Open Innovation as an Important Growth Driver

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Royal Philips Electronics

- One of the largest market driven global diversified industrial company with sales of EUR 27 billion in 2007
- A people centric company with a multinational workforce of 123,000 employees
- Active in the areas of Healthcare, Lighting & Consumer Lifestyle
- Manufacturing sites in 28 countries, sales outlets in 150 countries
- R&D expenditures are 6.1% of sales (2007)
- 60,000 patents in IPR portfolio, no 1 in European patent filings
Philips Mission

Philips has reinvented itself many times. Our core and corporate soul has always remained intact. It has been at the heart of our company since its foundation in 1891. We have a passion to …

“Improve the quality of people’s lives through timely introduction of meaningful innovations”
Our Brand

Philips is committed to delivering products and solutions that are

• Designed around you
• Easy to experience
• Advanced

This is encapsulated in our brand promise of: ‘sense & simplicity’
Our Market Sectors

**Philips Healthcare**
- Imaging Systems
  - Intermagnetics
  - Witt
  - VMI
- Customer Services
- Healthcare Informatics
  - Stentor
- Ultrasound & Monitoring Solutions
- Home Healthcare Solutions
  - Lifeline, HealthWatch
  - Respironics

**Philips Lighting**
- Lamps
- Professional Luminaires & Systems
  - Color Kinetics
- Home Luminaires & Systems
  - PLI, Genlyte
- Lighting Electronics
  - Bodine
- Automotive
- Solid State Modules
  - TIR Systems
- Lumileds
- Special Lighting Applications

**Philips Consumer Lifestyle**
- Domestic Appliances
- Health and Wellness
  - Avent
- Shaving and Beauty
- Connected Displays
- Peripherals and Accessories
  - Power Sentry, DLO
- Video and Multimedia
- Audio and Multimedia
- Professional and Business Solutions

*Acquisitions in Blue made in the last 2 years.* Abbreviations: PLI: Partners in Lighting; TIR: TIR Systems; DLO: Digital Lifestyle Outfitters;
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Track record in innovation

1891
1927
1930’s
1940’s
1960’s
1981
1999
2004
2005
2006
2007
2007

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About Philips Research

- Over 90 years of industrial research
- 1,800 employees, more than 50 nationalities
- 600 PhDs
- 25 Part-time Professors
- Mix of expertise areas
- Source of R&D talent
- 750 external visitors
- 1.5 patents filed per scientist/year
- 0.6 reviewed publications per scientist in 2007, frequently cited
- Strong track record in innovation
Focus on Healthcare, Lifestyle & Technology

Healthcare

Solutions for people that need medical care and attention

Lighting

Differentiating modules that create high entry barriers for competitors

Consumer Lifestyle

Solutions for people that live a balanced and joyful life

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Global Research with regional representation

- **Eindhoven**: Healthcare, Lifestyle, Technology
- **Cambridge**: New business
- **Hamburg**: Healthcare
- **Aachen**: Lighting, Healthcare
- **Shanghai**: Emerging markets, Network
- **Briarcliff (NY)**: Healthcare, Network
- **Bangalore**: Emerging markets

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Filling the innovation pipelines

- Ideation
- Pre-Seed
- Seed
- Alpha
- Beta
- Growth

Businesses
Incubation
Continuously testing on consumers

HomeLab  ShopLab  CareLab
The scope of innovation continues to change

- **Pure Research**
  - Technology
  - Closed
  - Individual activity
  - Division oriented
  - Scientific attitude
  - Corporate funding

- **Product Research**
  - Products
  - Selective partners
  - Project activity
  - Client oriented
  - Engineering attitude
  - Contract funding

- **Entrepreneurship**
  - Experiences
  - Open
  - Business start up
  - Customer oriented
  - Innovation attitude
  - Investment funding

1980 1990 2000 2010

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Different types of people over time

- Scientists
- Individualists
- Curiosity driven

- Engineers
- Team players
- Technology driven

- Creators
- Entrepreneurs
- Business driven

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Our Open Innovation strategy

• What is it:
  – Innovation done in co-operation with external partners: companies, institutes, universities.

• We do it to:
  – Create value for Philips by leveraging expertise of others
  – Create critical mass to cope with ever increasing complexity
  – Be able to define standards
  – Reduce time to market by co-operating with partners in the value chain
  – Reduce cost and share risk
Open Innovation at HTC Eindhoven

> 75 companies
> 6500 people

Corporate innovators
Research institutes
Consultancy & services
Start Up companies
Shared facilities

MiPlaza facts and figures
- Total clean room area 5000 m²
- Life Sciences Facilities 2200 m²
- Molecular analysis lab 2000 m²
- Total staff > 200 employees
- Turnover > 30 MEuro

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Holst Centre

- Joint centre of TNO (4500 fte, Netherlands) and IMEC (1300 fte, Belgium)
- Created in 2005, co-funded by government and industry
- More than 120 fte in 2007; 220 fte planned for 2010
- Wireless transducer solutions; system in foil
Center for Translational Molecular Medicine

A public-private partnership initiative headquartered at HTC

- Medical Technology, Pharma, Chemical & IT companies, Instrumentation, Molecular Diagnostics ventures
- Universities and University Medical Centers
- Contribution from the Dutch government of 150 M Euro

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In conclusion

• Achieved so far:
  – Entrepreneurial spirit
  – Eco-system in Eindhoven starts to work

• Focus for coming years:
  – Explicit policy on share / access / control
  – More high-tech starters at HTC
  – More big players at HTC