About Boston Strategies International

Supply Chain Strategies

Cost Leadership
Reliability
Customization
Innovation

Consulting Services

Sourcing & Negotiation
Demand Planning
Logistics
Marketing Strategy
Representative Clients
Agenda

• The Playing Field
• New Economic Realities
• Demand and Sales Outlook
• Strategies for Success
The Playing Field
Industry Capacity and Backlog

- Capacity utilization “bump”
- More available capacity
- Plant shutdowns
- Shortened workweeks
- Furloughs
Input Costs

- Copper roller coaster ride
- Electrical equipment and parts cost
- Creeping professional and engineering labor costs
New Economic Realities
Non-US Markets and Competitors

- Growth driven by Asia
- Emergence of Asian suppliers in Tier 1
- Major new deals
Price Pressure

- Deflation
- Performance of major vs. minor players
- Cost-cutting to match or exceed the revenue decline
- Aggressive firms managing gross margin
- Destocking to reduce working capital
Lead Time Competition

- Delivery time as a competitive differentiator
- Custom motor lead time manufacturing cycle time
- Productivity increases driving further decreases
- The dynamics of the rebound
Demand and Sales Outlook
2010

- US
- Europe
- Asia
NEMA Premium Impact

- NEMA MG1 premium efficiency standards
- Scope: single-speed, polyphase, 1-500 horsepower, 2, 4, and 6 pole, squirrel cage induction motors, of NEMA Design A or B, that are continuous rated.
- All fire pumps
- 20% subsidy through matching grants on “Smart Grid” investments that include motors and drives
Capacity Outlook

• How much is enough?
• Cautious rebuilding with focus on emerging markets
• Profitability by motor type
Price Outlook

- US
- Asia
- By motor type
- By time period
Strategies for Success
Gaining Strategic Advantage

• Paired motors and drives
• Integrated motion solutions
• Companies to watch
Gaining Operational Advantage

Rationalisation

Lowest cost!

Innovation

Fast product cycles

Synchronisation

Lean

Customisation

Customer knowledge

Most Available!

Most personalized service or solution!

Staying Ahead of the Market

EVA Impact

- 30%+ Impact
- 4-6% EVA Impact
- 6-10% EVA Impact
- 15%+ EVA Impact

Rationalisation (Cost Containment)
- 1-4% Higher Net Margin

Synchronisation (Demand – Supply Balancing)
- 1-4% Higher Return on Assets

Customisation (Customer Interface Enhancement)
- 5-7% Higher Gross Margin

Innovation (New Product Velocity)
- 10%+ Higher Revenue Growth

Boston Strategies International is a global management consulting firm that helps market leaders achieve competitive advantage through supply chain management through:

- **Supply Chain Consulting** that helps supply chain leaders make high-stakes decisions
- **Cost Service** that helps plan and budget
- **Market Data** that helps identify emerging issues that affect their supply chains, and quantify the impact that they will have