

Industry Summary: Measurement & Instrumentation

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The 4th Annual Growth, Innovation and Leadership Global Congress on Corporate Growth, held September 14-16 in San Francisco was an astounding success as it enabled members from most spheres of the Measurement & Instrumentation (M&I) industry to congregate, network, and discuss best practices used not only within the industry but also in adjacent markets.

CEO 360 Degree Report on the Measurement & Instrumentation Industry

The M&I track in the event began early on Tuesday, Sept 16th with the CEO 360 Degree Report by Kiran Unni, Research Manager (M&I Practice, Frost & Sullivan). The objective of this presentation was to introduce the M&I industry audience to the seven different aspects of the complex business universe that any C-level executive is faced with and needs to be aware of. This presentation was also aimed at setting the stage for the rest of the day's sessions and provided the audience with food-for-thought on key aspects of their business, the trends to be aware of, and to prioritize those aspects that will impact their business the most.

The seven perspectives of the complex business universe include the global, integrated industry, economic, technical, competitive, customer and best practices trends that any executive with a business target to achieve needs to be aware of. Some interesting and pertinent questions from the audience included asking about the Latin American and Asia-Pacific markets, clearly indicating the interest of companies to better understand as well as improve their product and service offerings in countries of these regions. Some of the post-session discussions focused on further information that Frost & Sullivan could provide on the BRIC countries and trends in the M&I industry in those countries.

Growth Success Story – National Instruments

Eric Starkloff, Director of Product Marketing, National Instruments, was the second speaker and was well-appreciated for his frank insights into the company, its strategies in the past and future, and what he thought participants in the M&I industry can learn from the success of National Instruments.

Generating approximately \$750 million in 2007, National Instruments has been growing at an average of 17-18 percent year after year, but Eric explained the drive within the company to make that at least 25 percent in the near future. The company's focused strategy on R&D and increasing the research headcount, he said were key aspects to its growth not only in market share but also in mind share with its customers worldwide. National Instruments today has a unique space in its customers' minds that only continued technological excellence and innovation could bring about. With each new version of LabView being introduced, the company has doubled their R&D headcount and expects to continue to do so.

Another key and interesting aspect of National Instruments' growth, Starkloff attributed to the company and his team's community building efforts by creating a plethora of social forums, blogs, etc., that has enabled LabView and NI's other product users to not only comment on the products and services but also get rewarded for experimenting and creating applications in their own field using LabView as the basis.

NI's strategy according to Starkloff, has been to focus less on the established users and more on the early adopters who tend to be more patient with the products and the flaws it may have. So they test the waters with the early adopters and once it's perfect they roll it out to the rest of the users). To sum up NI's plan for the future, Starkloff said "the company wants to do for embedded systems, what the PC did for the desktop".

With about 800 alliance partners who create turnkey systems based on NI's platforms, the company's strategy for sustained growth includes continued investment in their annual NIWeek event and the website. Even though the company recognizes that the return on investment on both these aspects is not easily quantified, with over a million hits on the website and with bloggers that have contributed over 50,000 entries, the company certainly knows the way to the heart of its customers.

Panel Discussion on Key Challenges in the M&I Industry

Some of the most notable personalities of the M&I industry were panel members in the discussion that was facilitated by Jessy Cavazos, Industry Manager (Test & Measurement, Frost & Sullivan). Each panelist represented a different and at the same time connected area of the industry and included:

- Neil Anderson, Vice President Global Services – Spirent Communications
- Dr. Jim Knutti, President/CEO – Acuity, Inc.
- Murugavel Raju, Strategic Marketing Manager, Microcontrollers Division - Texas Instruments, Inc.
- Weijie Yun, PhD, CEO and Co-Founder - Telegent Systems, USA, Inc.
- Hamlet Sarokhanian, Director of Corporate Strategy – Anritsu Corporation
- Bob Rennard, President - LXI Consortium and LXI Program Manager – Agilent Technologies, Inc.

This esteemed panel elaborated on key challenges that each of them faces pertaining to both internal and external factors to their companies and the industries they participate in. As solutions to common challenges, some comments from the panel members were of particular interest to the audience. A key aspect that came out from this discussion was Dr Jim Knutti of Acuity Inc.'s comment to urge companies to reward failure as it is the only means to allow radical innovation, as there is no fear of retribution. This was echoed by Neil Anderson from Spirent Communications.

Since the slowdown in the global economy and especially in the US, there was a key challenge to all in the audience, Hamlet Sarokhanian from Anritsu advised companies to use this slow period to bunker down and focus on technological innovation that will be in great demand once the market will return to its usual growth. Another key insight from the panel members was to work towards a balanced portfolio of products which is effective not only from an operational expense but also capital expenditure point of view.

Weijie Yun from Telegent Systems brought out an interesting change in challenges faced by companies similar to his own wherein they view the supply chain from the reverse side and need to understand component manufacturers and supplier trends before placing their investments on final end-user demand.

In the same vein, Murugavel Raju from Texas Instruments echoed earlier observations and a trend in the semiconductor chip set manufacturing community to move away from owning foundries, which tend to be less cost effective, and to adopt a more fab-lite strategy or be viewed more as a system integrator in order to maintain sustained growth.

Roundtable Discussion on Key Growth Opportunities in the Measurement & Instrumentation Industry

The interactive roundtable session facilitated by Shekar Gopalan, Vice President of Global Research and Measurement & Instrumentation, Frost & Sullivan, finally enabled all participants in the track to offer their opinions and debate on the key opportunities within each person's purview in the varied corners of the M&I industry. With key competitors in the same room, several executives were less inclined to talk about specific opportunities that their companies are focusing on. At the same time, the conversation took enlightening turns with note-worthy members elaborating on the steps to follow to either capitalize on opportunities in the Wireless/LTE/WiMax markets, the growth of demand in Asia and BRIC countries, and rage of opportunities created by the need to 'go green'.

The discussion also focused on how to create a culture of growth in companies. Incentives for innovation, clear MOPs for growth initiatives and training emerged as key strategies to internally germinate strategies. Also, a mute point for debate was the need to put the R&D team in front of the customers, as it is mutually beneficial to understand current requirements and unmet needs and to innovate and produce based on that knowledge, direct from the horse's mouth.

Some other key questions debated included, which are the other emerging economies apart from BRIC that the industry needs to focus on and which of these economies will generate the key demand pull in the next 5 years. On technology, the audience debated on how Ethernet will change the test & measurement industry. Some unsaid truths emerged with the comment that decisions are no longer just made in the US headquarters and the growing localization of decision-making as a key need for pursuing time-critical opportunities.

On the aspect of 'going green', it was universally agreed that there is a need for the concept to be acknowledged and employed. Analytical instrumentation, sensors, and semiconductors companies are in the right position to be able to offer green products and buy into the demand the concept is creating. The idea that West = waste and East = save needs to converge in order for entire industries to go green.

Growth Success Story – VeEX, Inc.

Cyrille Morelle, CEO and President, VeEx, Inc., was the entertaining and the enlightening presenter of the second growth success story session of the day. In contrast to the earlier session with National Instruments, Morelle and his company is in the emerging side of the lifecycle curve and is fast gaining foothold into its customer markets in the communications test industry.

One soon realized that the sessions of the day unwittingly carried a similar thread when Morelle expounded that a key strategy to growth that he employs is to 'Go Local in a Global Industry'. With a laboratory in China and a manufacturing unit in Taiwan and operations in France, Germany and the US, VeEx has managed to arrange for key groups of experts around the world.

When asked how VeEx manages to avoid the common problems of a start-up, Morelle was quick to point out that his strategy is to have multiple products for multiple customers and also provide multiple technologies, the opposite of which is the conventional bane of several start-up companies.

He also indicated that there was no question of the company being local or global as the technology the company provides is global and it is apparent that the moment a business puts up a website, it is putting itself on the global map of the worldwide web. Going global can be made easier according to Morelle by using distributors and partners in several regions. In addition, a must-have for all businesses according to him is to be able to sell on the Internet and that too in local languages.

Another key aspect that Morelle attributed to the growth of his business is to include installation and training to all his customers.

Convergence Session – Opportunities for the M&I and the Aerospace and Defense Industries

The last roundtable session of the day was a convergence session between the participants in the M&I and the aerospace and defense (A&D) tracks. With all test & measurement, sensors, semiconductors, defense, and aerospace companies, the discussion assumed varied hues and moved from one end of the spectrum to the other including demand for instrumentation in encryption, future combat systems, investment in unmanned vehicles, and demand for sensors and instrumentation in chemical and biological warfare detection. Another interesting aspect of the debate was the need for test and measurement equipment in surveillance applications and also mechanical instrumentation in composite testing for new, more plastic-oriented aircrafts.

Among other topics discussed were embedded diagnostics, robotics, and maintenance and repair services, all areas of growing DoD emphasis. Manufacturers of sensors and test equipment shared ideas with traditional systems integrators and prime contractors on how to take advantage of current and future opportunities in military and commercial aerospace, as well as DoD communications, weapons systems, and support contracts.

Fitting End to the Second Day of the GIL'08 Event

The final sessions of the day were back to the convergence track and focused on the Economic Summit (LB/Caryn: are we calling it Economic summit – should we change the name – if so, what does it change to? Leave as Summit as this pertains to a North American Tracked event where we will have a Summit for next September-isn't this right, Caryn? MC- there just isn't Economic Summits in the ONE DAY Gil Events). It was heartening to see that discussions during the M&I track was echoed in the Economic Summit and emphasized further, the need for companies to better understand not just their individual customers and their needs but also the socio, economic, political, and cultural environments and cater to their current and unmet needs accordingly.

For further information on the M&I track at GIL '08 or for research questions on the measurement & instrumentation industry, please contact kiranunni@frost.com or call 210 247 2495.