info@scpartnersasia.com).**

---

## Contents

1. China's economic growth and the significance of the home appliance market
2. Main drivers in buying home appliances
  - 2.1. Climatic characteristics
  - 2.2. Utility connectivity, anti-pollution measures, stability of power supply
  - 2.3. Disposable household expenditures
  - 2.4. Age of appliances
  - 2.5. Local Culture
  - 2.6. Consumer awareness
  - 2.7. Economic situation
  - 2.8. New housing sold
3. A review of recent history and China's growth story
4. Housing and Real Estate
  - 4.1. Housing growth, main drivers and vacant homes
  - 4.2. House prices
  - 4.3. New Housing forecast and probability of a housing bubble implosion
    - 4.3.1. Housing bubble
5. Effect of the housing growth on the white goods appliance sector
  - 5.1. Refrigerator segment
  - 5.2. Range hood segment
6. Near term growth for the fridge and the range hood segments
7. Upper middle class growth
8. Trading up
9. Shift to the lower tier cities
10. What distribution channels are important and what are the developments?
  - 10.1. Implication of changing channels: how to recognize what is relevant
11. Recent developments
  - 11.1. Pricing, direct to consumer channels
  - 11.2. Where is still substantial growth?
  - 11.3. Consolidation possible?
  - 11.4. Competition

---

11.5. Other developments

11.6. Covid-19 effect

12. Conclusions

13. Key summary graphs

---

## List of Schemes and Figures:

Scheme 1: Important factors that drive the home appliance markets

Figure 1: Historic sales of various appliances in China versus disposable household expenditure.

Figure 2: Expenditure on home appliances as share of total household expenditure by Asian country.

Figure 3: New residential home sales per year and the share of households with a new home.

Figure 4: Year on year growth in newly built homes sold.

Figure 5: Newly built and sold residential houses (accumulated) as compared to new household formation due to population growth (accumulated), and compared to new urban household formation (accumulated), and compared to new urban homes sold to a first home owner with 1997 as reference point = 0.

Figure 6: Vacancy- and demolition rates of urban homes by city tier.

Figure 7: Down payment requirements to obtain a mortgage on 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> or large homes.

Figure 8: Urban home purchases by type of home buyer.

Figure 9: Migrants as determined from China's census sample in 2018

Figure 10: Urban household ownership situation in 2018

Figure 11: Urban homes purchased in 2018 in millions

Figure 12: House prices, expressed in RMB/m<sup>2</sup>, and averaged over China. Relative house prices for Spain and US, normalized in the year 1999 to 1820, so they can compare to data for China

Figure 13: The amount of gross household assets (excluding debt) placed in real estate and financial assets for the US, China and Japan, the top three economies in the world

Figure 14: The average annual return on investment over the period 2000-2018 for bank deposits, stock market and real estate investment

Figure 15: Prices for homes/m<sup>2</sup> outside city centres, price/income ratios and rental yields for a variety of mainland Chinese and world cities

Figure 16: Newly built residential houses sold forecasts through 2025 for 4 scenarios

Figure 17: Annual volume of refrigerators sold in China since 1998 with the replacement volume calculated on a 12 year replacement cycle.

Figure 18: Fridges household penetration rate and the replacement sales as share of total sales.

Figure 19: Annual volume of rangehoods sold in China since 1998 with the

- 
- replacement volume calculated on a 9 year replacement cycle
- Figure 20: Rangehood household penetration rate and the replacement sales as share of total sales.
- Figure 21: Growth projections over the period 2019 through 2025 for the refrigerator and rangehood categories for various scenarios of housing growth as depicted in Figure 6.
- Figure 22: Inflation corrected average annual prices for several categories of appliances.
- Figure 23: The share of the pre-decorated apartments that have a particular appliance pre-installed before handing over the apartment to the buyer.
- Figure 24: Quantitative distribution channel diagram for air purifiers in China (2019)
- Figure 25: Quantitative distribution channel diagram for refrigerators in China (2025)
- Figure 26: Quantitative distribution channel diagram for rangehoods in China (2019)
- Figure 27: Quantitative distribution channel diagram for rangehoods in a first tier city under economic duress China in 2019
- Figure 28: Quantitative distribution channel diagram for combi-boilers in Shanghai (2019)
- Figure 29: Volume changes in on-line and off-line channels for various kitchen appliances in week 27, 2019
- Figure 30: Price changes in on-line and off-line channels for various kitchen appliances in week 27, 2019
- Figure 31: New (urban) housing growth forecast for the forecast period.
- Figure 32: Trading-up trend in home appliances during the forecast period
- Figure 33: Pre-decorated apartments trend in 1<sup>st</sup> tier cities and the national average
- Figure 34: Shift from off-line sales to on-line sales during the forecast period