EL SEGUNDO, CA – While many electronic products are experiencing slowing growth or even declines, worldwide set-top box shipments are set to nearly double from 2007 to 2012, providing an attractive opportunity for contract manufacturers, according to **iSuppli Corp**.

Global STB shipments are set to surge to 215.5 million units in 2012, rising at a CAGR of 12.8% from 2007. In 2008, shipments rose to 142.8 million units, up 20.9% year-over-year.

Meanwhile, the percentage of total STB manufacturing conducted by contract manufacturers will increase to 75.3% in 2012, up from 67.8% in 2007, iSuppli predicts. This will cause global STB contract manufacturing to soar to 162 million units in 2012, double the 80 million in 2007. This high growth outlook is spurring intensified competition among contract manufacturers and changes in the industry landscape that will affect brands and suppliers, says the research firm.

The major factor driving the expansion of the STB market during the near-term is the surge in demand in North America and Western Europe because of these nations' looming deadlines for the transition of television broadcasting signals from analog to digital.

In the US, an estimated 35 million STBs will be required for this transition by February. After developed regions complete the transition during the next couple years, emerging markets will pick up and fuel continuous growth of the worldwide STB market.

Although China launched and finalized its digital TV standards in 2006 and started promoting them in select cities and provinces, the complete transition will not take place until 2015, which will provide Chinese consumers with a gradual process to adapt to the new digital TV standards. iSuppli estimates the five-year CAGR for STB shipments to China for the 2007 to 2012 period will be as high as 40%.

"Although STB brands have already outsourced more than two-thirds of their collective annual unit shipments to contract manufacturers, usage of such outsourced production will continue to increase in the future," said Jeffrey Wu, senior analyst, EMS and ODM, for iSuppli.

"Brands believe that the use of contract manufacturing ensures asset flexibility, cuts time to market and allows them to focus on higher-value supply chain activities."

EMS providers and ODMs have contributed approximately equally to the STB industry so far. However, the customer bases for EMS and ODM providers are very different, says iSuppli. EMS providers primarily serve established tier-one OEMs, while ODMs build STBs for smaller, regional OEMs mostly in emerging economies.

Future developments of these two sectors depend highly on brand companies' outsourcing strategies and the competences they will have to develop in the future to provide and tailor support to their customers.

Despite the forecasted gains in STB shipments, the industry's annual growth rate will decline from 27.8% in 2007 to single-digit growth rates after 2011, primarily as a result of the

proliferation of new televisions equipped with functions that can only be accomplished through STBs today.

This situation means STB brands and their contract-manufacturing partners must solidify their positions during the next two years, while the industry is still undergoing high growth rates, to maintain the lead when the STB industry slows.