



CD Tracker™

Trends for CD-R/RW Writer and Media Markets

Vol. 13 No. 4

Q4 2008

EXECUTIVE SUMMARY—Year-End 2008

CD-R/RW is a significant part of the recordable optical storage industry, with overall dollar sales of \$1.19 billion in 2008. CD-R/RW writer sales declined during the year, changing by -53%, with PC vendors rapidly shifting to DVD writers. Media unit sales changed by -4%, but price degradation continued with revenue changing -38%.

Writer speeds have reached their peak at 52x. 24x writers continue to be popular as the primary speeds for combo drives. CD writers are now sold into OEM channels for less than \$20.

Worldwide writer sales declined to 13.329 million units in 2008. Writer sales were in steady decline averaging about 4.8 million units in the first quarter and dropping to 1.9 million units in the fourth quarter. The price difference between a CD combo drive and a DVD writer is too small to not rely on the latter. The 24x writer was the leader during the year, with 70% of unit sales. The 52x writers were the second leading segment, with 30% of the market. Most of the 24x writers were slim and typically combo drives for notebook computers.

Disc media continued to decline, with the market representing 4997.240 billion units in 2008. CD-R disc sales continue to exceed volume of DVD discs but are not likely to hold this position much longer. Revenues were influenced more by declining volume with average unit pricing stabilizing,

Entertainment levies in Europe had a major influence on geographic sales of disc media. High-levy countries such as France, Italy, Sweden, Denmark, Austria, Spain, and Hungary saw their official markets decline because of this trend. Countries with low levies like Germany, the United Kingdom, Slovakia, Monaco, San Marino, Andorra, and Luxembourg benefited from this trend, with traders shipping discs to high-levy markets.

It is now estimated that there is 28% more supply than demand for CD-R discs. This appears to be a relatively good supply/demand balance; the market has seen pricing stabilize as it has approached cost. For manufacturers paying royalties to Philips and other companies, profits are limited at best. It is expected that manufacturers will decrease CD-R capacity in 2009, hoping that pricing will improve to allow profitability. Taiwan dominates manufacturing for CD-R discs, now representing 62% of global capacity. India is an important participant, with Moser Baer maintaining an additional 19%.

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