



Healthcare. Technology

Sonova branches out to amplify its hearing-aid sales success

Industry leader is following the eyewear sector's strategy by boosting its store network

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The world's biggest maker of hearing aids is taking a lesson from the eyewear industry, hoping a big expansion of its retail network will boost sales and acceptance of products most customers would rather not admit using.

Lukas Braunschweiler, chief executive of Sonova, said "bricks and mortar" shops would allow the Switzerland-based company to profit from providing more specialist services direct to customers.

"You see that quite prominently in the optical industry, and they are probably 20 years ahead of our industry," he told the *Financial Times*.

Sonova last week announced the €830m acquisition of AudioNova, a European hearing aid retailer, from Curaçao-domiciled investment house HAL Holding.

By adding AudioNova's 1,300 stores to its existing network of about 2,000 retail outlets, the deal will bring Sonova close to overtaking Italy's Amplifon as world's largest hearing aid retailer by number of outlets. Amplifon has about 3,400 stores.

Mr Braunschweiler said the strategy was well-tested by the glasses industry, with companies such as Luxottica, the Italy-based fashion, luxury and sports glasses group, controlling production as well as retailing. "It is a similar, vertically integrated business model. They are in retail, they are in wholesale."

In the hearing aid industry, three-quarters of the added value was in services such as fitting aids, Mr Braunschweiler said. "The service component is enormously important."

The expansion of retail networks could also help the industry address the biggest problem it faces — the stigma of wearing hearing aids.

Ageing populations and rising urban noise levels should boost long-term demand for hearing devices. Unlike glasses, however, hearing aids are unfashionable and clearly associated with growing old. On average seven years pass between a person first

identifying hearing loss and taking action, according to industry estimates.

"It is not cool to wear a hearing aid — so it has to be the aim of every hearing aid manufacturer to make the market more accessible, to remove the stigma," said Lorenzo Biasio, healthcare analyst at Credit Suisse.

Sonova's experience in the UK, where it runs hearing aid "stores within stores" in Boots shops and opticians, had shown retail outlets could raise awareness of hearing issues, Mr Braunschweiler said. "There are a lot of people basically willing to do something about hearing loss. It's up to us to make sure we reach them."

Sonova is also developing online tests allowing customers to check their hearing in the privacy of their own home. The Swiss company also says that the increased popularity of headphones for listening to music and of visible consumer electronic "wearables" could make it less necessary for its products to be as invisible as possible.

Under the Swiss group's ownership, the AudioNova chain of hearing aid retailers will switch to selling Sonova's products — largely at the expense of William Demant, the Danish hearing aid manufacturer, which is a big supplier.

Niels Jacobsen, chief executive of William Demant, played down the impact on his group, saying his company's top five customers — which included AudioNova — accounted for less than 10 per cent of sales.

William Demant has also embarked on retail expansion, last year announcing the €170m acquisition of Audika, a hearing care provider with 460 points of sale across France.

But Mr Jacobsen was sceptical about whether consumer trends or a push into retail could ever make hearing aids as accepted as glasses.

"You don't solve the stigma issue, which is about being older — it's an age-related thing," he said. "We mainly see the penetration issue as a fact, rather than something you can do something about."

Sonova's expansion of its retail network could also hit its future profitability, warned Lisa Clive, analyst at Bernstein. The retail business was significantly more capital intensive than pro-

viding hearing aids on a wholesale basis — and with lower margins, she said. Boosting acceptance of hearing aids and reducing their stigma required investment in marketing and effective branding — not just the acquisition of retail assets.

"Sonova owning the stores doesn't put them in a better position to get patients through the door," Ms Clive added.



Sonova staff at work. The group hopes greater retail visibility will help it to tackle the stigma of wearing hearing aids

Bricks and mortar benefits:
Lukas Braunschweiler

