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## NANOTECH BUYERS AND SELLERS STUCK IN A PRICING STALEMATE

Lux Research report finds that the bottleneck for nanotech deals is overconfident sellers that expect too much

New York, NY – July 29, 2005 – Are high prices a barrier to nanotechnology commercialization? The answer is yes, according to a new report from Lux Research entitled “Nanotech’s Pricing Stalemate Ends.” In a remarkable disconnect, 75% of large corporations that buy components based on nanotechnology believe that they hold the pricing power in deals, while 70% of sellers think that in fact they have the upper hand. The result: Deals languish while corporate buyers use delay tactics on overeager sellers.

“Pricing is cited by 45% of corporate buyers as a major challenge that often impedes nanotech deals. Buyers lament that sellers frequently pay attention only to the cost of their own components, missing the big-picture view,” said Lux Research Senior Analyst David Lackner. “Only 15% of sellers, however, see pricing as a major problem. They have such faith in their products’ performance gains that they view pricing as a minor issue that will work itself out.”

To build a framework for assessing pricing strategies in nanotech, Lux Research conducted 40 in-depth interviews with executives on both sides of the nanotechnology negotiating table – twenty small-cap and start-up sellers that develop nanotech applications as well as 20 large corporations that buy and/or license them. The report finds that:

- Buyers and sellers agree on the big picture. More than 70% of buyers and specialists alike say that their ideal nanotech deal is a long-term relationship that represents a win-win for both sides. Buyers like long-term deals because they offer continued access to innovation; sellers like the access to distribution channels, marketing capabilities, and knowledge of end customers that these deals bring.
- However, buyers and sellers disagree on everything else. Most buyers want sellers to manufacture and support component products, while most sellers would prefer to license patents and avoid manufacturing. Buyers demand exclusivity from sellers, but sellers would prefer not to offer it. And while buyers do anything they can to avoid having a single source for a component, specialists think the uniqueness of their solutions should be the top factor in setting prices.

The report finds that within the next four years, the tug-of-war between buyers and sellers will wind down as the imbalances between buyers’ willingness to pay and sellers’ expectations work themselves out. Two sustainable long-term equilibrium points are possible: Commodity supply, in which interchangeable sellers can sell only on the basis of price and availability, and win-win, in which sellers earn long-lasting premiums. The report forecasts which nanotechnology segments will end up in each equilibrium outcome. “In commodity supply cases, such as the crowded field of metal oxide nanoparticles, where more than 110 companies compete globally today, corporations should employ tactical vendor/supplier relationships,” said Lackner. “In win-win segments, however, we recommend that corporations secure option rights to collaborate with desirable nanotech startups to prime the pump ahead of urgent need.”

The report provides a decision tool for corporate nanotechnology executives to match their business development strategies to pricing outcomes. The full report 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. An executive summary of the report is available at [www.luxresearchinc.com](http://www.luxresearchinc.com)

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July 29, 2005

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