

**Keynote speech from the UKTI event 'UK Design and Innovation Showcase'
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Innovation in the Crunch Environment - Chas Sims Director, TTP Group plc

CES is the place where we come to see the next innovations which will stimulate consumers to adopt advanced technology. This year we meet in the "crunch environment" a complex mix of factors affecting consumers, where they cannot afford the healthcare they need, there is not enough energy and it is not clean and worse still, we do not have the finance to do anything about it. Medical devices, clean energy and printing (of money) may be good sectors to be in! Innovators may have made the technology available that has allowed people to over indulge, but even in this crunch environment the solutions to these problems will have to come from new technology innovations and companies and not governments will have to pursue them, just as they have done in the past, to stimulate consumers and keep world trade alive. McKinsey's recently noted that in 1930 DuPont discovered Neoprene and despite falling sales and profits boosted R&D spending. They also note that HP and Polaroid were established during the same period and RCA began to innovate in the TV sector, moving from radio. TTP also began life right after the 87 crash and grew at 20% pa. In these difficult times, the great companies of tomorrow may well be in the genesis phase and some of today's big companies may be amongst the victims and perhaps we do not need to look further than one famous US handset manufacturer to see a large CE company facing major challenges.

So what do we do in order to ensure we will be amongst the winners to emerge from the current turmoil? Surely adopting an open innovation approach will be a part of the answer, to ensure the ideas being pursued are of the highest calibre. This will mean looking for partners on a global scale, as it is no longer possible to assume that any one nation has a monopoly in any field of science or technology. The UK has a lot of technology applicable to the consumer electronics market and UKTI are showcasing a number of these at CES. You have heard of Intel inside but it is amazing how much UK technology is inside the products you use. However, if you do not see what you want here today, speak with UKTI and they will tell you there is lots more back across the pond, whether it is in the semiconductor, rf, integrated assemblies, software or services areas and they will be more than willing to help you find it!

We also need to look carefully at costs, since credit is tight but to give up on innovation would be a fatal mistake. A trick here will be to try and tap into the huge sums of money that our governments are spending on our behalf trying to get our economies moving. Since it is our money in any case and we are going to have to pay it back in the next few years, it is better to try to get some of it now. In the UK, the government is giving large sums to companies that co-operate together in developing new technologies. Up to 50% and even after this, you can claim any R&D spending back at enhanced rates in the form of tax credits. So you can undertake cut



price innovation to ensure that you have the technology and the products to take advantage of your weaker competitors, as they struggle with a purely cost cutting strategy to try to survive. An interesting proverb I heard the other day was – when the wind blows some people build shelters and others build windmills and last week the CEO of Nokia said he expects to come out of this with an even larger market share. If you want to build windmills in the UK and set up to undertake some of your innovation there, talk to the UKTI team. Nokia is possibly the best example of why you need to look globally for technology, it is based in a country of only a few million people but dominates the global mobile technology sector and they started out as a paper company!

We may also have to re-think beliefs about what we can sell to consumers and I have got the feeling at CES that some people are assuming the party will go on just as it has done in the past. Many consumers are less flush with money and big ticket items are perhaps out of the question for many for the time being. However, if you can use technology to tempt them to spend incrementally to enhance their existing investments, then its still possible to launch new products and services successfully in the current climate. We have focussed on this at TTP and are showcasing two interesting approaches based on this strategy.

One allows existing mobile devices to be used for new multimedia services, avoiding the need to try to herd the device manufacturing cats to include new features in phones and for consumers to have to buy them. This matches perfectly with what for me has been the major announcement at CES and that is that the OMVC are going to be offering broadcast TV to mobiles to over 20 cities across the US by later this year using ATSC. This promises to unlock this market which has had a number of false starts around the globe. It is also an area where the UK has many companies that have technology which is relevant and it may be useful to find out what they have to offer.

The second approach piggy backs on the broad availability of wireless in the home to introduce a “New 4th Screen” We have developed this with Microsoft and it is a very different proposition to what some have tried before, so come and talk to us. The common denominator is that there is growth potential in hardware enabled services and these can be quick and low cost to develop and give the consumer real benefits at prices they can afford. They are still buying luxury coffee when they go window shopping as it is a treat they can afford.

So to summarise, in the crunch economy there are probably even more opportunities available to us and the effective use of technology will be one of the key factors in deciding the winners. Economic circumstances however dictate the need to sharpen our pencils and find the most appropriate way of acquiring and exploiting technology, but if we succeed in doing this, it will further set us apart from our competitors.