

# Consumer Electronics Mainstream

G. Demuynck

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# Topics

- **Statistics**
- **Market & Industry**
- **Our Current status**
- **Our Ambitions**
- **Our Strategy**

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# Statistics

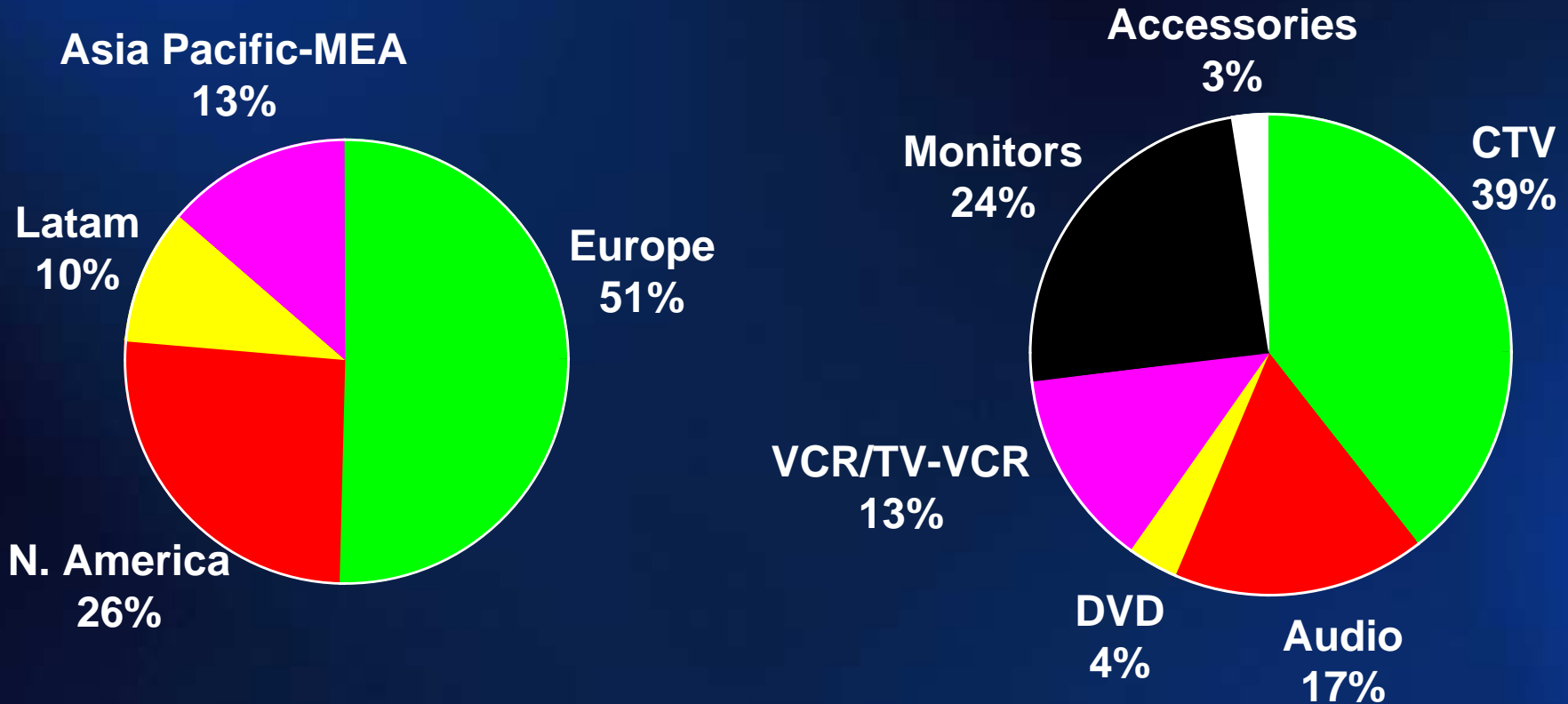
- > 60 mln products sold to consumers
- Sales: 9.4 bln (25% of total Philips)
- NOC: 1.1 bln ( 8 % of total Philips)
- Employees: 21400 (10% of total Philips)
- Our product lines:
  - TV (direct view, projection, CRT,LCD,plasma,combis)
  - Audio systems, portables, separates
  - Video Storage/playback / recording: VCR, DVD, DVD-recording
  - Monitor (CRT,LCD, plasma based)
  - Accessories & recordable media

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# 2000 Revenue portfolio



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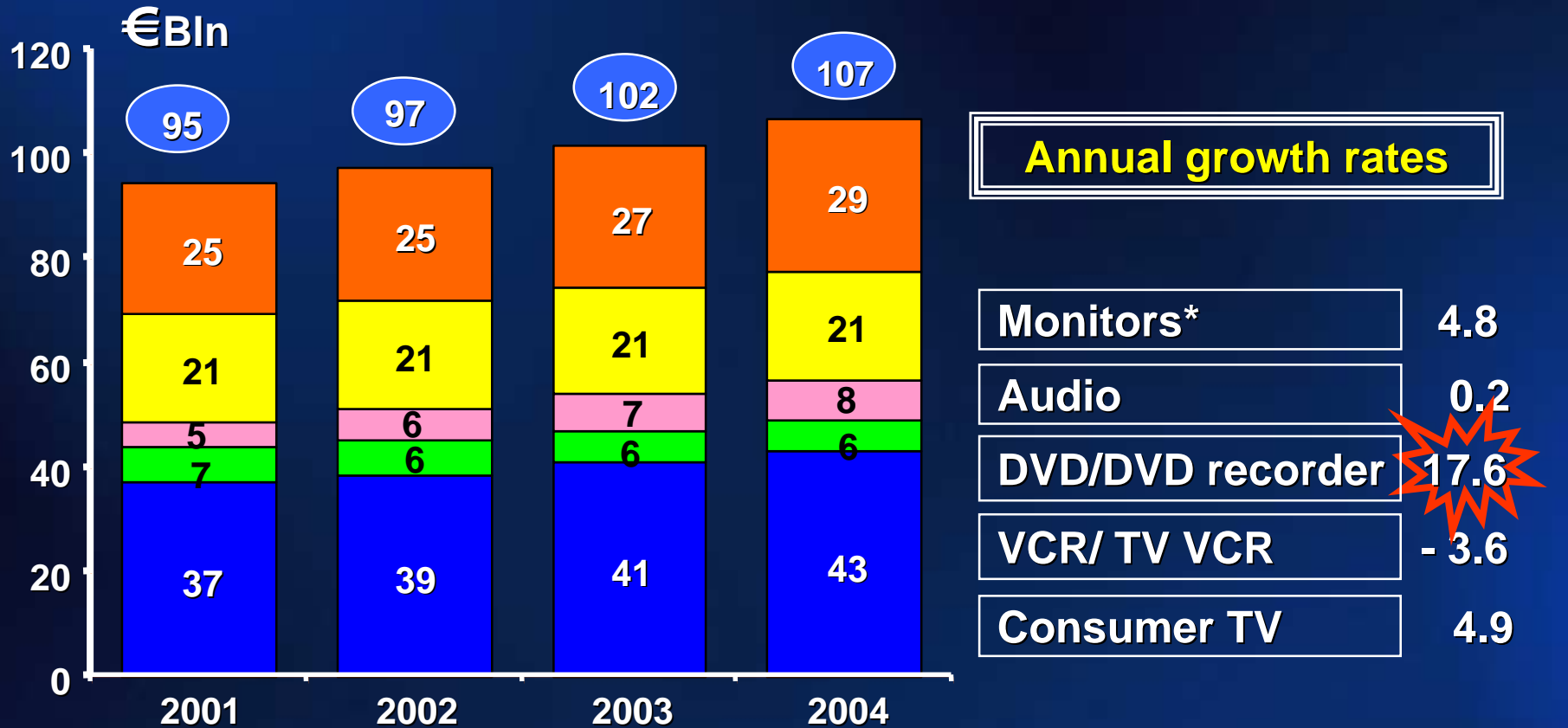
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# Our served CE Market

**CAGR:4% from €95 bln (2001) to €107 bln (2004)**



\*Including branded and OEM

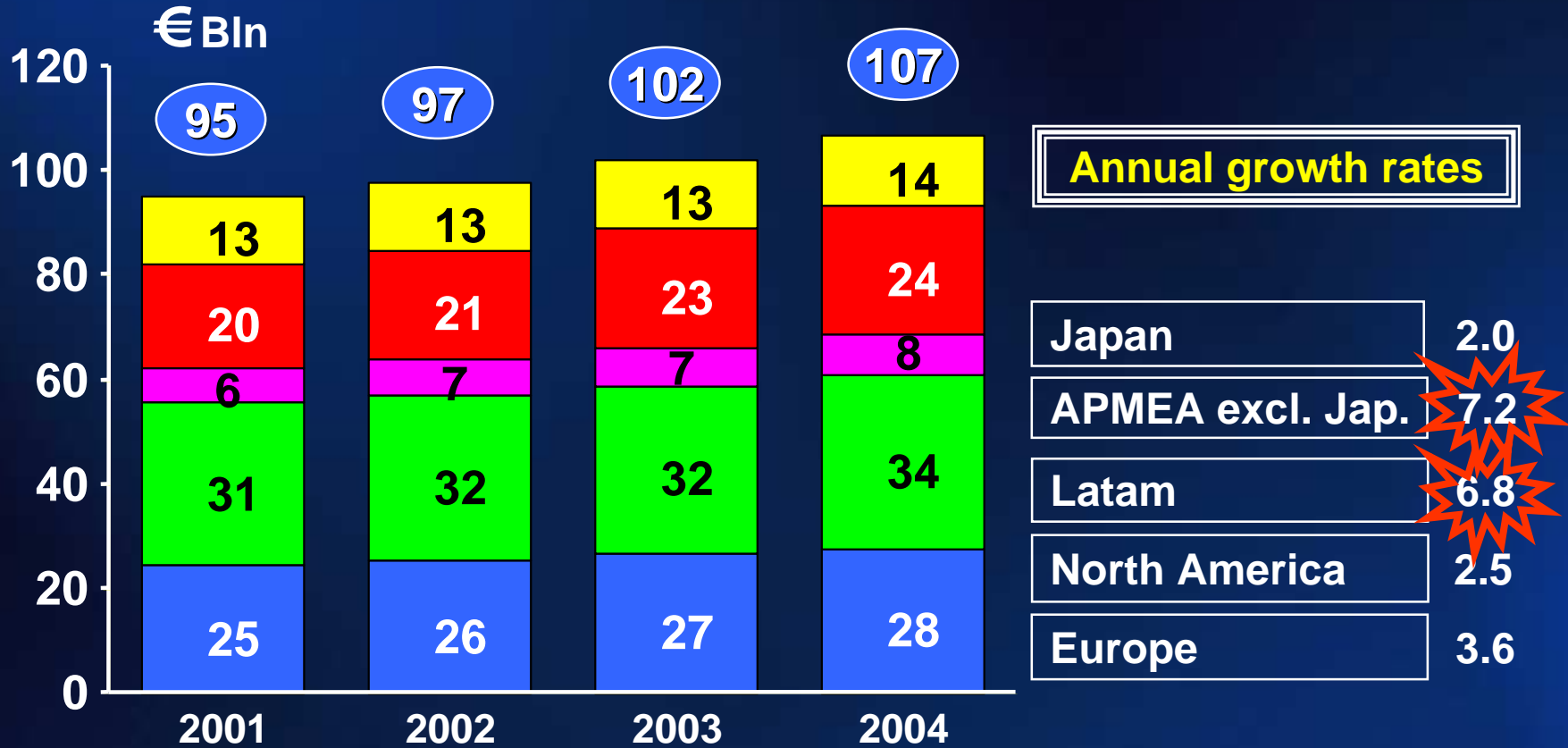
Source: Consumer Market Intelligence April 2001

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# Our served CE Market



Source: Consumer Market Intelligence April 2001

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# Profile of our industry

- Up to mid single digit IFO
- High NOC turnover speed
- Product life cycle: 12 - 18 months
- Industry concentration: top 3 cover 50% of market
- Business structure: fully integrated de-verticalised
- Distribution: increasing consolidation

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# Product Categories: Competitive Position

Value MS 2000	Sony Group	Matsushita Group	Philips Gr.
CTV	18% - #1	9% - #3	11% - #2
Audio	31% - #1	15% - #2	11% - #3
DVD	25% - #1	11% - #2	7% - #5
VCR/TV-VCR	12% - #3	19% - #1	17% - #2
<hr/>			
Total AV (excl Japan)	22% - #1	12% - #3	12+% - #2
Total AV (incl Japan)	22% - #1	13% - #2	10% - #3
Monitors	9% - #3	NA	9% - #2

**Top 2 player outside Japan in: Total AV; Display products**  
**Identified opportunity areas: digital AV playback & recording**

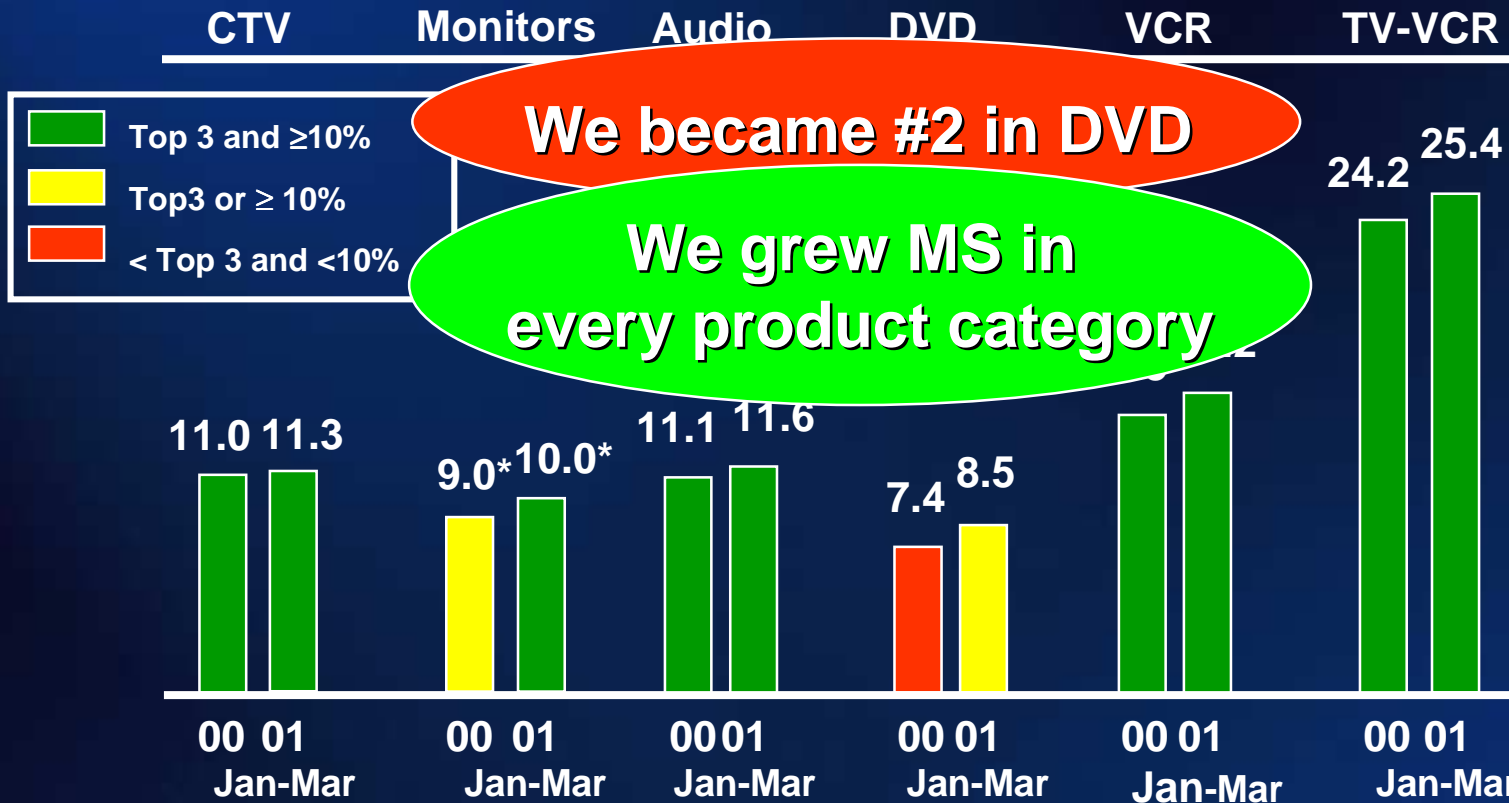
Sources : GfK, Intellect, AC Nielsen, G9, ZYK, Trade Int., Electros, Afardo.

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# Value Market Share '00-'01 YTD (World - excl Japan)



Monitors World share defined as:  
Total sales / Total market incl. OEM

Sources : GfK, Intellect, AC Nielsen, G9, ZYK, Trade Int., Electros, Afardo.

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# Regional AV Competitive Position

Value MS 2000	Sony Group	Matsushita Group	Philips Gr.
Europe	21% - #1	14% - #3	17% - #2
North America	27% - #1	13% - #2	10% - #3
Latam	24% - #1	10% - #3	19% - #2
A/P (excl. Jp)	15% - #1	8% - #3	5% - #5
World excl Japan	22% - #1	12-% - #3	12+% - #2
World (incl Japan)	22% - #1	13% - #2	10% - #3

**Top 2 player in: World (excl Japan), Europe, Latam**  
**Opportunity areas: N. America, Asia Pacific**

Sources : GfK, Intellect, AC Nielsen, G9, ZYK, Trade Int., Electros, Afardo.

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# Competitive position: Minimum hurdle rate

- In every served product/market segment:
  - top 3 player
  - value market share  $\geq 10\%$
  - brand index  $> 100$

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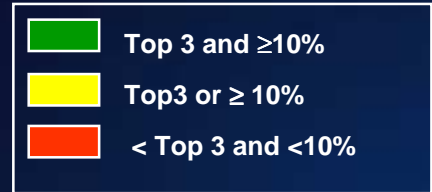
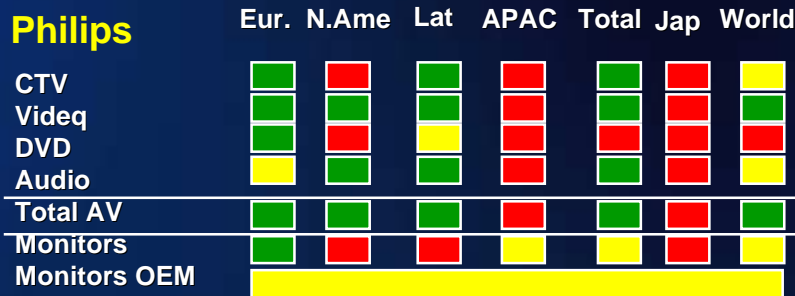
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# Competition View

Market Positions Percentage A/V value market share (incl Japan) , 2000

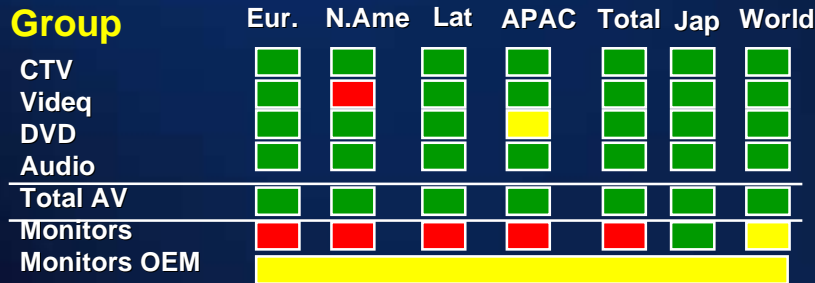
#3

**Philips**



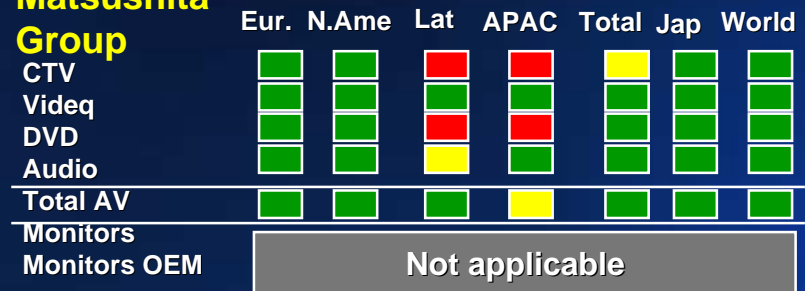
#1

**Sony Group**



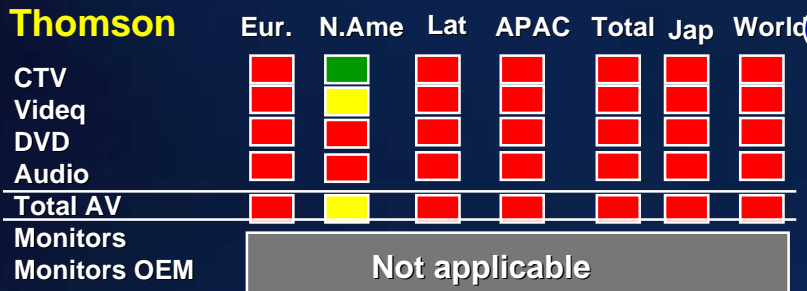
#2

**Matsushita Group**



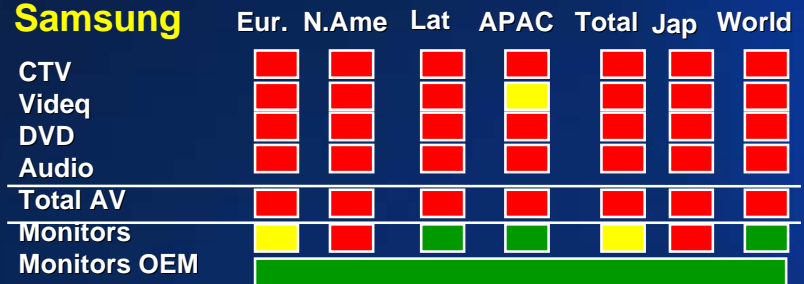
#5

**Thomson**



#7

**Samsung**



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# Key Operational Issue:

# USA

<i>€ mln, 2000 Actual (incl Accessories)</i>	<b>Philips (excl Jp)</b>	<b>USA</b>	<b>Rest (excl Jp)</b>
<b>MS A/V</b>	<b>12%</b>	<b>10%</b>	<b>12.5%</b>
<b>MS ranking</b>	<b>#2</b>	<b>#3</b>	<b>#2</b>
<b>Sales</b>	<b>9452</b>	<b>2077</b>	<b>7375</b>
<i>Comp. Growth</i>	<b>+4%</b>	<b>-8%</b>	<b>+10%</b>
<b>IFO</b>	<b>+180</b>	<b>-76</b>	<b>+256</b>
<i>% sales</i>	<b>+1.9%</b>	<b>-3.7%</b>	<b>+3.5%</b>
<b>RONA</b>	<b>17%</b>	<b>n.a.</b>	<b>30%</b>
<b>NOC average</b>	<b>1077</b>	<b>223</b>	<b>854</b>

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# More specifically issue is: CTV-USA

<i>€ mln, 2000 Actual</i>	Philips (excl Jp)	USA	Rest (excl Jp)
MS A/V	11%	8%	12.5%
MS ranking	#2	#4	#2
Sales	3627	915	2712
IFO % sales	+43 +1.2%	-78 -8.5%	+121 +4.5%

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# ...but Audio proves it can be done

<i>€ mln, 2000 Actual</i>	<b>Philips</b> (excl Jp)	<b>USA</b>	<b>Rest</b> (excl Jp)
<b>MS A/V</b>	<b>11%</b>	<b>13.5%</b>	<b>10%</b>
<b>MS ranking</b>	<b>#3</b>	<b>#2</b>	<b>#3</b>
<b>Sales</b>	<b>1555</b>	<b>535</b>	<b>1020</b>
<b>IFO</b> <i>% sales</i>	<b>+43</b> <b>+2.8%</b>	<b>+12</b> <b>+2.2%</b>	<b>+31</b> <b>+3.0%</b>

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# Conclusions

- **Very clearly defined hurdle rates**
- **#2 outside Japan**
- **Growing in market share**
- **Identified opportunities to grow**
- **Increasingly balanced regional & product portfolio**
- **Key operational challenge USA**

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# Our Ambitions

1. **Top 3 position and  $\geq 10\%$  value market share in all product categories & regions (excl. Japan)**
2. **Build digital & internet leveraged portfolio around existing strongholds**
3. **Philips Premium Brand: excel in “Consumer Experience”**
4. **Focus resource allocation on:Product development, Design, Supply Chain, Sales Marketing**
5. **Contribute to Philips’ financial objectives:  
30%RONA; double digit growth of sales, IFO; positive CF**

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# Topics

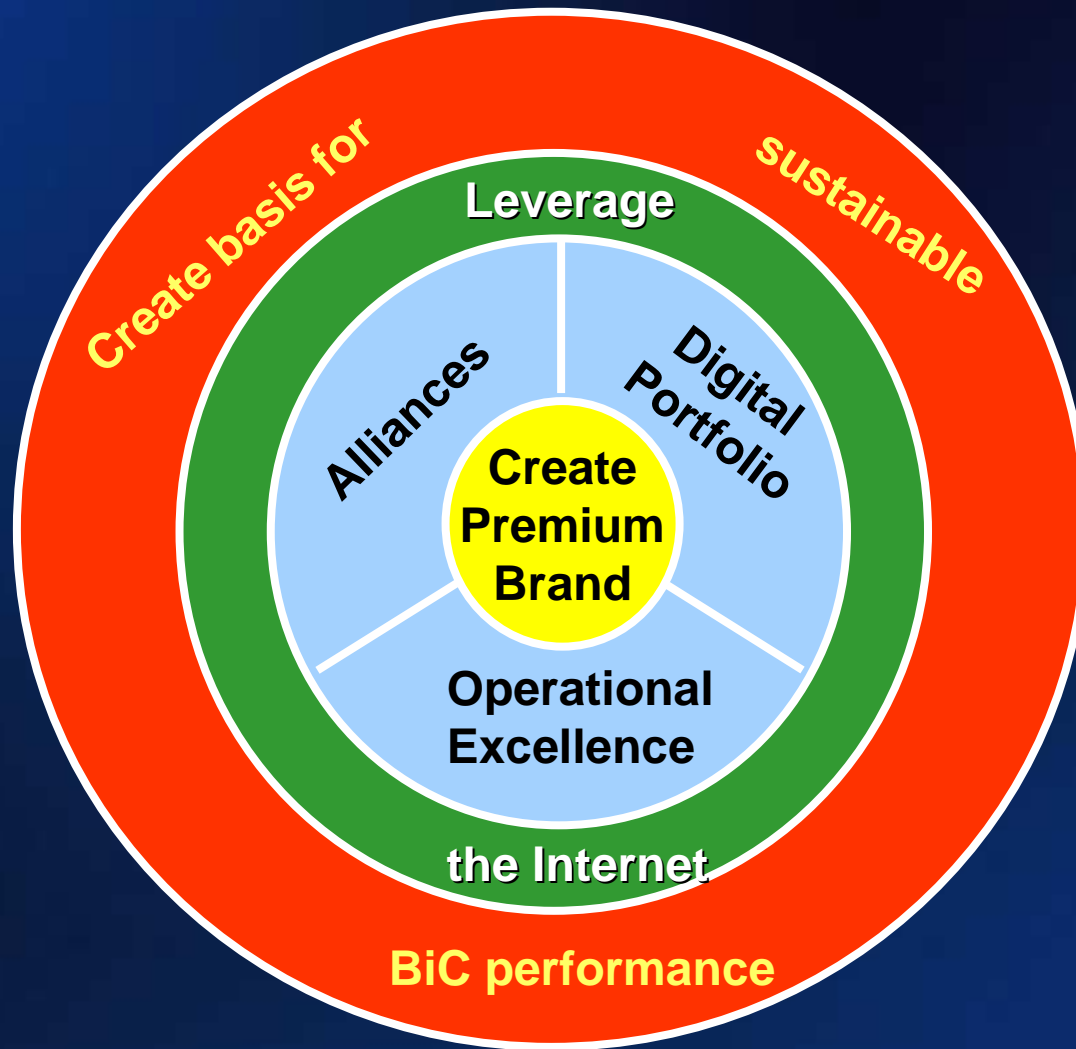
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# Strategic Direction - Model



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# Create Premium Brand

- Reinforce Philips brand
- Accelerate upgrade Product mix
- Consistent Product/ Channel mix strategy

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# Create Premium Brand

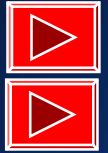
- Reinforce Philips brand
  - Consistent consumer/product segmentation
  - Dedicated youth marketing in all Regions
  - New global communication approach with DDB
  - Consistent approach in Customer Care centers and CRM
  - Focus on digital products
  - E-marketing





# Create Premium Brand

- Accelerate upgrade Product mix
  - Offer best picture and sound quality
  - More attention for design
  - Accelerate growth of digital portfolio



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# Create Premium Brand

- **Consistent Product/ Channel mix strategy**
  - Distribution coverage
  - In line with dig. product portfolio
  - Brand index > 100

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# Consumer/Product Segmentation

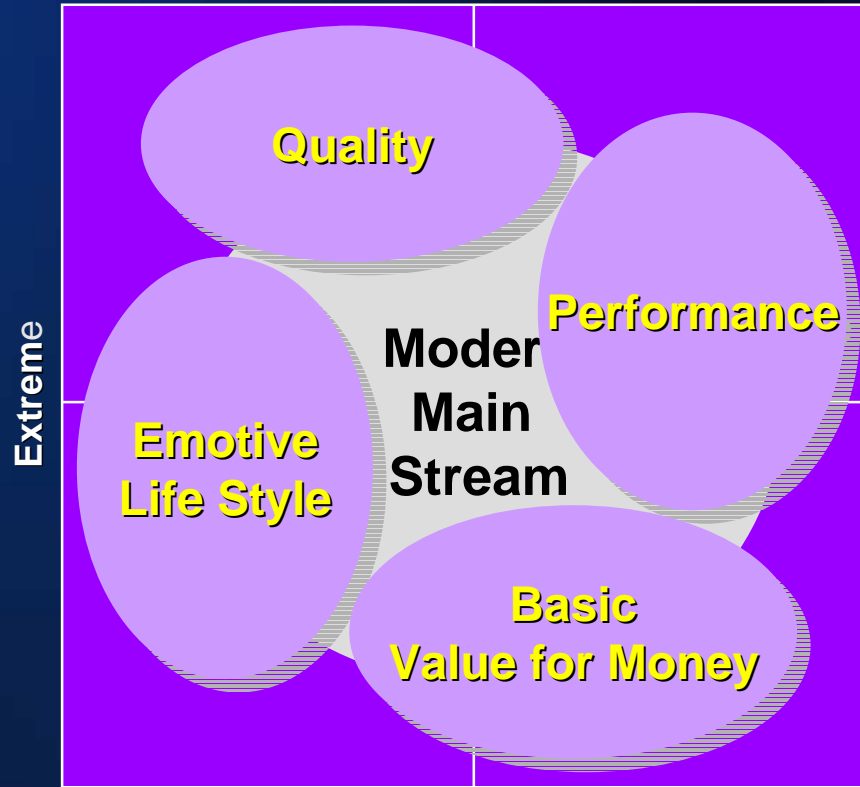


- **Quality**
- Quartile: 4
- Distribution: Tier 1/2
- Consumer: Innovator
- Design: Sophisticated



- **Emotive Life Style**
- Quartile: 2 & 3 (4)
- Distribution: Tier 2/3/4
- Consumer: Plugged in
- Design: Fun, Emotional

Innovative



- **Performance**
- Quartile: 2 & 3
- Distribution: Tier 3/4
- Consumer: Classic
- Design: Functional Rational

Traditional



- **Basic Value f. Money**
- Quartile: 1 & 2
- Distribution: Tier 4
- Consumer: Basics
- Design: Reassuring

Known

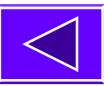
Applied to Design of Product,  
Product Communications  
and Interfaces

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# Quality: Products 2001 (ILLUSTRATIVE OF THE TOTAL OFFER)



HOME



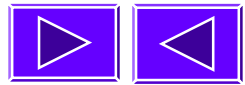
AWAY



SOHO



# Emotive: Products 2001 (ILLUSTRATIVE OF THE TOTAL OFFER)



HOME



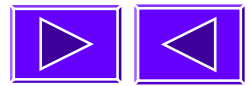
WAY



SOHO



# Performance: Products 2001 (ILLUSTRATIVE OF THE TOTAL OFFER)



HOME



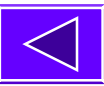
AWAY



SOHO



# Basics: Products 2001 (ILLUSTRATIVE OF THE TOTAL OFFER)



HOME



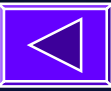
AWAY



30HO



# Youth marketing



- **Global Youth marketing study**
- **Results identical in all regions:**
  - Philips belongs to their list of preferred brands
  - More new & creative use of current technologies ,
  - especially in digital, portability, sound

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# Philips Street Challenge 2000



the Philips Street Challenge



Product Demon.



Competition



Bike



Dance

Rewards



Post-PR



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# ACTIONS



- The X Games
- Main Sponsorship for the Action Games Festival.
- Latin America-Wide TV Coverage and Insertions (ESPN)
- Hospitality Center
- Promotional Booth



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# Youth Experience & Spectacle



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# Rush Wall in Philippines

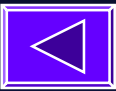


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# Aaron's Party in Singapore



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# TV “Home Cinema Choice” April 2001:



“Its images are dazzlingly vibrant, thanks largely to a brilliant contrast range.”

“But applause is warranted too by the tremendous accuracy of the colour rendering - there’s no bleed or fuzziness at all”

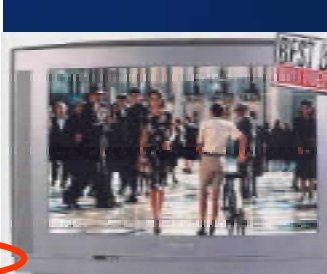
“What Video & TV” May 2001:

“It is remarkable how Philips CTV sets manage to put out consistent pictures over the years”

**RATINGS**  
PHILIPS 21PT-3462/94R  
Picture: ★★★★★  
Sound: ★★★★★  
Features: ★★★★★  
Ease of Use: ★★★★★

**IMAGE ANALYSIS**  
Colour: Frontiers - no bleed or lifting at all. One of the best colour performances seen.  
Geometry: Good - though the picture seemed a fraction less right to left.  
Frequency response: Very good - details just above visible to 5 kHz; with no colour fringing interference.

**HOMECINEMA BEST BUY**  
APRIL 2001



“Pictures are blisteringly bright with stunning contrast range”

PHILIPS 21PT-3462/94R TV | **PLAIN BRILLIANT**

**Remarkable Pictures!**

Philips does it again with the 21PT-3462/94R TV, says MEHUL MEPANI.

**VERDICT** **BEST BUY**  
A fine all-round performer at a great price

PICTURE	9/10
SOUND	8/10
FEATURES	7/10
EASE OF USE	8/10
OVERALL	9/10

MAY 2001 ▶ WHAT VIDEO & TV 57

**RESULTS**

**OVERALL RATING**  
1. Philips  
2. Thomson  
3. Samsung  
4. Hitachi  
5. Sharp  
6. Sharp

**PICTURE QUALITY**  
1. Philips  
2. Hitachi  
3. Samsung  
4. Thomson  
5. Sharp  
6. Sharp

**SOUND QUALITY**  
1. Sharp  
2. Philips  
3. Samsung  
4. Sharp  
5. Hitachi

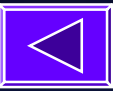
“AV Max” March 2001:

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# DVD- SACD.



“What Video”  
on DVD955:  
“match of the day”  
one hack of a movie machine”



**Nr. 1 in Sound.**  
German magazine  
on SACD1000

*“Rundum Glücklich”*



**Nr. 1 in Picture.**

“What Video & TV” on DVD1010:  
“The DVD1010 is a gorgeous DVD player. It’s picture and sound quality are out of this world, and it’s a beautiful looker to boot. The DVD1010 will make a perfect centerpiece to any high-grade home cinema setup and places Philips firmly on the DVD map

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# HC component style approach pays off.



“What Video & TV” on DVD957:  
“The DVD957 is an all-round class act, confirming that Philips really got the grips with DVD. The looks justify its Matchline status”

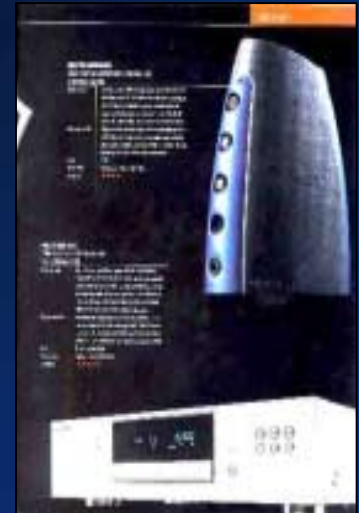
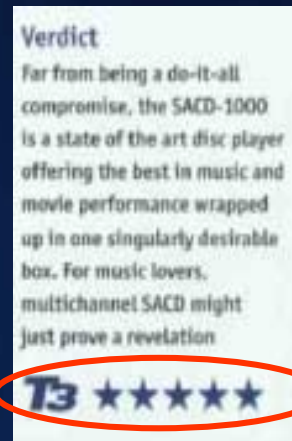
“Sound like this isn’t just good. It’s Super Audio CD”

Various quotes on DVD1010 leading magazines

“Best picture in the world”

“DNM: Der Neue Masstab” “DNM: der Zauberer”

“Mit DNM hat Philips eine echte Geheimwaffe”



“T3” on SACD1000:

“It’s a stunning product”

“State of the art disc player offering the best in music and movie performance wrapped up in one singularly desirable box”

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# DVD- SACD



“Total DVD” on DVD957:  
“It’s a Philips machine with a licence to thrill. Great all-round performance. Stylish looks to suit any décor. A very appealing prospect, which confirms Philips’ status as a major player in the DVD realm”



Hifichoice magazine: Recommended!  
“The Philips DVD957 is packed with home grown technology and a selection of virgins. One of the best equipped DVD players: it even plays CD-Rs!”

... and even more  
to be expected  
soon!!!

Promising outlook  
for DVD-Q50



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# Audio



**WHAT HI\*FI?**

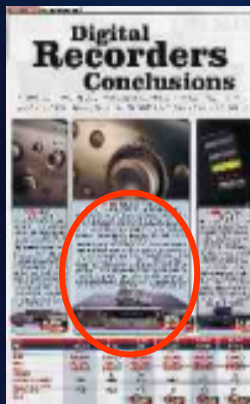
Voted product of the year

Minis & Micros (October 2000)

“Impressive clarity and space”

Magical mini mixes style with great sound

**MP3.com** about eXpanium:  
“Adecuate features and a  
wonderful sound”



**Hi-Fi Choice** about CDR951:

“The only ‘best buy accolade’  
among 12 compared products”



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# Monitors I



## 150B

What PC? UK Best Buy

“...Screen brightness is even, with no dark spots and there were no dead pixels...”



## Brilliance 150P

PC Pro UK LABS Winner

“Outstanding quality, outstanding features and a very reasonable price”



## Brilliance 150P

PC Magazine US Editors' Choice

“...Won high marks for ease of user, text clarity, graphics quality and video image display...”



## Brilliance 150P

PC World China Best Buy

“This combination enables the product to perform with the best possible picture quality”



## 150X DesignLine

Media Totaal Netherlands PC Display Product of the Year

“The stylish high-tech design of the Philips 150X is outstandingly beautiful and functional as well”



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# Monitors II



## Brilliance 107P

PC Magazine  
Spain Editors'  
Choice

“Outstanding contrast  
and brightness  
quality”



## Brilliance 107P

China Computer  
Business Info Best  
Design

“The most  
convenient and  
considerate design  
for users”



## Brilliance 107P

PC World Singapore  
Best Buy

“...Our unwavering  
thumbs-up approval for  
nearly every screen test  
we threw at it...”



## Brilliance 109P

PC Authority  
Australia  
Recommended

“A top value monitor  
utilizing new flat CRT  
technology that  
exhibits excellent  
quality and features”



## 201B

PC Format UK  
Gold Award

“...Color and image  
uniformity are  
excellent, making  
this a pleasant  
display”

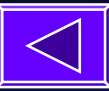


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# VCR/ TV-VCR



- T3 Magazine about 21PV320
- Summary: The styling and picture quality are good, and it has a sexy remote and two tuners.
- Verdict: Attractive and decent quality telly with useful, if unremarkable, video.

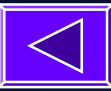


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# Design Awards



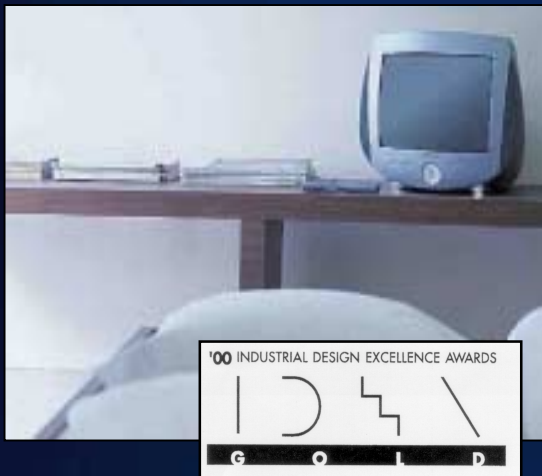
iF Design awards (Germany)  
42PF9952 Flat TV -  
(Winner, CE category)

Plus iF Awards for  
32PW9525 TV,  
SBC890 Pronto  
HE910 headphones,  
Xenium 989 GSM  
phone



Plus 2001 iF Design  
Awards for

- cBright LCD projectors
- ToUcam PC cameras
- SBC RU100 remote controls
- Rush Digital Audio Player



International  
Designers'  
Society of America  
Gold Award for New  
Vision TV



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# Alliances

## Active Pursuit of Alliances to:

- Strengthen regional position
- Reinforce the Philips brand
- Access to key technologies
- Availability of products from ODM
- Leverage the internet



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## Leverage the Internet

- Product portfolio 
- e - Commerce 
- Customer care/external communication
- Internal communication: intranets
- Internal efficiencies & cycle time reduction
- Brand & employees
- Partnerships

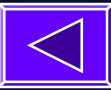
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# e-Appliances



Internet  
Radio



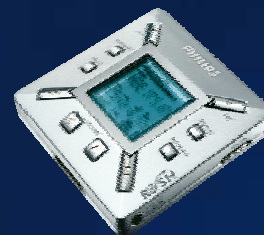
Web  
terminals



Expanium MP3CD



8cm MP3CD



Rush

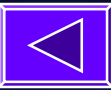


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# e-Business infrastructure



In 2001 already:  
30+ Countries  
20 Local languages

## Key Objectives Global e-Platform of Consumer Electronics

- Establish consistent global CE on-line brand
- Support pre-sales, sales (B2B) and post sales
- Address consumers with relevant content in local language
- Standardize on single technical architecture

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## Create Basis for sustainable BiC performance

- Total focus on the Philips premium brand
- Digital portfolio
- Alliances
- Operational excellence
- Leverage the internet

... and of course bring  
USA in line with other Regions !!!

*Let's make things better.*



**PHILIPS**