



# On the path to growth

## Asia / Pacific facts & figures:

### Population:

over 4.5 billion  
of which:  
China: 1.37 billion  
India: 1.31 billion  
Australia: 24.4 million  
Growth: +0.9% (2016)

### GDP:

#### China:

GDP: USD 11.4 trillion (2016)  
Growth: +6.6% (2016)

#### India:

GDP: USD 2.3 trillion (2016)  
Growth: +7.6% (2016)

#### Australia:

GDP: USD 1.2 trillion (2016)  
Growth: +2.9% (2016)

## Region with significant potential

Around 60% of the world's population lives in the Asia / Pacific region. Mature markets, such as Australia, New Zealand, and Japan, continue to develop steadily. The largest countries in the region, China and India, show a low penetration rate.

## Sonova in the region

The Asia / Pacific region contributed 10% to Group sales in 2016 / 17 and has achieved significant sales growth in recent years. Sonova further extended its strong positions in Australia, Japan and New Zealand. Emerging markets such as China and India offer great potential for further growth.

The Asia / Pacific region is becoming increasingly important for Sonova's business. A journey into the growth region of the present – and the future.

"Isn't it a pleasure to study and to practice what you have learned at the right time?" wrote Confucius in the fifth century BC, and the Chinese scholar's wise words still hold true to this day: learning is what turns human beings into cultural beings – and applying what has been learned makes progress possible and helps people to advance. This appetite for progress is palpable throughout the Asia / Pacific growth region: China has long since become one of the leading global markets and tiger economies like South Korea and Singapore are pushing ahead at full steam, while Australia and New Zealand are stable, highly developed markets that are nonetheless still growing steadily.

The region's per capita income is constantly rising – in lockstep with purchasing power and the demand for top quality technological products – and this is opening up extremely promising prospects for Sonova. World Health Organization (WHO) figures indicate that about a third of the world's population over 65 are affected by hearing loss, and this is particularly acute in the Asia / Pacific region. In China alone, an estimated 60 million people suffer from hearing loss, but a mere 5% of these individuals own hearing aids. At 3 – 4%, market penetration rates have also been low in the other Asian countries up to now, and many regions are woefully undersupplied. By comparison, the USA has coverage rate of about 30% and in Europe it is up to 40%.

"One of the reasons for the low market penetration in Asia is that there is insufficient knowledge of the treatment options available for hearing loss. We are using our educational work to help raise awareness, step by step," says Lukas Braunschweiler, Sonova's CEO. "This is helping us to further drive growth in the region." Demographic change is also a key factor. The age pyramid is soon to flip in many Asian countries and by 2025, more than a third of Chinese citizens will be older than 50, with only about a fifth aged 19 or younger.

Sonova is pursuing a long-term growth strategy in the Asia / Pacific region that factors in the extremely heterogeneous market conditions in individual countries. "Our tailored approach is the key to our success here," explains Braunschweiler. In Australia, for example, both the wholesale and retail business are making a significant contribution to Sonova's growth, while in China, the sale of hearing solutions via private specialist stores and chains is playing an increasingly important role. The volume of hearing care programs supported by state agencies is likewise growing, with government initiatives being launched in more and more regions.

All these strands converge at Sonova's regional hub in the city-state of Singapore, where synergies between the various Group companies are forged, ensuring cost efficiency and integrated service. Sonova's Asia / Pacific hub is optimally located: the

flight to Shanghai is five hours, you can be in Delhi in six, and the west coast of Australia is only five hours away. The Sonova Group operates its own companies in countries such as China, India, Vietnam, South Korea, Japan, Australia, New Zealand and Singapore while other parts of the region are covered via distributors.

The Sonova Group's operation centers in Vietnam and China manufacture products for the entire world. The Ho Chi Minh City production facility in Vietnam was enlarged by 10,000 m<sup>2</sup> in 2016; the new factory is built to accommodate a production team of 1,200 and is equipped to produce a variety of hearing instruments. The operation center also meets the highest environmental protection standards, with a state-of-the-art building management system helping to minimize energy consumption. The production capacity of the operation center in China has also grown rapidly over the last few years; the facility in Suzhou manufactured around one million units (predominantly behind-the-ear hearing aids) in the 2007/08 financial year but production has since increased several times over. This success is rooted in the commitment of the employees and

close cooperation within the team. General Manager Davy Ling believes it is especially important for everyone to feel part of the Sonova Group and to be motivated to contribute new ideas. "At the entrance to our operation center we have a pinboard showing improvements suggested by our staff – tips on how to optimize production processes, for example," explains Ling.

Sonova has also opened a new training center at its Suzhou site that will provide hands-on courses for hearing care professionals. "At our training center, we instruct course participants in our customer-focused approach, which has the consultation and sales processes at its core," explains CEO Lukas Braunschweiler. The center is equipped with soundproof rooms for hearing tests and workstations where earmolds can be adjusted, so hearing care professionals can immediately put what they have learned during their training days into practice. "We think it is important for our technical staff to extend and refine their qualifications on a rolling basis," says Braunschweiler. In parallel, Sonova is establishing an interactive, online audiology academy that pursues the same objectives and will like-

wise be launched in China. "Our training courses will help us supply more and more people with professional hearing solutions," adds Braunschweiler.

Sonova's hearing aid brand Phonak is represented in the entire region and has also proved to be a technology pioneer in the Asia/Pacific area. Audéo B-R, the company's new rechargeable hearing aid, is the first of its kind and features a specially developed lithium-ion battery that provides up to 24 hours of hearing on a single charge. It has already enjoyed an excellent reception on all the markets in the region where it has been launched. "These kinds of innovative products allow us to serve the needs of our customers even better," says Thomas Lang, Senior Vice President Phonak Marketing. A further success has been scored with a new speech algorithm that has decisively improved speech recognition in tonal languages for users of Phonak hearing aids: Adaptive Phonak Digital was introduced in May 2015. Studies carried out since the product launch have shown that Chinese-speaking hearing aid users are very happy with the improvements, and new conversion software has been specially developed for China.





These innovations, which incorporate the particular characteristics of tonal languages, are allowing Phonak to meet the increasingly sophisticated needs of its Chinese customers. “An urban middle class has grown up in China over the last few decades, and it is looking for quality and attractive design. The number of Chinese users with high expectations of their hearing equipment is expanding all the time,” says Lang. A further example of how Phonak is responding to the individual needs of its customers in the region is its provision of hearing solutions for children; Phonak is bringing decades of experience in this field to bear in its role as a core partner for state health and education departments in key markets such as China and Australia. Products with Roger technology are extremely popular in Australia, for example, and not just in the education sector; the National Gallery in Canberra uses the Roger Guide-U system for group tours.

Sonova’s hearing aid brand Unitron is equally well-positioned in the Asia/Pacific region, with Australia figuring as one of its key markets. Here too, hearing care

professionals can offer their customers an opportunity to test out a device before deciding on a purchase. This Flex:Trial™ system has been demonstrated in workshops to hearing care professionals up and down the country with great success, and course participants also learn ways of improving the customer experience: “It’s not about selling a product, it’s about offering a solution,” explains trainer Catherine Brown. The Flex:Trial workshops also introduce participants to Unitron’s Log It All software, which allows hearing care professionals to make use of customer data when giving advice, as Log It All documents user behavior in various acoustic environments. The end result is a comprehensive picture, as data about acoustic conditions and hearing aid settings are recorded. The customer’s personal experiences of hearing situations are linked with these data via an app. “This allows customers and hearing care professionals to work together to assess which situations and settings the wearer was happy with. Customers can try out various levels of technology with the Flex:Trial unit without having to get used to a new device,” explains Brown.

With the Flex:Upgrade program, customers are able to enhance the performance level of a hearing aid they have already bought simply by taking it to the hearing care professional to have it reprogrammed.

Advanced Bionics, Sonova’s cochlear implant brand, is also extremely active in the Asia/Pacific region. There is particular promise in India, the most highly populated country in the world besides China, with only about 1% of potential cochlear implant recipients fitted so far; the number of surgeries is constantly growing and Advanced Bionics’ cochlear implant systems are already in use in more than two-thirds of India’s private clinics. There has been an enthusiastic take-up of innovations such as the Phonak Naída™ Link (the world’s first hearing aid specifically developed for use with a cochlear implant system) among doctors and patients alike. “Advanced Bionics always focuses on cultivating relationships and building up trust,” says Director Vinod Nadig. Advanced Bionics puts particular emphasis on follow-up care and training courses for surgeons, audiologists and speech therapists.

Through its AudioNova Group brands, Sonova also has a strong presence with professional audiological services in the Asia/Pacific region. The Triton brand is represented in more than 50 specialist stores throughout New Zealand and the Connect Hearing brand provides professional audiological services in more than 120 locations in Australia. Because of the vast distances on the Australian continent, eSolutions have proved a particularly important element in connecting with customers; audiologists can use the internet to catch up on information about new technologies, products and offerings right across the country. "Connect Hearing has built an online community in Australia that now has 12,000 members. A live chat is held with an audiologist once a month to answer users' questions," explains Group Marketing Manager Beat Meier; the live chat session is once again being broadcast from Connect Hearing's headquarters in Sydney, with audiologist Julie Sutcliffe taking only seconds to respond to participants with answers and advice.

Many users with hearing problems find that this provides the prompt they need to visit a doctor or hearing care professional.

At the same time, a young dancer is training in the Chinese city of Harbin, 9,000 km northwest of Sydney. Tianjiao (Jiaojiao) Zhang leaps from the floor of the bright training room and glides through the air for a moment, her left arm stretched out above her. She lands gently, relaxes her joints, and laughs. Even as a child, the 20-year-old dancer knew there was only one career for her, despite her profound hearing loss – and she has been supported in this endeavor by hearing aids from Sonova brand Phonak; Jiaojiao has been wearing these since she was five years old. As a little girl, Jiaojiao learned to dance, hear and speak all at the same time. "Lots of people said to me that I would never manage it. But my teacher and especially my mother have always believed in me." Her teacher recognized her talent for dancing at an early age and practiced with her, speaking slowly and with plenty of ges-

tures, and always looking for eye contact. The training was very hard. "I had this determination within me not to cry, but to grit my teeth. I wanted to get better and better." Nowadays, Jiaojiao can smile when she talks about that time. Success came quickly, and even as a teenager, Jiaojiao was winning prizes at national and international competitions before studying dance at a prestigious academy in Beijing. Having graduated, she now works as a freelance dancer with bookings all over the country for appearances with various dance troupes. She also gives ballet lessons to children. "I love teaching children and encouraging them. My dream is to have my own dance school one day. Dancing makes me happy and I want to pass this on," she says, smiling – and preparing for her next pirouette.



Jiaojiao has wanted to be a dancer ever since she can remember, despite her profound hearing loss, and Sonova brand Phonak's hearing aids are helping the 20-year-old Chinese woman to achieve her ambitions; she dreams of running her own dance school.