

Contact:

Peter Hebert
Lux Research, Inc.
646-723-0702
peter.hebert@luxresearchinc.com

CORPORATE NANOTECHNOLOGY INVESTMENTS ARE AT RISK OF BEING WASTED

Lux Research report reveals that many of the world's largest corporations are failing to invest wisely in nanotechnology

New York, NY – January 13, 2004 – Global corporations are investing heavily in nanotechnology development—increasing their commitment in money, people and partnerships. But most fail to tie these activities to an explicit strategy or coordinate their efforts across the company – leaving their investments at risk of being wasted, according to a new report from Lux Research entitled “The CEO’s Nanotechnology Playbook.”

“Companies that pursue uncoordinated nanotech efforts may be caught blindsided by better-organized competitors and fleet-footed startups,” said Lux Research Vice President of Research Matthew Nordan. “Toshiba could see its \$1.8 billion in annual flash memory sales displaced by nano-enabled alternatives, and nano-fabric treatments could erode the 29% of revenue that P&G earns from fabric and home care products.”

To uncover how companies organize their nanotechnology initiatives today, Lux Research conducted in-depth, confidential interviews with executives accountable for nanotechnology at 33 global corporations with more than \$5 billion in annual revenue. The median company represented recorded sales of \$30 billion last year and employs 46,000 people. Interviewees were balanced across three sectors impacted by nanotechnology – manufacturing and materials, electronics and IT, and healthcare and life sciences – as well as across North America, Asia, and Europe.

“Large companies have not converged on any particular model for organizing and governing their nanotechnology initiatives,” said Nordan. “The diverse approaches that we found show no correlation with industry, region, company size, years of experience in working at the nanoscale, or the presence or absence of an explicit nanotechnology strategy. Most companies’ efforts reflect awkwardness in grappling with technology innovations that don’t mesh well with their existing organizations rather than carefully crafted initiatives.”

Highlights of the report’s interview data include:

- Forty-two percent of represented companies have centralized nanotechnology programs, but an equal share pursues decentralized activity with no coordination. At 45% of companies, the R&D organization “owns” nanotech; ownership varies widely across the rest.
- Barely half of interviewees’ firms have a stated nanotech strategy today. When a strategy does exist, it’s frequently a platitude like “survey the field and move quickly.” Fewer than half of interviewees rate their companies’ current approaches to nanotech as “very effective.”
- Big investments are at risk. The median corporation represented has 55 people working on nanotechnology, allocated \$33 million in R&D funding this year to research at the nanoscale, and partners with universities, startups, and public sector agencies on multiple nanotech projects. Interviewees expect double-digit increases on each front through 2006.
- Pharmaceutical companies are least likely to have an explicit nanotechnology strategy; they also invest the lowest level of people and funding compared with other sectors. Asian companies across industries show the highest levels of staffing, funding, and executive sponsorship for nanotech.

Lux Research advises that nanotechnology is too diverse for companies to take any single approach to exploiting it. Instead, large firms should regularly screen the universe of relevant opportunities arising from nanotechnology and match each with an appropriate organization and set of management tactics.

“The key is to segment nanotechnology opportunities on two axes,” said Nordan. “First, does the opportunity represent a process innovation that stops at the factory door or a product innovation that is visible to customers? Second, does the opportunity present an evolutionary advance that matches existing competencies or a revolutionary advance that requires new ones? The answers to these questions determine which mix of organizational approaches a company should pursue in developing nanotechnology.”

The report provides a decision tool for segmenting nanotechnology opportunities and presents case studies of two global corporations. It is available immediately to clients of Lux Research’s Nanotechnology Strategies advisory service. For information on how to become a client, contact Rob Burns, Vice President of Sales, at (646) 723-0708.

About Lux Research:

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