

# Innovation in Asia: Consumer-ready AR accelerates in China

Article

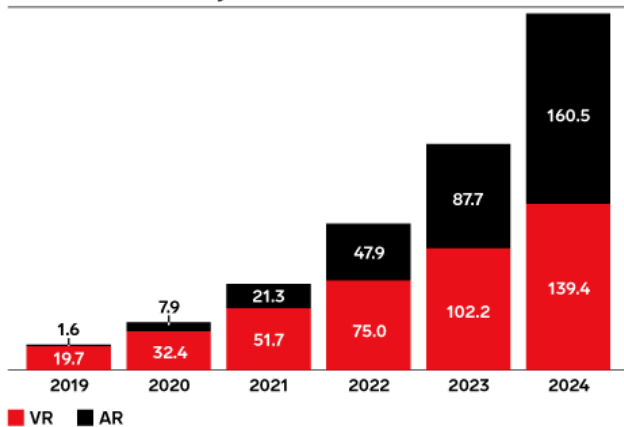
The vision of augmented reality (AR) headsets replacing smartphones could become a reality sooner than expected in China. Advances in hardware and new AR commerce use cases are paving the way.

# AR is growing faster than VR in China—both in revenues and device shipments

AR currently generates less revenues than VR in China, but it's growing faster. AR revenues, including from hardware, software, content, and services, will reach **RMB 21.3 billion (\$3.09 billion)** in 2021—less than half that of VR, according to industry nonprofit organization the Internet Society of China. But by 2024, AR is expected to eclipse VR in revenues.

## AR and VR Revenues in China, 2019-2024

billions of Chinese yuan renminbi



Source: Internet Society of China, "2021 China Internet Development Report," July 13, 2021

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AR headset shipments in China will increase at a **109.9%** compound annual growth rate (CAGR) between 2021 and 2025, compared with **69.4%** for VR headsets, according to research firm International Data Corporation (IDC).

## China has several advantages with AR

**Investment and adoption by deep-pocketed tech firms.** Some of the country's biggest tech companies—including **Alibaba, Baidu, Huawei, NetEase, and Tencent**—offer open platforms and tools for AR developers and content creators. Many software and service providers like **Sight Plus, Hisense, and Mayitegong** are also participating in the AR arena.

**A leg up in AI and 5G.** AI will be key in helping AR reach its full potential, and China already leads in computer vision and facial recognition—two technologies that will underpin new AR use cases. The country also has the world's largest 5G networks, which will eventually help AR devices process data faster, reduce lag time, and connect more stably with the cloud. That will

enable better performances by AR goggles as well as more vivid mobile AR on smartphones—a good way to test the technology.

**The availability of consumer-friendly AR goggles.** Several Chinese brands are introducing a new generation of less bulky, more affordable, hands-free AR devices. For example, the smartphone-tethered **Nreal** Air glasses, which support iOS and Android, resemble a regular pair of eyewear and will be priced below **\$600**. In comparison, **Microsoft's** HoloLens 2 costs **\$3,500**. Upcoming devices from internet of things (IoT) giant **Xiaomi** and **TCL** will only add to the momentum.

**Government backing that's accelerating ecosystem development.** The government has designated AR as a national strategic priority in its 14th Five-Year Plan (14FYP) for National Economic and Social Development, the centerpiece for the country's industrial planning and policy between 2021 and 2025. This will help the industry establish a road map, set standards and benchmarks, develop talents, acquire funding, and expand overseas.

[Read the full report.](#)