

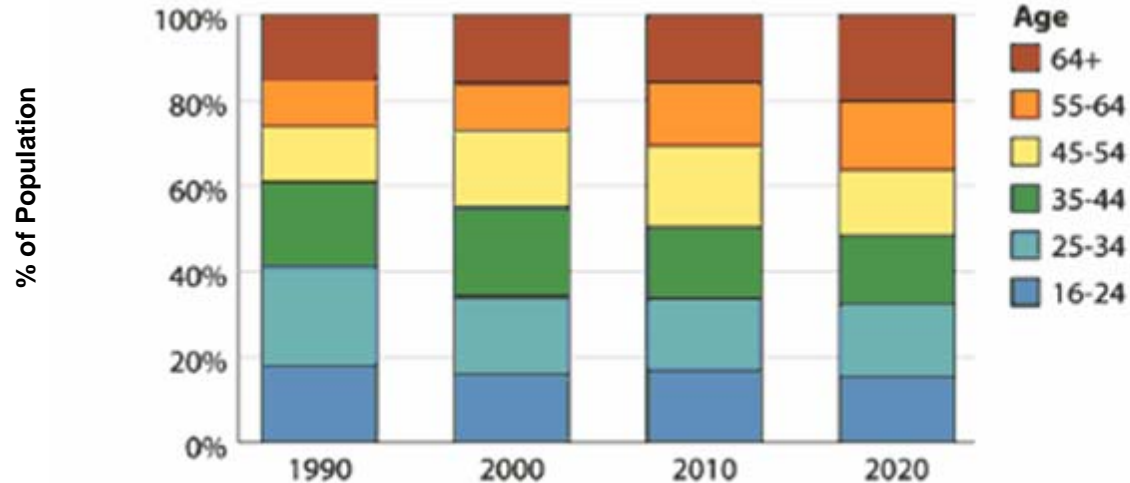


The Next Big Thing: 7 Ways for Dealmakers To Make Money Tomorrow

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Talent Shortage

US Demographic Trend

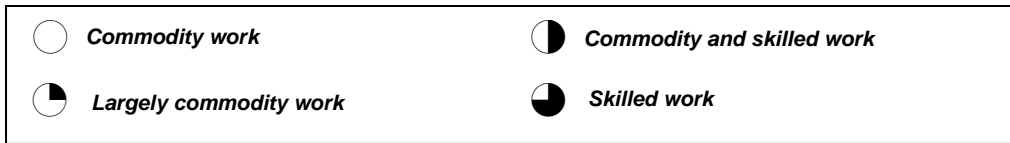
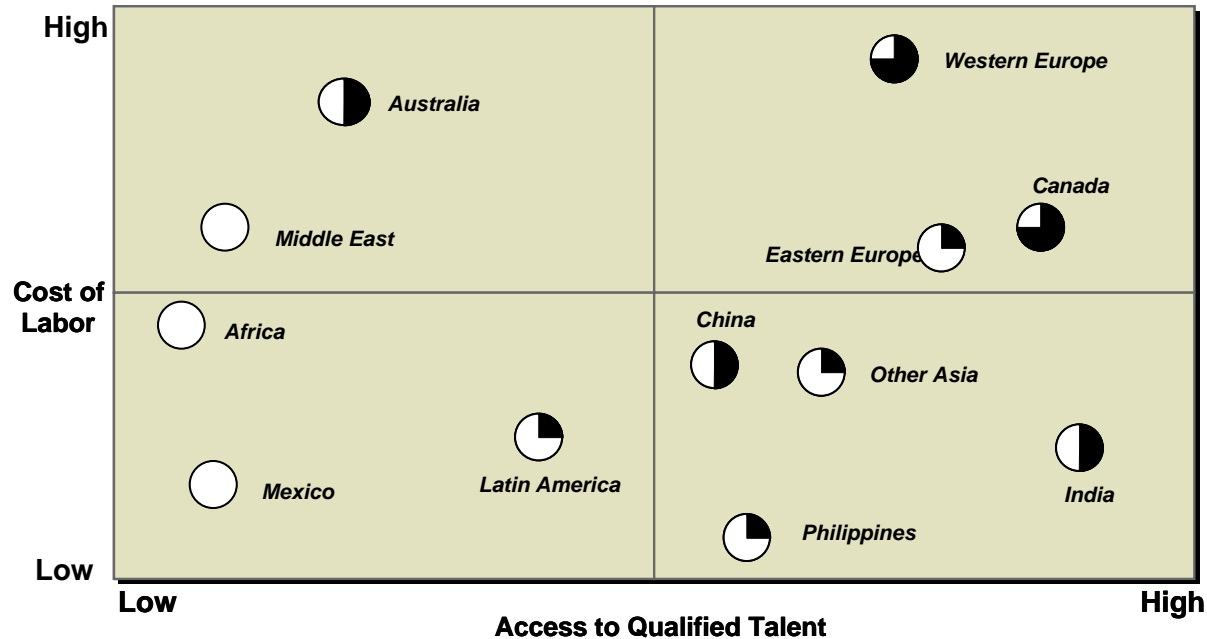


Source: Monthly Labor Review; Study commissioned by Microsoft, conducted by Forrester Research, Inc., 2003

- ▶ By 2020 over 35% of the US population will be over 55
- ▶ Typical retirement age is 55 in the oil industry and the average age of employees is 46 – 49

- ▶ Executive search, temporary staffing (including CEOs and scientists), outsourcing
- ▶ Corporate training, vendor training, vendor support
- ▶ Knowledge software (e.g. IT virtual management of resources like oil fields)
- ▶ Foreign Direct Investment

Supply Chain



▶ Investment in inefficient supply chains:

- Domestic automotive
- Domestic airline
- Domestic textile

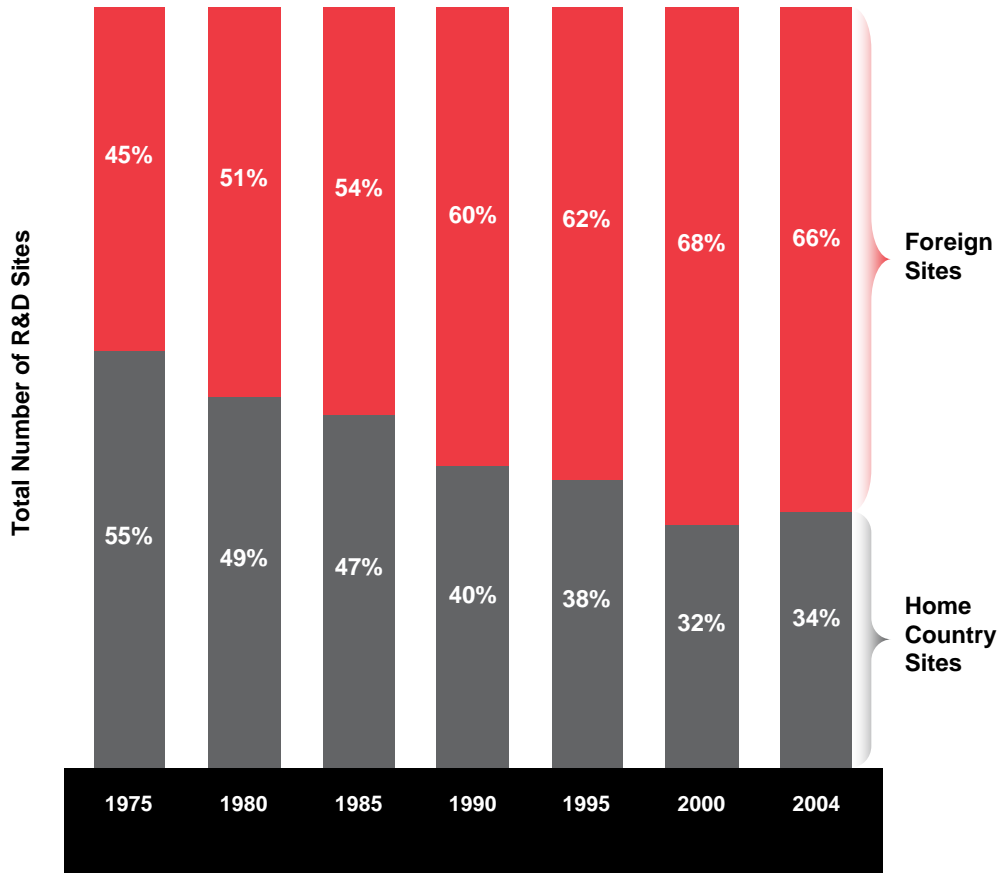
▶ Costly, inflexible labor (GM \$81/hr, Ford \$65/hr, Transplants \$40-50/hr)

- Confrontational supply relationships
- Paying for unfunded pension and OPEB liabilities

▶ Access to:

- Talent
- Low cost
- New markets
- Progressive supplier relationships (Honda/Toyota sourcing models)

Globalization of Research & Development



Survey of 186 companies in 19 countries, 17 sectors with 2004 combined R&D spend of \$76bn

- ▶ **Foreign R&D site growth**
 - 69% of projected R&D growth will be outside the United States
 - China and India will account for 77% of all newly established R&D sites between 2005 and 2008
- ▶ **Certain talent cheaper and more readily available abroad**
 - 32% of sites are developed for specific expertise
- ▶ **Investment continues:**
 - Multinationals migrating their R&D spend
 - Foreign direct investment in R&D intensive companies
 - Joint ventures with universities, Private-Public Partnerships

Software in Manufacturing



- ▶ Software used in a vast array of manufactured products (e.g. tracking movement and location)
 - RFID is moving past traditional tracking of products in transit and on store shelves
 - Monsanto, for instance, is using it to track soil condition and weather by embedding chips in crops
- ▶ Broad GPS functionality is coming of age:
 - Companies are able to track and handle goods, and respond to emergencies based on geospatial information
 - GPS is allowing for “location aware” business applications
- ▶ Investment continues in industrial application software, supply chain logistics, business communications, product design and development

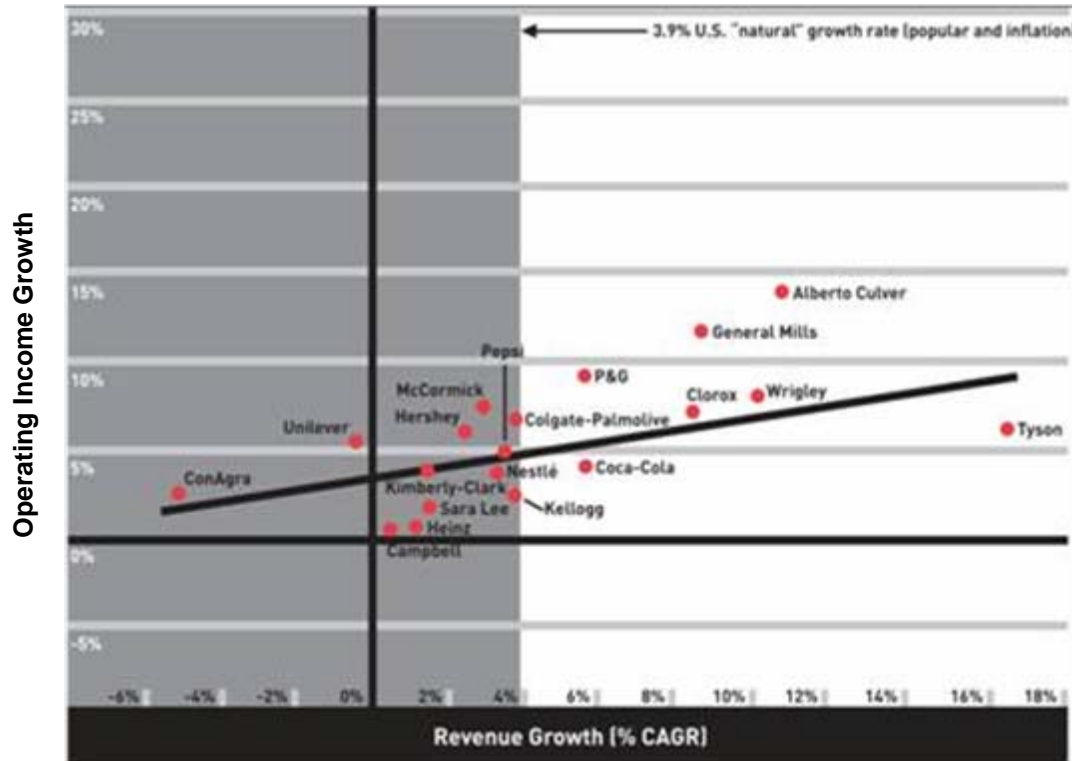
Simplicity Sells



- ▶ **Products becoming simpler in use and richer in design**
- ▶ **User-adoption tribulations**
- ▶ **Rise of easy use dedicated function products**

- ▶ **Easy user experience that does not require pre-reading (iPOD, iPhone, Garmin)**
- ▶ **Industries, such as the cell phone market where a “complexity gap” exists, sets the stage for a possible shakeup, such as the one Apple may create as they enter the phone market**
- ▶ **Investment in:**
 - **User-oriented product design**
 - **Consumer research**
 - **Commercialization of new consumer technologies**

Consumer Growth



- ▶ CPGs struggling to outpace 3-4% natural growth rate (e.g. population growth plus inflation is 3.9%)
- ▶ CPGs are forced to balance strong global recognition with local, customized preferences
- ▶ Many CPG companies are realigning and creating matrix organizations around
- ▶ Investment in:
 - Emerging markets (BRIC countries),
 - Hot domestic demographics (Hispanic, Asian, etc.), and
 - Product innovation to find create new categories and enhance mix

Credit Card Saturation

Credit Cards Facing Double-Digit Growth in Issuance and Flat Fee Income

