

PHILIPS HONG KONG LTD

- BUSINESS UNIT PORTABLE AUDIO

REPORT SUMMARY

Quality Pledge

Our aim is to be a first division player in portable audio, to be among the best in the industry. Having satisfied customers is a precondition for rewards and success. Therefore we put customer satisfaction as our number one goal. If you take care about your customer, he will take care about you. Profitability, revenue and marketshare improvement are a natural result.

Mission and Vision

Our mission:

CUSTOMER SATISFACTION THROUGH SOUND QUALITY

We are in the sound business and want to be recognized as 'the reference for best sound in the industry. Sound has also a second meaning: solid, healthy and profitable. That is how we want our business to be.

Philips Quality Framework

The Philips Quality Model has been adopted as a tool and framework to continuously improve business performance. The model is based on the following principles:

1. Customer first, delight Customers
2. Value people, respect each other and foster team work
3. Demonstrate leadership, inspire passion for Quality
4. Build supplier partnerships, create quality upstream
5. Policy deployment as framework for the interaction between the leaders and the people
6. Process management as framework for the interaction between customers, the company and suppliers
7. Continuous improvement, strive for excellence

Leadership

Our Quality Pledge, Environmental Pledge, Mission and the Philips Quality Model form the basics of our Total Quality and Environmental Management (TQEM) System. The Quality Steering Committee (QSC), chaired by our Managing Director, guides our company towards realization of its long term objectives and fulfillment of its mission.

Information & Analysis

4 Key Performance Indicators are selected to measure Customer Satisfaction:

- Time To Market
- Committed Line Item Supply Performance
- Zero Hour Defects
- Field Call Rate

They are used to monitor the overall progress of implementation of our Quality Pledge and all improvement activities are focused on them. Roadmaps are made for achievement of long term targets. These targets are benchmarked to ensure world class performance.

These 4 Key PIs are deployed down into level 2 and 3 indicators. They are used by various Quality Improvement Teams and employees at all levels in the organization. As they have a clear link it is easy for employees to understand how they can contribute to the overall targets set by the QSC.

Strategic Planning

The output of our Strategic Business Planning Process is a strategic plan. This plan is updated yearly based on latest trends in market, consumers, competition, technology, manufacturing and stakeholders requirements.

It serves as the input for the yearly budgeting process and overall objectives are derived related to:

- profitability
- growth
- customer satisfaction
- employee satisfaction

Human Resource Management

Satisfied employees form a strong foundation to customer satisfaction. Therefore we value people as our greatest resource. An Employee Motivation Survey is conducted yearly and results are used to further improve the effectiveness of the tools we are using. A lot of effort is spent on communication to keep all staff updated on the progress we made. A yearly training plan is made to support realization of business objectives.

Process Management

Mapping and management of processes is the key to making sure the voice of the customer is heard throughout the organization and his inputs are taken care of. Key Business Processes and their owners have been identified and linked up with our 4 Key Performance Indicators. Our internal processes are linked with the processes of our suppliers through the development of supplier partnerships. They are controlled and improved by many Quality Improvement Teams at different levels.

Customer Focus

We have identified 3 customers:

- trade
- buyer
- user

Trade partnerships are established. Alignment of our business strategy with the requirements of winning retailers in the world is the key (plan early together, win later together).

Requirements of buyers and users are captured through many tools like Face Value tests and Focus Groups. Not only is customer satisfaction measured through the 4 Key Performance Indicators, but also through Consumer Satisfaction Surveys and Trade Satisfaction Surveys.

Business Results

Our approach towards Total Quality Management and our focus on customer satisfaction for years has not only improved our non-financial performance measures, but also our business performance in terms of financial indicators has improved dramatically. Each time when targets are met, the bar is raised and new challenges are defined. Our management and employees continue our never ending journey towards excellence.