

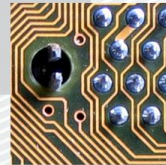
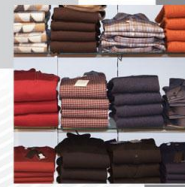
**There will be silence
before we begin.**

There is no separate dial-in number.
Audio will be transmitted over your
computer. Please adjust the sound and
volume accordingly.

Worldwide Manufacturing 2011 Top 10 Predictions

Finding the Cadence of Growth

Web Conference – January 13, 2011



Logistics

- Submit your questions via the chat window at any time
- You can download slides using the “Download Slides” button
- “Enlarge Slides” button for improved view; to return to view with chat, open that window
- Volume controls on the upper left of the console (above the time clock) and on your computer
- Web conference replay available within 2 days (e-mail will be sent as a reminder)
- Visit our Predictions web site at www.idc.com/predictions2011. As reports are published, they will be shown on the “IDC Insights” tab. The Predictions web conference events are shown on the “Events” tab
- IDC Manufacturing Insights Community: <http://idc-insights-community.com/manufacturing> - *Special Offer*: Become a member and download a FREE copy of our Worldwide Manufacturing 2011 Predictions report (in the “Resources” section for members), Document # MI226362
- To participate in the survey at the end, please disable your pop-up blocker
- Email: info@idc-mi.com; web site: www.idc-mi.com
- For upcoming Web conferences: www.idc-mi.com and click on the “events” tab (or sign up for our newsletter from our web site’s home page and you will be notified by email automatically)
- Today’s speakers:



Robert Parker
Group VP
rparker@idc.com



Joe Barkai
Practice Director
jbarkai@idc.com



Sheila Brennan
Program Manager
sbrennan@idc.com



Simon Ellis
Practice Director
sellis@idc.com



Kimberly Knickle
Practice Director
kknickle@idc.com



Pierfrancesco Manenti
Research Director
pmanenti@idc.com



Sanjeev Pal
Research Manager
spal@idc.com

Why Predictions?

- **Goal:** Identify trends that impact manufacturing business and Information Technology decisions. Preview the IDC Manufacturing Insights research agenda.
- **Process:** Drawn from IDC and IDC Manufacturing Insights studies, industry contacts, and our own industry experience.
- **Bias:** We focus on the transformation of major manufacturing processes and how IT enables that transformation.
- **Time Frame:** Predictions are focused on 2011, but will have a long range impact.

Predictions Palooza

Value Chain Segments

Asset Oriented Value Chain



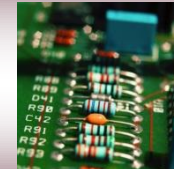
Chemicals, Metals, Pulp/Paper...

Engineering Oriented Value Chain



Automotive, Aerospace, Machinery, ...

Technology Oriented Value Chain



High-tech, Semiconductor,...

Brand Oriented Value Chain



Fashion, Food&Beverage,...

Process Domains

Supply Chain Strategies



Product Lifecycle Strategies



Operations Technology Strategies



Emerging Agenda

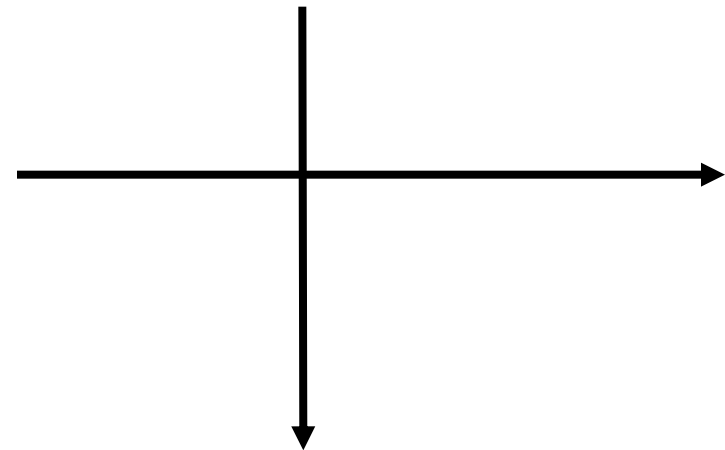


IT Strategies



Look at a segment across domains

Look at a domain across segments



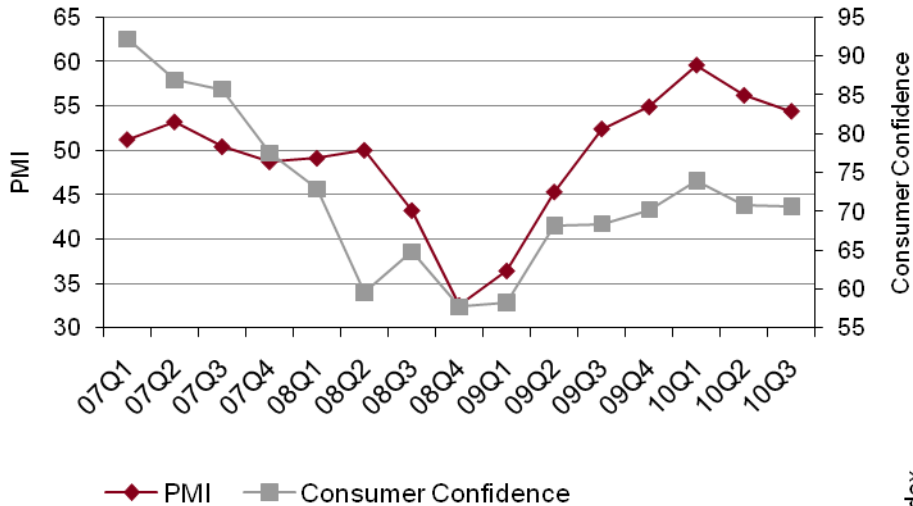
Agenda

- Economic Conditions Entering 2011
- Trends by Value Chain
- Predictions
- Essential Guidance

Recovery Momentum

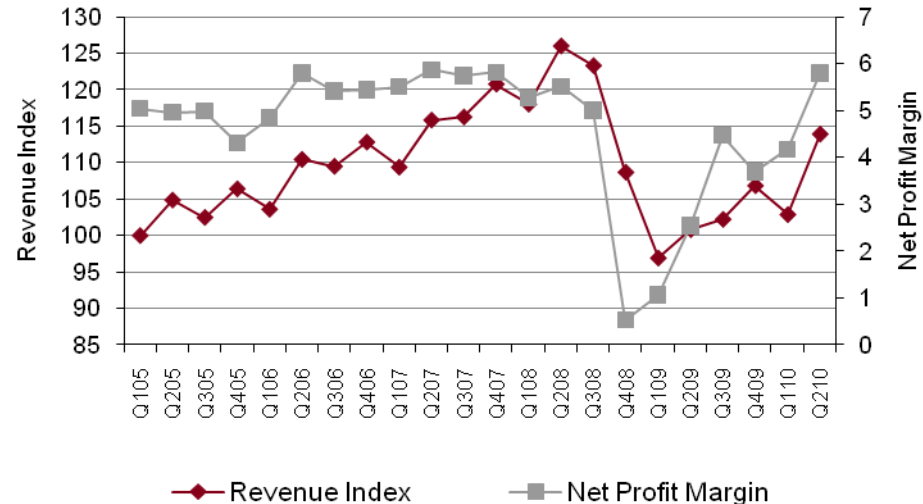
	2007	2008	2009	2010
DJIA on 10/9	14,279	8,579	9,865	11,006
Oil on 10/9	94.83/bbl	76.77/bbl	73.80/bbl	82.50/bbl
\$ to € on 10/9	.709	.732	.690	.720
Michigan October Consumer Sentiment	80.9	57.6	70.6	67.7
ISM PMI for Mfg. – October	50.9	38.9	55.7	56.9

Manufacturing Recovery & Results



Manufacturing surges while Confidence plateaus

Profitability returns but Revenue remains off its peak

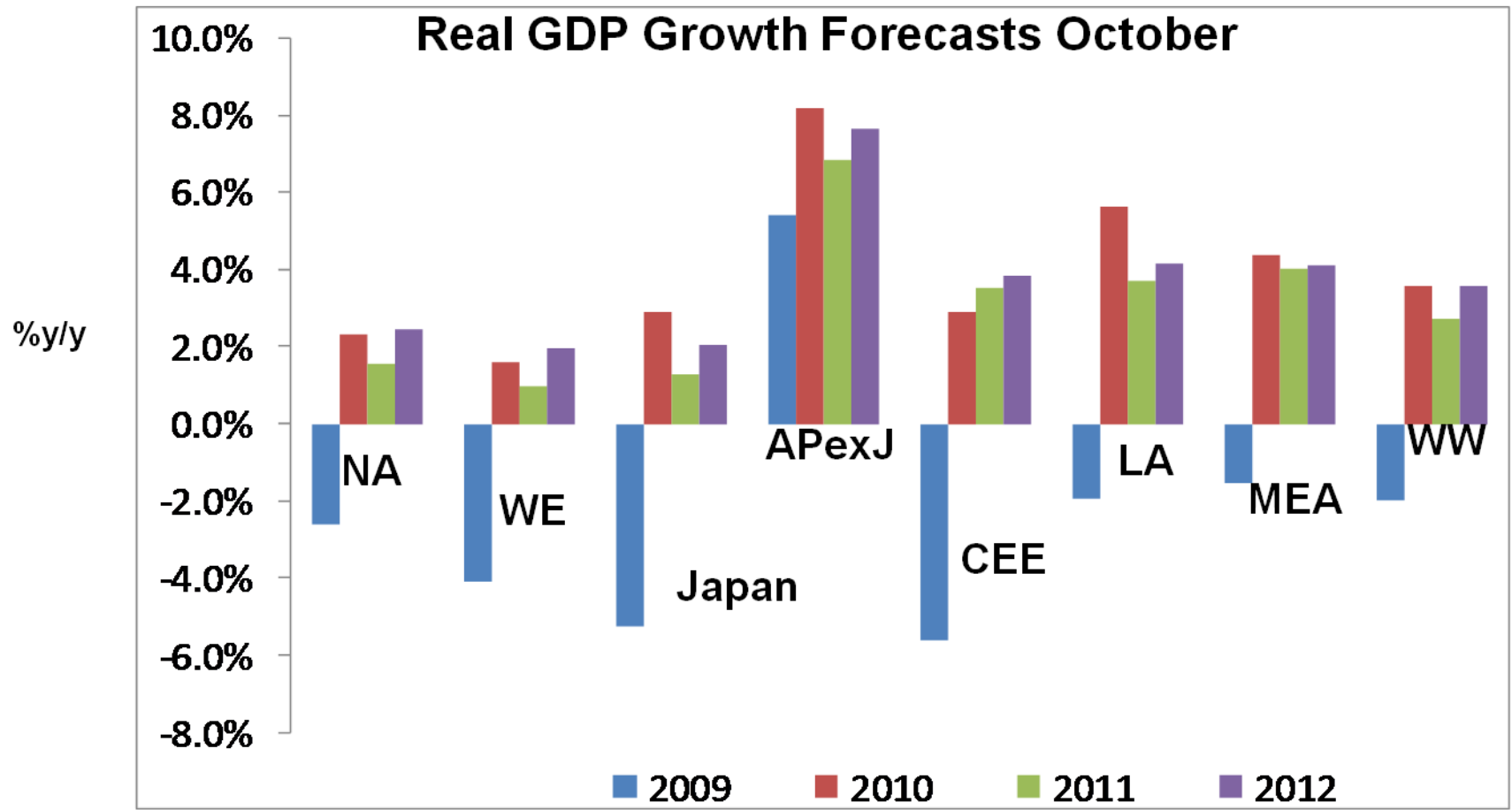


Dealing with the Intelligent (Fickle) Economy

“The biggest issue we face is uncertainty surrounding the strength of the U.S. consumer. Unfortunately, if you look at the combination of higher unemployment, the sluggish housing market, and general concerns about the strength of the economic recovery, those undermine consumer confidence – and that's the biggest issue.”

– Stephen Roell, Johnson Controls

Temporary Slowdown in 2011



Source: EIU

But a Double Dip?

Healthy Recovery (75%)

- Factory investment
- Stalwarts are exporting
- Asia has quick recovery
- Europe slowly coming back
- Retail sales
- Housing improving
- Cash reserves

Double Dip (25%)

- Over capacity
- Currency wars
- Social unrest/China bubble
- Greece, Ireland
- Materials/agriculture prices
- Foreclosure mess
- Investment options

AOVC Trends



“For the full year 2010 we expect to post record profitability, providing a solid foundation for our growth ambition. The markets we serve continue to display favorable dynamics, giving us confidence as we approach 2011.”

– Jean-Pierre Clamadieu, Rhodia

US Spend (USD)	2010	2011	Growth
Chemical	6,538	6,907	5.7%
Metals	1,313	1,372	4.5%
Pulp/Paper	3,482	3,612	3.7%
Other Process	8,430	8,735	3.6%

Source: IDC Manufacturing Insights Worldwide Spending Guide

BOVC Trends



“As we turn to 2011, while our global budget process is still in its initial stages, we are planning to strengthen our volume and market share, driven by many new and existing Colgate products supported by increased advertising, and consequently we anticipate mid-single digit earnings per share growth for the year.”

– Ian Cook, Colgate-Palmolive

US Spend (USD)	2010	2011	Growth
Apparel	7,310	7,821	7.0%
Food/beverage	5,335	5,699	6.8%
Health/beauty	3,213	3,425	6.6%
* CPG Overall	21,005	22,412	6.7%

* CPG includes additional segments beyond the 3 listed
 Source: IDC Manufacturing Insights Worldwide Spending Guide

EOVC Trends



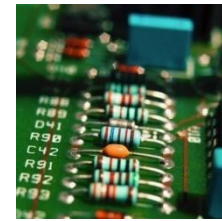
“The key drivers for improvement in 2011 will be our growing product strength, a gradually strengthening economy and an unrelenting focus on improving the competitiveness of all our operations.”

– Alan Mulally, Ford

US Spend (USD)	2010	2011	Growth
Auto	10,024	10,475	4.5%
Aero	7,360	7,674	4.3%
Other Discrete	18,261	19,320	5.8%

Source: IDC Manufacturing Insights Worldwide Spending Guide

TOVC Trends



“Samsung faced a challenging business environment including declining demand for PCs and TVs, along with a continued economic slowdown in developed markets. Despite this, we achieved strong revenue growth and profitability, which was built upon our cost competitiveness in memory semiconductors and increased sales of cutting-edge products such as smart phones.”

– Robert Yi, Samsung Electronics

US Spend (USD)	2009	2010	Growth
Components	6,988	7,349	5.2%
Equipment	5,807	6,103	5.1%
Other High Tech	2,634	2,749	4.4%

Source: IDC Manufacturing Insights Worldwide Spending Guide

Overall Industry Predictions

- Companies will seek business models that better manage complexity while calibrating to an uncertain economic recovery:
 - Complexity versus Complication
 - Organization structures promote self organizing principles
 - Financial flexibility + organizational fluidity = improved market response
- IT organizations will re-write strategies to make foundational investments that improve productivity while creating new decision environments for the business
 - Not just dusting off the pre-recession project plan
 - New IT infrastructure efficiencies – cloud, services, wireless
 - Active Domain Models (ADM) for product, supply, demand, and operations management
 - New frontiers for SHOMI, other established, and new vendors

Supply Chain Predictions

- Manufacturing supply chain organizations, recognizing the inherent complexity in their global supply chains, will look for ways to drive out unnecessary complication through segmentation, simplification, and the use of business intelligence
 - Complexity is THE REALITY as a result of global trade, extended supply, and shortened product lifecycles
 - Complication has been the result in business process, IT applications and inefficient decision-making
 - Embrace the complexity, fight the complication
- IT vendors will continue to develop BI and analytics that enable manufacturers to improve decision making at the strategic, tactical, and operational levels, with a focus on enhancing visibility and responsiveness
 - Dynamic optimization
 - Resources, risks, and outcomes
 - In full financial context
 - Operating control and customer service in real time

Product Lifecycle Predictions

- Manufacturers will seek to improve product management process productivity while building competitive advantage by handling complexity
 - Lean innovation
 - Reverse innovation, good enough technology
 - Optimizing vitality and stability
- Manufacturers will use PLM to govern an increasingly broader range of product life cycle activities
 - Relationships with primary PLM vendors become increasingly strategic
 - Deeper relationships don't lessen the market call for more open standards
 - Geometric models meet product decision models
 - The return of system engineering

Operations Technology Predictions

- Factory investment will be driven by capabilities rather than capacity
 - Investment despite low utilization
 - Discrete – additive processes, electrification/embedded systems
 - Process – demand proximity, regulatory oversight

- Operating platform investment will create the hub for optimizing execution
 - Connects to product, supply, and demand externally
 - Connects to financials, asset management, and human resources internally
 - The need to unify measurement continues to drive investment

Value Chain Collaboration Prediction

- Value chain captains will put a stake in the cloud to level-set technology capabilities and support information sharing and collaborative processes
 - Elongating supply chains and demand chains strain information sharing needs related to responding to demand variability, raw material price changes, new regulation requirements, sustainability, and risk management
 - Inconsistent technology capabilities along the value chain restrict competitive capabilities, impose additional costs, and negatively impact service levels
 - With relationships increasingly being supported online, value chains look to the social business framework for support

Mobility Prediction

- Manufacturers will invest in learning how to incorporate mobility applications and smart devices into the business, while balancing IT management concerns with employee enthusiasm
 - Good and bad surprises are ahead as manufacturers explore mobility, but conversations with the users create use cases
 - Mobility applications and smart devices don't always replace other data collection methods, they also support new processes
 - IT organizations that stall on setting mobility policies will find themselves struggling to exert the types of control that serve their customers and enable them to manage their resources effectively

Essential Guidance

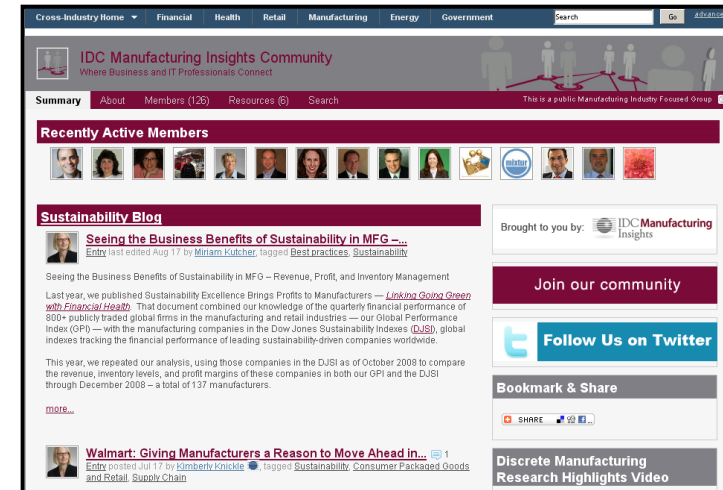
- Compose position papers for key IT productivity investments
 - Create an information management program office
 - Set a cardinality of applications and make sure the most critical are built on modern architectures
 - Rationalize the portfolio of analytic tools
 - Get control of collaboration platform (Sharepoint) deployments
- All leading to the creation of Active Domain Models that assist in capitalizing on complexity

Questions and Answers

- Have you joined our IDC Manufacturing Insights Community?
<http://idc-insights-community.com/manufacturing>

Features Include:

- Analyst Blogs and Videos
- Discussion Forums
- Resource Library/Complimentary Research
- Networking – Invite, Find and Interact with Analysts and Other Members
- Polls
- Events Calendar
- Special Offer:** Become a member of our Community and download a FREE copy of our Worldwide Manufacturing 2011 Predictions report (in the “Resources” section for members), Document # MI226362
- Visit www.idc.com/predictions2011
 - Reports will be shown on the “IDC Insights” tab as they are published
 - Web Conferences are on the “Events” tab



Our Predictions Reports will include the following (this is a partial list):

- Worldwide Manufacturing 2011 Top 10 Predictions, Document # MI226362
- Worldwide Supply Chain 2011 Top 10 Predictions, Document # MI226394
- Worldwide Product Lifecycle Management 2011 Top 10 Predictions, Document # MI226394
- Worldwide Asset-Oriented Value Chain 2011 Top 10 Predictions, Document # MI226413
- Worldwide Brand-Oriented Value Chains 2011 Top 10 Predictions, Document # MI226402
- Asia/Pacific Manufacturing 2011 Top 10 Predictions, Document # AP939720IT

Sign up for our free monthly newsletter: follow the newsletter graphic on our home page:
www.idc-mi.com

Appendix

IDC Overview

- IDC (International Data Corporation) is the premier independent global market intelligence, events, and advisory firm for information technology, telecommunications, and consumer technology markets
- More than 1,000 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 50 countries
- We have been delivering IT intelligence, industry analysis, market data, and strategic guidance since 1964
- Our multilingual, multicultural workforce surveys over 250,000 technology users and decision makers annually, delivering unrivaled coverage
- IDC is a subsidiary of IDG, the world's leading technology media, research, and events company



IDC's Global Network of Country Offices



IDC's Family of Industry Lines of Business: *Insights*: Industry-Specific Advisory Services



- *Insights* are a series of industry-focused lines of business within IDC
- Each *Insights* focuses on technology-enabled business innovation within a single industry
- *Insights* leverage 40+ years of IDC research methodologies and processes
- Agile start-ups with a global footprint

IDC Manufacturing Insights covers supply chain modernization, next-generation product lifecycle management, and operational technology

IDC's New IT Executive Programs

- IDC's IT Executive Programs consists of a family of research programs intended to help today's time-constrained IT executives make more effective technology decisions. The goal of the program is to offer accurate and timely research that will assist IT executives in mitigating technology risks, maximizing the effectiveness of IT investments, identifying and capitalizing on new opportunities, and bringing forth solutions that are aligned with the organization's business objectives.
- Our flagship offering in the series, the Executive Technology Advantage Program, includes a strategic partnership with IDG's CIO Executive Council, a global peer advisory community of 750 global enterprises and more than 1,400 IT leaders. Through this new partnership, IT executives will have exclusive access to IDC's team of 1,000+ global analysts, IDC Insights industry specific research, and the CIO Executive Council's member CIOs, offering a global resource to help accelerate the decision-making process. The new offering brings together two of the most powerful brands in the IT industry.
- Our IT Executive Programs offer a range of services that align with the needs of IT executives – from very personalized guidance with a CIO advisor to specific research to assist with critical decision making.
- For complete details visit www.idc.com/iep; email us at insights@idc.com.

