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# The businesses of DAP

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# Agenda

- Description of business
- Competitive Environment
- Programme for change
- Value-Based Management
- Overall strategy
- Strategic position per cluster
- Performance

# Description of business

**Headquarters** : **Groningen and Hong Kong**

**Business Units** : **Male Shaving & Grooming**  
**Body Beauty & Health**  
**Food & Beverage**  
**Home Environment Care**

**Regional Marketing & Sales organisations** : **5**

**National Sales organisations** : **45**

**Factories** : **8**  
**of which COCs** : **4**

**Employees** : **9,500**

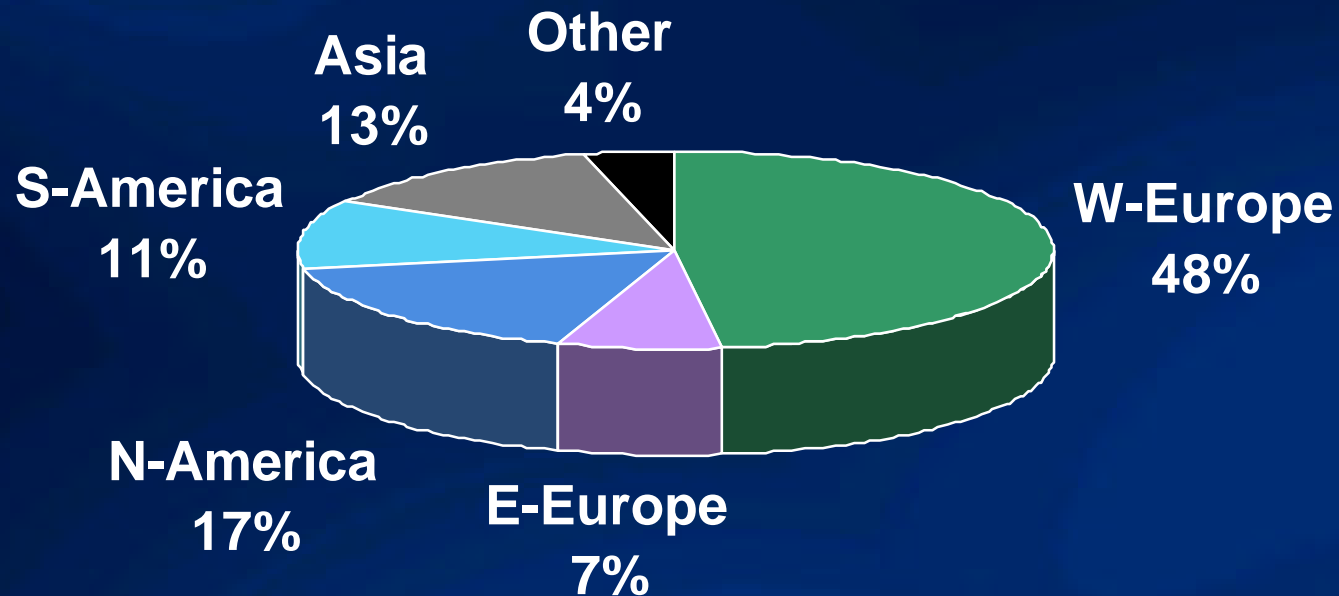
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# Description of business

Sales amount : EUR 1.8 billion/60 million units  
Regional distribution (%) :



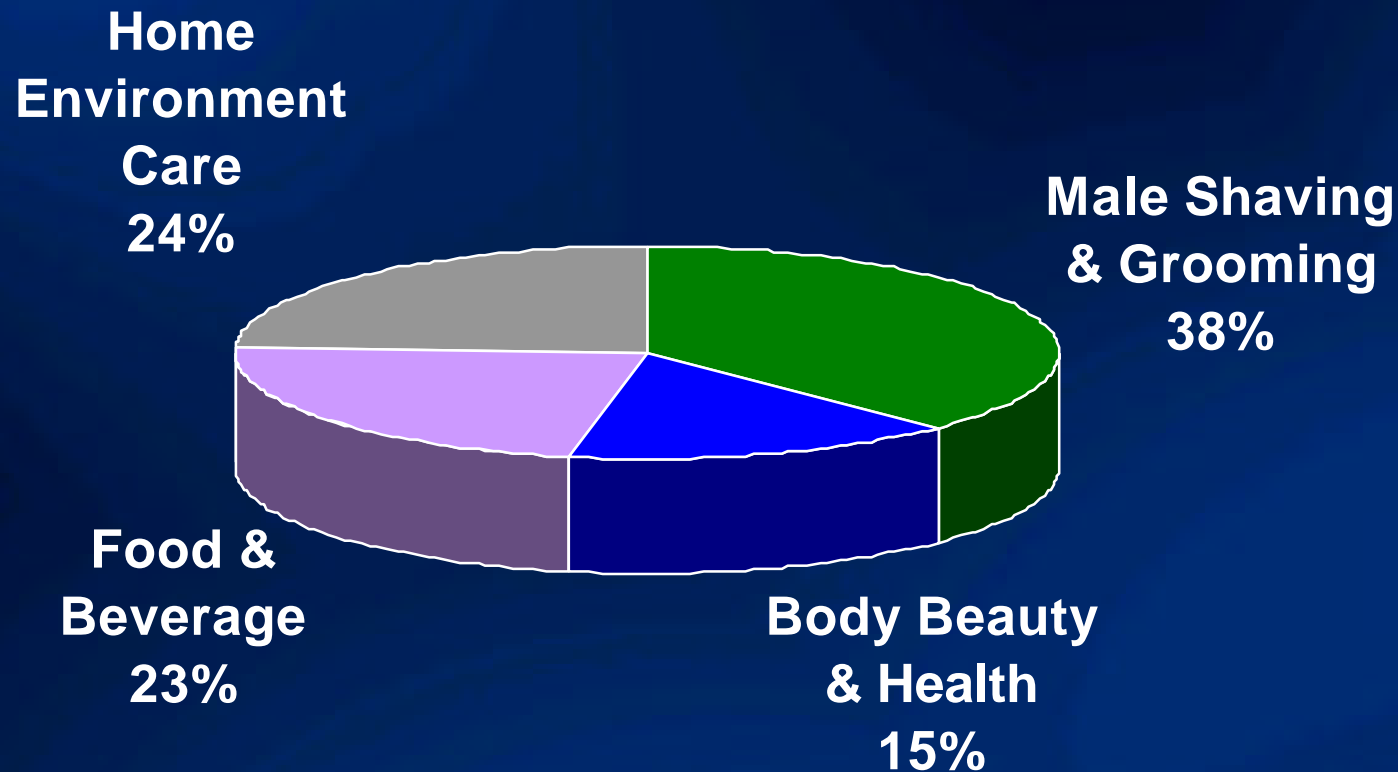
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# Description of business

Sales amount per Business Unit : EUR 1.8 billion/60 million units



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# Business characteristics

- **Specific sensorial experiences**
- **From commodity to expression**
- **Individualisation (different lifestyles)**
- **Globalisation - Localisation**
- **Beauty and Health / Social Gathering**

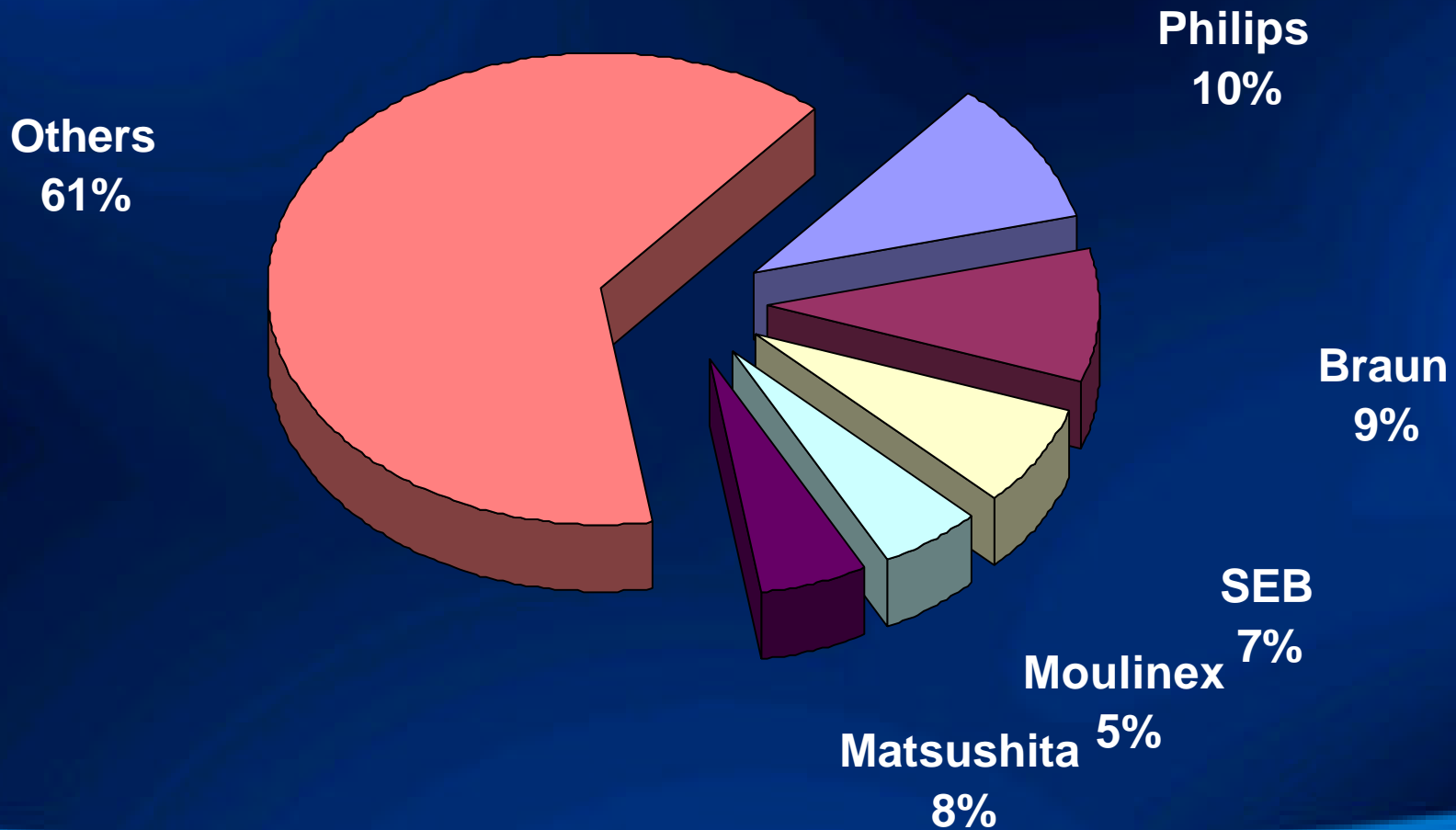
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# Competitive environment

## DAP world market breakdown 1998



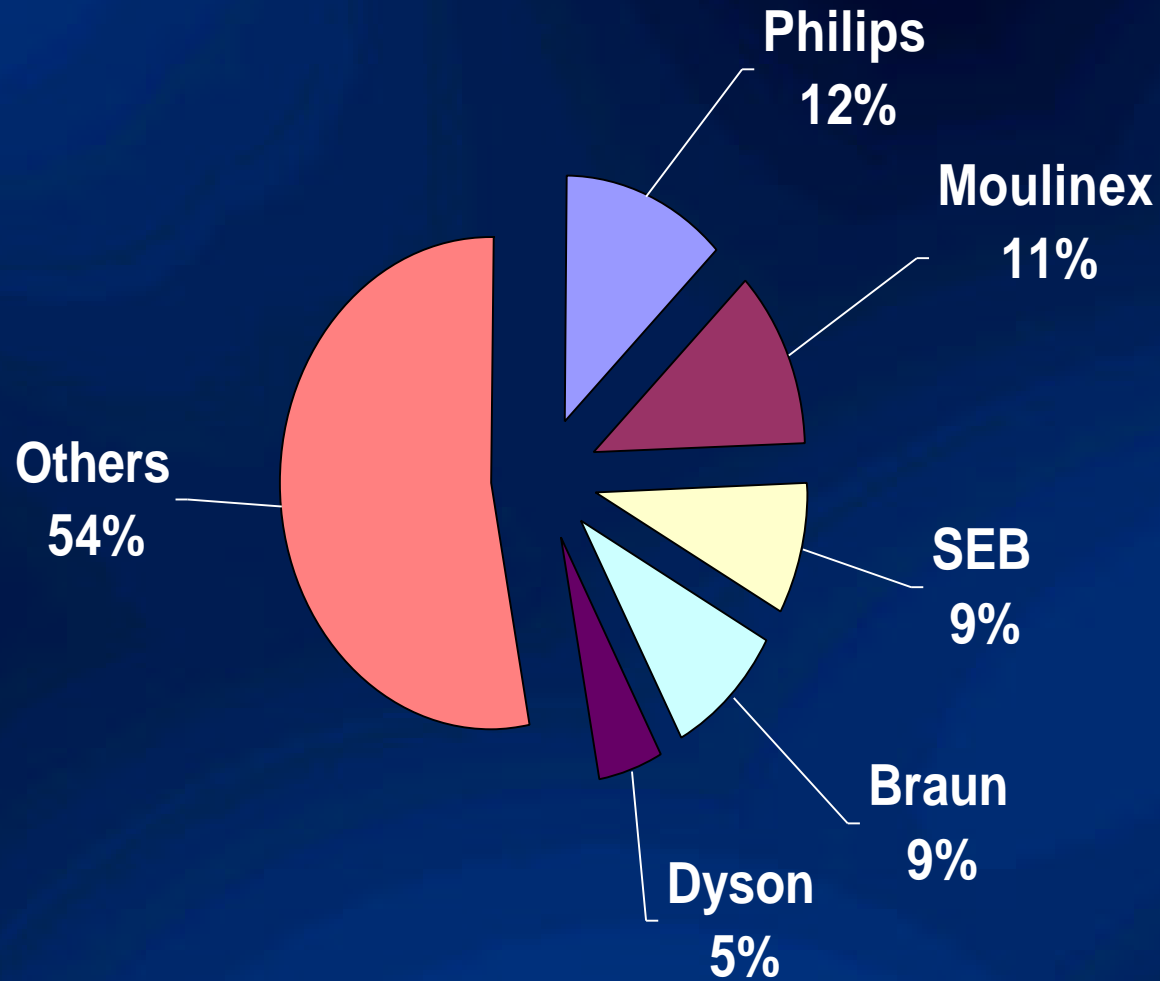
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# Competitive environment

Western European DAP market 1998



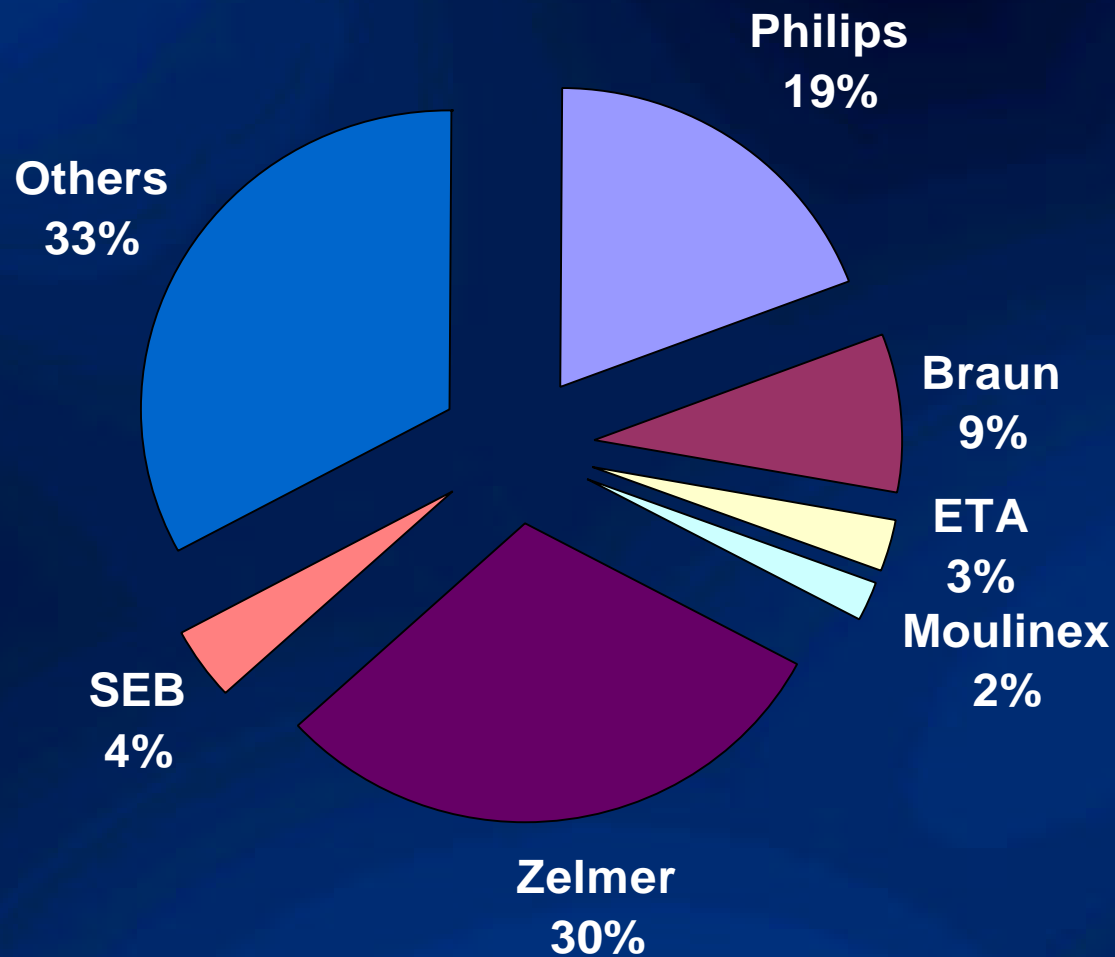
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# Competitive environment

Eastern European DAP market 1998  
(based on Poland, Hungary, Czech Republic and Slovakia)



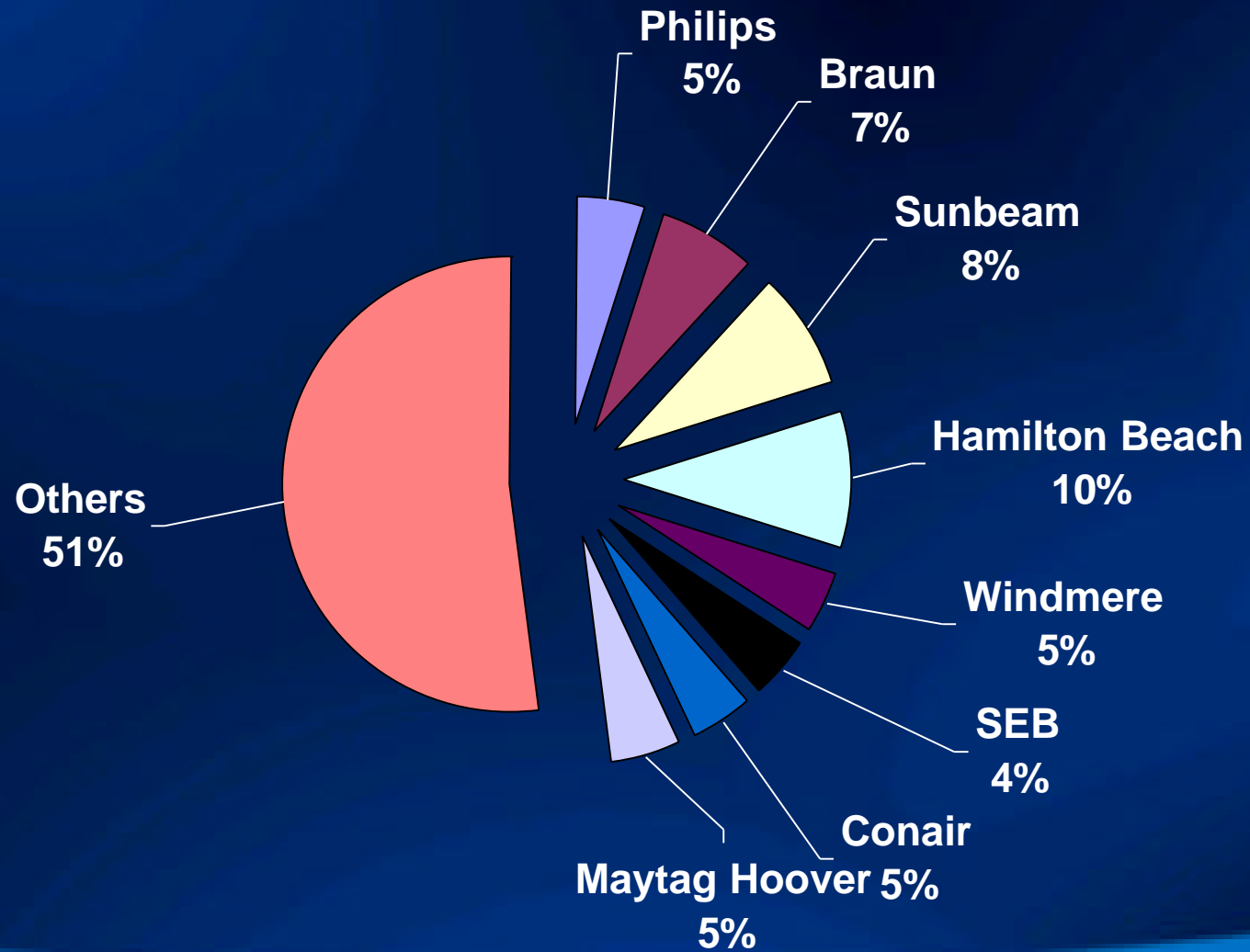
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# Competitive environment

## North American DAP market 1998



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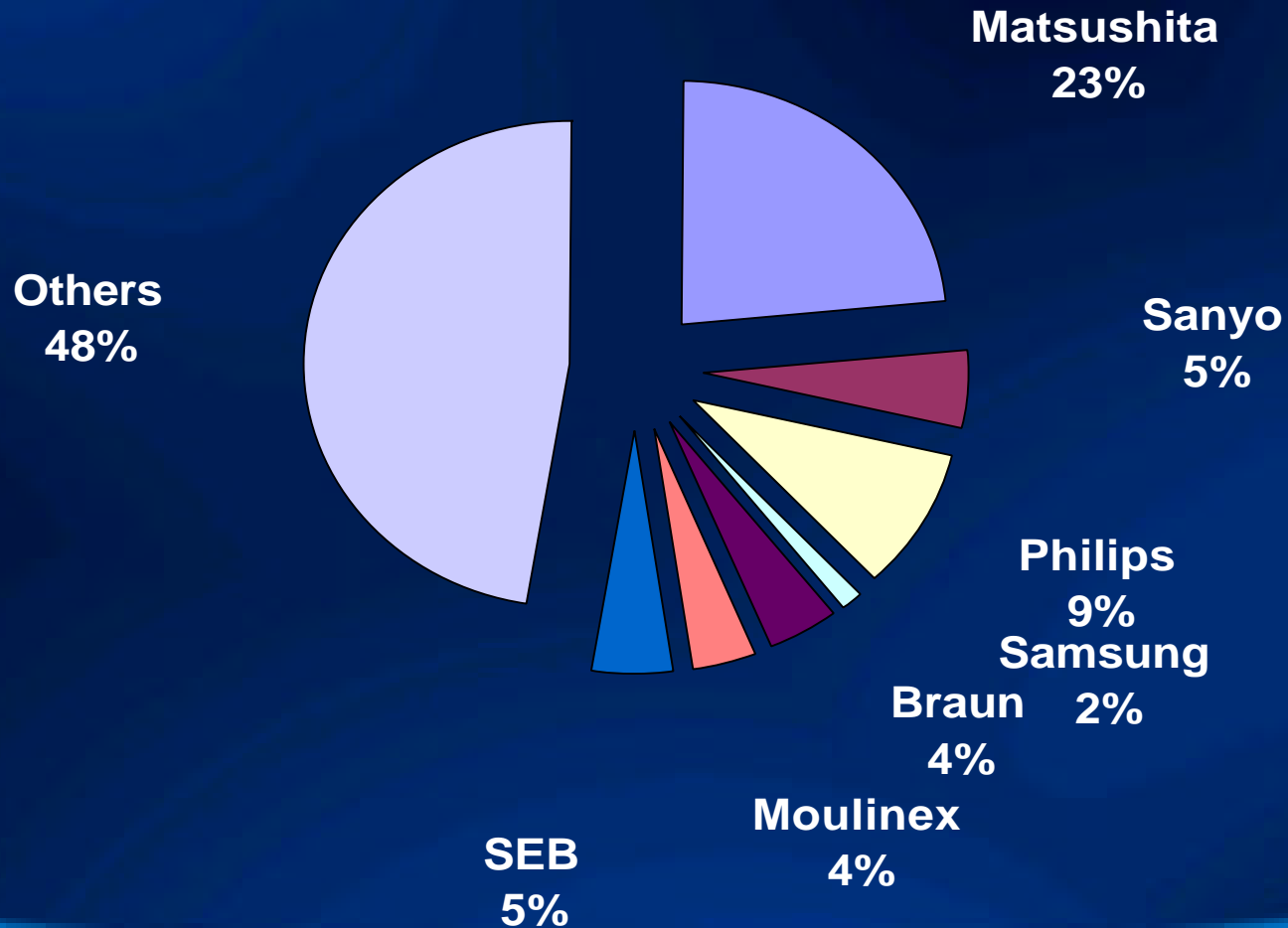


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# Competitive environment

## Asian DAP market 1998

(Excluding AP Cooking)



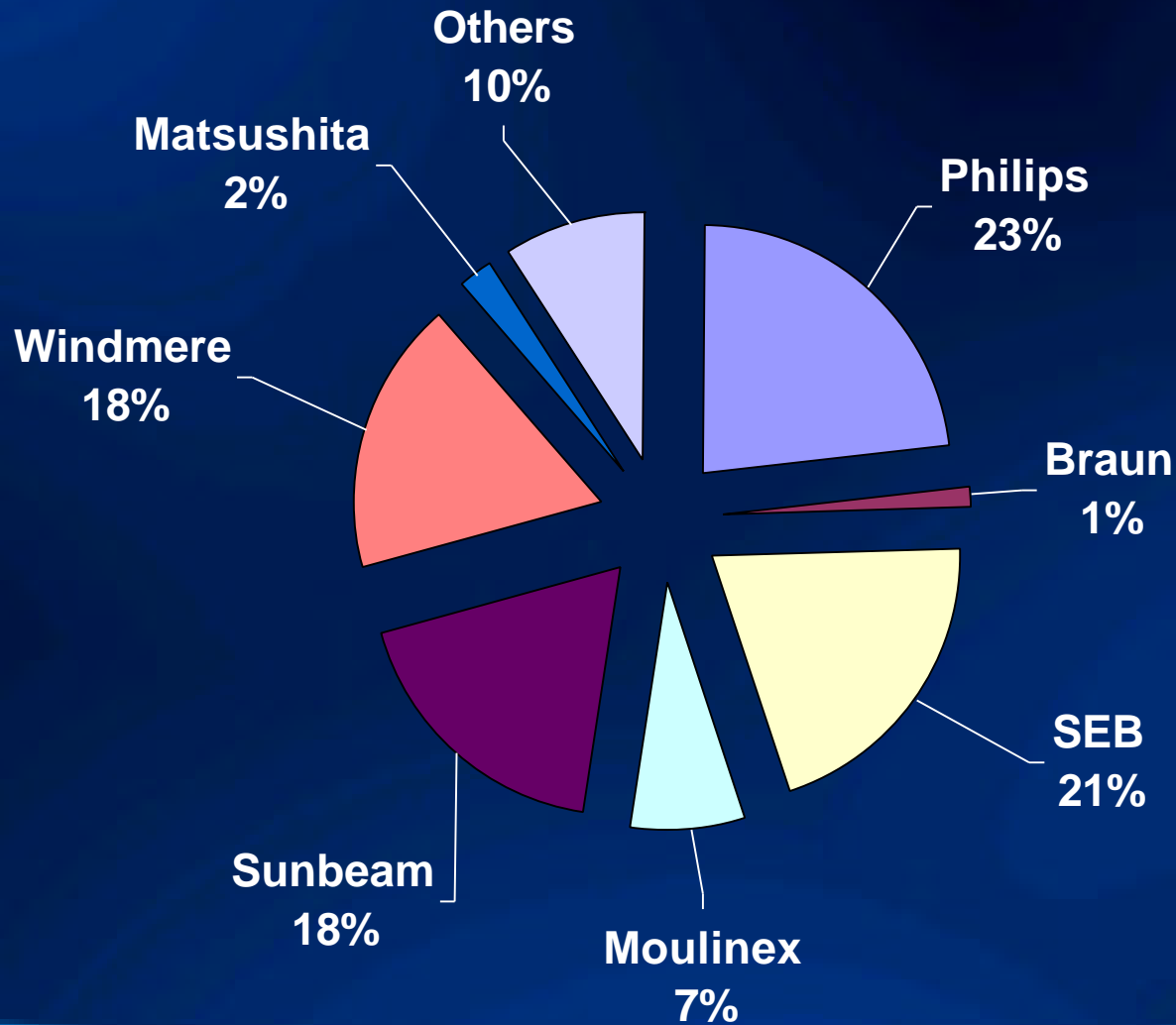
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# Competitive environment

## Latam DAP market 1998



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# Programme for change

- Past performance 1985-1995 quite flat with downward trend from 1995 onwards.
- In 1996, DAP started a process of change to realise growth in turnover and a considerable improvement in financial performance.
- The main theme of this process is:

## *Change the Rules of the Game*

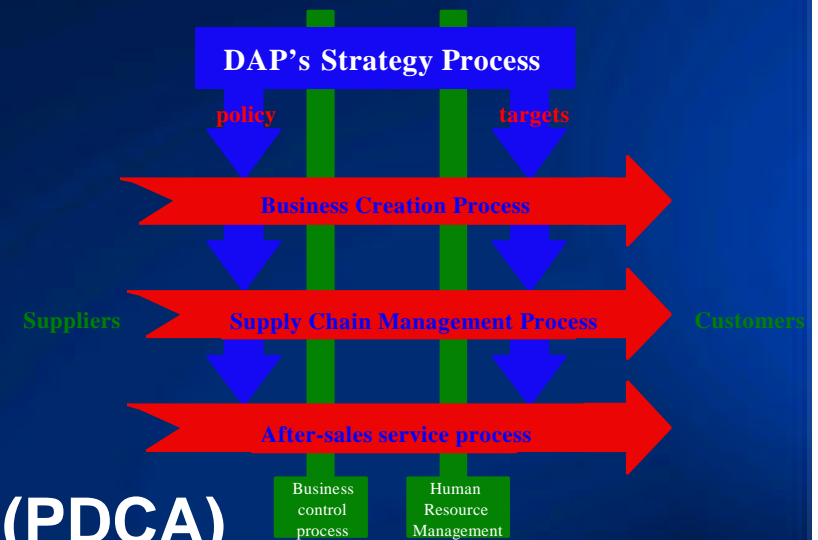
### Six major issues:

- Intensify new business creation processes in the entire organisation.
- Accelerate networking to ensure innovative leadership.
- Create pride to achieve total quality in all processes.
- Strive for the shortest possible lead times in the total chain.
- Create a winner's mentality through open and frank communication.
- Ensure entrepreneurial behaviour to create shareholder value.

# Value-Based Management

Introduction of Value Based Management throughout the Division initiated in 1996 (pilot in Philips).

- Metric : Economic Profit (EPR)
- Objective : double EPR every five years (1995 is base year)
- Key processes :
  - Value-based Strategic Planning
  - Business Creation process
  - Marketing & Sales process
  - After sales service process
- Value based performance management (PDCA)



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# Strategy

- **Create brand preference for Philips and Philishave amongst trade and consumers.**
- **Focus portfolio around clusters of consumer needs.**
- **Achieve no. 1 or 2 position in every product/market combination, where we are present.**
- **Adapt industrial structure to world class performance in innovation, quality, lead times and cost.**
- **Assure DAP to be a challenging organisation for our employees**

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# Strategic direction per cluster

## Male Shaving & Grooming

Dry electric shavers : #1

Additive shavers : #1

Trimmers/clippers : #1

- Expand product portfolio and regional presence.
- Grow beyond dry electric shaving.
- Transform Philishave from product name into multi-category brand.
- Invest heavily in innovation/upgrading and integral marketing communication.

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# Strategic direction per cluster

## Body Beauty & Health

Female depilation	:	#1
Skincare	:	#2
Haircare	:	#4
Suncare	:	#1
Dental Care	:	#3
Vital/Body Signs	:	not settled

- Expand product portfolio and regional presence for haircare and skincare.
- Build product portfolio with other innovative health & fitness products.
- Strengthen Philips brand position and specific distribution.

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# Strategic direction per cluster

## Food & Beverage

Coffee makers	:	#2
Kettles	:	#3
Food preparation	:	#3
Toasting & Frying	:	#3

- Realise #1 or #2 position in selected categories/regions.
- Accelerate growth in China, South East Asia and Eastern Europe.
- Implement customer segmentation model through Philips brand authority, product innovation and design.
- Strengthen competitive position based on restructuring, outsourcing and streamlining of product development.

# Strategic direction per cluster

## Home Environment Care

Garment Care	:	#2 (brand #1)
Floorcare	:	#4
Air cleaning	:	#1

- Grow by building significant market positions in selected areas.
- Accelerate growth in China, Latin America and Eastern Europe.
- Further pruning of the present portfolio.
- Broaden portfolio in the field of home environmental care.

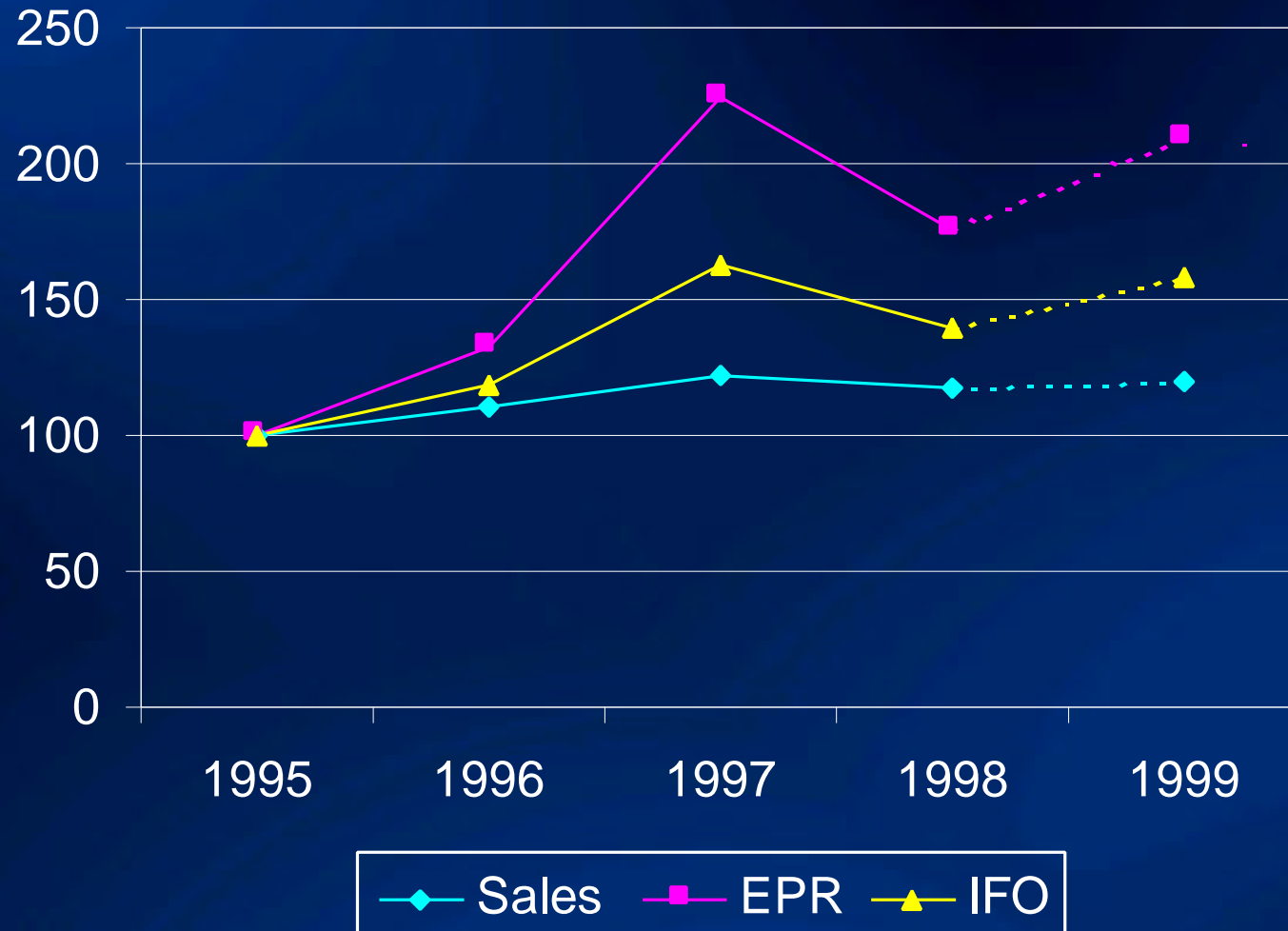
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# Performance

## Philips DAP Sales and EPR Development in Indices



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# The Way Forward

- **Grow this high RONA business**
- **Generate value by business creation and portfolio development of high margin segments**
- **Exploit growth potential in emerging regions**
- **Further exploit synergy within each Business Cluster**
- **Further exploit synergy in Philips Brand positioning**
- **Realise commitment to double EPR every 5 years**

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