

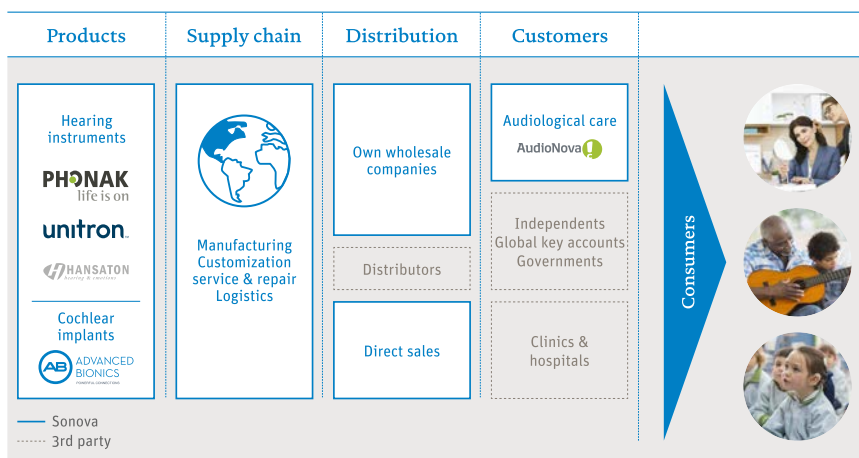
Strategy and businesses

Sonova's vision is of a world where everyone can enjoy the delight of hearing and therefore live a life without limitations.

Every person's experience of hearing loss is different, hence Sonova's market is naturally diverse. Our mission, though, is simple and unchanging: to be recognized as the innovation leader in the global hearing care market. In everything we do, we aim to provide industry-leading audiological performance and outstanding consumer experience.

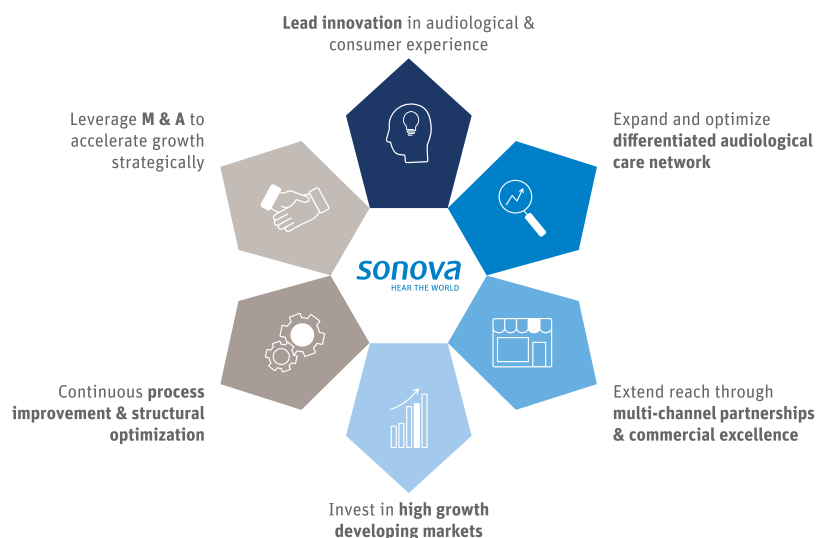
We reach our consumers through multiple channels; this diversity lets them benefit from our broad range of solutions – hearing aids, cochlear implants, wireless communication products, eSolutions, and professional audiological care – in the way that best suits their individual needs.

Our vertically-integrated business model lets us be both flexible and efficient, using the consumer insights gained through every channel to drive our shared R&D in a cycle of continuous customer-focused innovation.



Our growing emphasis on connectivity and digital applications means that we can both broaden and deepen our engagement with consumers, offering trusted, valuable support at every stage of their journey to better hearing.

Sonova's strategy builds on the strengths we have established over many years.



Our market-leading innovation, such as this year's worldwide launch of Phonak's Marvel platform, puts us at the forefront of audiological performance and clear rich sound experience. Our audiological care network combines in-store, remote, and online support to deliver a uniquely flexible and personal consumer experience. We continue to optimize our sales and marketing to fit precisely to the needs of our various distribution channels and to establish a strong presence in high-growth developing markets. And we never stand still: where there is a possibility to improve our processes, optimize our structure, or expand our consumer offering and technological capabilities – whether organically or through acquisitions – we will seize that opportunity, not only to increase Sonova's profitability, but to build the investment capacity that fuels future growth.

Our Group is organized in three core businesses: hearing instruments, audiological care, and cochlear implants. Collectively, they enable Sonova to offer innovative solutions for every type of hearing loss along with the training, tools, and support that create an optimal consumer experience.

Hearing instruments business: Sonova continues to be a leading developer and manufacturer of hearing aids and related solutions. Our R&D focus enables us to consistently launch new technology platforms that support significant performance improvements across our wide product spectrum and through multiple distribution channels. Our emphasis is on audiological performance, offering a clear, rich sound experience and speech understanding even in the most challenging environments. Recent innovations in connectivity and digital applications let us deliver fundamental improvements in the consumer's experience.

Audiological care business: The new name for what was previously called our retail business underlines the quality that sets it apart: its emphasis on care. The 5,000 trained specialists who work in our centers are there to care for people who have a clear medical need. A personal relationship founded on expertise and understanding is the best basis for getting the full benefit from a hearing solution. Our technology and our increasingly integrated IT systems give consumers the freedom to choose how they would like to receive our support – in person, remotely, or online – at every stage of their relationship with us. This integrated approach lets us care for every consumer with the individual attention he or she deserves.

Cochlear implants business: A cochlear implant offers people with significant or complete hearing loss the chance to hear clear sound and join in conversations. Our Advanced Bionics implants benefit from the latest sound processing capabilities made possible by our Phonak technology. The cochlear implant market is expanding from being mostly children born with hearing loss to adults whose hearing loss has become too severe to be treated only with hearing aids.

Key areas of activity

Innovation



Phonak developed SWORD, an ultra small, ultra low power chip. The structure includes 42 million transistors placed on 6.8mm² size chip. Using 40 nm CMOS technology, SWORD is the only wireless chip with one antenna to power all applications.

Last year, we introduced our first products based on the proprietary SWORD™ (Sonova Wireless One Radio Digital) chip that allows hearing instruments to communicate with a vast selection of electronic devices such as mobile phones or televisions. This year, we extended the benefits of this technology, providing users with the ultimate combination of excellent stereo sound quality with universal Bluetooth® connectivity¹ and rechargeability, all in a single product.

We never innovate simply for innovation's sake: what matters are capabilities, not features. The benefits offered by technology such as our SWORD chip go far beyond mere connectivity: hands-free phone conversations, direct media streaming, remote fitting and supporting consumer applications – a whole new universe of possibilities that enriches the consumer's experience.

1) with Bluetooth® 4.2 wireless technology and most older Bluetooth phones.

Market and consumer access

Sonova's global distribution network is the broadest in the industry. We seek engagement with consumers through a range of channels: our own audiological care business, retail chains, independent audiologists, government agencies, and cochlear implant clinics. This wide reach, extending to more than 100 countries, offers many points of contact with consumers where we can gather feedback and offer enhancements. Digital connectivity and eSolutions let us deepen that contact with consumers across all channels.

The global hearing instrument industry shows a wide difference in growth potential between developed and developing markets. As general wealth increases in countries like China, the number of people with hearing loss using a hearing aid will rise from the current 1–2% toward the developed world average of around one quarter. We are therefore building access and engagement with consumers and hearing care professionals in those markets. In China, for example, we are expanding our distribution network, accelerating our China-specific innovation, and scaling up our education program for local professionals.

Continuous improvement

Every year brings its technological innovations, but there are other improvements that can contribute materially to growth. We benefit from highly efficient manufacturing and aim to increase productivity further by continuous process improvement and structural optimization.

In every area, from maximizing product reliability to fine-tuning our sales and marketing approach to optimizing capital allocation, we seek to increase the number of projects delivering these incremental gains, both on the operational and the market-facing sides of our business. Every gain helps us to build our investment capacity for future growth.



Feature story: Pioneering innovation

Sonova has been operating successfully in France for decades. We took a trip to a country where creativity and innovation lie at the heart of French “genius”.

“An invasion of armies can be resisted, but not an idea whose time has come.” This quotation from the famed French writer Victor Hugo reflects the long history of scientific and technological progress that is part and parcel of French identity. For centuries, French thinkers, writers, artists, researchers, and scientists have helped to enrich humankind, bringing new wonders and emancipation in equal measure; and thanks to this tradition, Sonova’s innovations are finding fertile ground in France. Customers in this sophisticated market are open to new products, services, and solutions for the world of tomorrow.

In 2018, turnover in France’s hearing aid market grew some 10%, with the number of devices sold totaling around 800,000 – an impressive figure. Despite these high sales numbers, there is still significant market potential here. Nearly one in six of France’s population of 67 million is over the age of 65; some 1.9 million people already wear a hearing aid. As a 2018 study on behalf of the European Hearing Instrument Manufacturer Association¹ has shown, both the number of hearing aids fitted and general willingness to wear a hearing instrument have risen over the last few years. About 7.5 million French citizens over the age of 18 are thought to be affected by hearing loss, but only a third of these have been fitted with a hearing aid. Given these circumstances, it is part of Sonova’s strategy to raise awareness amongst those affected to ensure they seek professional help as early as possible. As the study makes clear, the chance for many patients to get comfortable with the idea of purchasing a hearing aid will generally still come during a hearing test conducted by an ENT specialist. However, researchers also found that some of these people are not willing to be fitted with hearing aids, despite their doctor’s recommendations.

The study shows that having to live with hearing loss without the support of a hearing aid can result in depression, unemployment, insomnia, and dementia, which in turn increases follow-up costs for the healthcare system. This has led the French government to significantly expand its reimbursement program. Promoted to the public under the slogan “100% Santé” (100% Health) and passed at the end of 2018, the law has been in force since 1 January 2019 and ensures comprehensive cost coverage or reimbursement for hearing aids. It defines two categories of hearing aids, with full cost coverage guaranteed for the first (in which device and service costs are limited) and a sliding scale of prices with a fixed upper threshold for the second device category.

France Facts & figures:

Area: 211,413 square miles

Population: 66.89 million (2018)

GDP:

EUR 2,349 billion (2018)

Growth: +1.5% (2018)

Per capita: EUR 32,900 (2018)



France's audiological supply infrastructure is very highly developed, with a diverse market that encompasses everything from independent audiologists to chains. Independent audiologists form the largest group amongst these various providers, and a total of seven institutions throughout the country offer a three-year course leading to professional qualification in the field.

"Customers in France are sophisticated and appreciate the benefits of our ongoing technical innovations," explains Arnd Kaldowski, Sonova's CEO. As in other countries, it is the interplay between technology and innovation, digitalization and customer focus that has underpinned Sonova's success. "We will continue to drive growth by launching a succession of new and pioneering products." The Sonova Group is thus excellently positioned in France, one of its most important markets worldwide: its brands and its network of specialist audiology stores are firmly established and the Phonak brand enjoys a leading position.



Sonova France headquarters near Lyon, where around 160 staff work for the French market

Sonova has concentrated much of its hearing care expertise at its headquarters near Lyon – Phonak, Unitron, Hansaton, and Advanced Bionics thus run their business in France just a few kilometers outside the city. Some 160 staff work here, while the Hansaton brand has a facility in Sarreguemines near the Franco-German border. Sonova's Audiological Care business segment and its international service network of specialist audiology stores are represented in France by the Audition Santé brand, with a total of around 300 staff across the country providing their customers with professional in-store audiology services. Audition Santé is headquartered in Cahors in the south of France.

Sonova has maintained a presence and has been enjoying success in the country for more than forty years – a fact that is reflected in the expanding workforce at its France headquarters. Staff numbers almost doubled here between 2006 and 2018, and Sonova's modern site – with its attractive, all-glass atrium – offers more than 25,000 square feet of workspace. The meeting nooks in the open-plan offices within give employees plenty of opportunity to compare notes.

"We are very happy with the facilities, but we are running out of space. In August 2018, we began work on a new building that will double the floor space available to us," explains Vincent Lefèvre, Sonova's Managing Director for France. The new building is being erected on the same site and is due to be completed during 2019. The old and new structures will be linked with a bridge to facilitate communications and create a unified architectural impression.



Vincent Lefèvre, Managing Director Sonova France with his team members

Phonak has an excellent brand image in France. A market survey of French audiologists² commissioned by Sonova in 2017 shows that Phonak has a commanding lead over other providers when it comes to value-for-money, product performance, and innovation. The company's service hotline also got top marks, as did the outstanding reliability of its devices. Phonak's brand recognition has also improved amongst end users and audiologists. "We're very happy with the results. They confirm that our strategy is on the right track," adds Lefèvre.

Phonak's pioneering products and hearing solutions are proving extremely popular on the French market, where there has also been a very positive reaction to Phonak Audéo™ Marvel, the latest innovation in hearing technology. Launched at the end of November 2018, the hearing aid is based on Phonak's new product platform and provides exceptional sound quality from the very first second, setting new standards for rechargeable solutions and direct connectivity.

Phonak Audéo™ Marvel focuses on what customers expect from a first-class hearing aid – clear, rich sound. A combination of cutting-edge technologies has created a multi-functional hearing aid that customers are describing in reviews as "Love at first sound". Users such as fashion journalist Barbara Markert from Paris are enthusiastic: "Being able to link my hearing aid directly to my computer is essential for my job. It is also really cool that I can take a call on my mobile just by touching the hearing aid."

Marvel makes it easier for the wearer to understand speech³ with less listening effort⁴ in loud environments. The new hearing aid can link directly with iOS or Android™ smartphones and other Bluetooth®-enabled phones, allowing users to enjoy their favorite series and movies with the TV Connector, a simple plug-and-play solution. In addition, Marvel hearing aids enable genuinely hands-free phone calls and allow wearers to stream TV, music, videos, e-books, podcasts, and much more. Wearing Marvel hearing aids is like wearing wireless headphones – or perhaps even better, as they can distinguish between streamed speech and music signals and automatically adjust to ensure optimized sound quality. Thanks to powerful lithium-ion battery technology, they are quick to charge and provide a whole day of hearing enjoyment; no more hassle with having to switch batteries! And thanks to the myPhonak app, a hearing care professional can adjust a customer's Marvel hearing aid in real time.

Given its range of products, which set new standards for hearing solutions, Phonak has carved out a strong position for itself in France and maintains close relationships with independent audiologists. In addition to providing support and advice for successful hearing aid fittings, Phonak engages with its clients via a suite of marketing campaigns and a strong social media presence.

Sonova's Unitron hearing aid brand has also found success in France, and is now reaping the rewards of its efforts to build longstanding client relationships. "We have experienced very pleasing growth in recent years, both in terms of turnover and in terms of the number of devices sold," says Vincent Gaggero, General Manager Unitron France. The launch of the new Max™ hearing aids in October 2018 has been a success: the devices are available in two behind-the-ear models based on Unitron's Tempus™ product platform and are equipped with three Super Power pre-sets. Selecting from a range of possible combinations, the audiologist can personalize the solution – and this results in a better hearing experience and fewer and shorter follow-up appointments. The Super Power pre-sets make it easier to meet the expectations of people with severe-to-profound hearing loss.

The flexible fitting concept using Flex:trial™ technology, whereby audiologists can themselves upload the software for the required level of technology, is also in high demand in France. Many customers appreciate the opportunity to trial the devices with no obligation before committing to a purchase. The brand also provides support for the audiologists with whom Unitron works to acquire new clients. "We have consciously sought out new customers and have also succeeded in winning them over. In particular, we contacted a lot of young audiologists who had just opened their stores. They are excited about the possibilities offered by our Flex:trial™ technology, as it can be employed quickly and easily," adds Vincent Gaggero.

Business is also going well for Sonova's Hansaton hearing aid brand, and collaborations with the audiologists who stock the brand have proved very successful. Hansaton is exclusively retailed via independent audiologists in France, and for historical reasons has a particularly strong presence in the east of the country. "We take a very personal approach to client relations with audiologists, and of course they appreciate that," explains Yorick Hubert, General Manager Hansaton France.

Sonova's Advanced Bionics brand similarly builds on trust-based relationships and cooperation. It is strongly positioned in the French market and is represented in leading cochlear implant clinics. Providing patients with cochlear implant systems is a growth industry, and customer acceptance of the technology is improving thanks to targeted awareness-raising campaigns. Professor Thierry Van Den Abbeele, head of the ENT department at Paris' Robert Debré University Hospital, explains: "You have to understand that implants offer a solution not only when someone has lost their hearing completely but also in cases of significant hearing loss, and it's here in particular that we achieve our best results. So even an 85-year-old person in a good state of health can be a suitable candidate."

Advanced Bionics' business has performed gratifyingly over the last few years. "We have been able to increase our market share significantly," says Jean-Baptiste Delande, Area Director French Europe Advanced Bionics. The company has a total of 18 staff working in France and maintains contacts with ENT physicians and patients at hospitals specializing in cochlear implants across the country. One big advantage over other providers lies in the cutting-edge waterproof technology that Advanced Bionics deploys. Neptune™, the first and only sound processor you can wear while swimming, is ideal for young children. This is what tipped the balance in choosing a supplier for Marlène Corbin, the mother of four-year-old Léa, who wears implants on both sides. "We ultimately decided on an Advanced Bionics cochlear implant system because you can even swim underwater with it – that's ideal for kids."



Léa Corbin, cochlear implants patient

Jean-Baptiste Delande continues: “We are constantly comparing notes with the physicians at the clinics.” Innovations are also being introduced on the basis of these exchanges. “In future, we intend to switch on the cochlear implants earlier. Previously, we had been switching them on about a month after the operation, but now the aim is to activate the device the very next day, to give the patient an immediate hearing experience.”

Sonova wishes to continue growing in France with the help of its international network of audiology stores, and it has been pursuing this objective via its local brand Audition Santé. The company is constantly searching for new ways to further improve information provision, awareness campaigns, hearing screening, advice, and support – with the focus always squarely on the customer.

Lots of energy is being invested in marketing campaigns, as Stéphan Rosat, Audition Santé’s Managing Director in France, explains: “Things are working out very well with new customer acquisitions. Hearing tests are being advertised in mailshots, for example, and we are active on social media.” The company’s YouTube channel has been extraordinarily successful, garnering more than 1.6 million views in just two years. “While it’s certainly important to have an online presence these days, D-Cibel, our print magazine, has proved to be one of our best marketing tools.” The magazine, which runs to about 30 pages and appears twice yearly, explores an array of hearing-related topics. In addition to the print version, which has a circulation of 600,000, we have had an online edition for more than two years now, and a video version of many of the stories has also been posted to YouTube over the last year. The hardcopy magazine is mailed directly to customers and is also available in stores.

Audition Santé has 226 specialist audiology stores in France, almost twice as many as ten years ago. Their largest branch in France at the moment is in Versailles. A modern and attractive retail environment where the new audiological care store layout has already been installed, it is all geared to optimal customer service, both in terms of its design and the facilities on offer. 77-year-old customer Jacques Lolloz likes to drop in. “The staff here are all highly professional. I feel like I’m in good hands,” recounts the holder of the Order of the Legion of Honor, who served as mayor for many years.




Jacques Lolloz, Audition Santé customer

Barely a quarter of an hour's train ride away from Audition Santé in Versailles, we find Sophie Vouzelaud posing in front of the Eiffel Tower for Sonova's 2018/19 Annual Report photoshoot. This tall young lady with dark curls works as a model – and wears hearing aids made by Sonova brand Phonak. Sophie, who comes from a little town called Saint-Julien in the Limousin region, was born with profound hearing loss; thanks to being fitted with hearing aids since her earliest childhood, she has learned to speak and make her way in the world.

That Sophie has become a model is mainly due to the unstinting commitment of her mother, who entered her daughter into a regional beauty contest shortly after she left school in 2007. Exceeding all expectations, she took first place, thereby qualifying for the final selection of “Miss France”. There may have been only about 70 spectators at her first competition, but this time there were to be no fewer than 12 million viewers watching Sophie hold her own against 37 other contenders. Having spoken just a few sentences in the final, the beauty queen, who is affected by near-complete hearing loss, won the hearts of millions in the TV audience and was crowned “Première Dauphine de Miss France 2007”. Now 30 years old, she has since won supporting roles in feature films, has taken part in a range of popular TV shows in France, and is now even an ambassador for a Christian Dior perfume. The French model is also active in campaigning for greater acceptance of people with hearing loss. This work is close to Sophie Vouzelaud's heart: “I always had to struggle – but I have proved that I can achieve the same as anybody else.”

- 1) https://www.ehima.com/wp-content/uploads/2018/07/EuroTrak_2018_FRANCE.pdf
- 2) © 2017 Gallileo Business Consulting, «Panorama 2017 du marché de l'audioprothèses». Survey conducted on behalf of Sonova, detailed results available free on request.
- 3) Stewart, E., Rakita, L. & Drexler, J. (2019). StereoZoom Part 1: The benefit of wirelessly connected narrow directionality in Phonak hearing aids for speech intelligibility. Phonak Compendium, retrieved from www.phonakpro.com/evidence, accessed February 5, 2019.
- 4) Winneke, A., Latzel, M. & Appleton-Huber (2018). Less listening- and memory effort in noisy situations with StereoZoom Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed February 5, 2019.



Strategy and businesses

Hearing instruments business

A driving force in hearing care, we measure our success by the positive impact our technologies have on the ability of consumers to communicate and enjoy life to the fullest.

It is a very exciting time to be in the hearing instruments business: the market is changing faster than ever before as the baby-boomer generation arrives at the age when hearing loss becomes common. These new consumers are more self-reliant and demanding, seeking optimal performance and connectivity, choice of sales channel, and excellent, flexible support. Developing countries such as China represent large untapped demand with a track record of rapidly adopting advanced technology. The digitalization of our solutions gives our consumers seamless contact with the media and experiences they enjoy, while our online eSolutions provide new opportunities for us to offer services and enhancements.

We are grasping the potential of this rapidly evolving market through our commitment to remain at the forefront of innovation and proven hearing performance. We have the industry's broadest portfolio of hearing care products, providing a solution for every type of hearing loss. Our three hearing aid brands – Phonak, Unitron, and Hansaton – maintain their distinctiveness, but advance together by sharing R&D, improvements in processes, and new paths to the consumer.

At the center of our hearing instruments business stands the Phonak brand, available around the world through all our sales channels, including our own audiological care businesses. Phonak represents the leading edge of hearing aid technology, regularly setting new industry standards for hearing performance while introducing major advances in connectivity and remote support. Unitron, with its innovative Flex eco-system, supports the businesses of hearing care professionals, while Hansaton is positioned as an exclusive brand focused on independent audiologists.

Key areas of activity

Innovation



The highlight of this financial year was the launch of Phonak Audéo™ Marvel, powered by our new leading-edge technology, based on Sonova's proprietary SWORD™ Made For All wireless chip. It allows virtually all users, irrespective of the type of phone or other Bluetooth enabled device they own, to stream high quality stereo sound to both ears. This means genuinely hands-free phone conversations, access to all streamed music, voice, and video content, and hassle-free connection to wireless microphones. But Marvel's most important feature is a hearing experience so impressive, even at the initial fitting¹, that we call it "*Love at First Sound*." With Marvel, Phonak has once again taken a major step to significantly improve the audiological performance of hearing aids.

That is not all: Connection to a phone allows instant, easy access to a suite of eSolutions, from remote audiologist support and direct consumer feedback to real-time voice-to-text transcription of phone conversations. And thanks to the low power consumption of the SWORD chip, all of this performance is supported for a full day on a single charge for consumers who have chosen our proven lithium-ion rechargeable technology.

The market response to the Marvel technology has been very positive, further strengthening our market share and average selling price. As always with Sonova innovations, the new technology will be introduced in a phased way across our product portfolio.

1) Jansen, S., & Woodward, J. (2018). Love at first sound: the new Phonak precalculation. *Phonak Insight*, retrieved from www.phonakpro.com/evidence, accessed October 16, 2018.

Market and consumer access

Sonova has direct access to over 90% of the global hearing care market through its own wholesale companies, and reaches over 100 countries when partner distributors are added. Hearing care is a diverse market with individual, national, and regional variations, so we set our distribution strategy to reach consumers in their preferred way. We offer our brands through multiple sales channels – large store networks, independent audiologists, managed care providers, and government healthcare institutions – to assure each consumer the broadest access to optimal hearing solutions.

We have strengthened our strategic focus on two areas with the greatest potential for increased demand for innovative hearing solutions: the baby-boomer generation of consumers in developed countries and the under-served but quickly increasing middle class in developing, high-growth countries.

Success in these markets depends, not just on excellent performance and technological innovation, but on close engagement with each consumer, ensuring that our solutions make a strong contribution to a seamless hearing experience in everyday life. Here, eSolutions have an important role to play, maintaining the relationship between the consumer, the hearing care professional, and Sonova throughout the lifetime of the product. The consumer gains from continuously optimized performance, convenience, and support; we gain deeper market knowledge and a permanent presence on each user's hearing journey.

Continuous improvement

Market growth is one source of future success, but there are also opportunities to further increase productivity and profitability in our current business. Such a wide product portfolio distributed through so many channels offers many areas where processes and structures can be further streamlined. For example, we have optimized our operations structure in the US, folding three separate facilities into one. We are also consolidating the highly-skilled production of our custom products into fewer, advanced centers in each major region. Each of these operational improvements frees up capital for investment in growth opportunities, such as our new dedicated support organization for managed care providers.

We continually assess *how* we sell, not just *what* we sell, and are further optimizing our sales and marketing efforts. The marketing launch of our Marvel technology was the largest ever in the industry, and we are capitalizing on that effort through repeat campaigns (including television advertising) throughout the product life cycle. These campaigns are supported by claims from clinical and consumer studies that substantiate the real-life benefits of our solutions, and ensure that we sustain market awareness, fill gaps in distribution, and keep bringing in new customers throughout the innovation cycle. Targeted digital lead generation gives us the ability to pinpoint where we have the greatest potential to generate demand. All in all, we intend that our business processes should live up to our products in their sophistication and performance.



Hearing instruments business

Close connections

The launch of Phonak's Audéo™ Marvel has brought a hearing aid to the French market that sets new standards for rechargeable solutions and direct connectivity. Fashion journalist Barbara Markert from Paris is an enthusiastic wearer and has been writing about her experiences.

Three short text messages are all that is required to set up the appointment: "Is Thursday about 2pm OK for you? – Yes! – Great. I'll give you a call!" A few days later, a little push message appears at the agreed time on the myPhonak app on Barbara Markert's smartphone. The busy freelance journalist and mother of a 9-year-old boy clicks on the link and is directly connected to her audiologist.

The employee at a specialist audiology store works in the Paris suburb of Créteil, while Barbara Markert is based in the middle of Paris, not far from the Louvre and the Pompidou Center. The metro journey from her home office to Créteil would take over an hour, the return trip, two hours. The elegant 52-year-old can now save herself this time; thanks to remote support for her new Phonak Marvel aids, her audiologist can access her devices via the app and fine-tune them remotely. "The sound quality is super inside a room, but there is still a bit of an echo outdoors. Can you fix that?" asks his customer. The audiologist alters the settings from his computer and asks her to try out the adjustment over the next few days before getting back to him.

Barbara Markert, a German national who has settled in Paris, has been wearing Phonak's multi-functional Marvel hearing aid since January 2019. "I'm constantly amazed by all the things the new devices can do," says the lively journalist. She is especially taken with the option to link it with her computer via Bluetooth. "I often spend whole days working at the computer, typing up interviews I've done. In the past, I had to laboriously take my hearing aids off and plug in headphones, but that's no longer necessary, thanks to Marvel. Everything is transmitted to my ears via the hearing aids." Skype interviews and videos of fashion shows with lots of music, which she watches for research purposes, are transferred directly to the devices, no longer bothering her husband, who is also a freelancer and has his office right next door to her work room in the flat they share.



Barbara Markert, journalist

Being able to slot the device effortlessly into its charging dock at night is another bonus for the journalist. “Not having to change single-use batteries all the time is right up my street, as I’m particularly concerned about ecology and environmental protection,” says Barbara Markert. Despite its Bluetooth connectivity, the device uses very little power thanks to its powerful lithium-ion battery technology, and it only has to be recharged in the evenings before going to bed.

It took Barbara Markert a long time to come to terms with her hearing loss. A friend of hers who is an ENT physician discovered her hearing loss, originating from damage to her inner ear, not long after she had turned 30. It had probably been caused by a childhood illness. “After the diagnosis, I stubbornly refused to wear a hearing aid for the longest time; for aesthetic reasons in my career as a fashion journalist, I simply couldn’t imagine it. Back then – this was in the 1990s – I felt the devices were still too large and obtrusive.”

The journalist muddled through her daily life for almost 20 years. She had particular difficulty with high-pitched sounds, would set her cellphone’s ringer to maximum volume, and developed a predilection for foreign language films with subtitles. Eventually the time came when she had to ask someone to repeat themselves in a conversation once too often. “I was ready for a second hearing test.” The new diagnosis identified mild hearing loss in speech ranges and moderate hearing loss at high frequencies. Some very high and very low pitches had disappeared beyond her acoustic perception entirely. “She could have saved all of these facets of her hearing if she had taken the advice of my colleague back then. Indeed, her hearing would probably be better now than it was back then,” is the ENT doctor’s no-nonsense conclusion, adding that there is no longer any chance of repairing anything once a person has reached the end of their 40s; from that point on, he says, it is just a question of trying to preserve what is left.

After such a clear wake-up call, Barbara Markert was finally ready. Her decision was made easier by the discreet design of new models such as Phonak’s Marvel. “Most of my acquaintances have no idea that I wear hearing aids,” she says. The 52-year-old is full of pride at having dared to take this step even though she is “still young”. “It was essential for me to do something,” she remembers, adding that while she had put up with hearing less over the years, she had also gotten used to hearing better very quickly. “I would never have imagined that a hearing aid could also be genuinely cool. Who else can make a call and leave their smartphone in their pocket? Or watch a film on their computer with no earphones in and their partner asleep in bed beside them?”

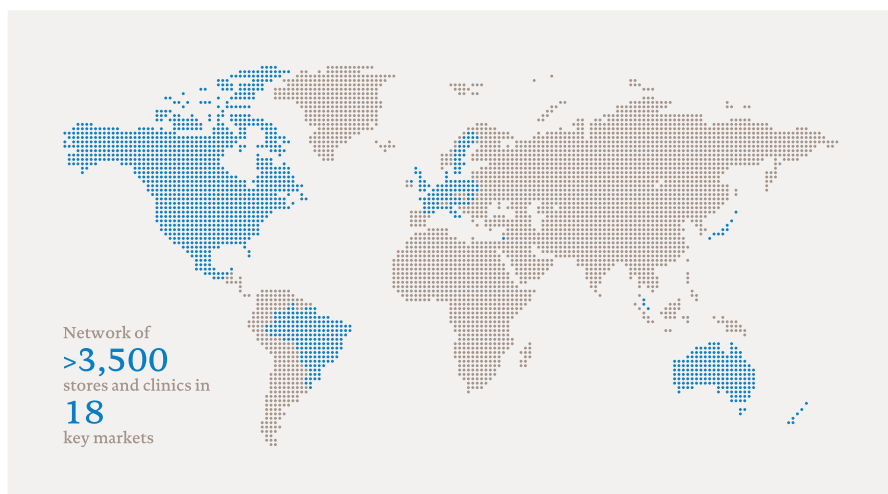


Strategy and businesses

Audiological care business

We deliver excellent service and expertise with the most technologically-advanced solutions for all types of hearing loss through one of the world's largest store networks.

Sonova's audiological care business is expanding through a combination of organic growth, new store openings, and acquisitions. We bring together respected local audiology networks and develop them through shared product lines, training, processes, and support functions into a lean, efficient, and capable global growth platform.



Our organic growth strategy calls for increased productivity through efficient lead generation and improved in-store conversion rates. We are also raising the pace of new store openings, using geo-targeting to identify the most suitable locations to fit with our existing operations. Today we have over 3,500 stores and clinics, employing more than 7,000 people across 18 key markets.

The consumer is at the center of all our activities. We draw on Sonova's deep expertise to offer the best audiological solution for each consumer need. We focus intensely on service to ensure the best consumer experience at every point of contact. And we spread the benefits of Sonova's uniquely broad product portfolio by offering the best value-to-price ratio at every technology level.

We changed the name of our business from "retail" to "audiological care" for one simple reason: care is what we deliver. By far the largest proportion of value we add, both for the consumer and for our business, comes from the dedicated work of our trained audiologists: diagnostics, fitting, counseling, after-care. The hearing instruments we sell are the means to establish life-long relationships based on service and expertise. This defines us far more than simply retail distribution.

Key areas of activity

Innovation

The launch of Phonak's industry-leading Marvel technology platform was the first to be rolled out globally under the Phonak brand in our audiological care business. Our network was deeply involved in the launch process from the first R&D presentations, allowing our audiologists to be fully trained in Marvel's capabilities and familiar with its suite of eSolutions before the surge in consumer demand. It was a vivid demonstration of the potential of our vertically integrated business model: consumers receive the most up-to-date solutions and services at the moment each new innovation appears on the market, and all of our hearing care professionals have full access to the well-respected Phonak brand.

We are also sharing our wealth of expertise with consumers by extending the range of services we offer from treating hearing loss to related areas like tinnitus, balance problems, and hearing protection. Our World of Hearing store concept, now being piloted in the Netherlands, presents us as the provider of comprehensive solutions for anything to do with the ear; we plan to expand this concept in other major markets during the coming year.

Market and consumer access

As a consumer-centered business, we are keenly aware of the broader social trends that affect our market. Most important is the technological sophistication and self-determination of the fast-growing baby boomer segment. They are internet-savvy, although many still prefer face-to-face in-store service to online selling. They are interested in performance and features more than brands, expect excellent sound quality and connectivity, and are willing to pay for superior services. Most of all, they want choice about how and when they have contact with their hearing care professional – so we offer an omni-channel experience right across our stores, call centers, and online presences. It means that we are accessible, with consistent services and messages, at all times and places: the consumer controls the choice of channels throughout the consumer journey.

We engage with this sophisticated consumer base through advanced lead generation systems and targeted marketing campaigns, including television advertising. As an example, we marked the launch of Phonak's Marvel technology by a television campaign specific to our network in Germany, highlighting the fact that our audiological care business is the place to find the latest hearing technology.

Our broad digital presence and suite of eSolutions, from eScreening to remote support, mean that our relationship with the consumer can go beyond simply selling a hearing instrument. We see this as life-long service: not only do we support the experience of using our solutions throughout the life of each product, but we gain familiarity with each consumer's individual situation; we can anticipate how that changes and be ready to assist through the next stage.

We also know, from in-depth research, how a consumer's family and friends influence the choice and successful use of hearing instruments. So we practice what we call "family-centered care," where we invite family members or friends to accompany consumers to every appointment. This helps to build mutual understanding about the consumer's needs and social environment and about the value of good hearing care. By involving the family throughout the consumer's hearing journey we realize higher uptake of our solutions, better adherence to treatment plans, and ultimately greater satisfaction, creating a win-win situation for the consumer and our business.

Continuous improvement



World of Hearing store in Dordrecht, Netherlands

As a business dedicated to providing outstanding care, we want to make optimal use of our hearing care professionals' skills and time. This means matching each consumer's need with the appropriate service. As we roll out our World of Hearing store concept, we will link each of these full-spectrum stores in a "hub-and-spoke" structure with a number of surrounding stores that are optimized for more routine business. This means that consumers have convenient access to more sophisticated services, while audiologists in both types of store have a full yet manageable workload. We are currently expanding this structure to the US with other major markets to follow.

Vertical integration with consistent, best-in-class consumer service depends on a solid shared IT backbone. Having grown by acquisitions over several years, we are determined to achieve the complete unification of our systems. We have begun development of a cloud-based IT platform that will streamline all our operations around the world, supporting our consumer-related digital tools and data, our business processes, and our customer relationship management, sales and marketing functions, including a global consumer database for enhanced lead generation. The pilot version is up and running in Italy and we expect to complete the global project within three years.



Audiological care business

A service almost fit for a king

Audition Santé's specialist audiology store in Versailles is a shining example of the success that has been achieved in the audiological care business in France. The secret? Bespoke service that offers customers comprehensive solutions.

There is never a dull moment at Audition Santé's specialist audiology store in Versailles, located in the middle of the Old Town in a small, bustling square lined with cafés and restaurants just a few hundred yards from the famous royal palace. Jacques Lillioz is leaning on the welcoming reception desk. Now 77, he spent more than two decades as mayor of a small town before volunteering in adult education and working in schools, where he teaches children about human rights. "I'm still active, so I need to be able to hear well." He has recently started to wear the latest generation of Phonak hearing aids.

Another customer strolls in. Walburg de Vernisy is 74 years old. Her hearing was damaged when a generator supplying electricity to pasture fences exploded near the budding showjumper and former horse-breeder. Her hearing had deteriorated over the years and eventually, she says, "I could no longer make out what they were saying on stage at the theater." She likes dropping by the Audition Santé branch: "I get very good advice here. Karin Beuchot, who looks after me, is patient, charming, and puts her heart and soul into her work. She really pulls out all the stops to ensure her customers hear better. She's a professional."

She has hit the nail on the head: Karin Beuchot has been working as a professional audiologist for more than 25 years and has managed the branch in this upmarket suburb of Paris since 2013, having previously spent many years working in other regions of France. "When I started in Versailles, I noticed that things are a little different here straight away." She doesn't just mean the area's rich history, which is woven around Louis XIV's world-famous chateau; the town has a high concentration of specialist audiology stores and there are many long-established and well-off families living here. "The clients have high expectations, so it's important for us to be able to address their wishes on an bespoke basis. Customers who have bought something from us once almost always come back again at some point in the future."



Walburg de Vernisy, customer and Karin Beuchot, audiologist at Audition Santé in Versailles

Eight staff work at Audition Santé in Versailles, and business is brisk. The key to this success is the consistent consultation and customer experience offered by Audition Santé in its network of specialist audiology stores across France. The reception area of each store houses the first surprise: as customers enter, they leave the noise of the street behind them completely. They are met with peace and quiet, not to mention a comfortable armchair to relax in until their turn is called.

With over 1,800 square feet of retail space spread over two levels, the audiology store on the rue Saint-Simon is currently Audition Santé's largest branch in the country. There are three sound booths for hearing aid fittings, two repair desks, two waiting rooms for customers, and a spacious meeting room that is also used for the company's regional in-house education and training sessions. Branch manager Karin Beuchot thinks that the secret to its professional customer support lies in generous opening times, cutting-edge technical equipment, and a strong team. She deals with some 50 appointments a week herself: "People once used to go to the audiologist that was around the corner from the doctor's; nowadays most of them do some internet research first. They are really well-informed before they even arrive at the store." And, ultimately, customers end up making purchases where they get the best service and special offers.

This is why the branch in Versailles is one of the few specialist audiology stores in France to offer Phonak's Lyric™, the only 100% invisible hearing aid, which can be worn for several months at a time and provides a unique sound. "Lyric is especially popular with customers who are still actively involved in the world of work and want a discreet device." Among other things, special fitting equipment had to be installed in order to be able to offer Lyric.

The branch has also been successful in acquiring new customers: "Some people find us through word of mouth. You can test new devices here on special open days. A lot of people turn up for these and then often buy a hearing aid on the spot. Accessories for the TV or for meetings, such as Phonak's Roger™ external microphone, are also very popular," explains Beuchot. Their in-house repair and cleaning service is likewise a key touchpoint for maintaining customer relations: "We check devices every three months and use the appointment to fine-tune the settings. This ensures we stay in constant contact with our clientele."



Strategy and businesses

Cochlear implants business

At Advanced Bionics, we are committed to continuously developing our cochlear implant systems to improve the lives of those with the most significant hearing loss.

An Advanced Bionics cochlear implant is a life-long solution for significant or complete hearing loss. Unlike hearing aids which amplify sound, cochlear implants electrically stimulate the hearing nerve, bypassing the damaged part of the ear; a wearable processor captures sound and converts it into an electrical signal which is transmitted to the implant. We work to optimize each component of this sophisticated system, offering recipients excellent hearing performance and helping surgeons and audiologists with their vital work.

Our business operates in more than 50 countries and is based on close cooperation with the surgical clinics that perform implantation, the hearing care professionals who serve our recipients before and after surgery or throughout their whole patient journey, and the researchers who study hearing function and further advance our solutions. We also work with potential recipients and their families, not just by providing our technology, but through advice, information, support groups, and online communities.

Advanced Bionics began its close R&D collaboration with Phonak nearly a decade ago, and this has been very fruitful. Each significant advance in Phonak hearing aid technology – in sound quality, speech intelligibility and directionality, connectivity, and automatic adaptive sound programs – has been extended to our sound processors, giving recipients an ever-more natural experience of life's sounds, music, and conversations.

Key areas of activity

Innovation

It is increasingly required for health reasons that people should have an MRI (magnetic resonance imaging) scan at some time during their life, but this has long been a challenge for cochlear implant recipients: the implant contains a magnet, and the powerful magnetic fields generated by the scanner can cause pain if the implant magnet is not fully aligned with them. Bandaging the head to keep it still is not always possible and is particularly hard for children. Until now, it was often necessary to remove the magnet surgically to ensure a pain-free scan, which also meant that recipients were not able to hear until it was replaced. With the launch of Advanced Bionics' HiRes™ Ultra 3D implant this year, these challenging issues are a thing of the past: its magnet can rotate to orient itself in three dimensions, aligning perfectly with the surrounding magnetic field. Recipients can move in the scanner without pain or discomfort; the need for surgical removal or head bandaging is gone. What should be a routine procedure is now exactly that: routine.



Continuing the benefits of the close R&D relationship between Advanced Bionics and Phonak, the new Naída CI Connect accessory for our Naída CI Q90 sound processor incorporates Sonova's SWORD chip, providing direct Bluetooth connectivity with phones, tablets, laptops and MP3 players. From hands-free phone conversation to streaming media, Naída CI Connect offers a seamless experience of today's digital world.

Cochlear implants are advanced technology but they have now been available for many years, and we want to ensure that those who chose us in the past can still benefit from our innovations. We therefore introduced the Chorus™ sound processor, which provides several thousand recipients of our first generation implants the up-to-date benefits of all-day battery charge and integrated wireless reception, thus renewing our life-long connection with this established consumer base.

Market and consumer access

A significant growth area for cochlear implants is among adults whose hearing loss has gone beyond the point where hearing aids are effective. Here our collaboration with Sonova's hearing instruments and audiological care businesses is a highly valuable route to these potential recipients. One good example is provided by the events that audiological care's Vitakustik network in Germany hosted this year. They generated excellent ratings from participants, strongly positive feedback from clinics, and a more than 10% rate of direct sign-up for clinic appointments from those who attended.

When a child is born with severe hearing loss, there is generally a 12-month period before surgeons will consider a cochlear implant operation. This is not just a waiting time – it is an essential period for a child's sensory and social development, where family interaction can make a great difference to the eventual success of the hearing solution. Our Baby Beats™ app focuses on encouraging activities that engage babies in the sensory world – the vibration and breath-patterns of speech and singing, the sight of chimes and drums – and informs families about what our solutions can do for them.

Continuous improvement

A cochlear implant is a complex system whose production requires many advanced processes. We can achieve economies of scale as our market continues to grow, but there is also a wealth of opportunities to continuously improve the efficiency of our production process and reduce the costs of the goods we sell. As an example, we achieved significant cost savings in producing core electronic components for our sound processors by bringing their manufacture in-house and making use of Sonova's production expertise and efficiency. We are increasingly automating our manufacturing, designing to cost, optimizing our supplier base, and increasing yield.

We already benefited from such efficiency projects this year, and there are many more projects planned for the coming years. This has not just resulted in significant profitability improvement but also freed resources to invest further in innovation and expand our market and consumer access.



Cochlear implants business
“This way I can hear,
that way I can’t!”

Little Léa Corbin has been wearing bilateral cochlear implants made by Sonova brand Advanced Bionics since she was a baby. Her language development has been impressive, and her parents and Sonova employee Adrian have been with her every step of the way.

Little Léa is running backwards and forwards between kitchen and sitting room in excitement. Visitors will be here any minute and she wants everything to look nice. “Have I got everything, mom? Where shall I put it all? Oh, I’ll put everything over there.” This bright little girl in a colorful floral blouse celebrated her fourth birthday in August 2018. She is now four-and-a-half and can already read a little. Her language development is also coming on in leaps and bounds. “She spoke very well at an early age, starting to formulate sentences at two. People on the street are always telling me how impressed they are with her speech,” explains Marlène Corbin, her mother, with justifiable pride, as Léa has had profound hearing loss since birth. That she has learned to speak so well is all down to the work her parents have put in – and to her Advanced Bionics cochlear implant system.

Adrian Travo, the visitor Léa has been awaiting in such excitement, is Advanced Bionics’ Clinical Engineering Manager in France. In October 2015, he personally activated the devices for the girl from the small town of Nogent-sur-Seine, about 60 miles southeast of Paris, and since this first meeting at the clinic, he has followed the little girl’s progress with great interest. He too is full of admiration: “Léa is extraordinary. She’s an excellent example of how a young person can develop when all the parameters mesh together perfectly.” The close, trust-based cooperation between her parents and Advanced Bionics has also been key. Adrian Travo says he has tremendous respect for Léa’s mother in particular: “Her commitment has been exemplary.”

Marlène Corbin, who has three children, discovered her youngest’s profound hearing loss herself. “Everything seemed OK at the newborn hearing screening, and they had told me at the birth that she could hear. I began to have my doubts as she turned four months, however; she didn’t react if the dog barked or I called her. She would only jump once she could see me.” Marlène Corbin went to several doctors, virtually all of whom told her she was mistaken. Her suspicions were not confirmed until they visited the pediatric hospital in Paris: Léa could hear nothing in either ear.



Marlène and Léa Corbin

After the diagnosis, her mother did some internet research, gathered information via special Facebook groups such as CISIC, contacted other similarly affected mothers, and learned games and listening exercises from a speech therapist to promote her daughter’s language skills. The parents soon realized that Léa would need hearing implants: “We definitely wanted Léa to learn how to speak so she would also have the same opportunities in the future as other children.”

In September 2015, Léa Corbin was finally operated on in Paris at the age of 13 months – initially, one ear was treated, followed by the other, four months later. The family met Adrian Travo at Léa’s device activation, where she heard noises and sounds for the first time in her life. He himself wears Advanced Bionics cochlear implants that are clearly visible on a scalp he has shaved specially for the purpose. “We were extremely impressed the first time we saw an adult with a cochlear implant system. It gave us confidence and reassurance for Léa’s future,” recounts Madame Corbin, thinking back.

Travo got to know the family better at regular follow-up examinations, and took a close interest in Léa’s aftercare over the next few years. This contact has developed into a strong bond of friendship with the Corbin family that is very special to Adrian, not least as he has monitored the little girl’s progress since her very first experiences with hearing.

Léa goes to the normal kindergarten in her neighborhood, and the little girl puts on her mother-of-pearl-colored transmitter coils herself every morning. These devices, which look like little buttons, are fixed magnetically to the scalp, where they relay the digitized sounds from the sound processor to the implant’s receiver. Léa self-confidently declares she has brought her classmates up to speed on her hearing equipment: “When I put these buttons on my head I can hear, when I take them off, I can’t.” Her cuddly toy, a monkey called Lulu gifted to her by Advanced Bionics, has the same buttons on his head as she does – only his are blue. “Lulu has already come to school with me. I showed him to everyone. Now my friend wants the same devices as Lulu and me!”