

# PHILIPS

## Lighting

**David Hamill**

President and CEO of Philips Lighting

# Agenda

- Philips Lighting: Position and Strategy
- Marketing Excellence
- End-user driven innovation
- Delivery reliability
- Room for Improvement
- Continued Growth

**still 60.000  
to do**

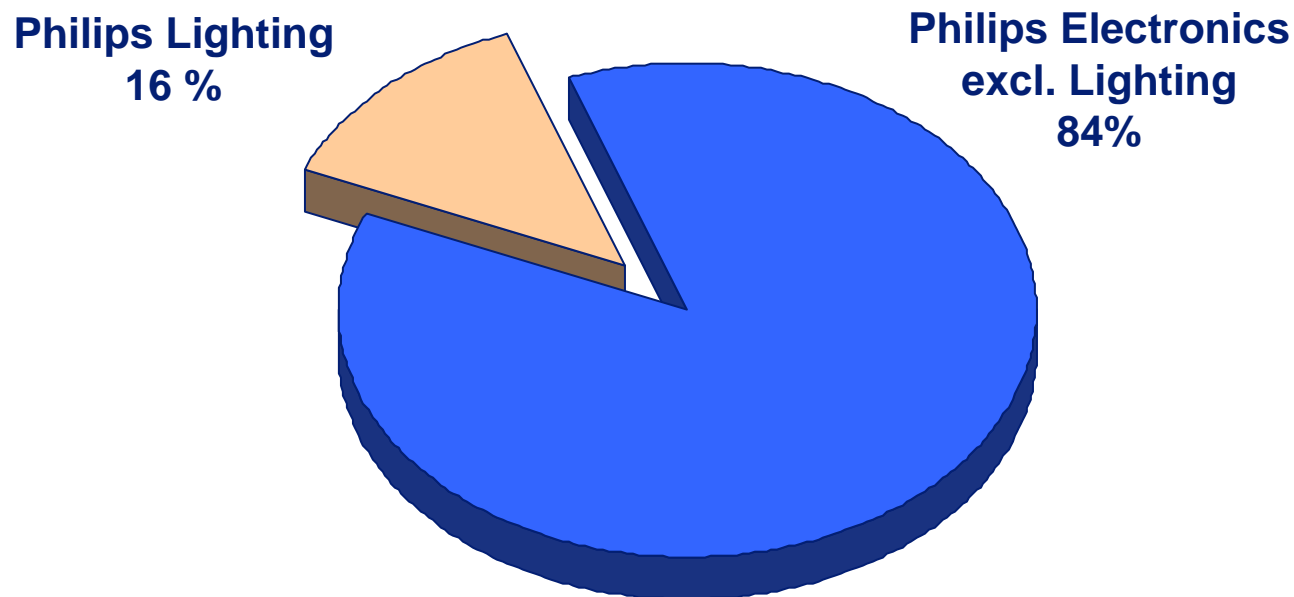
**1891**

**2001: 4.500.000.000 to do**



# Philips Lighting Sales as % of Philips Electronics

**2001**



**Philips : EUR 32,300 mln**  
**Lighting: EUR 5,083 mln**

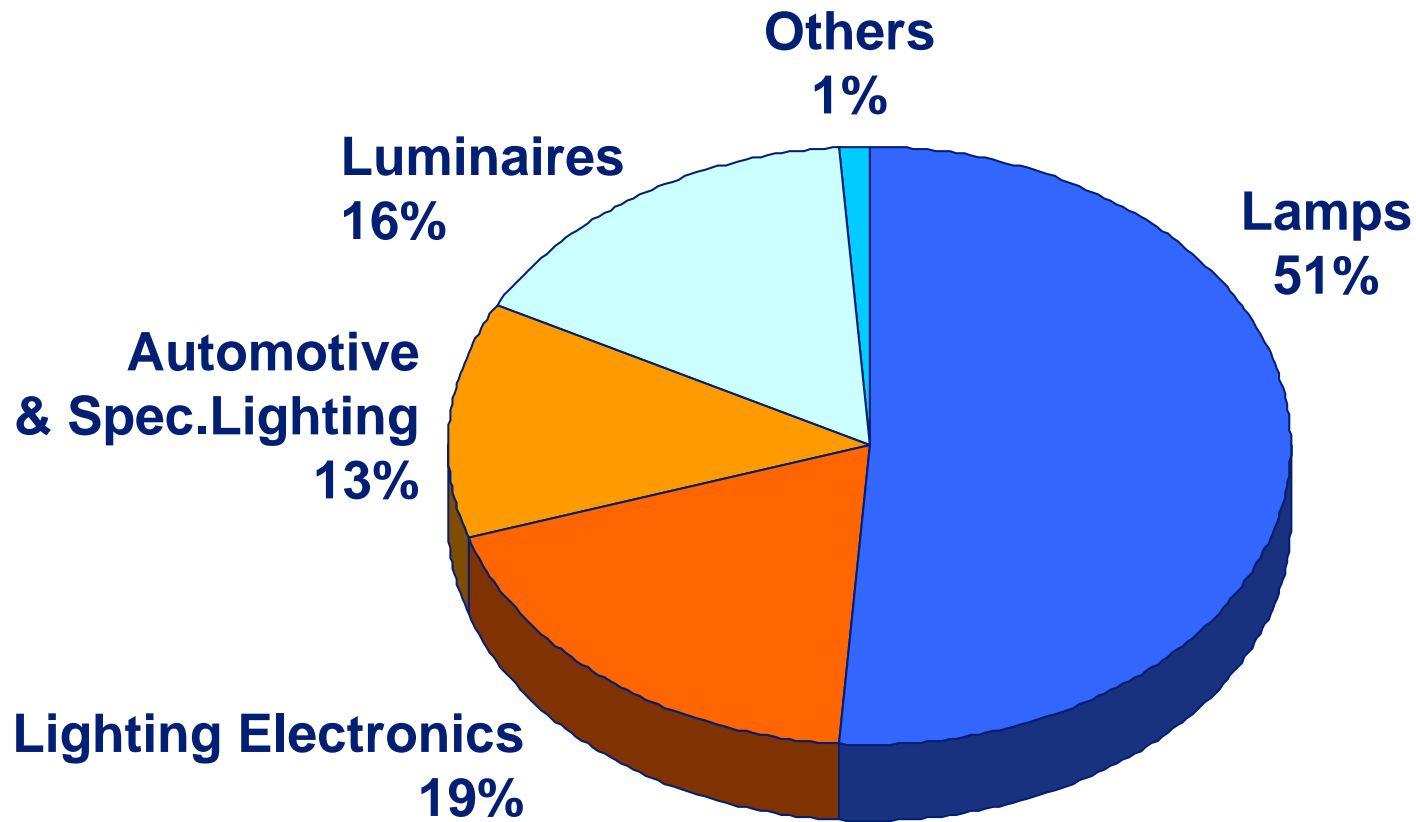
# Philips Lighting – 2001

Turnover	EUR 5.1 billion
EBIT	EUR 623 million, or 12.2% of sales
Net operating capital (NOC)	EUR 2.0 billion
Return on NOC	30%
Employees	47,922
Capital expenditure	EUR 224 million

# Benchmark – EBIT %

	2001	2002	
		Jan-June	Q3
Philips Lighting	12.2%	11.4%	12.4%
GE Lighting	9.5%	4.5%	- 3.8%
OSRAM	8.2%	8.7%	9.0%

# Philips Lighting Sales per Business Group



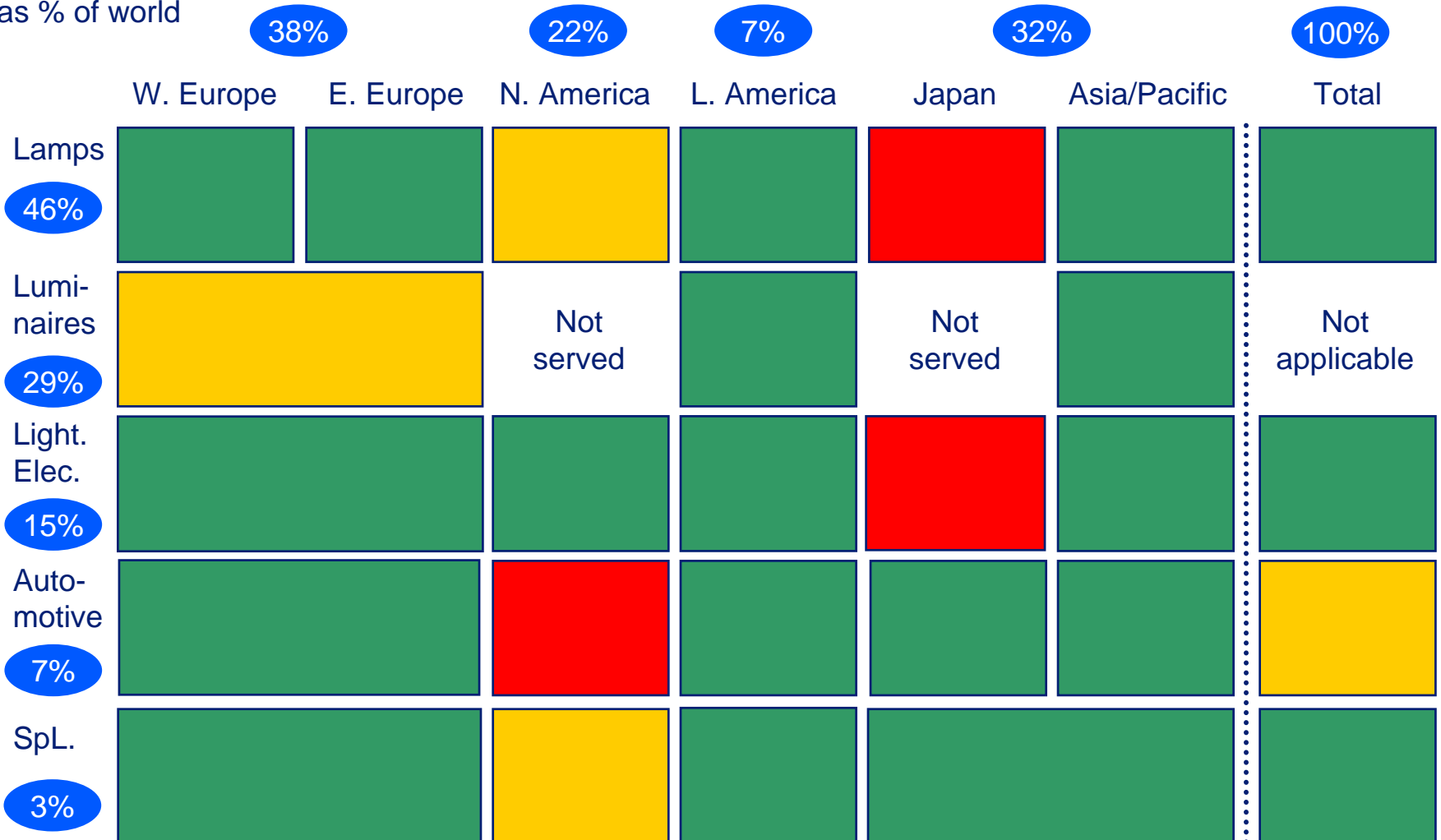
**Total Sales to thirds: EUR 5.1 billion**

# 2001 Market Position

Philips position



Size of market  
as % of world



# Lighting Strategy Overview

## Ambition

- Profitable Growth:
  - In developing markets
  - With leading global customers
  - In new segments (NBC)
  - In existing markets
- Recognized as 'Setting the Pace' by our stakeholders

## Strategy

- Via:
  - Innovation
  - Marketing Excellence
  - Delivery Reliability
- With:
  - Continuous improvement
  - Control of costs and assets

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# We understand people

*Light is a visible form of energy*

*It pushes back the night*

*Welcomes the weary*

*Protects those you love*

*Banishes monsters*

*from under beds*

*Makes eyes sparkle*

**... and improve their lives**



# Sun-tanning lamps – visible results



# International Key Account Management

Global support with local tuning for internationally expanding key customers via

- Innovative product range
- Pull-creation via communication with end-users and influencers
- Reliable logistics
- International Key Account Management structure
- Transparent distribution policy

# New In-store Segmentation



# Home Depot

- World's leading DIY company
- US\$ 52 B sales through 1400 stores
- Ambition to grow to US\$ 100B
- Philips track record of excellent category management

e.g. HalogenA -

Millennium ball on times square

- Philips as exclusive supplier of branded light bulbs



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# Innovation: Create added value and lower costs

Continuing innovation with leading customer involvement based on end-user understanding

## Innovative Lamps: Halogen



PAR



Twistline

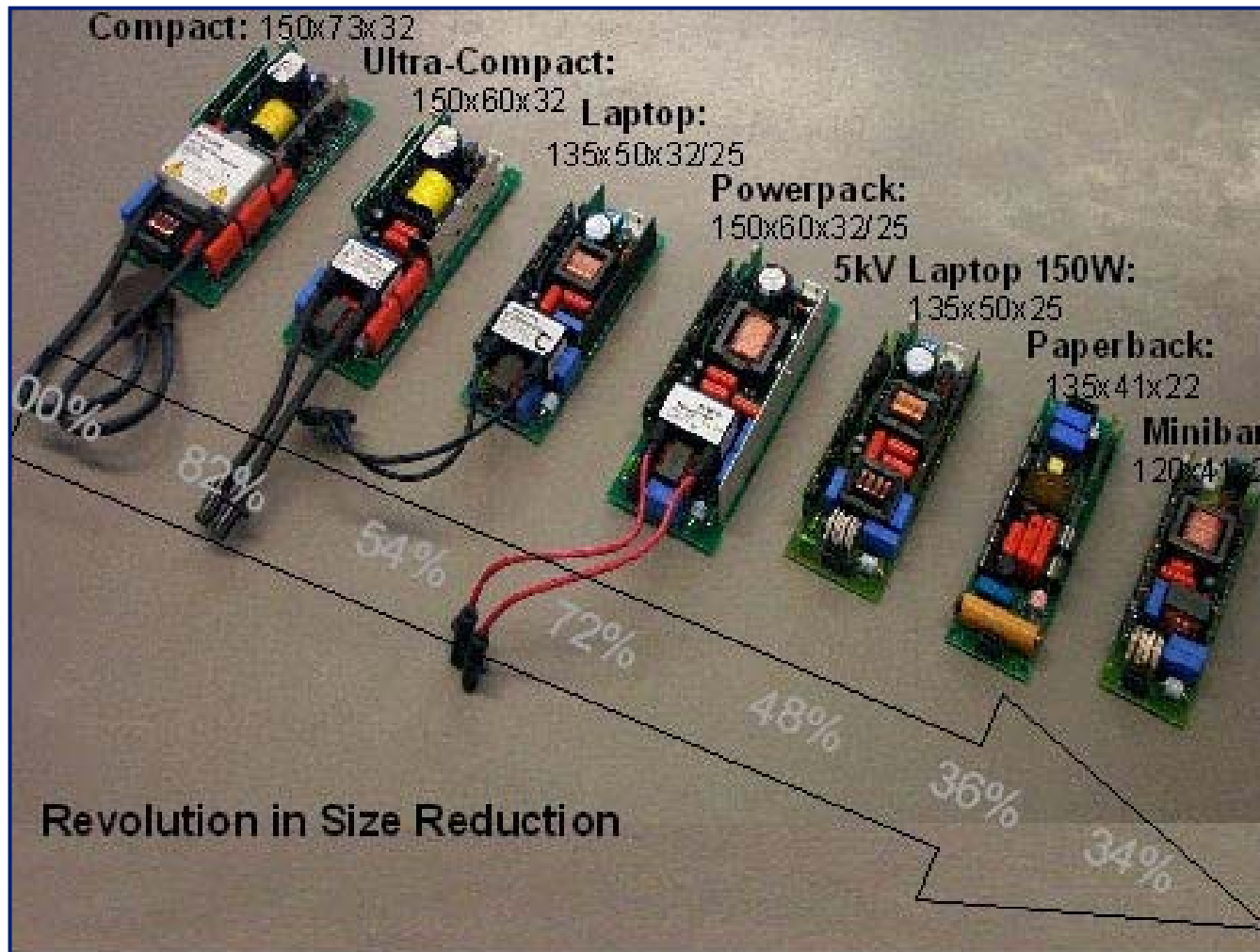


HalogenA



Blown bulb  
halogen

# UHP Miniaturization



**PHILIPS**

# Xenon Car Lighting



# Projection systems

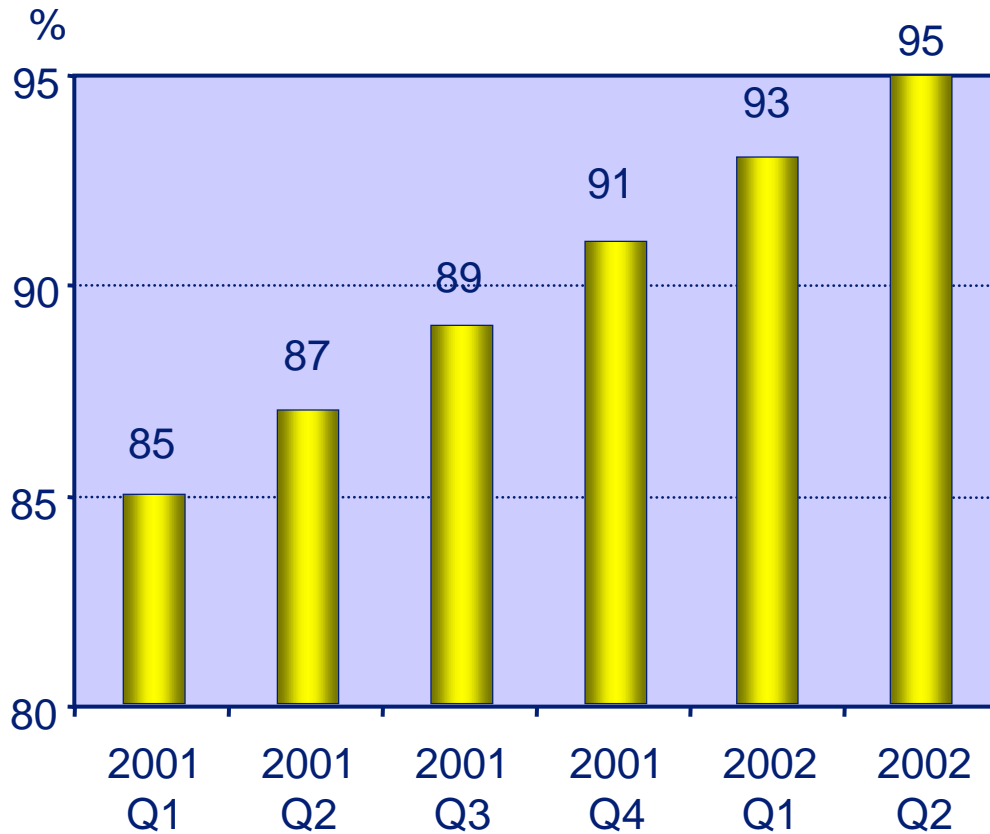


Ignited & driven by ... 

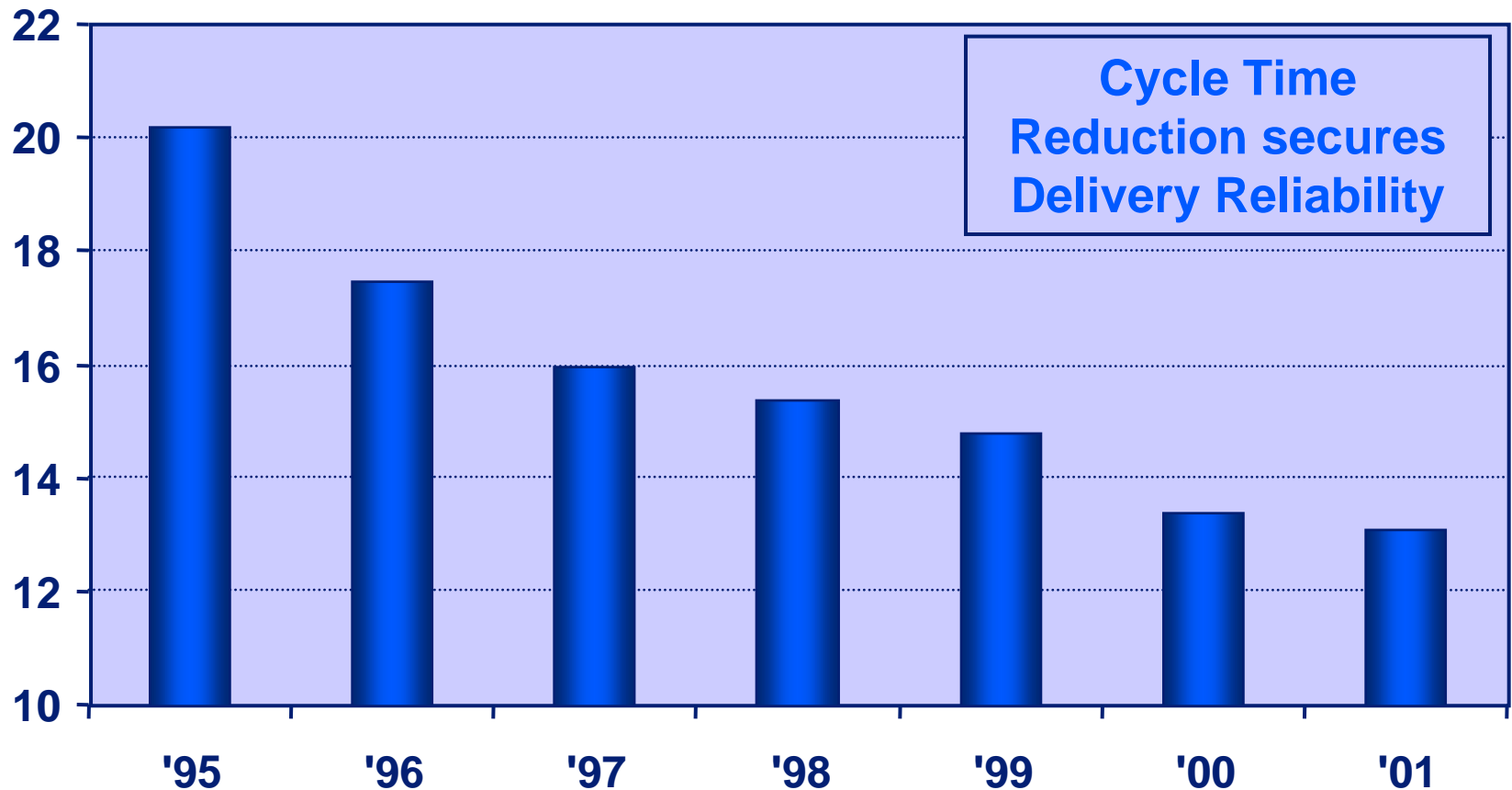
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- Philips Lighting: Position and Strategy
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- **Delivery reliability**
- Room for Improvement
- Continued Growth

# Delivery Reliability: complete & on time lamps world



# Inventory Reduction as % of Sales



# Agenda

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# BEST in Philips Lighting

## All metrics show ample room for improvement

- Applying model from European Foundation for Quality Management: from 500 points today towards 700 in coming years
- Business Balanced Scorecards: focus on essentials
- Improve Business processes
  - Cycle time reduction
  - Black Belts: growing population of process champions
  - Process Survey Tools: from 4 towards 7 level
- Quality Improvement Competition: from 30 towards 40 % participation

# Improvement in Lighting Electronics

## **Already implemented:**

- Global Supply Base organization
- Standard manufacturing processes world-wide
- Product Platform management
- Technology Management approach

## **Further room for improvement:**

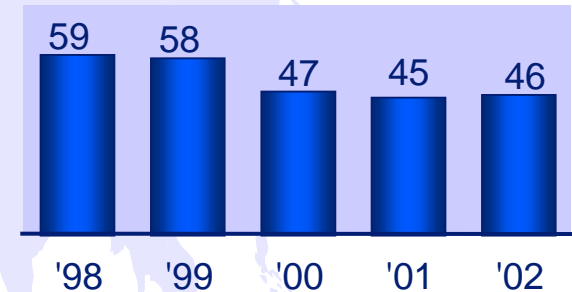
- Uniform way of working across development centers
- One common IT infrastructure  
(copy Philips CE/Semiconductors)
- Linking of product development to manufacturing
- Increase commonality of components

# Industrial Direction

## Optimize the global industrial asset base:

- Inter-regional support supplies
- Non-consolidated participations
- Re-use of “existing” equipment
- Structural purchasing or outsourcing

BG Lamps factories



## Realization of ‘world class’ industrial performances:

- Standardization of machine platforms
- Process and maintenance management
- Updating & refreshment industrial competencies

# Agenda

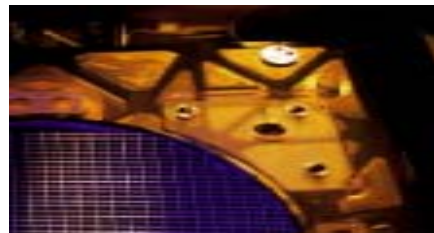
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# Expansion in China

- Large market potential
  - 180 cities with more than 1 mio people
- We create and extend distribution
  - With 100+ preferred partners
  - Internet enabled, for streamlining supplies, inventories, cash
- Growing (already leading) market share
- Industrial presence for all Business Groups
- Start for outsourcing
- Track record of profitability



# Philips Extreme Ultra Violet for Next generation Wafersteppers (2007)



# Solid State Lighting

## LumiLeds (50/50 JV with Agilent):

- Continued growth and improving technology
- Current focus on Automotive and LCD Backlighting

## Short term application of LEDs:

- Image builder for lighting industry (Decorative)
- Used as signal source (looking into the light vs illumination)
- Customized LED modules

## Long-term (> 5 years) shift to Illumination

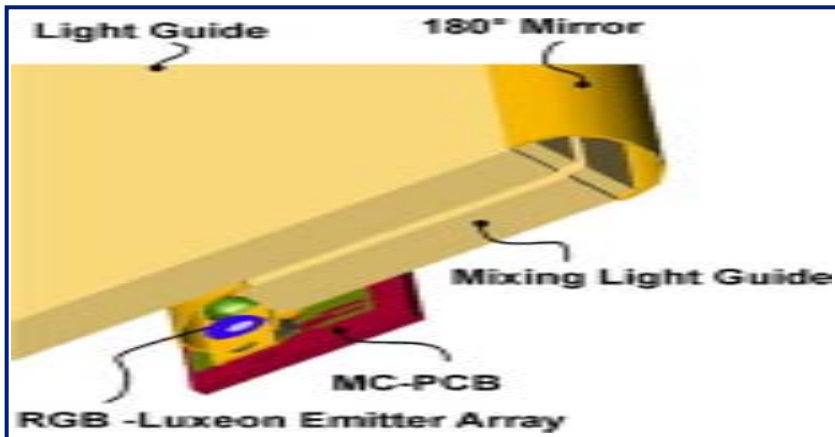
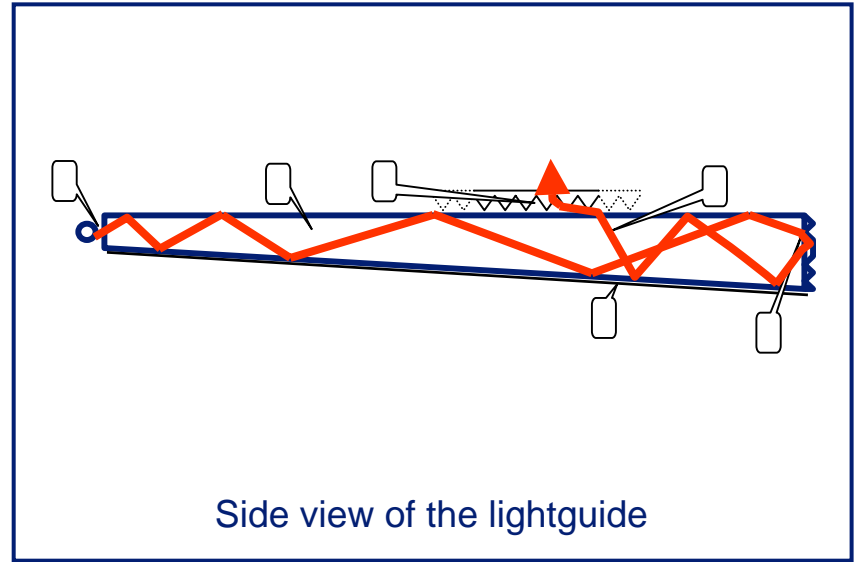
- Strong double digit growth
- Strong margin business



Philips Lighting in-road signs for traffic guidance



# LCD Backlighting with LEDs



# Philips Lighting – Setting the Pace

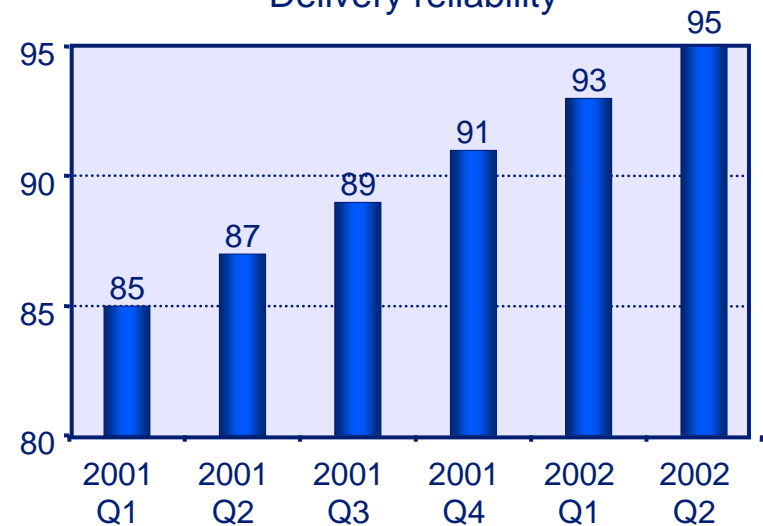
## Continued Growth:

- Market share gain:
  - USA - Home depot
  - APR - China distribution expansion
  - Europe - Consumer marketing strategy
- Portfolio enrichment:
  - Solid state lighting

## Continued improvement:

- Innovation
- Marketing excellence
- Delivery Reliability
- Cost and asset control

Delivery reliability



Inventory reduction

