

# PHILIPS

sense **and** simplicity

## Growth in Emerging Markets *Leading the Growth in China*

Fabian Wong

GM of Philips Consumer Lifestyle Greater China

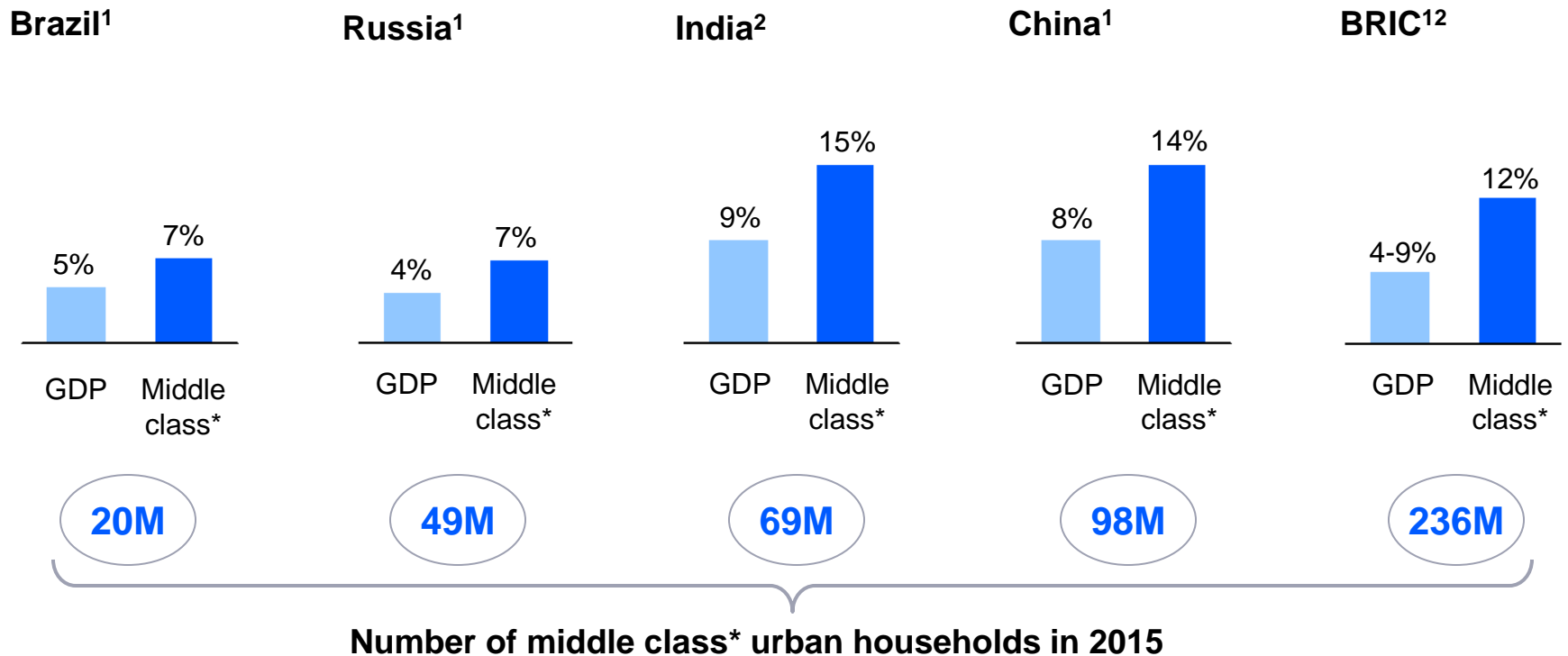
## Key takeaways

- Emerging markets present a **significant opportunity for growth**. We have a very strong brand and are **investing in capabilities** to **accelerate growth**
- **China** is a **key source of growth potential**, and we have a **strong track-record of success** that positions us for the future
- We are accelerating growth by **innovating for local health & wellbeing needs** and **investing in our go-to-market capabilities**



## Emerging markets present a significant growth opportunity for Philips Consumer Lifestyle

### Growth in emerging markets, 2010-2015



Note: \* Analysis of middle class and above urban households only  
 1. Middle class defined as households with annual income above \$10,000  
 2. Middle class defined as households with annual income above \$5,000  
 Source: Middle class forecasts - BCG forecast model and analysis  
 GDP forecasts - EIU

## China is a key source of growth potential for Philips

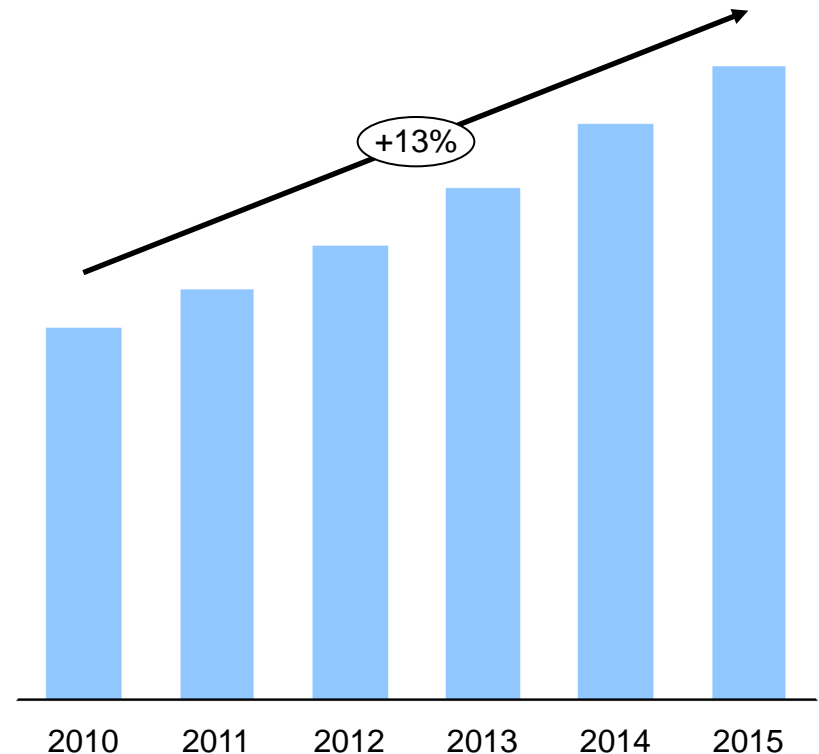
### Post financial crisis, China's economic growth prospects remain intact

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- Estimated GDP growth at 8%/yr
- Middle to affluent class will double in 5 years
- Continuing urbanization drives home improvement market
- Lower tier cities markets grow faster than metro and 1st tier cities

### Key categories\* growing at a faster pace

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## Philips is well positioned to address unique local consumer needs

Continued popularity of local heritage, e.g. traditional Chinese medicine

More conscious about health; willing to spend to control health risks

Strong family value / one-child policy to stay; focus on children and elderly; Emphasis on education

Internet becomes an important part of daily life

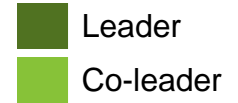
Strong trade up intention; Brand and trustworthiness still a clear differentiating factor

Increasing attention on appearance with Asian-specific requirements

Concern about food safety and air / water quality



## Philips is driving growth and is a Consumer Lifestyle market leader in China



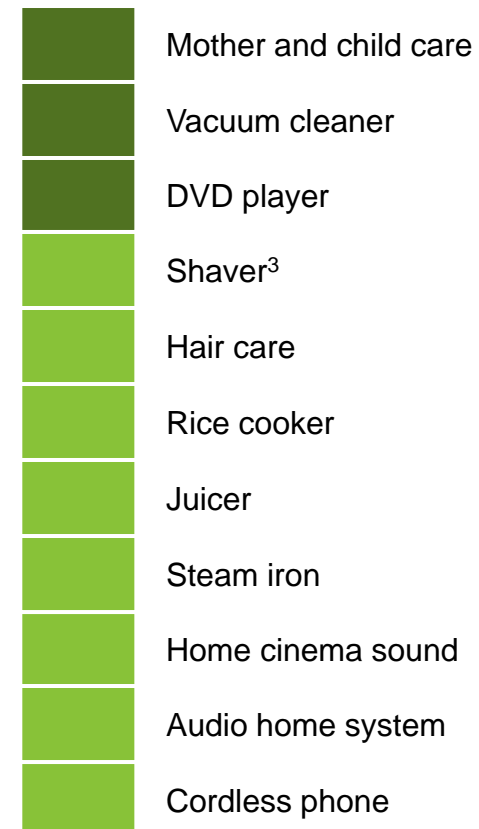
### Market leader in 11 categories<sup>1</sup>

Shaver	Hair Care
Floor Care	Garment Care
DVD Player	Juicer
Toaster	Female Depilation
PC Headsets	Audio Home System
Home Cinema Sound	

### Number “2 or 3” in 10 categories<sup>1</sup>

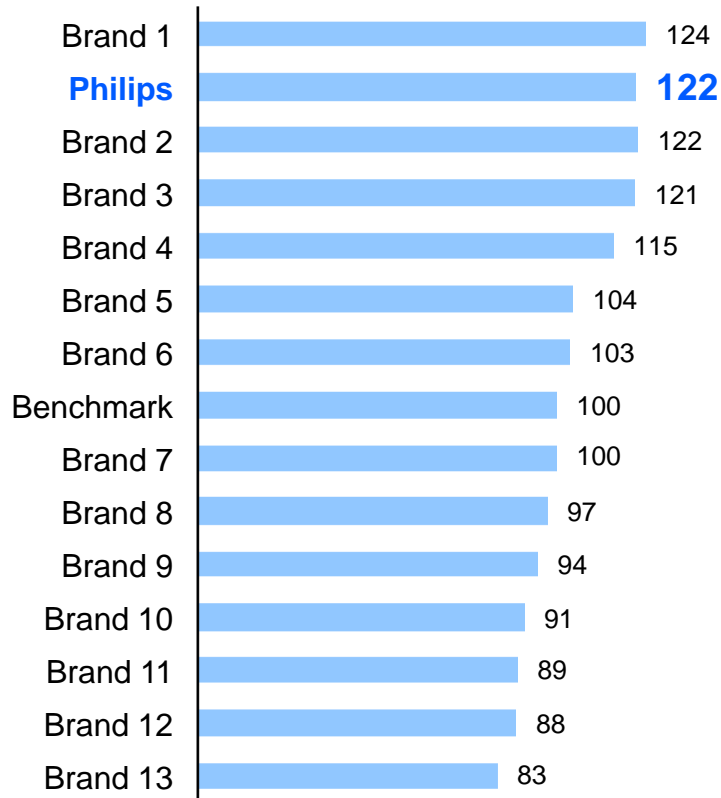
Air Cleaner	Blender
Food Processor	Cordless Phone
Portable DVD	PC Mini-speaker
Headphone	Powered Toothbrush
Mother & Child Care	Coffee Maker

### NPS leader or co-leader in 11 categories<sup>2</sup>



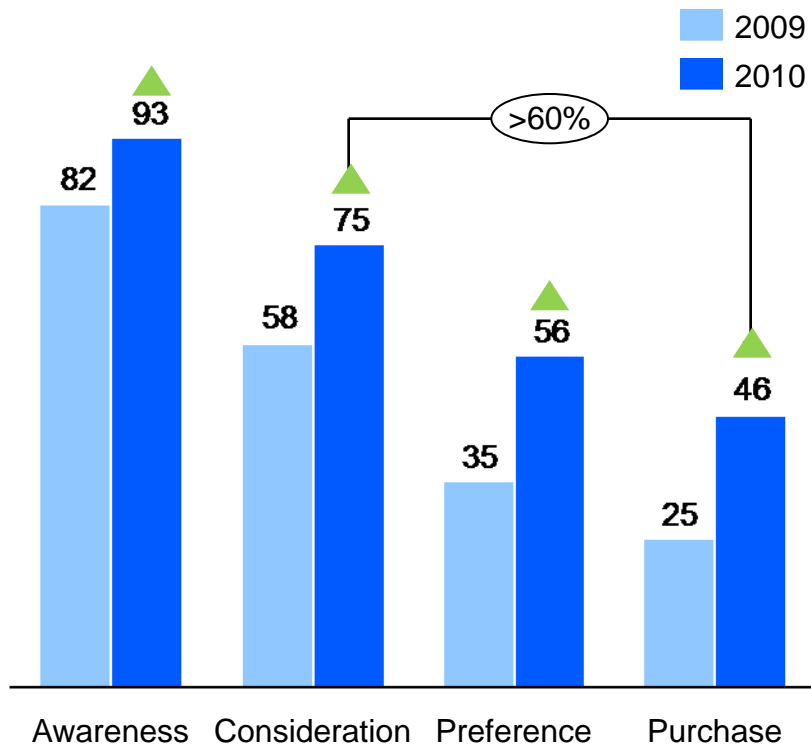
## Philips strong brand is uniquely positioned to grow sales as the market expands

### Brand equity, China 2010 – Philips ranks top 3 of all brands

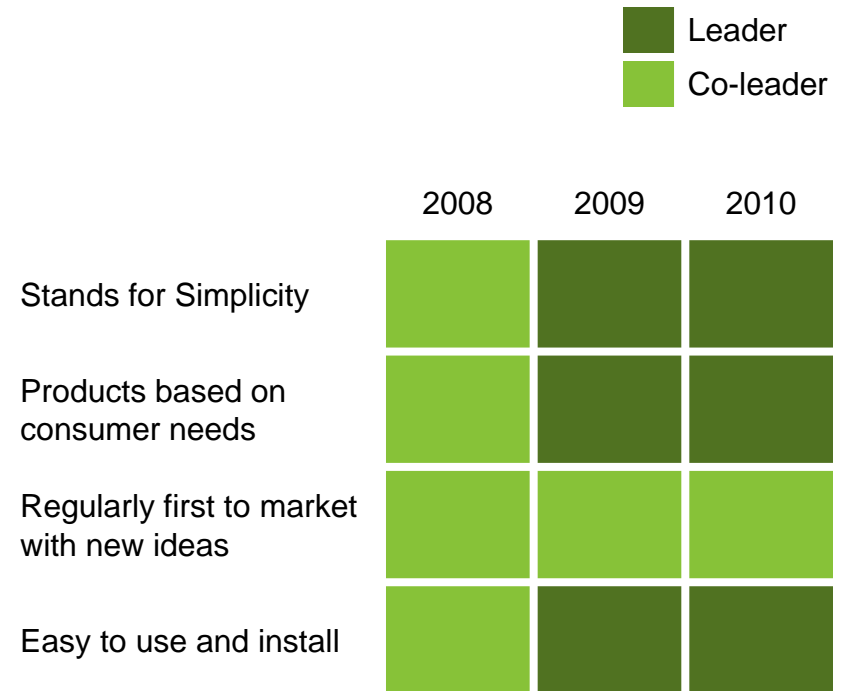


## With a strong Philips brand equity, there is a significant improvement across purchase funnel

Of consumers who consider Philips, more than 60% make the purchase



Strengthened Simplicity through brand campaigns





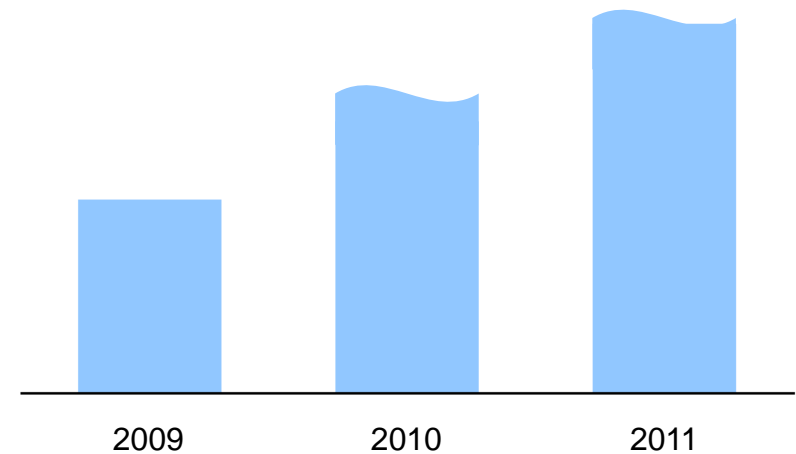
## Capturing growth by focusing on integrated go-to-market approach

### Our distribution and retail reach

- Distribution network covering all 31 provinces in China, supported by 7 regional and 30 liaison offices
- Philips product counters available in more than 450 cities, from tier 1 to tier 4
- More than 8,000 counters
- More than 9,500 promoters

### We are doubling A&P over two years

A&P investment, indexed 2009



## Innovating and winning around local relevant consumer insights

### Washable Shaver

Washable two head shaver for mid market



### Salonshine Care Hairdryer

Constant lower temperature hairdryer for hair care



### Garment Steamer

Remove obvious creases with optimal convenience



### Air Cleaner

Effectively detoxifies chemical from furniture in the air



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Growth in Emerging Markets

*Domestic Appliances expanding capabilities in Asia*

Murali Sivaraman

GM Business Group Domestic Appliances

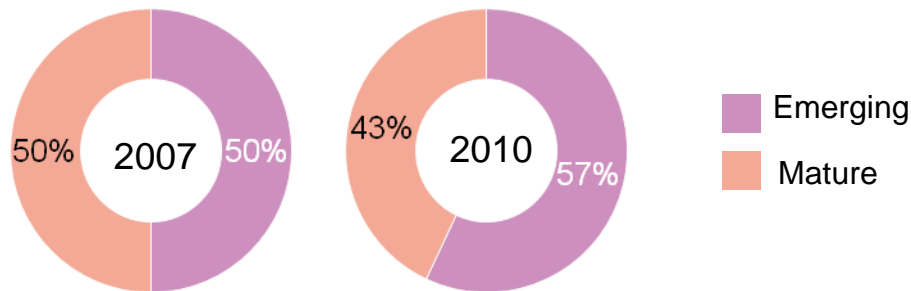
## Key Takeaways

- Domestic Appliances has **consistently grown** across categories over the past years
- The **geographic diversity** of Domestic Appliances is driven by local consumer needs with an increasing demand for **locally relevant solutions**
- To **ensure speed and focus** to capture opportunities in emerging markets, specifically Asia :
  - Domestic Appliances **leadership will move to Shanghai**
  - Establish **business creation hubs** for Kitchen Appliances in major markets



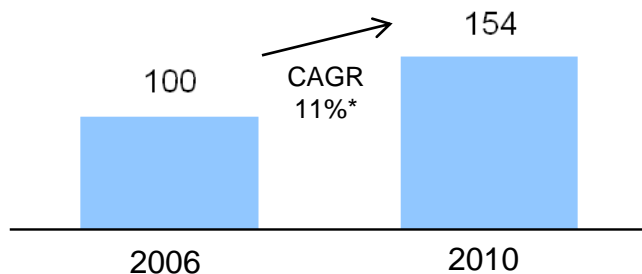
## Domestic Appliances has consistently grown across categories

### Sales by market



- Strong exposure to emerging markets (> 50% revenues in 2010)

### Kitchen appliances (Indexed sales)



- Strong product and marketing innovation driving consistent growth in Kitchen Appliances across markets

### Coffee

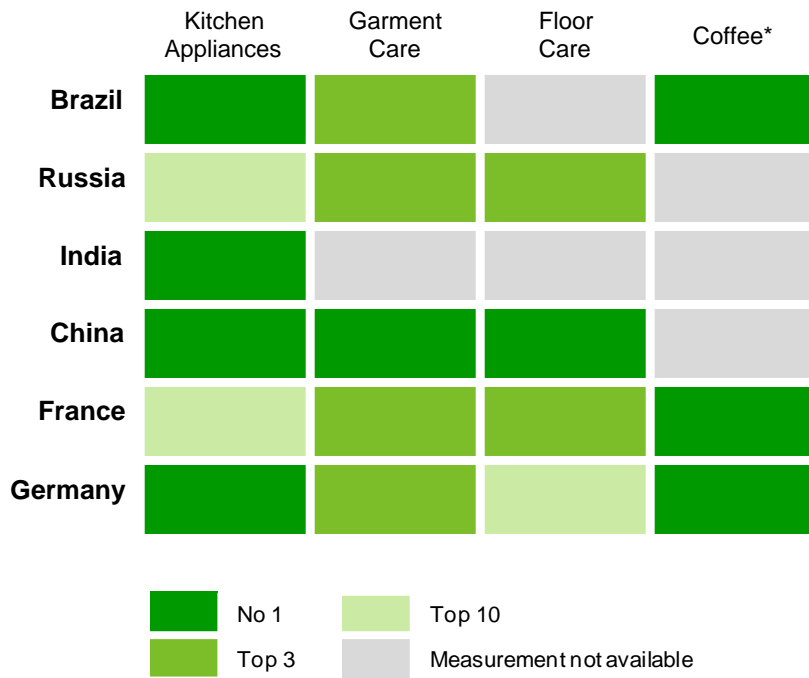


- Focus on Coffee and leadership through Saeco acquisition

## Philips brand preference in Domestic Appliances is very strong, particularly in emerging markets

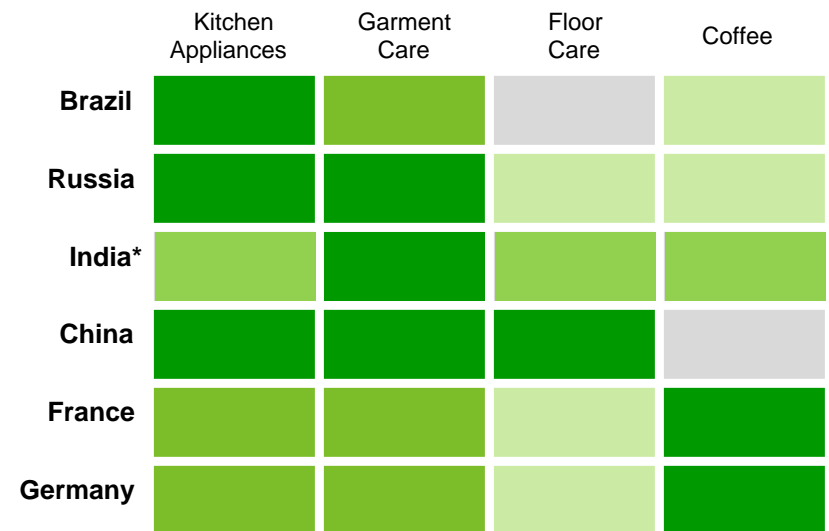
### Philips consumer brand preference, 2010

Top 3 position in **83%** of tracked markets



### Philips market share (sales value), 2010

Top 3 position in **72%** of tracked markets



Market share applies to categories where Philips plays today

Note: \*India market share data only available for 2009

Source: Brand Preference: Consumer HeartBEAT study 2010, B2C; Market Share: GfK , ZYK (China), Francis Kanoi (India)



## Diversity of Domestic Appliances is driven by local consumer needs



## India consumer insight – Silent Mixer

### Super Silent Mixer Grinder in India

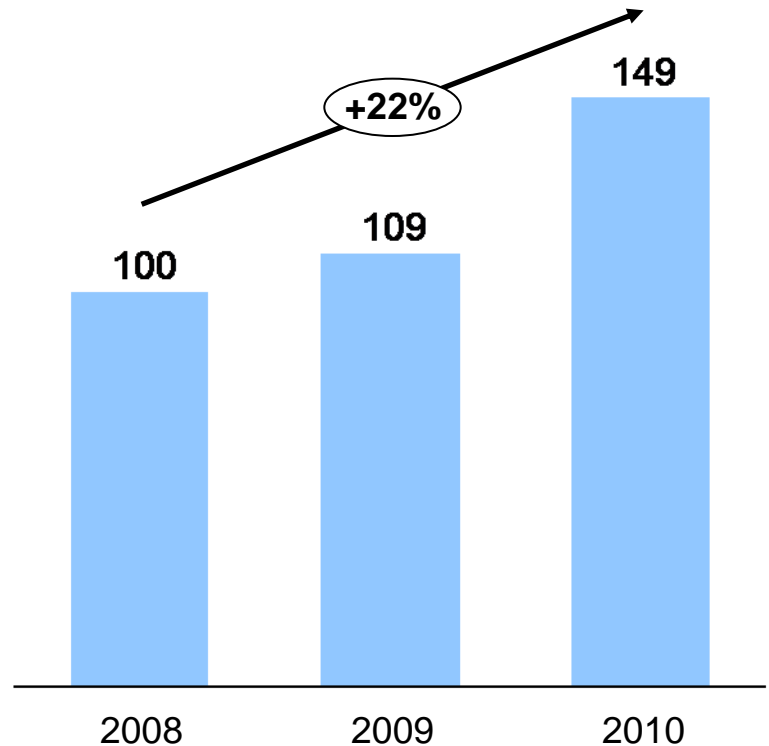
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- Category repositioned with local insight of “silent” operation
- Locally designed & manufactured, addressing India relevant tough food processing applications



### Indexed Sales growth

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## Healthy food without added oil - Western Europe

### Airfryer in Western Europe



A promotional graphic for the Philips Airfryer. It features the Philips logo and the text "New Airfryer". The main headline is "Best tasting chips without the oil\*". Below this, it states "Two thirds of consumers preferred crispy chips from Philips airfryer™". A green circular badge says "Up to 80% less fat\*\*". A black Philips Airfryer is shown next to a pile of golden chips. A "2 Year Guarantee" badge is also present. At the bottom, it says "Fast cooking" and "Crispy chips in only 12 mins" with a "12min" timer icon. A "TV" logo indicates it was featured on television.

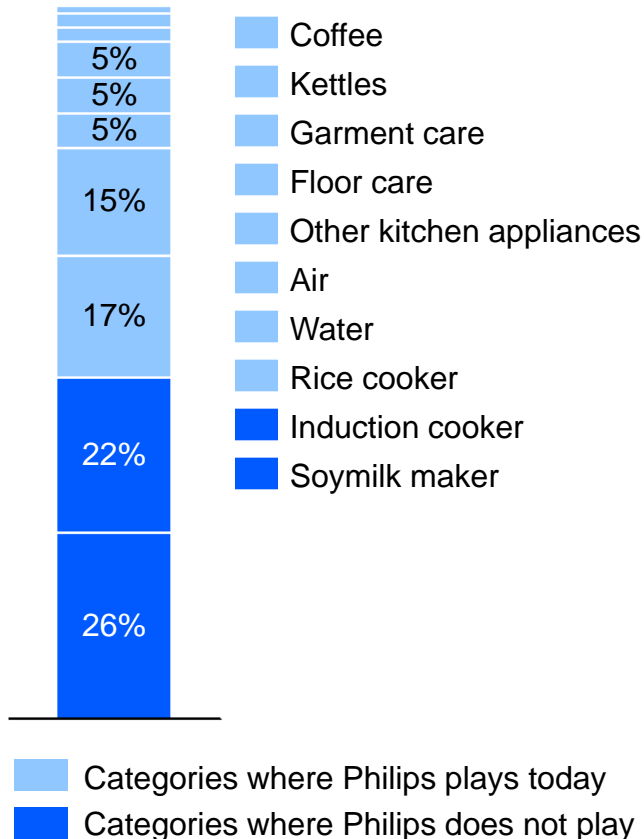


### Strong consumer response

- Philips addresses **consumer need** to make fried food in a much healthier way
- The Airfryer allows prepare **the best tasting fries without added oil!**
- Fries from the Airfryer contain **up to 80% less fat**
- Blind taste test showed that **2/3<sup>rd</sup> of consumers prefer the crispy fries from the Airfryer**
- **Great market response** articulated in strong (online) coverage and **five star product reviews**

## Emerging markets provide untapped growth opportunities driven by local needs

### Domestic appliance market in China



- 50% of China's DA market is driven by Soy milk maker and Induction Cooker...
- Spaces where Philips can expand its presence significantly through locally developed solutions...

## To ensure speed and focus to capture opportunities in emerging markets

### Domestic Appliances Leadership will Move to Shanghai

Building a second global home for CL

- Domestic Appliances will make China its “Global Home” in Q1 2011
  - Move Business Group roles to develop global business creation capabilities in China
  - Grow Asian talent / leadership pool

Installing business creation hubs

- Business creation hubs (speed and focus through the chain) for Category Kitchen Appliances in major markets
  - Category Leader based in China from Q1 2011, and globally responsible for business creation
  - Each business creation hub will have end-to-end responsibility / capabilities
  - Create propositions based on local insights
  - Acceleration through acquisitions

## Key Takeaways

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