

# The Communications Journal

June 2010

## Editorial

### Dear Reader,

We proudly present you our new Communications Journal. The world is increasingly becoming an online community and we are no exception, switching from a printed to an electronic newsletter. With this new format we would like to respond to the needs of numerous readers as well as take best advantage of the new media opportunities. Content-wise we have introduced changes, too. While the Communications Journal is still dedicated to a core topic discussed in an interview, an expert report and a case study, we have broadened its scope and included general communication trends.

This edition is dedicated to the topic of “positioning”, beginning with the presentation of IRF Communications’ five main activity fields. The communication trends chapter assesses the value of IPO communications and underlines the growing importance of online presentation versus printed brochures.



Have we piqued your interest? Do you like the new format? Your **feedback** is most welcome.

Enjoy the reading.

Michael Düringer  
IRF Communications AG  
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**Interview** Andreas Kessler, CEO Odlo Sports Group

## Exploit your strengths and combine them with evolving market needs

Outdoor activities are trendy. After a long day at the office, more and more people enjoy spending their leisure time outdoors. Relaxing by doing sports, e.g. jogging or hiking in the summer or skiing in winter, is en vogue. Functional sportswear enhances comfort. Odlo concentrated on sports underwear in the past but the brand is currently enlarging its product offering to encompass the entire range of functional sportswear.

**IRF:** *The market for functional sportswear is already quite crowded. Competition between well-established brands such as Jack Wolfskin, Mammut, The North Face, Salewa and others is tough. Is there enough demand for Odlo to expand its market share?*

**Andreas Kessler:** Yes, absolutely. We are a company with high credibility; our brand has a strong heritage going back more than 60 years. That helps us to grow in other segments. Twenty years ago we were more or less alone in the underwear market. Our competitors have helped us to grow in this segment and have also made the market more attractive.

**IRF:** *What makes Odlo unique, how does the brand differentiate itself from other brands?*

**Andreas Kessler:** High functionality and our self-made fabrics make us a premium brand. Our products are effective and authentic, there are no gimmicks. Other unique features are the Temperature Control System (TCS) and the Athletic Clothing System (ACS). TCS offers sports enthusiasts the right sportswear regardless of the external temperature and exercise intensity. ACS covers the needs of athletes at every level of performance. Our products are developed in collaboration with athletes for athletes. Ole

Einar Bjørndalen, for instance, the best biathlete in the world, has given us many inputs for the x-country-collection.

**IRF:** *Would it not have been wiser to continue focusing on sports underwear and to produce for other brands under their label as a sports underwear specialist?*

**Andreas Kessler:** Odlo is much more than underwear. We are the inventor of the 3 layering principle and we offer clothing for all three layers. This principle sets us apart from our competitors. The first layer, the layer on the skin, is the most important layer, it does the main work. The second layer guarantees climate regulation and insulation, that's what the tec shirt collection was developed for. The third, the outer layer, protects you from wind and weather. Our products have always been developed from inside out; this principle is the basis for everything we do. We are a premium brand in functional sportswear, so it makes absolute sense to expand into other categories. Other product categories are natural extensions and reduce the winter-dependency. Furthermore, our logo would be less visible if used only with underwear.

**IRF:** *What are the latest technological developments in the field of functional*

*sportswear? How are you ensuring that Odlo stays at the forefront of such innovation?*

**Andreas Kessler:** Sportswear is getting lighter and lighter. Compressing and cooling products are currently attracting considerable market attention. Our objective is to always be one step ahead of the competition. Our people cooperate with institutes like EMPA and universities like ETH Zürich. Our Research and Development Department works with an extensive network of specialists.

**IRF:** *Once you decided to reposition the brand, what were the cornerstones of the new strategy?*

**Andreas Kessler:** Reposition is the wrong expression. Entering new product categories was just a natural extension of our portfolio. We want to reduce our cold weather dependency and emotionalize the brand visually and verbally.

**IRF:** *The partnership with Alinghi was met with misfortune due to the team's defeat against BMW Oracle. Are you planning any other partnerships, e.g. in order to gain visibility in the tennis segment? If so, which sports disciplines are of special interest to you?*

**Andreas Kessler:** Sports is both – winning and losing. We already have other attractive sponsorships such as Swiss Ski (Nordic) with two Olympic Champions – Simon Ammann and Dario Cologna – as well as Curdin Perl or the Swiss Orienteering Team with Simone Niggli-Luder and Daniel Hubmann, two additional outstanding athletes on the international stage.

**IRF:** *Personalizing a brand is one of the most powerful ways to emotionalize a company in the consumer market. What is your view on this, what is your strategy?*

**Andreas Kessler:** Athletes such as Ole Einar Bjørndalen, Simone Niggli-Luder and Daniel Hubmann are our ambassadors and important for our communication – even though we are not focusing our branding strategy on any one athlete. With our collections we are covering all kinds of sports activity levels and ambitions – from race to performer to active. Wearing our products, everybody can benefit from the experience of world class athletes.

## Open a window to one's mind

A company's positioning vis-à-vis the competition and a focus on the characteristics that set it apart are key success factors in today's challenging market environment. Prof. Dr. Maurice Pedernana, Professor for Banking & Finance at the Lucerne University of Applied Sciences and Arts, comments on the relevance of a company's unique positioning for its sustainable development by highlighting selected best-practice examples.

Whilst a 'positioning process' comprises an entire set of corporate initiatives to create an image or identity in the minds of an organization's target groups, a 're-positioning strategy' involves adjustments to a changed market environment or new customer needs, e.g. after crisis situations. Therefore, the definition and implementation of a unique market position is a vital success factor in order to become No. 1. Relevant aspects are:

### Truly original and non-imitable value proposition

The challenge starts in me-too market environments; in other words, in markets crowded with competitors. 'More of the same' is rarely a viable concept for a sustainable business unless you can attract customers through a compelling marketing campaign. Creating long-term shareholder value requires a focus on individual strengths enabling a company to offer a unique value proposition. This may be a long-standing heritage in a certain market sector combined with profound expertise or privileged access to certain raw materials, for example. Such competitive advantages can apply to big and small businesses, such as Etter, the Zug-based distiller of cherry brandy, now run by the fourth generation of the founding family and offering more than 400 specialties.

### Focused business model rather than radical changes

Entering a new business segment or even a neighboring market is a risky undertaking. The 'Allfinanz' vision is an example of how many big financial players failed. It is extremely important to remain true to existing strengths, knowing where the company is coming from and what its skills are. While there is an undeniable economic need for continual modest extension and diversification of product offerings in order to adapt to changing consumer needs and to maintain a leadership position, the scope and timing of such expansion and innova-

tion must be well thought out and companies must address closely related markets or customer groups while doing so.

### Strong brand as a competitive advantage

An effective positioning initiative takes advantage of additional communication elements at the corporate level such as reputation and brand management. Brand value is especially vital to a company's successful and sustainable development. Therefore, brand building in people's minds – consciously or unconsciously in the minds of existing and potential clients – is a priority task facing every management team and it is most effective if it is implemented in a consistent way. Whilst the sponsoring of Formula One car races and huge donations to WWF as done by HSBC do not really fit together, Apple leads the way in synchronizing our way of life and our lifestyle with its core value propositions.

### Best practice positioning examples

**HOLCIM**, the Swiss-based cement company and a No. 1 global player, acts in the cement industry with a convincing, long-term strategy, optimizing financial, ecological and social performance. This approach helped the company to weather the economic downturn. An additional smart decision was to stay away from overly expensive M&A transactions during the years of easy financing. Holcim proved to be an industrial leader thanks to its consistent long-term strategy execution, including the introduction of long-term incentive plans, e.g. 10 years for top management level.

**RABOBANK**, the Netherland's equivalent of the Raiffeisen Banking Group and No. 1 worldwide in financing the food and agriculture industries, centers its strategy successfully around its core competencies, the financing of 'Food & Agribusiness', where it serves 10 million clients in 50 countries. It applies the same sustainable and

autonomous growth approach with a reasonable long-term ROE goal of 8% at the companies it acquires, such as Sarasin, the fastest growing private bank in Switzerland, and SPG Sustainable Performance Group, an innovator in the field of sustainability and finance.

**SWISS RE**, the Swiss-based global reinsurer with focus on risk transfer, risk retention financing and asset management, has a middle management with a proven reputation for innovative reinsurance and risk management solutions that understands and meets client needs. These experts helped to correct the fundamental mistakes (when the company began to focus on growth through acquisitions and eyes were focused on investment banking and when the board appointed a CEO with no experience in property casualty, which is Swiss Re's traditional core business) that senior management had made – and for which it was never held accountable.



### About the author

Maurice Pedernana is Professor for Banking & Finance at the Lucerne University of Applied Sciences and Arts as well as Delegate of the Institute Leader of the Institute for Financial Services Zug IFZ since the year 2000. In addition, he has been Executive Manager of the Swiss Private Equity and Corporate Finance Association (SECA) since 2001, and he is Chairman of the Zürcher Kantonalbank's Audit Committee until 2011.



Photo: Armin Smallovic

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**Case study**

## Turning dreams into reality for a good cause

KPMG's Growth Generator is a prime example of how a project can support an organisation's positioning and values. With this innovative social collaboration platform, initiated at the occasion of the company's 100 year anniversary in Switzerland, KPMG aims to live up to its promise of being a forward-looking and high-performing firm.



In the framework of its 100 year anniversary in Switzerland, KPMG intended to further foster its team's strong spirit of innovation, which had made it possible for the company to keep up with the changing world and anticipate new trends and developments throughout its long history. Further targets were to strengthen the organization's reputation as an open, pro-active firm to work with and for, which is committed to bright ideas.

The credo developed for the anniversary – 100 years inspiring growth – summarizes KPMG's quest to actively seek creative approaches to serve its clients as well to deliver results. In line with its principle of putting action before words, KPMG Switzerland launched a leading edge online social collaboration platform, the Growth Generator, as the core project of its anniversary celebrations. The Growth Generator combines a major fundraising campaign with the desire to turn personal dreams or challenges into reality. KPMG employees, partners and clients as well as their friends and family are encouraged to initiate challenging projects, find supporters and raise money for a good cause. KPMG Switzerland has pledged to match every donation made through the Growth Generator up to a total

contribution of one million Swiss francs. In keeping with the spirit behind KPMG's successful history, all funds raised will go to benefit research projects that are scientific in nature, have entrepreneurial potential and make a relevant contribution to the benefit of future generations and our communities.

As of 14 June 2010, over 222,000 Swiss francs had been raised through approximately 50 projects on the Growth Generator and the first donations for research projects have just been awarded. The platform will be maintained through 2010. It truly shows the power that can be unleashed by breaking out of a comfort zone and taking on a challenge for a good cause. Or what else can be said about making a video in sign language on how to optimize taxes? Realizing the dream of running a restaurant (even if only for two days and in your own flat)? Or transforming a 150 kg body into one that can run a marathon, all within the space of 10 months? Inspiring? Inspiring!



Photo: Armin Smallovic

Get engaged, get active and join:  
[www.growthgenerator.ch](http://www.growthgenerator.ch)

### About KPMG

Over the course of the past century, KPMG Switzerland grew from a six man operation into a globally networked enterprise with 1,600 employees. The company's history is characterized by the contributions of many hundreds of talented individuals whose commitment formed the basis of KPMG's success in Switzerland. For KPMG, its 100th anniversary in 2010 is an opportunity not only to reflect on the past but first and foremost to jump-start its next 100 years through innovative action underscoring KPMG's ambition of being the number one multi-disciplinary professional services firm in Europe.



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## Communication trends

### Annual reports: Print copy versus online tools

**Printed reports are time-consuming and costly projects, and often neglected by the targeted readers. Only a few years ago it was a generally accepted practice among listed companies to distribute a printed annual report to each shareholder in the language of their choice. This is no longer the case. Meanwhile the information presented on corporate websites is constantly growing.**

Migros was the first major company in Switzerland to announce that it would no longer publish a printed annual report, only an electronic, i.e. online report. This approach was implemented in 2010 for financial year 2009 for the first time. The company pointed out that it will consequently take best advantage of new media opportunities. Migros published its annual report on its corporate website in a state of the art format, including video messages from the chairman and the CEO. The user-friendly presentation was very professional with animated films and graphs, links to the top five topics and references to other related stories.

#### SIX policy changes as of the 2010 semi-annual reports

SIX Swiss Exchange has responded to this trend. As of the reporting periods beginning on or after 1 July 2009, the admission office is dropping the requirement that listed companies must submit their annual and semi-annual reports in a printed format. This means that an online report for the first half of 2010 and all subsequent reporting periods will suffice.

#### Different target groups – changing information needs

In today's sophisticated and internationally linked financial market environment, new regulations are inevitable, e.g. in the area of risk management or specific corporate government issues. Looking ahead, much of this additional information will be addressed to specialists who have the knowledge required to understand the facts. Opinion leaders, such as financial analysts or the media, will translate the detailed information for a broader audience by raising green, yellow or red flags in their comments.

For most private and institutional investors holding a diversified investment portfolio as well as for the various stakeholders, it is simply not possible to capture all available information on the companies they are invested in. They often ask for summaries covering the truly relevant topics and key facts as well as special access to data for further details.

Looking to the UK and the US, many listed companies focus – besides the website information – on two printed

publications: a reader-friendly, illustrated brochure and a straightforward, low-cost document meeting all formal requirements and information standards. The 'consumer' brochure concentrates on an annual review supplemented with extracts of the corporate governance report and additional topics such as remuneration policy or social responsibility issues. Examples of companies already doing so in the Swiss market are Swiss Life, Syngenta, Huber+Suhner and Vontobel Group.

#### Reduction of complexity and costs

Another trend concerns the reduction of different language versions in order to save costs and free up management capacity. Whilst in the 80s and 90s many Swiss-based companies provided their shareholders with printed reports in the language of their choice, this practice has changed in the meantime. Today, an increasing number of companies publish the financial section or the entire annual report only in their corporate language, which in most cases is English due to the growing prevalence of international management teams. A compromise – with all the pros and cons – is a bilingual publication. It can accommodate individual language preferences but at the expense of reader friendliness. Examples of one-language-only reports within the Swiss market are LEM and Cosmo Pharmaceuticals while Uster Technologies serves as an example of a bilingual publication.

## IPO communications: Capital market communications vital for success

Printed reports are time-consuming and costly projects, and often neglected by Both younger as well as long established companies may seek new capital in order to expand their business activities or – in a short-term view – to pay down debt. One strategic option is to issue new shares to the public, tapping the large pool of institutional and private investors. An elaborate communications strategy is required to raise awareness and to convince investors to take a stake in an organization’s growth prospects.



During the pre-IPO period, a certain level of awareness within the financial community helps to promote a general understanding of a company’s activities and relevant market positions. Furthermore, feedback from the market helps to craft the investment case and fine-tune the key messages. During the IPO marketing period – lasting from the announcement of the transaction to the first trading day – the main objective is selling the stock to investors by effectively communicating the equity story. Finally, as a public company, open and transparent communication is necessary to build credibility and trust among investors in order to support a positive share price development and to minimize volatility.

### Event driven process

The IPO communications task is regulated to a large extent. It begins with discussions with the stock exchange. An initial milestone is the public announcement of the transaction followed by the filing of the prospectus. Typically, company management will host a conference to present the investment case to the media prior to a

road show for potential investors. In most cases the issue price will be determined in a book-building process that precedes the placement of the new shares shortly before the first trading day.

The communication plan defines the key messages and platforms as well as the schedule of events. While the formal announcement of the start of the IPO process is made through a press release, an issuer may, depending on its communications strategy, decide to give advance notice of its planned transaction by way of an interview in which management discusses the organization’s strategic options. Many companies arrange media background meetings after the official announcement in order to brief key journalists on the company’s activities to improve the quality of their reports during the IPO process.

IPO candidates that focus on communications with institutional investors and that are very selective in informing other target groups or communicate inconsistent messages put the reputation of the organization and its management at risk. An IPO marks the

beginning of a new era as a public company, so the initial impression plays a crucial role in shaping the investment community’s perception of an organization.

### Knowledge of the process and efficient management of resources

A specialized communications partner must have profound knowledge of the transaction procedure as well as experience in guiding management through this process in a professional and effective manner. Therefore, strategy building and resource planning are the key tasks of external partners in order to secure efficient use of management capacities during a period in which executives must handle many other tasks of equal significance. In addition, communications specialists deliver valuable contributions to the basic communication instruments required during the various stages of the process, such as press releases, company factsheets, the equity story, website extensions and the often neglected internal communication tools.

### IPO and transaction experience IRF Communications

2009	HBM BioVentures	Life sciences
2007	Uster Technologies	Technology
2007	Cosmo Pharmaceuticals	Life sciences
2006	Newron Pharmaceuticals	Life sciences
2006	Partners Group	Financial services
2005	Esmertec	Technology
2003	BKW	Energy
2000	Tamedia	Media
2000	SHL Telemedicine	Life sciences