



Positioning PCC for the Future

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Agenda



- PCC Today
- PCC Mission Statement
- Initial Challenge
- Achievements in Wireless
- Wireless Market
- Current Focus PCC
- Foundation for the Future

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PCC Today



- Includes:
 - Wireless
 - Wired

 Focus on wireless (80% of total business)

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PCC Wireless at a glance



- Headquarters: Paris, France
- Employees: About 4,000 worldwide

- Manufacturing and Development Centers:

- Le Mans / France
- Singapore
- Sunnyvale / US
- Shenzhen / China



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PCC Mission Statement



- To provide integrated digital wireless solutions to consumers at home and on the move
- To realize sustainable profitable growth to Philips and its partners
 - Become a profitable key challenger to the Top-3 players
 - Achieve 10% market share in GSM
 - Become the driver for wireless products & systems for Philips High Volume Electronics

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Initial Challenge September 1998



- Turnaround PCC into a viable business:
 - Realize sustainable profitability
 - Reengineer business processes driving the bottom line
 - Restore credibility with customers

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Achievements in Wireless (1)



- 1998-1999 : GSM units sales growth 70%
- Operational improvement will result in a limited loss in 1999
- P&L regional responsibility
- Quality improvement with technical field return rate on par with the industry with new product range Savvy

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Achievements in Wireless (2)



- Q1 99 - Q4 99 service cost reduction from 17% to 7% (of total sales)
- 4 new GSM products launched in 1999 according to revised roadmap:
 - Savvy & Savvy DB
 - Xenium
 - Genie 2000
- Savvy in 10 major operators programs world-wide
- Xenium launched in key markets: China, Germany, Italy

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Achievements in Wireless (3)



- **Business process reengineering of the most critical activities:**
 - P & L in regions
 - First choice / repair service
 - Major account planning & management
 - Product creation process
 - Product life cycle management
 - Supply / demand process

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Massive cost reductions



- **Reduction in service costs**
- **Overall headcount reduction**
 - Divestment of paging activities
 - Return of wired activities in US to Lucent
- **Outsourcing manufacturing to low wage countries:**
 - Wired analog to China, wired digital to Eastern Europe
 - Increase capacity GSM via outsourcing in Eastern Europe and expansion China JV

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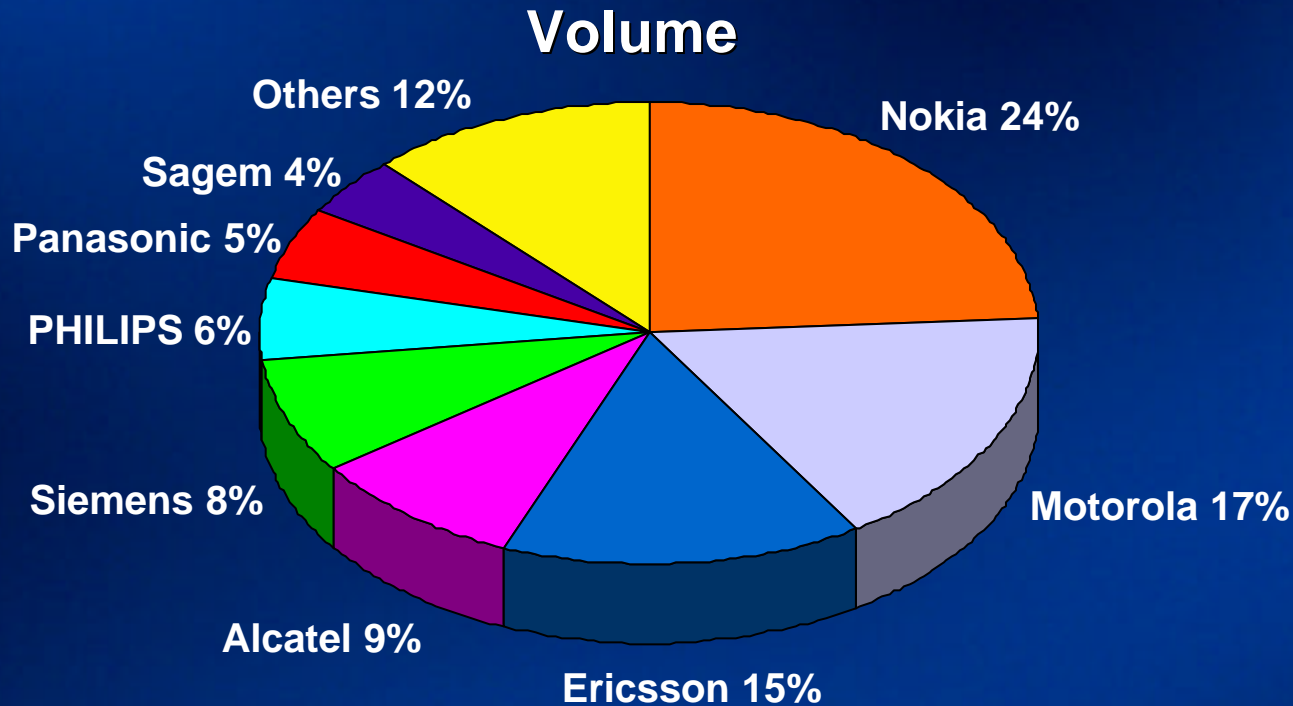
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GSM Europe Marketshares

January - June 1999, Percent



➔ Small increase in market share Europe



Source: Infosource - Autumn 1999

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GSM Asia Market



- Asian market share grew from 6% to 7% (excluding China)
 - Cooperation with major operators
- Reengineering of China activities
 - New channel approach
 - Restructure of marketing/sales operation
 - Improvement of Shenzhen operation
 - Catch up with new product introduction Xenium

 **Market share growth in China is anticipated**

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Current Focus PCC



- Achieve organic growth objectives through focus on:
 - GSM
 - Europe and Asia
 - Consumer segments

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Achieve Organic Growth Objectives



- Increase Frequency of Product and Feature Introduction
- Reduce Product Cost
- Optimize Industrial & Supply Chain Structure
- Improve Price positioning through
 - Differentiation
 - Increased Brand Awareness
- Grow Sales with Strategic Partners

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Improve Price Positioning through Differentiation



Segment

Range differentiators

Low

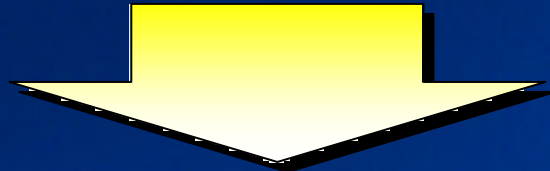


Mid

- Design
- Voice Recognition
- Audio



High



Identify and implement range and segment differentiators relevant to consumers

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Increase Brand Awareness



- Increase media spending in 2000 in line with market position
- Bring products into Philips worldwide Brand Campaign Program
- Work with Strategic Partners on joint marketing programs

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Increase Sales With Strategic Partners



Europe:

- France Telecom
- Cellnet, Orange
- TIM, Omnitel
- Telefonica
- T-Mobil, D2, E-Plus
- KPN, Libertel

Asia:

- Telstra, Optus Mobile
- Far Eastone
- Hutchison Telecom
- Singtel
- TAC

- Qualification of key partners
- Major account planning and business development
- Strategic planning sessions, early involvement in Product Creation Process

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Foundation for the future



- Reached position to consider options for the future:
 - Scale in GSM and its evolution
 - 3rd Generation
 - Video/Audio
 - Value Added Services

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