

SWISSQUOTE

ePRIVATE BANKING MAGAZINE

28-PAGE REPORT

FAMILY BUSINESSES

THE SECRETS
OF THEIR
SUCCESS

PROFITABILITY • PERFORMANCE
LONG-TERM RESULTS



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..THE NEW YORK TIMES.....BMW.....SCHINDLER.....TATA..

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Happy families

What do Schindler, L'Oréal, BMW and Samsung have in common? Apart from the spectacular growth each one has posted over the last few decades, they are all family controlled. Family businesses are far from limited to the sphere of small- and medium-sized firms, accounting in some countries for nearly half of all market-listed companies. And as shown in the feature article in this issue of *Swissquote Magazine*, they often make for attractive investments.

The statistics say it all: family-run businesses managed reasonably and with a long-term growth outlook inspire confidence in investors and offer them a certain degree of safety. A number of indexes demonstrate that family-controlled firms hold up better in times of crises, as illustrated by Credit Suisse's Family index (see the illustration on p. 33).

The portraits in this issue (pp. 35 to 57) recount the often storied histories of a handful of these family dynasties that figure among the world's most famous firms. From the New York Times Company and Tata Group to News Corporation, L'Oréal and Hermès, it is striking to see how much the spirit of the founder lives on in each of the companies. An entertaining and surprise-filled read is in store! This new autumn issue also includes a review of the latest news from Brazil, a booming economy that we recently investigated in a feature article.

Key information on the country and its latest economic developments are summarized in a "Follow-up" article (p. 28-29) that will now be a recurrent section in our magazine.

In a completely different sphere, that of entertainment, an extensive article in this new issue takes a close-up look at the worldwide duel between Sony and Microsoft, which are readying to launch their new game consoles, Playstation 4 and Xbox (p. 62). The stakes are enormous for both firms, each one having sold nearly 80 million units of its previous-generation machine. Despite a non-stop increase in the number of gamers, new competition from tablets and smartphones is shaking up the sector and constantly chipping away at the market share of Sony and Microsoft. The battle ahead will be ruthless, and not just on game screens.

I hope you enjoy the new issue!



Marc Bürki,
CEO of Swissquote

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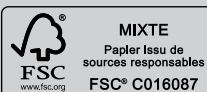
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SUPERCARS



NEXT-GEN CONSOLES



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I N T E L L I G E N C E

AG AI AR BE BL BS FR GE GL GR JU LU NE NW OW SG SH SO SZ TG TI UR VD VS ZG ZH

SWISSCOM TAKES ON WHATSAPP



The number of text messages sent by Swisscom customers continues to dwindle, falling from 696 million in second-quarter 2012 to 628 million in first-quarter 2013. The drop is due in large part to the increasing popularity of apps such as WhatsApp, Skype and Viber that allow users to send messages and make calls for free. The trend has prompted Swisscom to strike back by creating its own app, iO, enabling users to send text messages on a 3G or 4G network, or over Wi-Fi from their iPhones and Android-equipped devices. Soon, the new app will also include a video calling feature. On the day of its launch, 35,000 people downloaded the iO app.

✉ SCMN

TEMENOS GAINS A TOE HOLD IN THE BURMESE MARKET

The recent political reform in Burma has created a new market opportunity. The Swiss group Temenos, which specializes in IT solutions for the financial sector, was one of the first companies to take advantage, selling its T24 system to CB Bank, a leading Burmese institution, which implemented it in June. This has enabled the bank to operate in compliance with international financial standards. CB, which already has 45 branches across the country, will also be able to open another 40 this year. In the near future, the bank will offer its customers an e-banking service and the option of conducting all their transactions via mobile phone.

✉ TEMN

ROCHE STEPS UP ITS AVASTIN TRIALS



With its Avastin patent set to expire, Genentech, a Roche subsidiary, is seeking to prove that the drug can be used to treat other types of cancer than those for which it is already approved. Doing so would enable Roche to extend its monopoly on sales of this drug, which generated \$6 billion in 2012. The California-based company is conducting additional studies with varying degrees of success. Avastin has shown promising results for patients with colon and cervical cancers, but not for those suffering from a rare form of brain cancer, glioblastoma. Japan has nonetheless just authorized Avastin for use in treating this disease.

✉ ROG

SWATCH TAKES AIM AT ICE-WATCH



Swatch is waging an all-out war on the Belgian manufacturer of the Ice-Watch, a colorful plastic watch launched six years ago. Priced at €50-100, it costs a little less than the timepieces made by Bienne-based Swatch. The Ice-Watch, manufactured entirely in China, has made a name for itself in the low-end market, and it is now one of the top five best-selling watch brands. It has won a 3.9% market share, compared with Swatch's 5.2%. This year it plans to launch a luxury model, the Ice Swiss, made in Switzerland by Ronda. It's enough to make Swatch see red: The Swiss watchmaker has initiated 120 administrative proceedings against Ice-Watch in China, in an effort to prevent the trademark from being registered there.

✉ UHRN

OC OERLIKON PARTNERS WITH CONTINENTAL

Schwyz-based industrial group OC Oerlikon has joined forces with German tire manufacturer Continental to develop and market motor and transmission systems for hybrid and electric vehicles. The companies aim to improve efficiency of these components and of "green cars" in general. The Swiss group contributes its know-how via its Graziano subsidiary, expert in designing transmission systems and control software. Continental brings to the table its Powertrain division, specializing in hybrid and electric vehicles.

✉ OERL

BASILEA WAGES WAR ON MULTI-RESISTANT BACTERIA

The pharmaceutical group Basilea has entered into an agreement with the US Department of Health to develop a new-generation antibiotic capable of combating multi-resistant bacteria, such as those increasingly contracted by hospital patients. The six-year agreement could generate \$89 million in revenue for the Basel-based company. With the pharma industry having abandoned antibiotics research in recent years owing to low returns, governments have stepped in to fund the development of new treatments for infectious diseases.

✉ BSLN

NESTLÉ INVESTS IN CHINA AND THE US



Nestlé will open two new plants in China, with the objective of doubling its coffee production capacity there within two years. The agrifood giant is already the leader in China in hypermarket coffee sales, with a 72% market share. On the other side of the world, Nestlé will invest 49 million Swiss francs in the US to improve the nutritional profile of its frozen products. Washington recently placed limits on the amounts of sugar, salt and fat that can be used in foods served to schoolchildren, a large market for the Vevey-based group.

✉ NESN

KUONI EXPANDS ITS CONSULAR ACTIVITIES



Tour operator Kuoni, which ended fiscal year 2012 with a loss of 13.2 million Swiss francs due to the weak European economy, is looking to refocus on its most profitable businesses. The Zurich-based group has already divested its tour operator services in France, Italy, the Netherlands, Spain and Russia. Kuoni is now concentrating on its VFS Global subsidiary, which operates 875 international centers that grant visas on behalf of 44 governments. VFS Global generated more than two-thirds of Kuoni's operating profit in 2012. It has bid on a new contract for Switzerland, which already delegates the issuance of visas in 11 countries and expects to add another 28 to the list.

✉ KUNN

GIVAUDAN TO TEST ASIAN TASTES Givaudan broke ground on a new site in Singapore. The regional center, dedicated to fragrance creation and compounding, will open in 2014, strengthening the Geneva-based group's Asia-Pacific presence and bringing it a better understanding of local consumers' tastes. The worldwide leader in flavors and fragrances already has research institutes in Mumbai (India), Shanghai (China) and Yokohama (Japan), with production centers in Bangalore (India), Shanghai and Jakarta (Indonesia). The Singapore site will include a campus of Givaudan's Perfumery School, headquartered in Paris, for training perfumers on site.

✉ GIVN

STADLER RAIL WANTS TO PLAY IN THE BIG LEAGUE

Stadler Rail is considering a joint venture with the German company Siemens. The partnership would enable the Thurgau-based group, currently focused on regional rail, to penetrate the high-speed train market. Already, the two firms are working together on the replacement of the Berlin commuter rail fleet. Stadler Rail is also looking into partnerships with Spain's Talgo and CAF and Italy's Finmeccanica.

✉ SIE

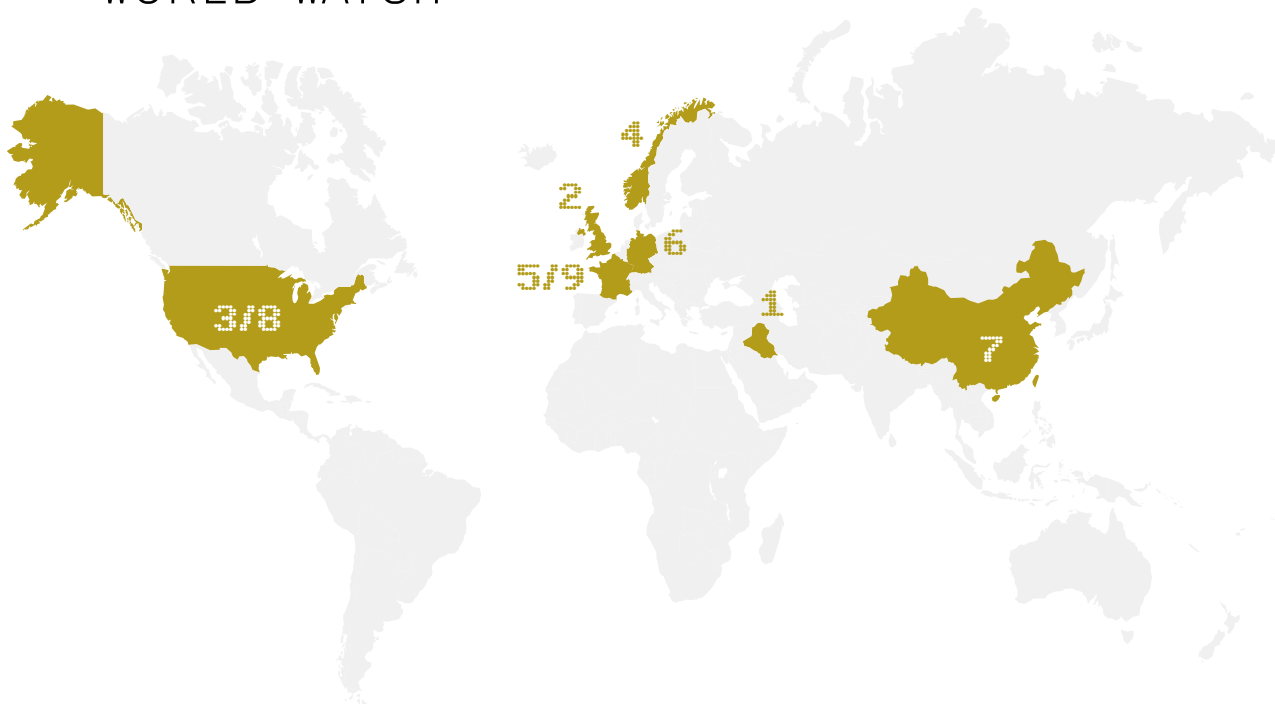
ORELL FÜSSLI AND THALIA TO MERGE IN OCTOBER



They say there's strength in numbers. With this in mind, the Zurich-based Orell Füssli chain is preparing to merge its book retailing activities with those of Thalia, which has operations in Germany, Austria and Switzerland. Orell Füssli has 14 locations, all in German-speaking Switzerland. Thalia has more than 200, including 22 in Switzerland. The combination of the two book retailers has been given the green light by Berlin, Vienna and, most recently, Bern. General manager of Thalia Bücher, Michele Bomio, will helm the new entity. The merger aims to shore up the base of both companies, each facing fierce competition from e-books and online booksellers.

✉ OFH

WORLD WATCH



1

CITIGROUP GOES BACK TO IRAQ

Citigroup has received the green light from Iraq's central bank to open a representative office in Baghdad. The bank plans to open two additional branches in Erbil and Basra. It is the first US financial institution to return to the country since the 2003 invasion. Iraq's banking sector is dominated by two state-owned institutions, Rafidain and Rashid. Gulf banks, including Abu Dhabi Islamic Bank and Qatar National Bank, opened branches in the country in 2012 and British Standard Chartered has also established a representative office there.

CFR

2

VIRGIN GALACTIC SPACES OUT



Richard Branson's Virgin Galactic is set to send tourists into space. Acing its first test flight in April, its supersonic SpaceShip 2 was carried by a mothership to an altitude of 14,000 meters, then climbed to 17,000 meters on its own steam before returning to Earth. The two-hour maiden commercial flight takes place at year's end. And 600 people have bought \$200,000 tickets to the edge of space to cop a peek at the planet and a feel for lower gravity.

3

US GMOS ARE A NO-GO

The US Department of Agriculture has decided to crack down on GMOs. It has delayed the marketing authorizations for new forms of corn, soy and cotton developed by Dow Chemical and Monsanto. The plants have been genetically modified to resist 2,4-D and Dicamba, two herbicides considered hazardous to the environment and human health. The GMOs sold today are compatible only with Roundup, a less virulent but also less effective herbicide, to which several weeds have now developed resistance.

CFR

4 THE LITTLE NORWEGIAN THAT COULD



The low-cost airline Norwegian Air Shuttle is taking on EasyJet and Ryanair. Recently, it placed Europe's largest airplane order ever, purchasing 222 Boeing and Airbus planes worth a total \$10 billion. The order includes a fleet of 787 Dreamliners for long-haul flights to Asia and the US. So what is the airline's recipe for success? Judicious use of countries that are less expensive bases than Norway: the aircraft are stationed in Spain, the back office is in Latvia, and the IT department is in Ukraine.

✉ NWC

5 RTL INVESTS IN YOUTUBE CHANNEL

TV broadcasters hope to stem the exodus of the Internet generation by investing in online video. RTL has become the first non-US media group to invest in a YouTube platform channel. The European company paid \$36 million to buy 51% of BroadbandTV, which has 7,800 channel partners and attracts 800 million views per month. RTL estimates that digital videos will represent 10-15% of the TV market within five years. US companies Time Warner and Comcast Ventures have also recently acquired stakes in YouTube channels. ✉ RTL

6 PEPSI TO SELL GERMAN YOGURT

Yogurt sales continue to soar in the US. Wanting a piece of the action, German firm Théo Müller has formed a joint venture with PepsiCo to sell its products on the US market. The two partners will also invest \$206 million to build a new plant in New York State that will employ 180 people. The North American yogurt market is currently dominated by Danone and Yoplait and is estimated to be worth \$7 billion in 2013.

✉ PEP

7 CHINESE E-CIGARETTE FIRM HAS COMPANY



Sales of electronic cigarettes have increased 30% per year from 2007 to 2010 reaching \$2 billion worldwide in 2011. Nearly 20% of smokers have tried them at least once. The Chinese company Ruyan has mainly reaped the full benefit. It invented the mechanism that heats the nicotine and produces a vapor resembling smoke, patenting the device in over 50 countries. But US tobacco majors are also investing in this promising market, with Lorillard acquiring e-cigarette maker Blu for \$135 million and Altria set to unveil its own model.

8 HUMAN DNA PATENT DENIED



In early June, the US Supreme Court handed down a landmark decision banning the patenting of human DNA. The ruling immediately ended Myriad Genetics' monopoly on the genetic tests used to detect hereditary diseases such as breast cancer. The company had patented several genes whose mutations are examined using these tests. GeneDx, a subsidiary of Bio-Reference Laboratories, and Quest Diagnostics, the largest laboratory in the US, have already announced that they will market their own genetic tests.

9 ECONOMICAL SUVs GAIN GROUND

Renault is bouncing back thanks to sales of its Dacia Duster, a low-cost SUV. 155,729 units sold at €12,900 apiece in the first five months of 2013, up 59% year-on-year. Three-fourths of these sales were generated outside of Europe—mainly India, Brazil, Argentina and Russia—enabling the brand to establish itself in markets where it had only minimal presence. Renault has kept the Duster's price down by producing it at the low-cost Pitesti site in Romania, and by using 70% of the parts from another model, Sandero.

✉ RNO

SECTORS

RAILWAYS

Hong Kong firm woos European commuter rails

The transport company MTR, which operates the Hong Kong metro, is seeking to expand its European presence to lessen its dependence on its local market. MTR has been shortlisted to take over five of the fifteen S-Bahn lines in Berlin by 2017, and two regional trains in the London suburbs (Essex Thameside and Thameslink). It is also bidding on the contract to run the new commuter rail line that will cross the British capital from east to west, from 2018, a project worth 14.8 billion British pounds. MTR, 77%-owned by the Hong Kong government, already operates part of London Overground, as well as the Stockholm metro.

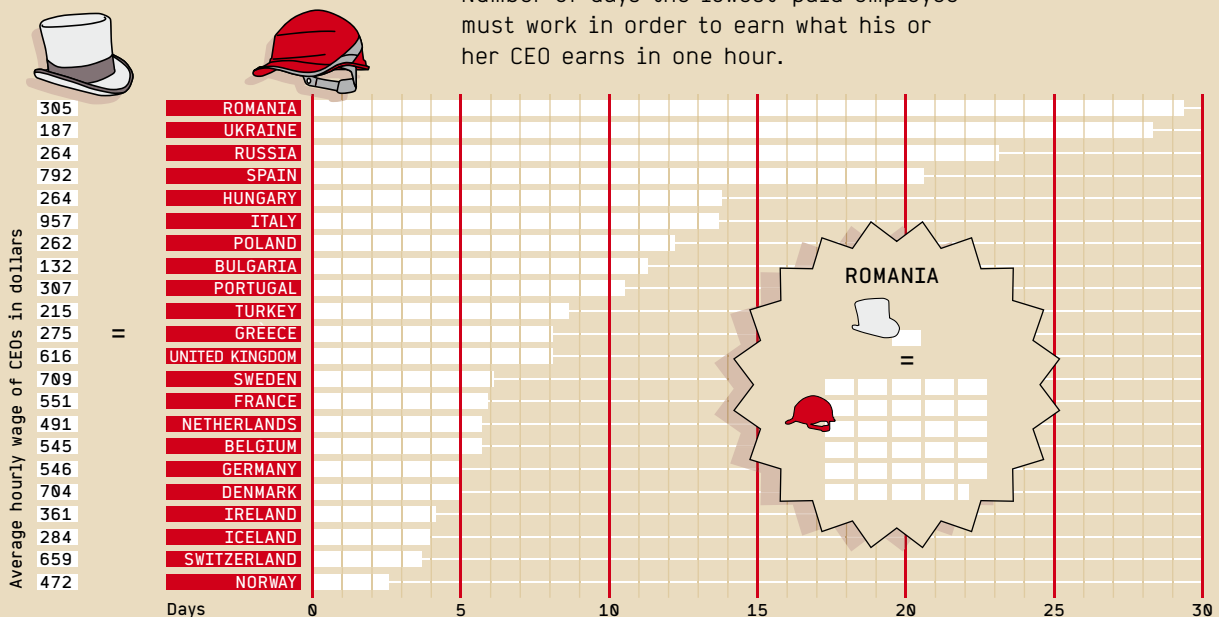
High-speed rail line between Los Angeles and San Francisco

Work will begin this summer on a high-speed rail line between Los Angeles and San Francisco. A network of express trains will eventually connect San Diego and Sacramento. Two European firms are competing to supply the rollingstock: Alstom, the manufacturer of the TGV, and Siemens, which makes the German ICE. Both will face several significant hurdles in California, including different-sized tracks, mountainous terrain and the need to reach speeds of more than 350 km per hour to make the trip in no more than three hours, thus competing with air travel.

WAGES

Pay gaps between CEOs and employees in Europe

Number of days the lowest-paid employee must work in order to earn what his or her CEO earns in one hour.



.. TELEPHONY

Shifting winds in Europe

The European telephony landscape is in a state of flux. The UK company Vodafone is to acquire Kabel Deutschland for €7.7 billion, Spain's Telefonica is selling its Irish subsidiary to Hong Kong-based Hutchison Whampoa, and Telecom Italia is in discussions to acquire an interest in that same company. Customers are increasingly using their phones to connect to the Internet, and operators without a fast mobile network simply can't compete. So what's the solution? Acquire the missing technology, like Vodafone, which hopes to benefit from Kabel Deutschland's powerful cable network.

Microsoft and Huawei fight over Nokia

Last year, Nokia ceded its longtime domination of the mobile telephone market to Samsung. The Finnish firm has been unable to compete with Apple's iPhone and Google's Android. Over the past 14 years, the group's value has plunged to less than \$15 billion. This makes it a prime takeover target. Discussions have already been held with Microsoft, which supplies its Windows operating system to Nokia's phones. The Chinese Huawei has also expressed an interest.

SCREEN

UPS

Sony



Japanese electronics giant Sony generated a profit of \$435 million last year. The positive

results, the first in five years, stemmed from the weakness of the yen and the savings made by the group, which no longer sells televisions or chemicals. The release of Playstation 4 at the end of 2013 should help it to build on this momentum.

SON1

Xiaomi



Smartphones made by the Chinese firm Xiaomi bear an uncanny resemblance to the iPhone.

Xiaomi chief executive Lei Jun maintains a veil of secrecy around each new device, not unlike the marketing techniques favored by Steve Jobs. This clever imitation of Apple's template enabled the company to sell \$2 billion worth of cell phones in China last year. Its revenues are expected to double this year.

CFR

Danone



Chinese consumers, panicked by a series of scandals involving contaminated

dairy products, are increasingly turning to foreign brands. The French group Danone has benefited the most. It will invest €325 million in China in the coming years to increase its yogurt production capacity.

BN

SWISSQUOTE SEPTEMBER 2013

DOWN

FedEx



FedEx may need to adjust its business model as its customers, in their quest

for savings, have been sending their shipments by sea rather than air—the latter being faster but more expensive. The company's express division carried 2% fewer letters and packages during the last quarter. Its revenues reached \$303 million in the period, versus \$505 million a year earlier.

FDX

FNAC



After going public again at the end of June, 33 years after its initial listing, FNAC

saw its share slide 13.64% in a single day, falling from €22 to €19. The French chain operates in a difficult market, where CD and DVD sales continue to drop. The IPO marked the firm's separation from its parent company, Kering, which is seeking to exit mass retailing.

FNAC

Bloomberg



Bloomberg has found itself in the eye of the storm after recent revelations that journal-

ists in its news division used confidential information about the company's clients to write their stories. Information was accessed through computer terminals that the New York firm leases to banks and financial companies. Bloomberg has some 315,000 subscribers. In 2012, the aforementioned terminals generated 85% of the company's revenue.



“We have made a generational leap with the B787, comparable to the switch from wood to aluminium.”

Jim McNerney, Chairman and CEO of Boeing, in an interview with French daily *Les Echos*.



“The electric vehicle is not a bet, it’s a certainty.”

Carlos Ghosn, Chairman and CEO of Renault-Nissan



“I respect presidents and prime ministers, but they don’t scare me.”

Lakshmi Mittal, Chairman and CEO of Arcelor-Mittal, in an interview with *Vanity Fair*.




“I think Prime Minister Cameron is never happy when we discuss the European budget.”

Martin Schulz, President of the European Parliament, at the EU summit on the fight against youth unemployment on June 27.



“We have managed quite a bit. Deficits in Europe are roughly half what they were. We mustn’t now lose patience.”

Angela Merkel, in an interview with six European newspapers (*El País*, *Kathimerini*, *La Stampa*, *Le Monde*, *Süddeutsche Zeitung* and *The Guardian*)



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579,000



The number of “zombie” applications in App Store, according to German consulting firm Adeven. People say the apps are rarely or never downloaded. But Apple claims that 93% of them are downloaded at least once a month.

Sweden tops the list of non-Anglophone countries with proficiency in the language of Shakespeare, according to the annual index compiled by Lucerne-based company EF Education First. Switzerland ranks 15th, behind Poland and India.



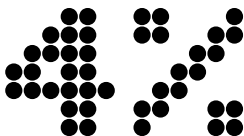
26%



The percentage of members of the Swiss Association of Asset Managers who handle funds belonging to French clients. The figure was only 14.8% in 2009.

53%

The percentage of stock exchanges that report having suffered a cyber attack over the past year, according to a joint survey by the International Organization of Securities Commissions and the World Federation of Exchanges.



The year-on-year decrease in Switzerland's watch exports in May, which fell to 1.84 billion Swiss francs according to the Swiss Federal Customs Administration. Chinese demand underwent a marked 19% drop over the past year.



UP

3D printing

3D printing is becoming more accessible. The Stratasys group has purchased the startup Makerbot to more widely distribute its \$2,000 printers. Meanwhile, Staples, the office supply store chain, is to start selling 3D Systems' “The Cube” printers, which retail at \$1,300.

Chinese oil companies

Chinese oil and gas companies are pursuing an aggressive expansion in Africa. Sinopec has spent \$1.5 billion to acquire a 10% stake in an Angolan project operated by Marathon Oil, while National Petroleum Corp has acquired a stake in a Mozambique gas field for \$4.2 billion.

DOWN

European car market

Car sales in Europe have hit a 20-year low. Just 1.04 million units were sold in May, down 5.9% year-on-year. Sales for the year as a whole are expected to fall 4% on 2012. Shaken by the crisis, households are reluctant to make big purchases.

US fast food chains

Generation Y is less into fast food than its elders. Visits to fast food establishments by 18- to 34-year-olds, who prefer healthy, local fare, have fallen 16% in the US over the last four years. Fast food chains are trying to adapt by offering vegan dishes made with tofu or almond milk.

APPOINTMENTS

New CEO for Emirates NBD

Shayne Nelson is to be the new head of Emirates NBD, the biggest bank in Dubai. The 52-year-old Australian had been CEO of Standard Chartered Private Bank since July 2010. He joined the British bank in 1997 and held a variety of positions there, including Regional CEO for the Middle East and North Africa. His task will be to help Emirates NBD generate a fifth of its earnings outside the emirate by 2018.

✉ EMIRATESNBD

Markus Gygax appointed head of Valiant

Markus Gygax will take the reins of Valiant Bank in November. He has served as head of the retail division of Banque Cantonale Vaudoise since October 2008. From 2002 to 2008, the 51-year-old Zurich native served on the board of PostFinance. Valiant, with a presence in 11 Swiss cantons, is going through a period of uncertainty. After giving up on a merger with Banque Cantonale Bernoise, it is positioning itself as an independent bank operating exclusively in Switzerland.

✉ VATN

Ulrich Spiesshofer becomes CEO of ABB

Ulrich Spiesshofer has been appointed CEO of ABB. Since 2009, the 49-year-old German has headed up ABB's Discrete Automation and Motion division, which sells engines and PLCs. His main task will be to facilitate the integration of the company's major recent acquisitions, including Baldor Electric, Thomas & Betts and Power-One. He will also have to manage the effects of a slowdown in China, ABB's second-biggest market after the US. ✉ ABBN

Douglas Ingram

appointed President of Allergan

US pharmaceuticals firm Allergan has a new president in Douglas S. Ingram. The 49-year-old previously headed the group's Europe, Africa and Middle East division, also serving as executive vice-president. He joined the company, which specializes in anti-glaucoma medication, breast implants and Botox, in 1996. He also held executive positions at Volcom and ECC Capital Corporation. He began his career as a lawyer at the firm Gibson, Dunn & Crutcher. ✉ AGN

A new president for Sharp

Kozo Takahashi has been appointed president of TV manufacturer Sharp. The 58-year-old, who joined the Japanese firm in 1980, was vice president of its products division, which included television and mobile phones. Previously, he led the firm's environment and health unit as well as its American operations. He is tasked with boosting Sharp's sales, particularly of LCD screens, after a \$5.3 billion loss last year. ✉ SHCAF



SCAN

SMARTPHONES SUFFER FROM CYBER ATTACKS



DANIEL FOSTER

The number of cyber attacks on mobile phones grew 614% between March 2012 and March 2013, following a 155% increase the previous year, according to a study by Juniper Network. Around 48% of the attacks involved Trojan horses hidden in SMS messages, while 29% involved bogus applications and 19% malware. The applications most frequently replaced by viral copies were Angry Birds, Adobe Flash, Google Play and Skype.

THE CHINESE LOVE ONLINE SHOPPING

According to a study by PricewaterhouseCoopers, the Chinese are the champions of e-commerce, with 11,000 online consumers in 11 countries. Some 58% of Chinese internet users surveyed had made an online purchase at least once a week in the preceding 12 months, compared to 42% of Americans, 41% of Britons, 29% of Germans and 13% of French respondents. More than a third of those surveyed in China had used a mobile phone or a tablet for such purchases, a much higher proportion than in the other countries. E-commerce generated combined sales of \$211 billion in China last year.

Louis Vuitton briefcase



VS

Gucci briefcase



BASICS

To travel comfortably, today's "homo digitalis" needs more than the pockets of his three-piece suit to store his accoutrements – tablet, smartphone, laptop, etc. The evolved man adapts by taking bags and briefcases on his daily excursions.

Louis Vuitton's Porte-Documents bag is hardly new: The iconic accessory was created in 1934 by the legendary leather goods manufacturer, and was originally used to store blankets at a time when the Parisian bourgeoisie traveled by steamboat.

The modern-day proliferation of "man bags" is coinciding with the timely comeback of vintage. Gucci designers have taken inspiration from their 1950s and 1960s models, reproducing the aesthetics as well as the tanning techniques of the luxury brand founder.

Gucci sells a collection of briefcases in diamante leather, crafted using diamond powder. Back in his very first Tuscan workshop, Guccio Gucci used this traditional method to solidify tanned leather and protect it against exterior impacts.

STRONG POINTS

The modern-day Vuitton briefcase can hold a 15-inch laptop, several folders and some clothes. For further convenience, it is available with an adjustable and removable shoulder strap. Extroverts will opt for the emblematic monogrammed canvas model, while the more discreet might prefer the luxury model in top-quality leather.

Hand-stitched in Florentine workshops, the Gucci briefcase is beautifully finished, available in unassuming black or brown, and perfect for a range of uses. The classic model is designed to accommodate a laptop (up to 16 inches) and folders, and also features a double zip and padlock for extra security when travelling.

PRICE

Canvas model "Voyage" (Damier Ebene, Macassar Monogram): \$1,760
Leather model (Naxos): \$5,000

Black or brown model: \$1,740

KEY FIGURES

LVMH  MC	KERING  KER
FOUNDED	
1987	1963
CEO	
BERNARD ARNAULT	FRANÇOIS HENRI PINAULT
REVENUES	
\$28.1 BILLION (2012)	\$9.7 BILLION (2012)
CAPITALIZATION	
\$70.7 BILLION	\$22.6 BILLION
WORKFORCE	
106,348 (2012)	33,000 (2012)

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SAUDI ARABIA | UAE | QATAR | BAHRAIN | INDIA

Solar panels show their true colors

SwissInso, a small Swiss company listed on Nasdaq, has developed a technology for coloring solar panels to make them more attractive. Sales of the panels have begun.

By Daniel Saraga

When people think of solar energy, they tend to picture bulky panels in insipid colors rather than elegant objects. Lausanne-based firm SwissInso thinks differently. Having developed a special technique for coloring photovoltaic and thermal solar panels, the Nasdaq-listed newcomer is out to convince consumers and businesses that solar energy has a role to play in architectural aesthetics. SwissInso's "Kromatix" panels are more attractive or, if so desired, more discreet than the standard bland blue.

Most importantly, with Kromatix panels, energy losses

due to color are minimal (1% to 3% in relative value) and additional costs are reasonable (from 4% to 18%). "With our technology we can offer a broad range of colors, from blue to ochre via green and yellow," says Rafic Hanbali, SwissInso CEO. "The colors create new architectural possibilities, both for individual house roofs and for commercial building facades."

To produce the panels, SwissInso has joined forces with manufacturers capable of implementing its technology. "More than anything we're an R&D company," says Rafic Hanbali. "Our aim is to

introduce a system of licenses or to create joint ventures with producers and facade builders." The strategy frees the company from having to make heavy investments in a production facility and safeguards it from the extremely low prices that have ravaged the solar industry over the last three years. "Price levels affect us only indirectly. The share of the cost linked to colorization rises if the price of the module falls, but it remains very reasonable," says Rafic Hanbali.

BREAKEVEN IN SIGHT

In spring 2013, SwissInso signed its first contracts for the facade of an office building in Collombey (VS), a building in Lausanne, a show home in London, and a building at Ecole Polytechnique Fédérale de Lausanne. Revenues are expected to start coming in this autumn and the break-even point could be reached in 2014. Good news for a company that, up til now, has sold nothing.

SwissInso launched in 2006 with the development of a solar water purification system. Though the company announced a number of contracts, the product ultimately failed to find any takers. "I prefer to wait for concrete announcements with a solid foundation," says Rafic Hanbali. "SwissInso clearly lacked a business strategy when I joined it in 2012."

For Henning Wicht, solar market head at IHS, an IT and technical data consultancy, there's still room for im-

The front of the Acomet building in Collombey (Valais), covered with SwissInso solar panels.

provement. "The collapse of margins in the sector has cooled off investors. To be convinced of the business model, I'd need to see a strong sign such as a partnership with a construction major that could handle the volume, a company like Bouygues in France. And colored modules aren't entirely new. The German

company Sunways used to make them and stopped owing to low sales. Perhaps SwissInso's timing will be better, as this niche market is now in a growth phase." ▲

SWHN



Eventful history

June 8, 2006

Businessman Michel Gruering founds SwissInso to sell a water purification and desalination system.

November 20, 2009

SwissInso floats on Nasdaq to raise funds, and is purchased by Pashmina Depot, an obscure clothing e-tailer. The share price rises to \$2 and the market value reaches \$100 million.

April 2010

SwissInso presents its Krystall water purification container.

November 15, 2010

A major sell-off sends the share price down 40%. It goes on to stabilize at 5¢.

November 18, 2010

Canadian stock promoter Myron Gushlak, owner of, among others, Pashmina Depot, is sentenced to six years in prison for manipulating stock prices. The setback doesn't affect SwissInso, says its current director.

January 11, 2011

The company announces a Malaysia contract for Krystall that fails to materialize.

January 2012

Rafic Hanbali takes over as head of SwissInso.

May 15, 2013

SwissInso unveils its Kromatix colored solar panels and announces the first of its contracts.

ANALYSIS

ADVICE FOR INVESTORS

Animals are the new picture of health

The pharmaceutical industry may be going through a rough patch, but the animal health market, while smaller, is on a smooth rise. Oddo & Cie analyst Christophe-Raphaël Ganet shares his thoughts on this low-risk sector.

SWISSQUOTE MAGAZINE ►

How much is the worldwide animal health sector worth?

CHRISTOPHE-RAPHAËL GANET ► The veterinary health sector was worth \$22 billion in revenues in 2012, compared with \$800 billion for the human health sector. The big pharma groups generally work in the animal health sector through subsidiaries, such as the world leader Zoetis, founded by the US firm Pfizer and listed on Wall Street since February 2013, and Merial, part of the French company Sanofi. Zoetis alone generates \$4 billion in annual revenue, followed by Merial with \$2.7 billion.

So which animals are we talking about?

The market is divided evenly between products for pets and products for farm animals, including sheep, goats and poultry. Vaccines, such as

anti-infectives, for livestock and pets account for 25% of overall sales. Pest control products represent 30% of sales volumes.

Some animal pathologies that previously weren't an issue for pet owners are now treated regularly, including arthritis, heart conditions and dentition problems

What trends are we looking at in the short and medium term?

The animal health sector is growing steadily at about 3% a year. Growth slowed in first-half 2013, but that was

the result of a non-cyclical phenomenon, namely poor weather in a number of countries reducing demand for pest control products.

What factors most influence this sector?

Apart from non-cyclical crises like avian flu and mad cow disease, the livestock market is mainly influenced by demand for animal proteins, driven by population growth. As new consumers start to eat meat more regularly, especially in emerging countries, farmers increase the size of their herds. Those that export part of their production must adhere to the prevailing health standards in Western countries—a requirement that serves to increase demand for health products.

Is the trend the same for pet meds?



Some animal pathologies that previously weren't an issue for pet owners are now treated regularly, including arthritis, heart conditions and dentition problems. However, the economic crisis currently impacting Western countries has somewhat reduced demand for medications, with pet owners more likely to skip some treatments. Still, the relative slowdown has been offset at the global level by a significant change in lifestyles. Once considered purely and typically Western, owning a pet is now a common occurrence in emerging countries.

Patent expirations on people meds can mean big losses for pharma labs. Does the same apply in the animal health sector?

No, because most veterinary products are already generics and new molecules are rela-

tively rare. Barely 15% of the market is patent-protected. So the threshold effects stemming from patent expirations are limited.

What kind of outlook can we expect in the medium term?

Apart from seasonal-based slowdowns, such as the one we saw in the first half-year, the medium-term trend is very positive. The growth increase in livestock numbers in emerging countries and North America will be between 2.5% and 5% in the coming years. The appearance of new pathogens thus further increases, as does the need for livestock farmers to administer treatments. And the regulatory framework, though stringent, is not expected to undergo any changes that could compromise the general trend.

What advice would you give investors?

The animal health sector is not high on dividends but does boast strong guarantees and some positive points that you don't find in the human health sector. The industry shows potential, and it is not under threat. Given the continued presence of numerous small and medium-sized companies, organic and external growth possibilities exist. Also, the slowdown in the first half-year led to a momentary weakness in the share prices of some companies, which means more opportunity for investors. The US company Keolis and the French firms Virbac and Vétquinol are certainly worth taking a look at. ▀



Christophe-Raphaël Ganet
Financial analyst
Oddo & Cie Investment
Banking
Paris

“Demand for water is growing twice as fast as the population”

Wastewater treatment is a burgeoning global market with plenty of economic potential. Junwei Hafner-Cai, an analyst at RobecoSAM, a company specializing in sustainable investments, explains.

SWISSQUOTE MAGAZINE ►

The wastewater treatment sector is experiencing strong growth. What makes it a good investment?

JUNWEI HAFNER-CAI ► The growth rate of the water and wastewater treatment market has exceeded that of global GDP by 2% over the last five years. Its total value currently exceeds \$510 billion and is expected to climb to \$1 trillion by 2020. The dynamism of the sector can be explained by the fact that demand for water is growing twice as quickly as the global population. Yet water resources are limited, and their quality is deteriorating, particularly in emerging countries, due to a population boom. Wastewater treatment is one solution to the water crisis. For investors, the sector promises both strong growth and a positive social and environmental impact.

What are the most promising areas of activity?

Three technologies, in particular, seem ready to thrive: ultraviolet water disinfection, ultrafiltration and reverse osmosis (a very fine filtration system which lets only water molecules through). The water analysis

and monitoring market is also promising, with many emerging countries adopting more stringent pollution regulations. Among the businesses likely to prosper in this sector are Danaher, Suez Environnement, Thermo Fischer Scientific, American Water Works, Severn Trent and Xylem.

Do some geographical areas have more potential than others?

Wastewater treatment has great potential all over the planet. In the emerging countries of Asia and Latin America, there is particularly great demand in regions where the existing treatment systems are insufficient due to rapid urbanization and economic growth. In the Middle East, the gas and oil industries make intensive use of seawater, which is creating a real boom for the desalination industry. Meanwhile, in the west, there is growing interest in ultra-pure water for use in the microelectronics industry.

What are the main factors influencing share prices on this market?

Changes to national regulations on wastewater treatment undoubtedly play a big role. In China, for example, the

government has decided to raise the urban wastewater treatment ratio to 85% over the next five years, versus 70% previously. Another influential factor is urbanization and economic growth. The Indian authorities, for instance, are planning to invest \$20 billion in water purification, irrigation and recycling systems between now and 2017.

What advice can you give to anyone looking to invest in wastewater treatment?

First, they should familiarize themselves with the water market and the regulations applicable in the various countries. This is very important. It is also essential to be aware of the capacity of the companies in the sector to fund projects, as well as their corporate governance and the quality of their management. Finally, in order to help differentiate between the various market players, it is useful to have expertise in the many technologies used in the industry. ▲



Junwei Hafner-Cai
Analyst
RobecoSAM
Zurich

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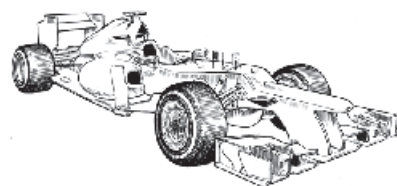


Ingenieur Automatic Carbon Performance. Ref. 3224: Lightweight construction equals exclusive hands-on craftsmanship. The carbon fibre matting used for the case of this watch is manually shaped, soaked with epoxy resin and then cured at overpressure, like the monocoque of a FORMULA 1 racing car. Once finished, the case houses the IWC-manufactured 80110 calibre with integrated shock absorption system. Its low weight will no doubt put it high on the collector's wish list, but it

won't be easy to obtain: production is limited to 100 watches.

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Two limited editions of 100 watches each, one with yellow and one with red design elements, Mechanical movement, Pellaton automatic winding, 44-hour power reserve when fully wound, Integrated shock-absorption system, Date display with crown-activated rapid advance, Central hacking seconds, Screw-in crown, Sapphire glass, flat, antireflective coating on both sides, See-through sapphire-glass back, Water-resistant 12 bar, Case height 14.5 mm, Diameter 46 mm



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THIERRY PAREL

World expert in speech recognition

Temitope Ola, 42, has founded a number of startups, including the MIC Microfinance bank. Today he heads Koemei, a company he set up in 2010 in Martigny, in the Valais. The firm, an outgrowth of the Idiap Research Institute that specializes in man-machine interactions, has rapidly become a benchmark in the speech recognition sector. Koemei has developed software that automatically transcribes audio content and can even tell speakers apart. The

technology, currently in English only, is ideally suited for e-learning courses. Prestigious institutions already using the technology include Columbia University in New York, University of California at Berkeley, IMD in Lausanne, and the University of Geneva. In the private sphere, Koemei works with Qatari media group Al Jazeera. Currently, Koemei has five employees in Martigny. In the coming weeks, the young firm will open a subsidiary in San Francisco.



Brazil in the spotlight

In the June French-language edition of *Swissquote Magazine*, we devoted a special section to Brazil. Now, we catch up on the latest developments.

DILMA ROUSSEFF INTRODUCES REFORMS IN RESPONSE TO PROTESTS

Brazilian president Dilma Rousseff had a very difficult June: according to survey institute Datafolha, the proportion of Brazilians with a positive (“good” or “excellent”) opinion of their government fell from 57% to 30% in just three weeks. While the massive protests that swept the country were ostensibly triggered by the announcement of a hike in public transport prices and the high cost of the football World Cup, the discontent of the middle classes ran deeper, with the economy growing at a sluggish rate and in danger of a return to hyperinflation. In a bid to diffuse the situation, President Rousseff has announced a life raft of reforms, including an €18.5 billion investment in public transport, a referendum on the country’s political institutions and a stepping-up of efforts to fight corruption.

BILLIONAIRE EIKE BATISTA IN FREE FALL

In Brazil, the dramatic fall from grace of controversial entrepreneur Eike Batista, who has seen his fortune shrink from €34.5 billion to €4 billion since March 2012, has been greeted with a kind of Schadenfreude—it seems that the country’s formerly richest man irritated many people. Never short of outrageous ambitions, he built his empire on optimistic forecasts for the oil-drilling and mining sectors, infrastructure projects (including the famous Maracanã stadium in Rio de Janeiro) and the hotel trade. It seems these forecasts were a little too rosy: in just under a year, the valuation of his firm EBX, which lost the confidence of investors following setbacks in the oil sector, plummeted by two thirds. An empire is crumbling.

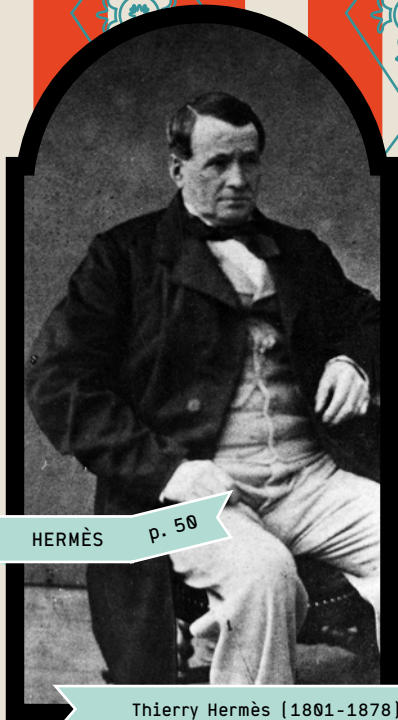


PETROBRAS STAKES ITS FUTURE ON THE OCEAN FLOOR

Brazil's national oil giant, Petrobras, is undertaking the world's largest investment spending program by one company. Between now and 2017, it will inject about \$237 billion into the exploitation of oil deposits off the coast of Rio. Discovered six years ago, these "pre-salt" fields (so-called because they are covered with a thick layer of salt on the ocean floor) could quadruple national oil production. The first tests have yielded encouraging results. Still, this endeavor will be a rare technological and financial challenge.

WORLD BANK PUTS ITS FAITH IN BRAZIL

The low growth recorded in Brazil last year has not tarnished investors' image of the country's economy—at least not at the International Finance Corporation (IFC). As reported in the *Financial Times*, the IFC (a member of the World Bank Group which aims to encourage the emergence of the private sector in the countries within its scope) has never invested more in one country in a single year than the approximately \$2 billion it injected into the Brazilian economy between June 2012 and June 2013. This seems to have been a wise investment: Over the past decade, the IFC has recorded annual ROI figures of 20% or more in Brazil.



HERMÈS

p. 50

Thierry Hermès (1801-1878)

SCHINDLER

p. 44



Alfred N. Schindler (1949-)

SWATCH

p. 53



Nicolas Hayek (1928-2010)

Nick Hayek (1954-)

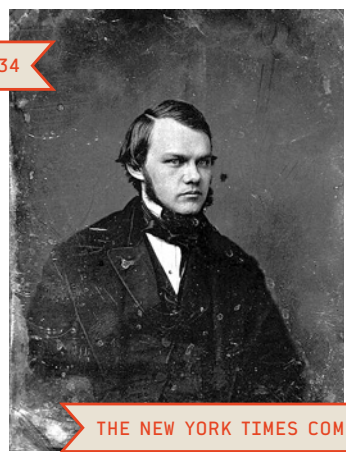


BMW

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Kurt Golda (1924-2002) and Herbert Quandt (1910-1982)

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THE NEW YORK TIMES COMPANY

Henry Jarvis Raymond (1820-1869)

PRADA



p. 56

Miuccia Prada (1949-)

p. 38

TATA GROUP

Jamsetji Nusserwanji Tata

[1839-1904]

p. 36

Eugène Schueller [1881-1957]

L'ORÉAL

FAMILY BUSINESSES: THE SECRETS OF THEIR SUCCESS

p. 52

WALMART

Samuel Moore Walton

[1918-1992]

SAMSUNG

p. 39

Lee Byung-chul [1910-1987]

FORD

p. 51

Henry Ford [1863-1947]

VETROPACK

p. 40

Claude Cornaz [1961 -]



THE HIDDEN VIRTUES OF FAMILY BUSINESSES

Family-run businesses are more concerned with long-term performance than other companies. They are also, on average, more profitable. Here, we explain why.

By Ludovic Chappex

Family businesses are often thought of as conservative or overly cautious. Yet, overall, they tend to outperform companies belonging to financial investors, as shown by a number of surveys. Often controlled by rich dynasties, family firms have emerged from the recent economic crisis in good shape, primarily because their operating cash flow is higher than the rest of the listed sector. This fact was once again highlighted in the last major survey to date, conducted jointly by Credit Suisse and Ernst & Young in 33 countries in 2012.

Around 60% of the family businesses interviewed reported a 5% increase in revenue last year, despite tough business conditions. One of the keys to their success, according to more

than three-quarters of the companies surveyed, lies in their management style, which is heavily focused on long-term investment and management. This characteristic is linked to the intrinsic nature of these companies, which are destined to be passed on from one generation to the next. According to economists at Credit Suisse and Ernst & Young, family businesses also distinguish themselves by placing emphasis on environmental, social and governance (ESG) issues.

For companies that have expanded to become huge listed groups, the old benevolent, paternalistic style of management is dying out, and even disappearing in some cases, to be replaced by a more efficient, pragmatic approach. Still, family

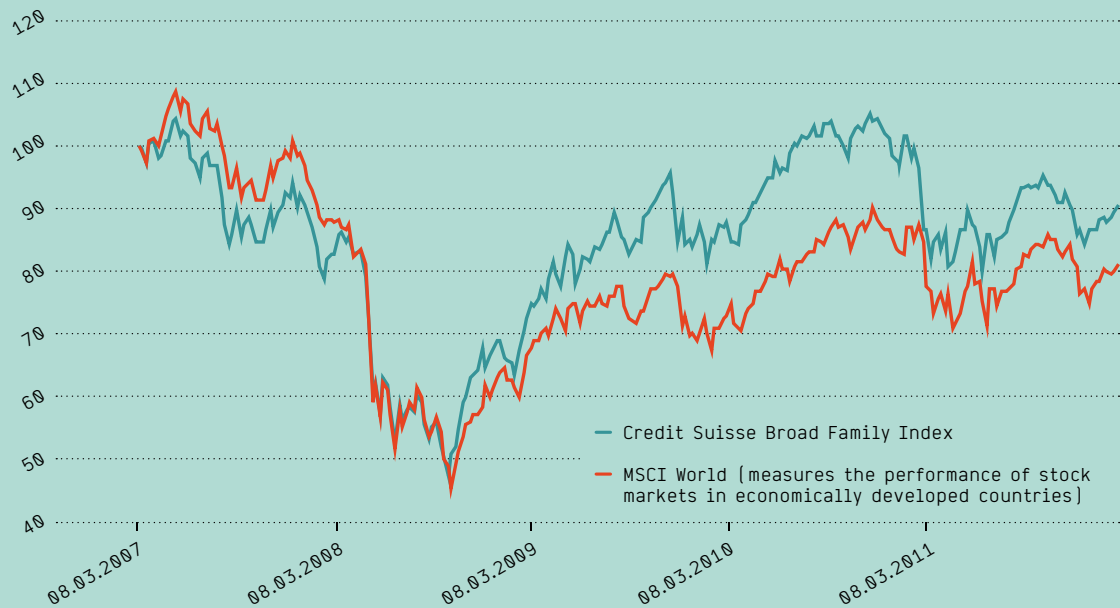
How many generations?

According to Craig Aronoff, co-founder and principal of the Family Business Consulting Group in the US, only 3 to 5% of family businesses survive into the fourth generation. This figure says a lot about the challenge of passing on a company over the long run. Moreover, there is no single, globally accepted definition of exactly what a family business is.

To meet this criterion, the Crédit Suisse Family Business index specifies that the family must own an interest of at least 10% in the company. Other characteristics: each listed company must be second generation or more, the company must represent the bulk of the family's wealth and the family must continue to exercise significant influence.

Better stock market performance

Over the past five years, family businesses listed on the stock market have outperformed the market by 8%.



values are not always completely ditched. The Zurich-based company Vetropack (see the interview with CEO Claude Cornaz on p. 40), which has a workforce of 3,000, is an example of management on a human scale.

The challenges linked to succession raise a major threat

Another study, focused on the results of companies listed on the Swiss stock market and published by the finance

professors Dušan Isakov from Fribourg University and Jean-Philippe Weisskopf from Ecole Hôtelière de Lausanne, arrived at a similar conclusion to that of Crédit Suisse and Ernst & Young. The authors observed higher profitability on the part of family businesses for the period under review (2003 to 2010), both in terms of returns on assets and return on equity. The study also shows that family-controlled firms performed better during the financial crisis from 2007 to 2009.

Family businesses also have their flaws. Their aversion to risk and fear of change creates a potential danger: failing to adapt to their environment with sufficient

speed. As a result, these companies have a poor reputation in management schools (read the interview with Harvard professor John Davis on this subject on p. 54).

The challenges linked to succession raise another major threat for family businesses, as pointed out by Heinrich Christen, Head of Office with Ernst & Young at St. Gallen: "In a family business, it's not always possible or desirable to appoint a member of the family to a management function. The expertise required by these positions is not self-evident. It is vital for families to be able to hand over the reins when circumstances demand." ▲



Family photos

The companies in this report all have one thing in common: they remain in the hands of the families who founded them. Whether it be L'Oréal, the New York Times Company, Schindler, Walmart or BMW, there is often a fascinating, and even romantic, story behind each of them. Steeped in the culture and values of their founders, they make good use of their strong image and continue to prosper from one generation to the next.

The *New York Times*: journalistic excellence

The benchmark US newspaper has established itself as a leading brand. But it is also noted for its capacity for innovation, as evidenced by its long history.

By Clément Bürge

Adolf Ochs was just 19 when, in 1878, he bought the *Chattanooga Times*, the daily newspaper of a small town in the southern United States, which had 14,000 inhabitants at the time. Although few people would have bet on the paper's survival, Ochs took radical steps to relaunch it, eschewing sensationalism and applying the most rigorous rules of journalism. This was his way of paying tribute to his father, a stern German intellectual who spoke six languages. At the same time, the editorial office of the *Chattanooga Times* was equipped with a new and revolutionary information medium: the telegraph. In the space of just a few months, the publication was revived, a managerial coup that put Adolf Ochs in the national spotlight.

In 1895, Ochs decided to buy a newspaper that was going out of business, the *New York Times*. And here, too, he applied the same reforms: the paper dropped coverage of frivolous news, which was widespread at that time, and became a serious daily newspaper. This, coupled with a few editorial measures and

a radical drop in price, meant that the *New York Times* began to thrive. The paper scooped a series of top stories, including the announcement of the war between Russia and Japan in 1904 and the shipwreck of the Titanic in 1912. Readership tripled and advertising revenues exploded.

The brand image of the “New York Times” is unique

“They have achieved maximum credibility under their own steam,” says Craig Huber, an analyst at Connecticut-based Huber Research. “The brand image of the *New York Times* is unique. Even today, it is still seen as a symbol of journalistic excellence.” This places the paper in a privileged position in the media world, where print media is not faring well. “The circulation of this medium is falling and so



THE NEW YORK TIMES COMPANY

FOUNDED
1851

2012 REVENUE
\$1.99 BILLION

WORKFORCE
5,563

The *New York Times* newsroom in 1942. Over the course of its history, the newspaper has made a name for itself with a string of global scoops.

are advertising revenues,” says Huber. “But the performance of the *New York Times* stands out in the industry.”

Taken over by the sons and grandsons of Adolf Ochs, The New York Times Company is today controlled by the Ochs-Sulzberger dynasty. In order for the paper to survive, the descendants of Adolf Ochs continue to diversify and make use of the newest technologies, just as the newspaper's founder did with the telegraph. The company purchased radio

stations as far back as 1944. In the 1980s, The New York Times Company acquired television channels. In 1997, when Arthur Ochs Sulzberger Jr. became chairman of the board of directors, he urged the newspaper to grow via the internet.

Today the *New York Times* is once more at the forefront of digital information, having set up one of the first web-sites for subscription-based information. “Their paywall works very well,” says Huber. “It is one of the few that

makes money, along with the one set up by the *Wall Street Journal*.” Furthermore, this is where the potential for growth lies today, according to Huber, who believes that the *New York Times* will continue to expand its exclusively digital offering. “There is still market share to be won.” ▲

NYT

FAMILY

Arthur Ochs
Sulzberger Jr.:
publisher of
the *New York Times*
and board chairman





L'Oréal, the soul of a seeker

The founder of the cosmetics giant was a genius chemist who stood apart as a pioneer in innovation and marketing. More than a half century after his death, Eugène Schueller's descendants continue to uphold his legacy.

By Sophie Gaitzsch

Eugène Schueller had an undeniable flair for recognizing the needs and desires of the consumers of his time. The Parisian chemist, originally from Alsace, created his first hair colors in 1907, at the age of 27. He called them "Oréal," a name evoking the halo hairstyles (in French: auréole) in fashion at the time. The products were successful because the formulation was made of mild chemicals and could be used to create a broad range of colors. In the decades that followed, the entrepreneur came up with one excellent idea after another. Convinced that "millions of brunettes will one day want to be blonds," he launched a hair lightener at the exact time that the platinum blond trend swept Hollywood. In 1935, as tanning became popular and was increasingly considered a sign of health and modernity, and one year before the introduction of paid holidays in France, he created the first sun protection oil, Ambre Solaire. And with the growing importance of daily hygiene, he developed Dop, the first ready-to-use shampoo for the general public.

After Eugène Schueller's death in 1957, L'Oréal continued to

stand out from the pack with its hair sprays, foaming bath products and hair-color kits, making huge profits by launching the right products at the right time. The company's success also hinged on its masterful use of communication resources, another strategic focus of its founder. As the inventor of singing ads on the radio and an avant-garde proponent of street marketing, Eugène Schueller is regarded as a pioneer of modern advertising.

L'Oréal sales are rising 1.5 times faster than the industry average

Eugène Schueller's innovative spirit is the cornerstone of the company, and one that has been cultivated by his heirs. In 2012, the group devoted 3.5% of its revenues to research and development (compared with 2.5% for its main rivals) and filed 600

patents. For Béatrice Collin, professor of strategy at the Ecole Supérieure de Commerce business school in Paris and author of a book on L'Oréal, "the family component is fundamental to the company's success. L'Oréal's particularity lies in the fact that the two generations following Eugène Schueller included just one child each, which ensured strong continuity." None of Schueller's descendants has held an operational position at the company. But his daughter, Liliane Bettencourt, and granddaughter, Françoise Bettencourt-Meyers, and their respective husbands, have always been highly involved in the everyday running of the business and have kept in close contact with its successive directors. Jean-Paul Agon, CEO since 2006, involves the Bettencourts in his decisions. The family is also the company's biggest shareholder, with a 30.5% stake, followed by Nestlé with 29.3%.

But the family has always shown a shadowy side. Eugène Schueller played an active role in a radical right-wing group, the Comité Secret d'Action Révolutionnaire, in the 1930s. Eugène's son, André Bettencourt, several times a cabinet minister, backed the policy

A photograph of Eugène Schueller in front of his personal library in 1956, one year before his death. The founder of L'Oréal had an extraordinary ability to anticipate trends.



An advertisement for the launch of Elnett hair spray in 1960.



L'ORÉAL

FOUNDED
1909

2012 REVENUE
\$22.5 BILLION

WORKFORCE
72,600

of the Vichy government. More recently, the family's image has been tainted by an ongoing legal saga combining tax fraud suspicions, conflicts of interest with the political world, and an internecine battle between Liliane Bettencourt and her daughter Françoise Bettencourt-Meyers.

These events have in no way hindered the growth of L'Oréal. With a presence in 130 countries through 27 brands, including The Body Shop, Garnier and La Roche-

Posay, the world cosmetics leader reported revenue of €22.5 billion (27.8 billion Swiss francs) in 2012. L'Oréal sales are rising 1.5 times faster than the industry average and the group has increased its market share continuously over the last 20 years. L'Oréal shares are also an attractive proposition. "The share price has trended positively, much better than the competition," says Michael Winkler, analyst at Zurich Cantonal Bank. "The family nature of the

business gives it good long-term prospects. It has invested a lot to reinforce its brands, particularly in emerging markets." ▲

OR

FAMILY

Françoise Bettencourt-Meyers:
board member (Eugène Schueller's granddaughter)

Jean-Pierre Meyers:
vice-chairman of the board (Françoise Bettencourt-Meyers' husband)

Jean-Victor Meyers:
Board member (Françoise Bettencourt-Meyers' son)





Ratan Tata, the conglomerate's president until 2012, poses in front of a Nano covered with gold and precious stones at a promotional event in Mumbai in 2011.

TATA GROUP

FOUNDED
1868

2012 REVENUE
€75 BILLION

WORKFORCE
456,000

Tata Group: Paternalism, Indian-style

Tata, founded in the 19th century, has become a huge multinational with singularly strong social values.

By Jean-Christophe Piot

The history of the company founded by the pioneering Tata family is intricately linked with that of its country, perhaps more so than for any other business in the world. The family is an audacious one, too, as demonstrated in 2003, when it announced the future Nano “people’s car” at just €1,700. The press was skeptical and soon realized the figure was entirely improvised. But the Group kept its promise, launching the Nano in 2007 at €1,691.17.

That anecdote neatly sums up the social spirit of Tata, an economic empire with a 145-year history. The saga began

in 1858 when founder Jamshedji Tata set up a textile factory in Bombay. Something of a visionary, he fully grasped the importance of mechanization, which he used to grow his business exponentially. He then set his sights on the steel and energy market—vital to his business—and founded the Tata Iron and Steel Company (TISCO). To house the workers at his steel plants, he created an entire city, Jamshedpur, his vision of which he described in a letter to his son as follows: “Be sure that there is plenty of space for lawns and gardens. Reserve large areas for football, hockey and parks. Earmark

areas for Hindu temples, Mohammedan mosques and Christian churches.”

Completed after Jamshedji Tata’s death, Jamshedpur became an economic and social laboratory for the Tata empire, with the introduction of the eight-hour work day in 1912, maternity leave in 1928, and an employee profit-sharing scheme in 1934. Today, “Tataville” is the seventh richest city in India, with a population of 1.2 million. The Tata family remains at the helm, cultivating an openly paternalistic approach that is written into the DNA of each of the conglomerate’s companies. Until

as recently as 2000, Tata Steel invested 12% of its profits into developing India's social systems, which may go a long way to explain why the company hasn't had a single strike day in 75 years.

While keeping a low profile and without getting directly involved, the company has played an important role in Indian history for nearly 150 years. Its achievements include financing the fight for independence, contributing to industrialization and infrastructures, developing education and healthcare, and carrying out philanthropic work.

Tata culture has nonetheless been called into question due to the company's globalization over the last 20 years. The Group has modernized considerably under the helm of Ratan Tata, growing its revenue thirteen-fold in the last two decades. This begs the question: Is social paternalism compatible with the rules of modern management? Now, a year after Ratan Tata passed the reins of the company on to a non-family member—a first in Tata's history—the answer remains to be seen. ▀

✉ TTM

FAMILY

Cyril Mistry: chairman of Tata Group and brother-in-law of Ratan Tata

Ratan Tata: chairman emeritus

Simone Tata: board member, Tata industries

Noel Tata: CEO of Tata international, chairman of Tata Investment Corporation

Jimmy Tata: board member, Tata Sons Limited



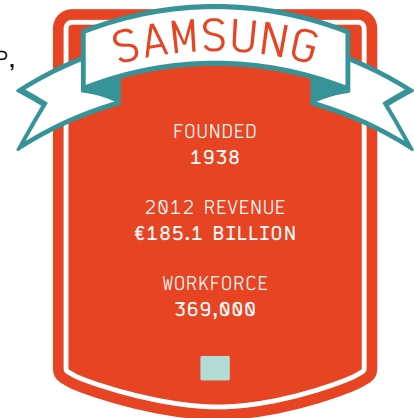
Samsung's stern management style brings prosperity to Korea

Lee Kun-hee, president of the family-owned and -run conglomerate, is a notoriously tough taskmaster. And the firm's colossal success makes its leader almost untouchable.

By Bartek Mudrecki

When a company contributes over 21% to its country's GDP, it is in the best interest of that country's government to protect it. This is certainly the case in South Korea, where a single group, Samsung, is responsible for one fifth of the €1.13 trillion of all wealth created. The company's success owes much to its current president Lee Kun-hee, the son of the founder. Lee has refused to let Samsung get stuck in a rut: in 1993, he ordered his senior executives to "change everything, except their wives and children" in order to breathe new life and innovative spirit into the firm. Two years later, disappointed by the quality of the telephones and fax machines manufactured by the group, he assembled several thousand employees to watch a giant bonfire in which 150,000 such devices were destroyed.

Politicians, too, are unflinching in their commitment to keeping the Republic of Korea in its place among the four Asian Tigers—the others are Hong Kong, Singapore and Taiwan. In 2009, South Korean President Myung-bak Lee pardoned the president of Samsung, who had resigned



in 2008 following a tax evasion scandal.

Samsung, a family business, became an empire in just a few short decades. In 1938, Lee Byung-chul started Samsung as a small dried fish export business. Within ten years, the company was operating on an industrial scale. Later, Samsung grew its business by branching out into insurance, construction and, above all, electronics. Samsung Electronics, a subsidiary, is now the principal driver of the group's growth, accounting for three quarters of its turnover. ▀

✉ SSUN

FAMILY

Lee Kun-hee: president





“SPECULATION IS NOT PART OF OUR CULTURE”

Having manufactured glass bottles and jars for four generations, Vetropack is considered to be a model family business. CEO Claude Cornaz spoke to *Swissquote Magazine* at the firm's head office in Bülach.

By Ludovic Chappex

Wearing a short-sleeved shirt and exuding an easy manner, Claude Cornaz, CEO of Vetropack, comes across as approachable—a higher-up who's down-to-earth. The company, a manufacturer of glass containers for over 100 years, has been part of Cornaz's life since early childhood: He grew up just a few hundred meters from the firm's old plant and administrative headquarters in Bülach, run at the time by his father and uncle. The winner of Ernst & Young's "Entrepreneur of the Year 2012 Family Business Award," Claude Cornaz represents the fourth generation of his family at the helm of the business—a rare achievement for a listed company. He tells us about the secret of Vetropack's sustained success.

SWISSQUOTE MAGAZINE ►

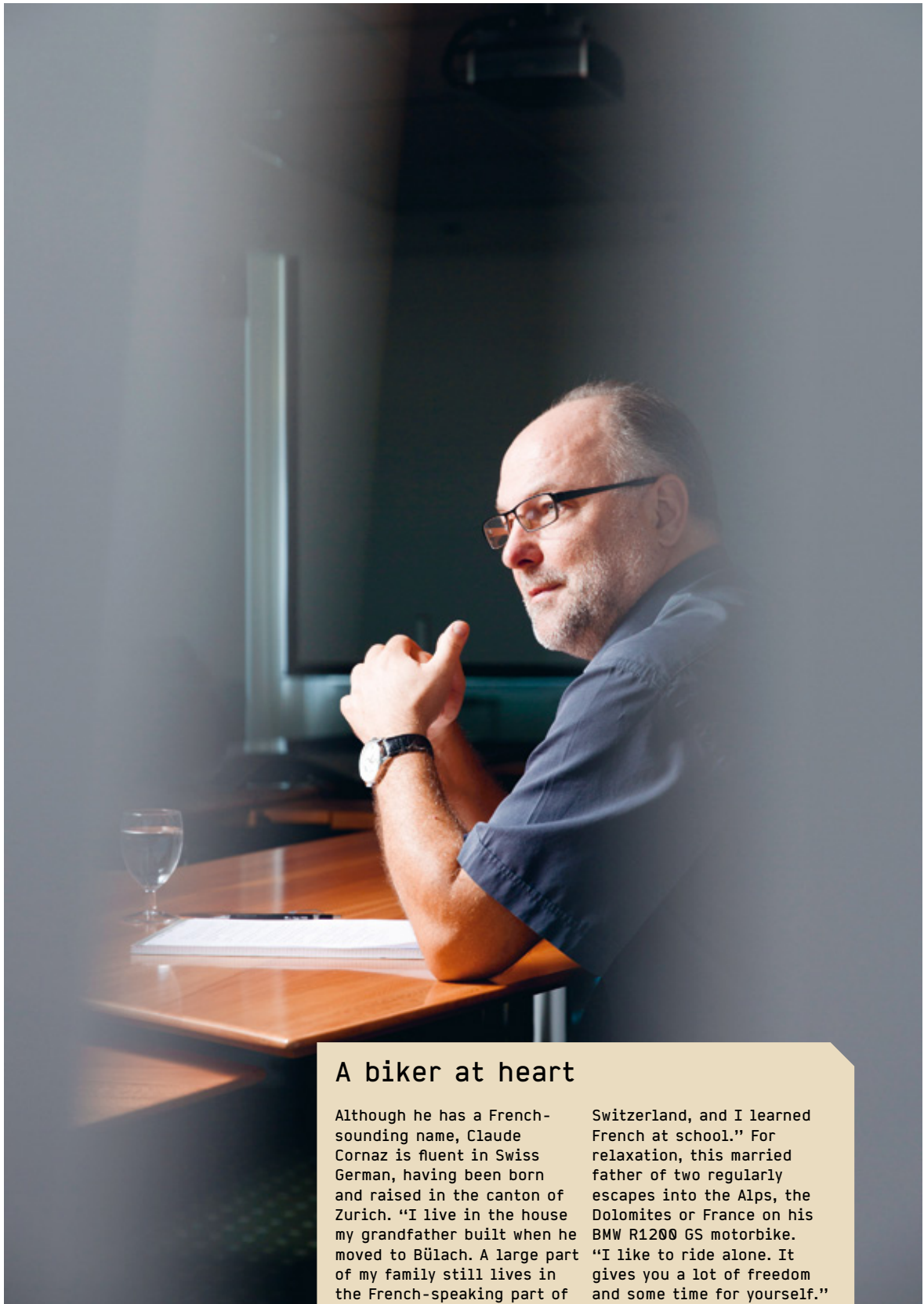
What sets Vetropack apart as a family business?

Claude Cornaz ► Our primary concern is the long-term development of the company. Speculation is clearly not part of our culture. We also attach great importance to the harmonious management of our staff. Of course, we sometimes have to make difficult decisions, like the closure of the Bülach plant in 2012; but, as a family business, we only take such measures when there is no other choice, having exhausted all other alternatives. Employees know that we never make decisions about them lightly.

Only about 5% of family businesses survive into the fourth generation.

How do you explain the fact that Vetropack has survived this long?

After my grandfather retired, my father and my brother managed the business in tandem for about 40 years. Despite the double-headed management model, which flies in the face of everything they teach at management schools, there were never any problems or disputes, as they were careful to separate their respective responsibilities. Today, I am the only representative of our family in the company's management. This limits the potential for conflict. I grew up watching my father; glass has always been part of my life. But it wasn't a given that I would take over the business. For one thing, I'm not the only child in my generation.



A biker at heart

Although he has a French-sounding name, Claude Cornaz is fluent in Swiss German, having been born and raised in the canton of Zurich. "I live in the house my grandfather built when he moved to Bülach. A large part of my family still lives in the French-speaking part of

Switzerland, and I learned French at school." For relaxation, this married father of two regularly escapes into the Alps, the Dolomites or France on his BMW R1200 GS motorbike. "I like to ride alone. It gives you a lot of freedom and some time for yourself."

I have two brothers and several cousins who also grew up near Vetropack in Bülach.

How exactly did you end up joining the company?

First, I studied mechanical engineering at the Swiss Federal Institute of Technology (ETH) in Zurich, then I worked at Nestlé as an engineer and project manager,

both in Vevey and abroad, including two years in Thailand working on the construction of a Nescafé factory. In every career decision I made, I kept open the option of one day joining the family business. At the age of 33, I got a phone call from my uncle telling me that they were reorganizing at Vetropack. They offered me

a job as head of business development. Then, I took on another role within the company as head of production, quality and security techniques. I became a member of the board, and finally CEO, in 2000.

Was your appointment as CEO seen as a foregone conclusion?

FOUNDED
1911

2012 REVENUE
CHF 604,4 MILLION

WORKFORCE
3,000

VETROPACK



VETROPACK

Vetropack: onwards and eastwards

While these days Vetropack is based in German-speaking Switzerland, it all started in the little town of St-Prex in the Vaud canton, on a farm on the edge of Lake Geneva. In 1911, while Henri Cornaz was making his fortune in cement and railway construction, the presence of fine sand on his property encouraged him to build a glassworks. The bold entrepreneur did not take long to make his bottles and jars a success throughout Switzerland. In 1917, he purchased the glassworks in Bülach, where he

set up the firm's new headquarters. Having been taken over by the founder's nephews, Adolph and Charles Cornaz, the company was floated on the stock exchange in 1975 and gradually expanded in Europe through a succession of acquisitions in the Eastern countries. Now present in six countries (Switzerland, Austria, Czech Republic, Slovakia, Croatia and Ukraine), Vetropack no longer produces in Bülach, but has kept its site in St-Prex, now the only glassworks in Switzerland. "Sales in Switzerland

represent only 10 to 15% of our turnover," says current CEO Claude Cornaz. "In Western Europe, demand has stopped growing. This is not the case in the Eastern markets, however, where purchasing power and consumption are growing considerably. Our two biggest plants are in Croatia and Ukraine. That is where our biggest opportunities for growth lie."

 VET



It was a decision to made by the board of directors. The members of our families cannot decide on these kinds of things alone. We follow corporate governance rules to the letter in that respect. Currently, the Vetropack board of directors has seven members, three of whom are members of our families, including me. The four other members of the board are from the outside.

Are there things that you feel have been passed down from generation to generation, or a family legacy that guides your approach to management?

A fascination for glass plays a central role. That passion has been passed down through the generations. Our core business is not interchangeable.

You did, however, attempt to diversify by selling PET bottles in the 1980s. Why?

In view of the development of PET bottles for mineral water and soft drinks, the idea was to occupy that market in order to be able to offer our customers an alternative. But it required too much investment in technology, and we realized that it didn't fall within our traditional area of expertise. We felt that it was difficult to do two things at the same time.

How was the decision made to float the business on the stock exchange? And what are the advantages of being a listed company?

I was quite young at the time, so I don't know all the details, but the main reason

was obviously easier access to capital. Being listed on the stock exchange has also allowed the company to be more transparent in the eyes of the public, which could be seen as an advantage.

Long-term objectives sometimes conflict with the expectations of shareholders and financial analysts. Have you ever had cause to regret floating the company on the stock exchange?

No. We have never felt under pressure, insofar as the results are there. The most restrictive aspect is the countless rules and regulations we have to adhere to. We have to show ourselves to be very conscientious. If we make a mistake, we can be punished. All this requires a lot of work and troubles us a lot more than the need to be open and transparent.

Family businesses are sometimes criticized for an inability to innovate, which in some cases can threaten their survival. Is this a risk you take into consideration?

For me, a firm's innovation culture is linked to its management. I don't necessarily see the risks as being higher for a family business. The danger is probably greater for family SMEs, where the founder is often also the CEO and the main shareholder. He or she may then make misjudgments. In our case, the board of directors is made up of members from very different backgrounds, which helps mitigate this risk.

What about your successor? What preparations are you making for the future?

Succession planning is a very important task and it is the responsibility of the board of directors. The age limit for members of our board is 70. As the three representatives of our families are all of my generation, we don't have much time left. As for my successor as CEO, there is no firm plan as yet, but it is a question we need to ask ourselves quite soon. It is possible that the management of the business may be entrusted to someone from outside the family. In any case, we mustn't let that criterion become a problem. The most important thing is to find the best solution for the company. It may be that a CEO from outside the family takes the reins for 10 or 15 years before a family member takes over again. The family can exert its influence not only through the role of CEO, but through its representatives on the board of directors.

You mention the next generation. Are there already some candidates in their ranks?

I have an 18-year-old son and a 20-year-old daughter. My daughter has no desire to pursue a career at Vetropack. She has left us in no doubt about that! As for my son, he is interested in the business, but first he has to study and get experience in different areas, and preferably abroad, too, as I did. I think that is very important. There are other children in the same generation—cousins aged between 10 and 25—who could also take up the torch one day. ▲



At Schindler, savoir-faire is a family affair

The Lucerne-based Schindler family controls one of the world's biggest elevator manufacturers. With its sights set on Asia, the family strongly defends continuity at its helm.

By Serge Maillard

In 1980, the executive committee of Swiss elevator giant Schindler signed a document that would go down in history: the first ever joint venture between a Western company and a Chinese state-owned enterprise. At the time, China was far from the land of milk and honey that it is for Swiss companies today. But this early move was a shrewd one. More than 30 years later, seven out of ten of the world's elevators are sold in Asia. Schindler, the world number one in the escalator market and number two for elevators, has just announced its greatest ever investment program, which includes the construction of two new plants in China and two more in India.

"Schindler remains one of the biggest success stories for family capitalism in Switzerland," says Stéphanie Ginalski of the University of Lausanne, who has written a PhD thesis on the subject. Founded in Lucerne in 1874 by Robert Schindler and Eduard Villiger, the company quickly progressed from devices running on water to the first electrical systems. The opening of a subsidiary in Berlin in 1906 marked the beginning of the firm's international expansion, which has seen it climb to its present position among the world

leaders in its field. But this ultracompetitive industry has been marred by illegal cartels. In 2007, the European Commission imposed hefty fines on four major operators (recently upheld on appeal) for violating antitrust laws.

But the Lucerne dynasty has not been destabilized. In fact, Schindler's order book is currently worth over 8 billion Swiss francs. The family has always made sure to remain firmly in control at the top of the company, which is currently headed by Alfred N. Schindler, a fourth-generation scion. "Family members implemented several strategies to this end in the 20th century," explains Stéphanie Ginalski. "Examples include the temporary appointment of trusted friends at the head of the company when one of the heirs was too young, and the creation of a finance company in the 1960s to ensure that the family retained possession of the firm."

Now led by a Swede, Jürgen Tinggren, the Schindler company has been able to preserve its know-how, even when handing over the reins from one generation to the next. "The cliché about family businesses is that the descendants are exempted

from state-of-the-art training," the specialist continues. "Nothing could be further from the truth at Schindler, which has always placed great emphasis on education."

However, there is a fly in the ointment: a dispute in South Korea, the world's fourth-biggest elevator market, with Hyundai Elevator, in which Schindler had acquired a 35% stake with a view to a potential takeover. Hyundai issued new shares in June, but gave the Swiss company no option to purchase, effectively reducing Schindler's stake in the Hyundai subsidiary.

Alexandre Vincent, wealth manager at the Banque Bonhôte & Cie, maintains a "neutral" position on Schindler's stock: "The valuation of the company is already quite high, amounting to 20 times the forecast profit for this year. Neither does the stock offer a great dividend (1.7%)—and we have seen in recent times that high dividends are particularly sought after by investors, pushing up share prices." ▲

✉ SCHN

FAMILY
Alfred N. Schindler:
president





SCHINDLER

FOUNDED
1874

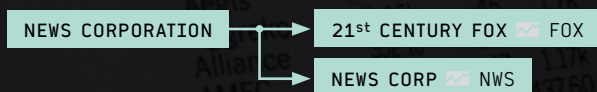
2012 REVENUE
8.26 CHF BILLION

WORKFORCE
45,000

Rupert Murdoch restructures his empire

After the phone hacking scandal in the UK, the media magnate has split his old company News Corporation in two, a reorganization widely welcomed by shareholders.

Words: Benjamin Bollmann
Graphics: Sébastien Fourtouill



Rupert Murdoch has promised a fresh start. In 2011, his family empire, News Corporation, one of the largest media conglomerates in the world, was shaken by a series of scandals involving its British tabloid the *News of the World*. Its journalists had hacked mobile phones and paid police officers for exclusives.

Against all expectations, News Corporation has not only survived the crisis, but its share price has more than doubled in two years. The Murdoch family has gotten considerably richer. Shareholders are applauding the decision to split News Corporation into two distinct companies: News Corp, which will operate as a newspaper and book publisher, and 21st Century Fox, which will focus on the much more lucrative television and entertainment activities. The split took effect in June 2013.

Another piece of news that has delighted investors is the reported change in the company's culture. According to British media analyst Claire Enders, who has been following the Murdoch family for nearly 30 years, "Rupert Murdoch still has a strategic role, but he no longer has a say in day-to-day decisions. The companies are now managed in a much more professional and transparent fashion."

...The analyst's opinion.....

Hope for News Corp

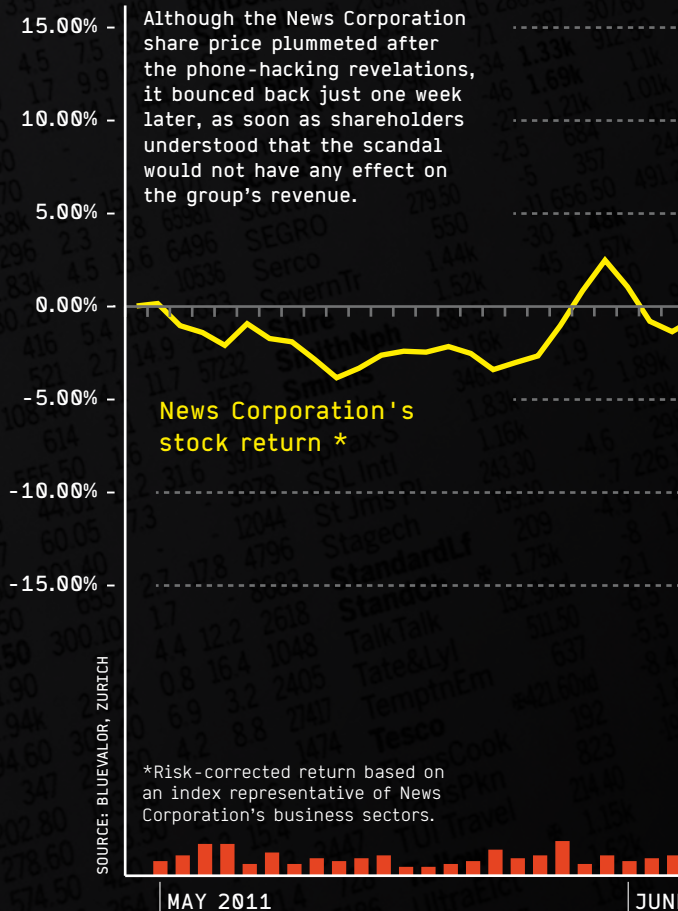
Many newspapers in the News Corp group are facing financial difficulties, says media analyst Claire Enders: "News Corp is currently looking to break even. For the time being, the share price is stable, which suggests there is hope in the market."

21st Century Fox: a solid proposition

Enders is very optimistic about the future for 21st Century Fox. "What we are seeing is that new offerings such as Netflix and YouTube are not eating into the market share of traditional television. On the contrary, that model continues to grow."



The scandal of 2011



1958 Prudence MacLeod THE OUTSIDER

Having been left on the sidelines of the family business for many years, Prudence MacLeod got involved in News Corp in 2011, taking up a position as a member of the board of directors of Times Newspapers.

Patricia Booker

(married 1956 to 1967)

Anna Maria Torv

(married 1967 to 1999)

1968 Elisabeth Murdoch

THE BUILDER

Elisabeth Murdoch left News Corporation in 2001 to found an independent production company: Shine. Ten years later, she sold it to her own father for \$670 million.

1971 Lachlan Murdoch

THE HEIR

The only one of Murdoch's children to share his father's "real passion" for newspapers, Lachlan Murdoch could one day inherit the newly created News Corp.

1972 James Murdoch

THE PRODIGY

James Murdoch founded a hip-hop label that would go on to produce records for Eminem. Today, the youngest Murdoch son is known above all for his uncompromising and technocratic approach to business.

Wendi Deng

(married 1991; separated 2013)

Grace Murdoch and Chloe Murdoch THE LITTLE ONES

In June 2013, Rupert Murdoch filed for divorce from Wendi Deng. Their two daughters do not have voting rights in the family companies.

2001

2003

July 5, 2011:

"NEW HACKING REVELATIONS HIT NEWS CORP"

July 6, 2011:

"NEWS CORP HACKING PROBE THREATENS BSKYB DEAL"

July 8, 2011:

"PHONE HACKING SCANDAL STALLS NEWS CORP STOCK"

July 11, 2011:

"UK SCANDAL WON'T HURT NEWS CORP REVENUE"

July 13, 2011:

"NEWS CORP ABANDONS ITS BID FOR BSKYB"

July 18, 2011:

"JAMES MURDOCH'S FUTURE AS CHAIRMAN OF BRITISH SKY BROADCASTING THROWN INTO DOUBT"

August 11, 2011:

"NEWS CORP POSTED SOLID QUARTERLY RESULTS AND GAVE A HEALTHY FULL-YEAR OUTLOOK"

+100%
GROWTH IN THE SHARE PRICE
FROM MAY 2011 TO JULY 2013

Number of articles
on News Corpora-
tion published by
Thomson Reuters

E 2011

JULY 2011

AUGUST 2011

-90
-80
-70
-60
-50
-40
-30
-20
-10
0

The three lives of BMW

BMW, founded in 1916, almost disappeared from the landscape on several occasions. Saved by the commitment of the Quandt family and its sense of innovation, the Bavarian car manufacturer is now almost a 100 years old and still going strong.

By Jean-Christophe Piot

As is often the case, image speaks volumes. BMW's logo, sporting the colors of Bavaria, symbolizes a propeller spinning against a blue sky, a reminder that before becoming one of the most respected automotive companies in the world, Bayerische Motoren Werk originally manufactured engines for German fighter planes. Then, a family of industrialists, the Quandts, acquired a stake. Aviation was in its infancy, and the innovative ability of BMW, repeatedly setting records for altitude and speed, led it to progress in leaps and bounds.

In 1919, the Treaty of Versailles dealt a heavy blow to the company by banning Germany from any aviation-related activity. BMW initially moved into farm machinery, but it wasn't long before its engineers found a new technological playground: motorbikes. The famous R32, with its one-in-a-million styling, became BMW's first big commercial success, selling hundreds of thousands of units in Europe in ten years



Johanna Quandt and her son Stefan, who between them own more than 30% of BMW shares.

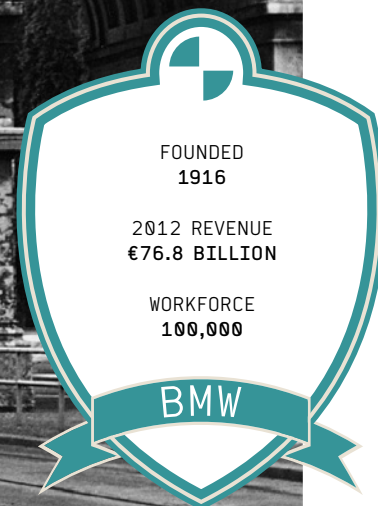
despite the economic crisis that swept the continent in the 1930s. Driven by the success of its sports models, the brand entered the consumer automobile market in 1932, riding on its solid reputation for excellence.

COMPROMISES WITH THE NAZIS

Then came the dark days of Günther Quandt's compromises with the Nazi regime, followed by the Allied bombing, which almost killed off the

business. With its trade secrets plundered and factories destroyed, BMW was reduced for several years to bicycle manufacturing. Motorbike production started back up in 1947, and car production in 1952. But BMW, arrogant and in a hurry to recapture its former glory, was still on the brink of collapse, its cars paling in comparison to those of rival Mercedes, which tried to buy the company in 1959.





An old advertisement for the illustrious BMW 1500, launched in 1961. The elegant, thoroughbred mid-range sedan would boost the brand's fortunes.

That was the turning point: on the verge of selling, Herbert Quandt changed his mind. Against the advice of his bankers, he increased his shareholding and invested the bulk of his wealth in the company, focusing on mid-range sedans. BMW took full advantage of the 30-year post-war boom and little by little restored its image. The brand expanded and made a spectacular breakthrough in the US market and then

in Asia. It would go on to relaunch the Mini and take over Rolls Royce.

Prosperous and consistently innovative, BMW has outstripped Mercedes in recent years, and in 2012 generated pre-tax profits of almost €8 billion. Analysts believe that the company's share price could increase by 10% over the next few months, spurred on by good medium-term prospects, including sales growth in Asia

and the US, the rollout of new models in the second half of the year and the unveiling of its first electric car. Innovation never ceases at BMW. ▲

BMW

FAMILY

Johanna Quandt: shareholder [17.4% of BMW Group shares]

Stefan Quandt: shareholder [16.7% of BMW Group shares]

Suzanne Quandt-Klatten: shareholder [12.5% of BMW Group shares]



Hermès strives to maintain independence

The sixth generation to lead one of the world's most successful luxury brands is facing a challenge from its greatest rival, LVMH, which has recently acquired a stake in the firm.

By Serge Maillard

The last seven years have seen a break from tradition at the Parisian luxury brand Hermès: for the first time in its 170-year history, the company was being run by someone from outside the family. That situation was short-lived, however, and in June 2013, Axel Dumas, a sixth-generation descendant of founder Thierry Hermès, was appointed co-CEO.

Like his cousins Pierre-Alexis Dumas, the brand's artistic director, and Guillaume de Seynes, managing director of the manufacturing division and equity investments, Axel Dumas began his Hermès career as an intern. And, in accordance with company tradition, he is even capable of sewing some of the brand's handcrafted pieces himself.

Hermès, a manufacturer of leather goods, watches, perfume, jewelry and silk items, has a strong brand image and a tradition of independence that it has successfully safeguarded for generations. When Jean-Louis Dumas, CEO from 1976 to 2006, took the reins at Hermès, revenue was €42 million. Last year, that number rose to €3.48 billion. Most impressive, the company managed to increase its annual sales by 15% in a crisis-stricken Europe. The Hermès group reported growth of 11% in the first half of 2013, driven in part by demand in China.

As newly appointed co-CEO, Axel Dumas will be hardpressed to maintain the company's

independence, now that luxury goods giant LVMH owns a stake in Hermès. LVMH has just been slapped with an €8 million fine by the French market watchdog, AMF, for its non-transparent acquisition of approximately 23% of Hermès. A formal complaint has been lodged by Hermès, asserting that LVMH perpetrated the "biggest fraud in the history of the French stock market." This will be the "battle of our generation," Axel Dumas recently confided to French daily *Le Monde*.

As for stock market performance, the company's already sky high valuation is prompting a cautious approach from analysts. UBS rates Hermès shares "neutral," highlighting that growth in the first half of 2013 was



The "studio des fleurs", the Hermès workshop and showroom at number 24, rue Faubourg Saint-Honoré in Paris

Pierre-Alexis Dumas,
a descendant of the
founder and the brand's
artistic director

FOUNDED
1837

2012 REVENUE
€3.48 BILLION

WORKFORCE
10,000

HERMÈS

greater than expected. Aurel BCG gives Hermès a “sell” rating, seeing no risk of a decline, but suggesting that “only a real resurgence in speculation could significantly boost the share price.” ▲

✉ ELE

FAMILY

Axel Dumas: co-CEO and artistic director

Guillaume de Seynes: managing director of the manufacturing division & equity investments



And of course...

Roche

A Basel dynasty

The pharmaceuticals group founded by Basel native Fritz Hoffmann-La Roche in 1896 is today's world leader in cancer treatment. Roche employs more than 82,000 people, and it generated revenue of 45.5 billion Swiss francs last year. The Hoffmann-Oeri family still holds 45.01% of shareholder voting rights—Maja Oeri, who has a 5% stake, withdrew from the family shareholders' pact in 2011. Novartis also holds one-third of Roche's voting rights. In mid-July of this year, analyst consensus put the company's shares in the “outperform” category.

✉ ROG

Ford

Cost cutting

Ford, the legendary automaker, transformed American industry. When Henry Ford, an engineer by training, created the company in 1903, he had a dream: to make a car that would be affordable for all Americans. Thanks to the efficient use of production lines, he was able to dramatically lower costs. And in so doing, he created “Fordism,” the business organization model that would dominate the industrial revolution. Ford's Model T went on to become the biggest-selling car in the world.

“The know-how that came from Henry Ford was lost in the 1990s and 2000s, which cost the company dearly,” explains James Albertine, an analyst at Stifel Nicolaus. In 2008, Ford came close to bankruptcy during the automotive industry crisis in Detroit. “But the art of cost management is back,” says the expert. “Ford has managed to get rid of several manufacturing sites and their various cars are now all built on extremely similar models, which allows the company to adapt quickly to the demands

VALÉRIE ARCHENOT

Walmart's expert eye

The US retail giant and world's largest company has long been an expert on customer profiling and consistently chooses the right store locations.

By Clément Bürge

Taking a good hard look at his native Midwest in the early 1960s, Sam Walton saw a clear lack of reasonably-sized stores in the villages and towns of the region. And so he decided to launch a chain of low-cost shops in Oklahoma, Missouri and Arkansas: Walmart. "It was a master stroke," says Charles Fishman, author of *The Walmart Effect*. "There was nothing like it in that part of the country. Before Walmart, people had to drive four hours to the city to find the store they needed."

Walmart is estimated to have more computers than any other entity in the world, apart from the US government

Sam Walton always placed particular importance on observing his customers. That priority has become a pillar of Walmart's strategy. "He had a real knack for understanding consumer behavior," says Fishman. He also knew where and when to open new stores. Walton even went so far as to buy a small private plane for selecting each new outlet location. "He flew over cities

looking for traffic tie-ups and empty spaces, checking which areas needed a new store the most," says the author. "He himself chose the first 700 locations."

In order to pass on his expertise, Walton set up a specialized team to select new stores. And so, Walmart has retained its founder's expert eye. "In 2012 the company saw the shale oil boom coming in Williston, a small town in South Dakota, and quickly opened a store there," says Fishman. "It is now one of the retailer's most profitable stores in the US."

Walmart was also the first company to use computers for all its purchasing. "Walmart is estimated to have more computers than any other entity in the world, apart from the US government," says Fishman. "They know who is buying what and when, and use that information to prepare for future purchases."

Once the foundation of the Walmart empire was set up in the Midwest, the chain gradually expanded across the US in the 1980s. "The company got so big it was able to significantly bring down the prices of its suppliers," says



Robert Sosnick, an analyst at Gilford Securities.

"Walmart claims it has a real philosophy—an ideal, even—inculcated by Sam Walton, namely that the mission of employees is to help customers by cutting prices," says ISI Group analyst Gregory Malich. Walmart saves on everything, be it logistics, in-store presentation or even business trips, during which employees are required to share hotel rooms.

Walton's heritage has been diluted somewhat since his death. "Walmart began treating its employees poorly, the quality of its products fell,



The group's president Rob Walton during his annual speech to shareholders on June 1, 2012 in Fayetteville (Arkansas).

JACOB SLATON/REUTERS

and the company was involved in a long list of scandals, including a bribery charge in Mexico," says Robert Sosnick. "Walmart managed to clean things up, but its image has taken a hit."

The foundations laid by the Walton family have nonetheless enabled the company to become the number-one retailer in the US and, incidentally, the biggest company in the world. Walmart's annual revenue of \$444 billion dwarfs that of giants such as Nestlé, which takes in \$92 billion. "It's really impressive," says Robert Sosnick, who thinks the company is an excellent

investment. But "its size has become its Achilles' heel," cautions Gregory Malich, who goes on to explain: "The retailer is looking to expand in China and South America, but adapting to local consumer preferences in the food sector remains a tough task. On top of that, the company has failed to establish itself in Europe, which is so different from the US market. Walmart does remain an excellent safe-haven stock, though." ▲

WMT

FAMILY

Robson Walton:
chairman of the board



of the market and to make savings on production costs." Albertine believes that Ford is now capable of growing internationally, and that it has the advantage of being at the heart of the American market, one of the only ones where car sales have a chance of rising in 2013. F

Swatch

Like father, like son

Utterly devoted to the watchmaking businesses he owned, Nicolas Hayek was shackled by the very wristwatches that made his fortune. His son Nick, who now heads the Biel/Bienne-based group, is a chip off the old block. With great skill, he uses the mechanisms of storytelling to capture the public imagination. The founder's daughter, Nayla Hayek, chairs the board of directors. The company, a rare example of an industrial operator producing top-quality watches on a large scale, is looked upon favorably by analysts. UHRN

DKSH

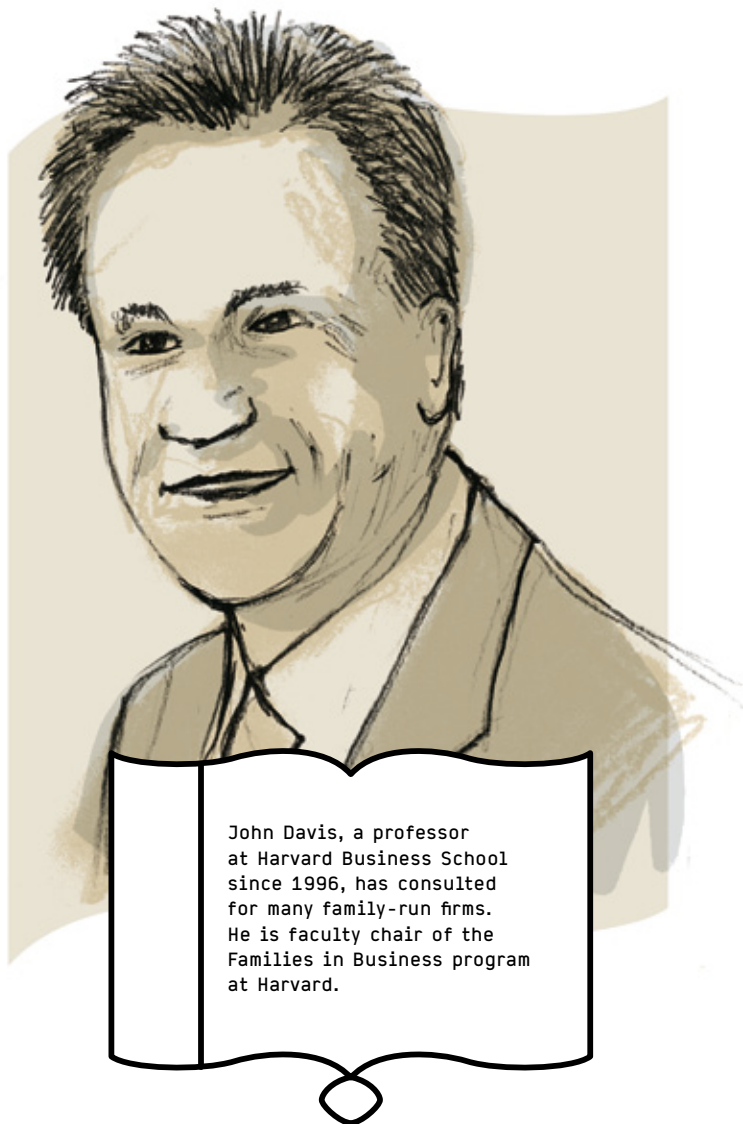
A new Swiss arrival on the stock exchange

"Keep everything, give away nothing, sell nothing." So goes the motto of Markus Keller, the man responsible for image management at the family group DKSH and a descendant of the founder. Operating primarily in Asia, the Swiss company, founded in 1865 recently floated on the stock market, helps Western firms to penetrate foreign markets. The group has been shrewd enough to develop and preserve know-how while retaining its assets. Financial analysts have confidence in it. In 2012, the family business recorded revenues of nearly 9 million Swiss francs.

DKSH



DARING TO SUCCEED



SÉBASTIEN FOURTOUILL

Today's fast-changing economic environment is putting family companies under pressure. To survive, says expert John Davis, these family businesses must be less cautious and up their investments.

By Clément Bürge

SWISSQUOTE MAGAZINE ►

Why do family businesses tend to have poor reputations?

John Davis ► People have a lot of stereotypes about these companies. They see them as lacking in professionalism, slow to react, and representative of a lower order of capitalism. This is the view generally held by academia, and management faculties in particular. The impression stems from the fact that family businesses are often more conservative than other firms. They generally appear less open to innovation and invest more cautiously. But when you look at the facts, they perform just as well as other companies. And in crisis periods they even perform better, mainly because they have less debt.

What else sets them apart from other companies?

They have remarkable survival skills, for the very simple reason that their aim is not immediate profit but the handover of the company to the next generation. Family businesses focus on the long term. They don't get into massive debt to increase their profits in the space of a few months. They build real relationships with their customers and suppliers, and work to improve the quality of their products and win the loyalty of their customers. And, as a whole, they do all they can to hold onto skilled employees.

History is full of successful family companies. Johnson & Johnson, the pharmaceutical company founded in 1889 by Robert Wood Johnson, is still in the hands of the founding family. *The New York Times* has been owned by the Ochs-Sulzberger dynasty since 1895 and is one of the biggest newspapers in the world. Those two achievements are trumped by Kikkoman, the Japanese soy sauce producer, which was founded in 1603 and still belongs to the Mogi and Takanashi families.

What challenges lie ahead for family businesses?

They will have to adapt faster if they want to survive. Their predominantly conservative nature makes it hard for them to change environments, develop new products and adjust to the changing tastes of consumers. Trends happened more slowly in the past. There used to be one or two tooth-paste brands and a few soap brands. Now customers are

drowning in choice, competition is fiercer than ever, and products are practically obsolete upon launching. The Wallenberg family in Sweden learned that last truth the hard way when its Ericsson brand failed in the switch to smartphones. The firm no longer produces mobile phones.

“Their aim is not immediate profit but the handover of the company to the next generation.”

So what do family businesses need to do?

They have to be open to change. In the last ten years a number of families have addressed this issue by sending their children to study at business schools or earn their stripes in overseas environments. The Ochs-Sulzberger family is actually something of a pioneer in this respect. Arthur Ochs-Sulzberger Jr. started out working for several years in London before becoming involved in the management of *The New York Times*. This kind of approach has made families far more flexible than before.

Can tension between company heads be stronger at family firms?

Personal conflicts can indeed do a lot of damage to a company. And the smallest conflict between brothers and sisters, cousins, or uncles and aunts can haunt a business. Old problems can also rear their heads anew and make companies unmanageable. The Koch family tore itself apart for years, like a pack of wolves, and conflict between the Guccis ended in the murder of one of the most influential members of the family. Naturally, these events undermined the results of the firms.

How do families make decisions that work with, not against, the interests of the company?

This kind of pressure is omnipresent. When a company wants to relocate its head office for tax or logistics purposes, say, and the family wants to stay in the firm's city of origin, that can be a problem. The same applies when a family wants to name a family member who isn't qualified to hold the position of CEO—a move that damages relationships with other executives and shareholders. The Brown-Forman family, owner of the US wine and spirits company of the same name, has the right approach to these issues. It has introduced a set of rules enshrining its relations with the company and set up a robust mechanism preventing it from making decisions that work against the interests of the firm. In contrast, the Marriott hotel group took a while to get a handle on this problem, only recently appointing its first non-family CEO. ▀



Prada breaks the family mold

Rebellious and visionary, Miuccia Prada has transformed her grandfather's traditional family business into a luxury-goods empire.

By Sophie Gaitzsch

"I hate the rituals of bourgeois life. By definition good taste is horrible taste." So said Miuccia Prada in a rare interview granted a few months ago to *T* magazine, published by the *New York Times*. Queen of Italian fashion and figurehead of the Prada luxury group, she has made non-conformism her stock in trade and the driving force behind her success.

Prada was founded in Milan in 1913 by Miuccia's grandfather, Mario. Located in the Vittorio Emanuele II gallery, the Prada shop succeeded by appealing to Lombard high society, going on to become official supplier to the Italian royal family. Miuccia Prada, born in 1949, grew up in a conservative environment that she considered strict and dull, and from which she sought to set herself apart. She did so by espousing the causes of communism and feminism, obtaining a doctorate in political science from the University of Milan. She also showed a great passion for mime, which she practiced at the famous Piccolo Teatro.

Miuccia Prada joined the family business at the end of the 1970s and quickly set about shaking up tradition. She started her revolution with the creation of a backpack made of nylon, a material previously used in the Prada shop for wrapping products. The bag was an immense success. She opened a second arcade store in Milan in the early 1980s before setting up shop on the highest profile thoroughfares in New York, Paris and London. Her avant-garde style, tending towards minimalism and playing with standard beauty clichés, has become a fashion hallmark over the years.

From a basic accessories shop, Prada has transformed into a world fashion giant. The company's success is due to the creative talents of its heiress and her modernist air, as well as the managerial abilities of her husband Patrizio Bertelli. Now CEO of Prada, Bertelli aimed high from the start, strongly encouraging the company's diversification into shoes and clothing.

The company reported revenue of €3.3 billion in 2012, up 29% year-on-year. Net profit leapt 44.9% to €626 million. The group also owns the Miu Miu, Church's and Car Shoes brands. Prada raised €1.5 billion when it floated on the Hong Kong stock market in 2011, taking the capitalization of the company to a total \$13 billion.

"Prada is a strong brand," says Andrea Gerst, a fund manager at Swiss and Global Asset Management. "Consumers love it, and it is posting strong results in Europe, the US and Asia alike. The company's creativity and financial management stand as shining examples in the luxury-goods sector. The stock price doubled in 2012 and, even though performance is a little weaker this year, Prada remains an attractive stock. The outlook is good, especially in emerging markets, with considerable growth potential." ▲

PRP

FAMILY

Miuccia Prada: chair of the board of directors and executive director

Patrizio Bertelli: husband of Miuccia Prada, CEO



86



FOUNDED
1913

2012 REVENUE
€3.3 BILLION

WORKFORCE
9,427

PRADA

Having earned a PhD in political science from the University of Milan, Miuccia Prada made it her business to shake up the status quo. She stands out for always being ahead of the curve.

Hippie-Licious

Whole Foods' sales have exploded in the past decade. The US chain is riding the trend for all things organic and opening stores hand over fist.

By Julie Zaugg, New York

Artfully stacked pyramids of fleshy peppers and juicy mangoes rise side by side, opposite a display of rare tomato varieties grown in Brooklyn. Chicken, ostrich and duck eggs nestled in straw have a straight-from-the-coop air. The fish counter is loaded with sundried-tomato salmon burgers and orange-and-ginger crab and shrimp cakes. Upstairs, overlooking midtown Manhattan, a huge stand sells salads, sushi and multicolor cupcakes to go.

"What sets Whole Foods apart from other supermarkets is its extraordinary range of good, fresh and healthy produce," says Roger Beahm, marketing professor at Wake Forest University in North Carolina. At Whole Foods stores, 67% of products are fresh, 30% organic (pesticide, chemical fertilizer and GMO free) and 26% sourced from one of the Texan chain's 2,000 local suppliers. But product quality is just one ingredient in the success of a

company that reported a record \$11.7 billion in sales in 2012.

The esteem afforded Whole Foods has helped the company cut down on marketing costs

"Whole Foods shows unrivaled creativity in the way it displays and stages its products," says Edward McLaughlin, Cornell University professor and food-industry specialist. "Shopping there is a gastronomic and theatrical experience. The fish counter is an imitation

of the famous open-air market in Seattle. And you may very well see an employee throw an entire salmon to his colleague, who will cut it up in front of you just the way you like."

Whole Foods also plays on its image as an ethical company "to attract young, female, educated and urban customers mindful of the environment and social responsibility," says Roger Beahm. CEO John Mackey has limited his salary to a dollar a year; company-wide, the best paid executive is not allowed to earn more than 19 times that of the lowest-paid employee. The Group also makes microloans to its producers in developing countries and low-interest loans to producers in the US. "These good works are part of Whole Foods' communication strategy," says Edward McLaughlin. Suppliers who benefit from such magnanimity pose with their cows and freshly caught fish in posters hung in Whole Foods stores.

Buy Local



SUPPORT
& MIDWEST
FARMERS!

50 years of organic crops

The organic movement began in the US in the 1960s with the publication in 1962 of Rachel Carson's book *Silent Spring*, which described the damaging effect of pesticides on the environment. A few health food stores were already in existence—the first, Martindale's Natural Market in Philadelphia, was founded back in 1869—but the trend really took off in the 1970s. Whole Foods CEO John Mackey opened his first outlet with an organic label (the equivalent of the "bio" label found in Switzerland at Coop and Migros)

in Austin in 1978. At the time there were no more than 12 comparable outfits in the US. In 1980 Mackey joined forces with a competitor to open a 10,000 m² shop in an old nightclub, cleverly choosing to sell meat, beer and wine alongside tofu and grain staples. Additional stores were opened in Austin, Houston and Dallas, followed by New Orleans in 1988 and Palo Alto in 1989. The company expanded rapidly and was floated on the stock market in 1991. It arrived in Canada in 2002 and the UK in 2004.

American actress Jessica Alba shopping at Whole Foods in Beverley Hills.

The group, present in the US, UK and Canada, has also forged close bonds with its customers, who feel like they belong to a club. "We believe our stores play a unique role as a third place, besides the home and office, where people can gather, interact and learn while at the same time discovering the many joys of eating and sharing food," wrote Whole Foods in its 2012 Stakeholders Report. "I know of no other super-market that has such a strong emotional connection with its customers. They love the brand and this makes them amazingly loyal," says finance professor Raj Sisodia, who recently co-authored a book on "conscious capitalism" with John Mackey.

The esteem afforded Whole Foods has helped the company to cut down on marketing costs, which are equal to just 0.4% of sales. That's nearly three times less than another US supermarket

brand, Safeway. "The chain doesn't need to pay for posters or TV ads," says Roger Beahm. "Customers do the job for the company. Promotion is by word of mouth."

Still, Beahm cautions that the company's carefully maintained image is "both its biggest asset and its Achilles' heel. Because its business model is built almost entirely on its ethical and healthy image, the slightest negative practice can have disastrous effects." Whole Foods customers are demanding and committed and will forgive the company nothing. When CEO John Mackey published a piece criticizing Obama's healthcare reform, customers organized to boycott of Whole Foods stores. And when an animal-welfare activists attacked the store for selling foie gras, the chain immediately removed the product from its outlets.

The Texas company has other strengths, though, like perfect timing. "The rise of Whole Foods coincided with the emergence of the organic, localvore movement," says Raj Sisodia. Sales of organic products in the US rose from \$3.6 billion in 1997 to \$21.1 billion in 2008. The chain also owes its success to a smart expansion policy based on the acquisition of small organic chains.

"It has swallowed all its rivals, taking advantage of their existing expertise and customers," says Roger Beahm. For example, it entered the UK market by buying out the local chain Fresh & Wild. When moving into new markets, Whole Foods uses a unique criterion for determining the right places for new stores: the number of university students living within 16 minutes of the location by car. ▲ WFM

.....Analyst advice.....

"Impressive growth, set to continue"

For Piper Jaffray analyst Sean Naughton, Whole Foods isn't overvalued. "It has impressive growth, while the rest of the food sector is standing still." Whole Foods sales have grown 8% a year on average in the last 15 years, compared with 2% to 3% for other supermarkets. "Whole Foods is an attractive investment, especially over the long term, as growth is set to continue, and

even increase to 15% to 20%," he says. Apart from California, where the company already operates 69 stores, saturation isn't a problem. "The best opportunities are in rural-urban areas, as well as in city centers like New York, Chicago and Boston where there's room for smaller stores," he adds. In the medium-term, Whole Foods is expected to continue growing in

non-US markets, which currently account for just 3.2% of sales. Naughton does, however, see one major weakness in Whole Foods: "High prices." These make the company sensitive to the slightest economic hiccup, as seen during the crisis in 2009, when Whole Foods sales fell 4.3%. Another risk is that Whole Foods operates in a highly competitive sector. "Whole Foods is now competing

against traditional supermarkets like Safeway and Walmart, which have recently moved into the organic sector, as well as specialty grocery stores and restaurants," says Naughton.



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Next-gen consoles: Sony and Microsoft play for high stakes

The PS4 and the Xbox One, two next-generation consoles due for release at the end of this year, will be entering a potential market of more than a billion gamers, where winning over their target audience isn't a slam dunk.

By Bartek Mudrecki

Playstation 4

PRICE

449 Swiss francs

INTERACTIVE GAMING CAMERA

PSEye not included

CENTRAL PROCESSING UNIT

8-core AMD Jaguar (2 GHz)

GRAPHICS PROCESSING UNIT

7th generation AMD Radeon

CPU / GPU SPEED

1.84 TFLOPS

OPTICAL DRIVE

Blu-Ray

BACKWARD COMPATIBLE?

Yes (via the Gaikai streaming platform in the US from 2014)



PR: NEWS FOTO SONY, COMPUTER ENTERTAINMENT AMERICA, LLC



GUS RUELAS/REUTERS

The war of the next-gen consoles began on May 21, 2013, three weeks before the start of the E3 international video game show in Los Angeles. That day, in a bid to win the first communications battle, US giant Microsoft held a live web briefing with great pomp to unveil the Xbox One, which replaces the Xbox 360 in November. Japanese rival Sony hit back in Los Angeles on June 10 by revealing the details of the Playstation 4 (PS4), the replacement for the PS3,

which, like its rival, is scheduled for release at the end of 2013.

For both firms, the games sector can be a big money-maker. Dutch market analyst firm Newzoo has forecast that this form of entertainment will be worth \$70.4 billion in 2013, 6% more than in 2012, with a total of 1.2 billion gamers. So manufacturers have good reason to hope that theirs will be the console consumers choose to connect to the flat-screen

TV in their living room. And when it comes to gaining a marketing edge over their competitors, anything goes.

SONY TAKES ADVANTAGE OF MICROSOFT'S BLUNDERS

Technically speaking, the two machines are very similar, offering, as expected, spectacular full HD graphics and a fluid 60-frame-per-second display. So, to set themselves apart, they have to jostle for position and even throw in the occasional tackle. Which is why, in its presentation at E3, Sony announced that the PS4 would retail for 449 Swiss francs in Switzerland, compared with 629 Swiss francs for the Xbox One.

To put those prices into perspective, the PS3 cost nearly 700 Swiss francs when it launched in 2007, whereas the Xbox 360 was launched at around 450 Swiss francs in 2005, years before the Japanese console. According to specialists, this price difference caused initial sales of the Sony console to stagnate, benefiting the Microsoft machine.



The E3 video games show in Los Angeles last June. The event attracts thousands of visitors each year and the major console manufacturers use it to announce or present their new machines.

Xbox One

PRICE
629 Swiss francs

INTERACTIVE GAMING CAMERA
Kinect 2 built in

CENTRAL PROCESSING UNIT
8-core AMD Jaguar (1.6 GHz)

GRAPHICS PROCESSING UNIT
AMD Radeon 7790

CPU / GPU SPEED
1.23 TFLOPS

OPTICAL DRIVE
Blu-Ray

BACKWARD COMPATIBLE?
No



2013 MICROSOFT

"Today, Sony has the advantage of a lower price for the PS4 to attract gamers," says US analyst Rob Enderle, a specialist in the new technologies market.

Sony has also skillfully taken advantage of the countless errors committed by its competitor at its initial briefing. On May 21, Microsoft announced that a constant internet connection would be required in order to play, that its console would include a built-in "Big Brother is playing with you" camera, and that it would not be possible to loan or resell games to other gamers. These announcements horrified gamers and immediately inflamed the forums. On June 10, the CEO of Sony Computer Entertainment, Andrew House, shrewdly announced that a constant internet connection would not be necessary to play on the PS4 and that games could be exchanged

and resold just as on the PS3.

One week after presenting the Xbox One at E3, Don Mattrick, president of Microsoft's interactive entertainment business unit, was therefore forced to backtrack. Gamers would no longer have to be connected to the web to play with an Xbox One, and games could be resold and loaned. "Better launch titles than the PS4, and a higher marketing budget, could mean these mishaps are forgotten," says Rob Enderle. Charles Planade, a financial analyst with French firm Arkéonas, shares Enderle's view that it will be the release of flagship games that will "make the difference in console sales."

COMPETITION FROM TABLETS AND SMARTPHONES

However, new players on the gaming market could spoil the party for the two big

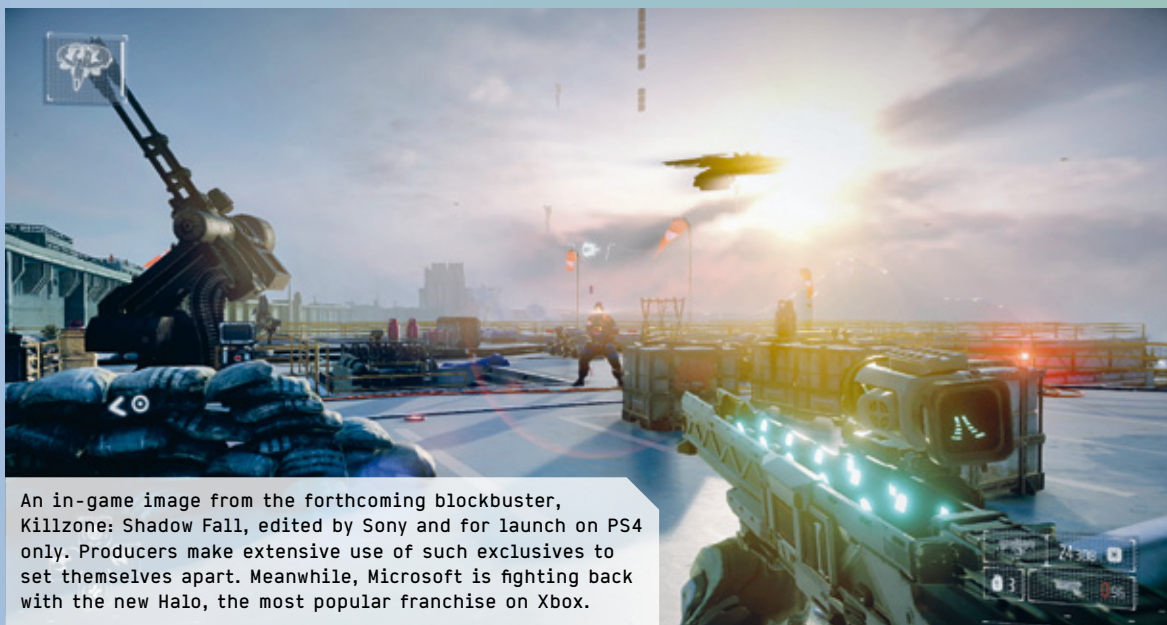
Nintendo out of the game



Nintendo's new machine, the Wii U, released in December 2012, is not selling. The Japanese firm has announced that classics such as Super Mario and Donkey Kong will be returning at the end of 2013, alongside a new version of Wii Fit, which did a great deal to boost sales of the Wii.

However, according to Michael Pachter, "you don't need high-res graphics to exercise with Wii Fit. There is no point buying the Wii U for that." Rob Enderle also considers Nintendo to be lagging behind: "There is no buzz around the console," he says. In any case, the recent announcements made by Nintendo have not been received with nearly the same excitement as those concerning the Xbox One and the PS4.

TOKYOSHOP



An in-game image from the forthcoming blockbuster, Killzone: Shadow Fall, edited by Sony and for launch on PS4 only. Producers make extensive use of such exclusives to set themselves apart. Meanwhile, Microsoft is fighting back with the new Halo, the most popular franchise on Xbox.

SONY

rivals. Analysts at Newzoo estimate that touchscreen devices (smartphones and tablets) will take an 18% share of the video games market in 2013, against 13.7% last year. Their sales will amount to \$12.3 billion, compared with \$9.1 billion in 2012. "Sony and Microsoft will find themselves under pressure from tablets and smartphones, which are attracting many casual gamers and diverting attention from the Xbox and Playstation consoles," predicts Steve Bailey, an analyst at IHS.

On paper, the PS4 is more powerful than its American competitor

"Both firms have to think about how they can better incorporate new roaming habits in the living room video-gaming experience," he suggests, because new mobile devices are nibbling away at the market share of consoles, as well as that of Sony and Nintendo's handheld devices, the PS Vita and the 3DS. Rob Enderle even goes so far as to suggest that "Sony and Microsoft should join forces to create a new platform using the Android system, which would allow them to capture the casual gamers market".

So, are November's releases destined for failure?

A report by NPD Group predicts that only 29% of core gamers, the prime target for Sony and Microsoft, will purchase a PS4 or an Xbox One as soon as they hit the shelves. "Casual gamers, and anyone who is swayed more by price and gameplay than by graphics, will not turn to these consoles right away," says Charles Planade. "What's more, Nintendo will be lowering the price of the Wii U this winter and could win customers as a result." (see inset on p. 64)

On paper, the PS4 is more powerful than its American competitor, yet it seems unlikely that it will get the upper hand over the Xbox One. "We don't expect a big difference in global sales," says Steve Bailey. In his view, the price of Sony's product gives it an advantage over the Xbox One, but "Microsoft's online gaming offer is better than the Playstation's. It doesn't look like there will be one big winner."

Over the last few years, both Sony and Microsoft have seen sales of their living room consoles decline. Could this signal the end of their dominance? "Not necessarily," says Steve Bailey. "The market follows cycles and it is at the bottom of a cycle at the moment. We expect the console market to return to growth in 2014. Peak sales will not hit the heights of previous generations, but overall sales volumes should be comparable." ▲

Ouya and GamePop: low-cost alternatives

Low-cost consoles without any great technical aspirations are now emerging on the casual gaming market. The Ouya, a US console released in March 2013, costs just \$99. Gamers can plug it into their TV screen and try Android games free of charge before buying them. A game development kit is also provided with the console so that the more expert gamers can create and sell their own games.



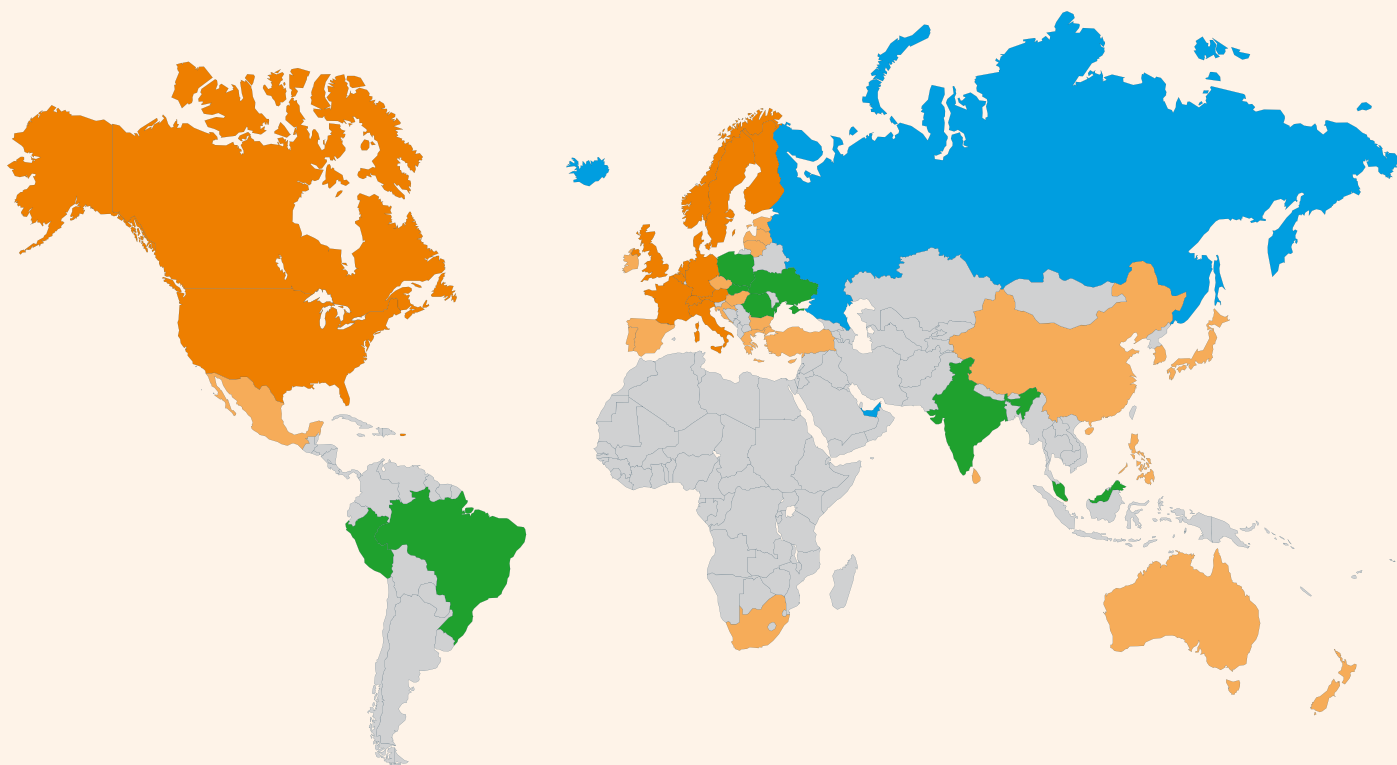
Another alternative project, the GamePop, also operates on Android. Gamers can connect it to their TV screen and play either with the controller provided or with their smartphone. Initially, it will cost nothing, but users pay a subscription fee of \$6.99 a month to access the content.



So, not only are there new arrivals in the casual gaming market, they can also be plugged into a TV, just like a console. Should Sony, Microsoft and Nintendo be scared? Not according to Michael Pachter, who sees no real threat in these alternatives: "It's like YouTube in relation to television: they cannot be seen as genuine substitutes due to the poor graphics quality."

MAP OF SWISSQUOTE'S GLOBAL TRADING ACTIVITIES

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- Real-time share dealing on the world's largest stock exchanges (see map)
- Direct access trading for options and futures on the largest futures and options exchanges (Eurex, CME - Chicago Mercantile Exchange - and ISE - International Securities Exchange)
- Real-time trading of warrants and other derivative or structured products (Scoach and Euwax)
- Fundshop: the largest Swiss trading platform for investment funds (more than 5,500 products online)
- Bond trading (more than 9,000 products)
- eForex (foreign exchange and precious metals): more than 60 currency pairs available thanks to our innovative FXBook technology (spreads from 1.8 pips and a leverage ratio of 100:1)
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- An online mortgage
- Foreign exchange: currency spot trades, futures, swaps and options
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The new petroleum paradigm

Peter A. Rosenstreich,
Chief FX Analyst, Swissquote

In the past year, crude oil has exhibited strange pricing behaviors, including an extended backwardation at both WTI and Brent. Backwardation is a term that describes a downward-sloping futures curve, drawn from the cost of crude for immediate delivery being higher than that for future deliveries. This and other recent price anomalies run counter to longer-term theories that have typically driven market analysis forecasts.

In a so-called typical market, the price for delivery of commodities trades above its “spot” or cash price. Logically, the price curve reflects the fact that forward buyers cover the cost of warehousing the product plus interest on money to be paid at a later date. This upward sloping forward curve is called contango, the opposite of backwardation, upward being the standard market pattern.

Indeed, prevailing theory embraces the concept of “peak oil,” first hatched in the 1970s, which has since asserted that oil supply should soon be reaching a rate of maximum production, at which point it would begin to rapidly decline. However, with technological advances—“fracking”, new oil and alternative reserves—plenty of supply is currently being created, contradicting the conventional forecast.

Another long-held belief was that naturally expanding demographics combined with a higher standard of living in emerging markets like China and India would stimulate demand. But, again, technology has wrought increased efficiency in the form of advanced combustion engines, lighter, stronger building materials, and effective electrically powered and hybrid vehicles that also mitigate oil demand.

Environmental regulations, too, in the US, Europe and, even, China are, forgiving the pun,

further fueling what some experts now envision as a sweeping paradigm shift away from the predictable peak-oil theory, which did admittedly bear out, from the 1960s until now, when we are coming to view what we termed backwardation not as a fleeting quirk, but as an early sign of the new normal.

It used to be that backwardation would indicate a short-term supply shortage or a strong demand on the front end of the curve, either way indicating little motivation to hold a commodity for future delivery. But uniquely new short-term drivers are creating backwardation at WTI and Brent. In the case of the former, changes in US infrastructure have seen the removal of barriers at the trading hub at Cushing, Oklahoma, thus easing the transit of crude oil to gasoline refineries during the height of the driving season.

For Brent, it’s more complicated. A variety of issues—declining crude production in Libya and in the North Sea, as well as an EU trade agreement with South Korea—create a downward looping curve. For both crude giants, the front end is bolstered by a tight supply and hearty demand, keeping prices elevated. However, as we see more supply become available, and expectation for global growth lag, the price of oil is expected to fall.

There are some (OPEC for one) who claim that new theories about oil’s price path are nonsense, and higher oil should be expected. We agree the future is far from certain, yet our new outlook is gaining traction and market evidence. While it’s clear that backwardation will not last forever, nor will it automatically prescribe lower prices, it does indicate a change in expectation on the forecasted future price. The long-held belief that, in the future, crude prices will always be higher, is now being challenged. ▲



SUPERCARS

REVVED AND READY
FOR THE RIGHT PRICE

Supercars have reigned supreme in the sports car world since the early 1980s. In 2013, they shot up even further into the stratosphere, displaying performance statistics that are beyond belief.

By Philipp Müller

Among the recent crop of supercars, some are more powerful and more high-tech than others. These “hyper-cars”, among them the Ferrari LaFerrari, McLaren P1 and Porsche 918 Spyder, are essentially Formula 1 cars geared for the road. All three claim the title of “fastest street-legal production car on track,” as do the Koenigsegg Agera R and the Bugatti Veyron Super Sport (up to 1,200 hp with a 16-cylinder 8-liter supercharged engine on the Super Sport version). In other words, the record for raw power isn’t the irrefutable goal here, neither are the top record-speed statistics that once got people so excited. What counts today is efficiency—cornering speed, acceleration and braking—enhanced by weight reduction, electric boosts and air brakes. In all these areas, our three musketeers have a number of tricks up their sleeves.

The Ferrari LaFerrari is the latest in a long line of

limited-edition supercars that originated in 1984 with the 288 GTO. This was followed by the F40, the F50 and the Enzo. Made primarily of carbon, as are its rivals, the LaFerrari houses a traditional mid-rear-mounted 12-cylinder 800 hp V-engine, supplemented by a kinetic energy recovery system (KERS) derived from F1, which temporarily provides an additional 163 hp via an electric motor. The maximum total power of 963 hp has more than doubled since the 1987 F40 with its 478 hp.

This illustrates the technical developments that have taken place over that period and also goes to show why a “basic” modern-day Audi S3 can reach up to 300 hp, the same as the Ferrari 348 did 20 years ago. The same can be observed at Porsche, whose 918 Spyder (887 hp) is altogether more powerful than the 956 from 1986 (450 hp), and at McLaren where its 916 hp P1 has relegated Gordon Murray’s

F1 car (1992, 627 hp 6.1 l V12), so long unparalleled, to antique status.

As well as supplying ever more power, engineers have invested just as much effort in channeling it towards the ground. The fact that it is now possible to take full advantage of 1,000 hp is due in large part to the work done in wind tunnels. We are no longer content to mount huge spoilers to generate the necessary downforce. Now removable and motorized, spoilers are primarily useful when braking. Air flows are channeled inside the bodywork, meaning that the appearance of this new generation of sports cars is more understated and restrained than ever before. Relatively speaking, that is: those who look at them for too long may well still suffer from Stendhal syndrome.

The same sense of understatement and restraint can be found in the engines. While it may be that electric

Price
Approximately
1,500,000 Swiss
francs

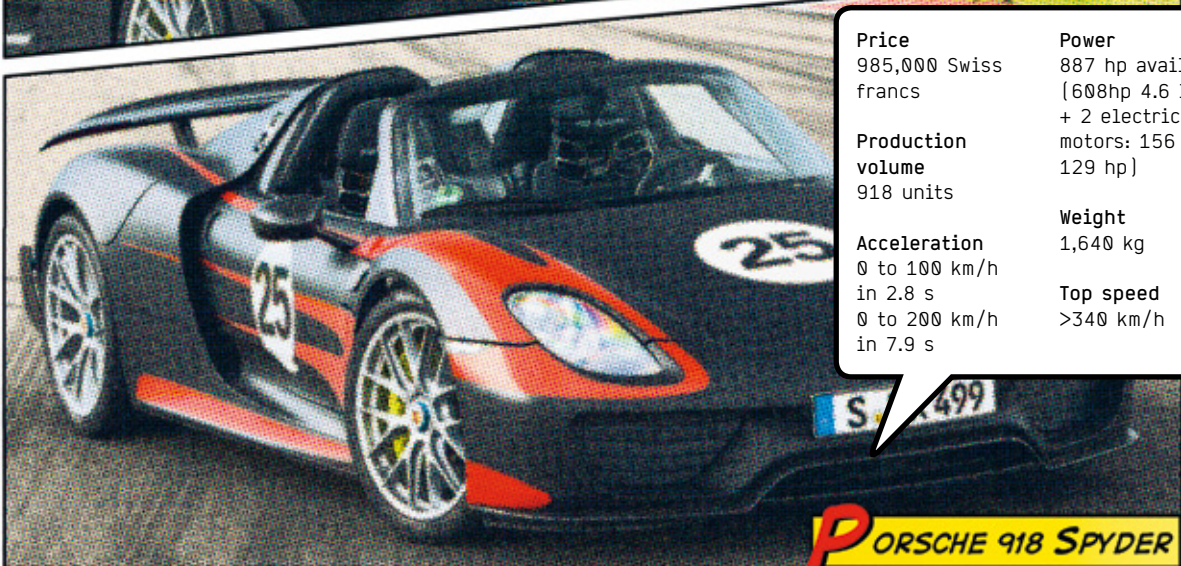
Power
963 hp (800 hp
6.3 l V12 + 163
hp electric
motor)

**Production
volume**
499 units

Weight
1,370 kg

Acceleration
0 to 100 km/h
in 3 s
0 to 200 km/h
in < 7 s

Top speed
>350 km/h



Price
985,000 Swiss
francs

Power
887 hp available
(608hp 4.6 l V8
+ 2 electric
motors: 156 and
129 hp)

**Production
volume**
918 units

Weight
1,640 kg

Acceleration
0 to 100 km/h
in 2.8 s
0 to 200 km/h
in 7.9 s

Top speed
>340 km/h

Price 1,216,000 Swiss francs	Power 916 hp (737hp V8 biturbo + 179 hp electric motor)
Production volume 375 units	Weight 1,395 kg
Acceleration 0 to 100 km/h in < 3 s 0 to 200 km/h in 7 s	Top speed 350 km/h [regulated]



McLAREN GROUP 2013

hybrids, used in different ways by Porsche, Ferrari and McLaren, no doubt do more for lap times than they do for the planet, supercars have never consumed so little fossil fuel as they do today. This is particularly true of the plug-in McLaren P1, which can travel roughly 10 km on electric power alone, without using its 3.8-liter V8 biturbo. Meanwhile, the Porsche 918 Spyder, with its two electric motors, one at the front and the other next to the rear-mounted V8 (it is the only 4WD model of the three), can run on electric power for around 20 km. Consequently, manufacturers can boast impressive standardized European combined-cycle fuel economy figures, at 8.5 l per 100 km for the P1 and 3.3 l per 100 km for the 918 Spyder. These vehicles are, however, guaranteed to guzzle a good 20 liters during a fast driving ses-

sion. The Ferrari is a little different. As in Formula 1, its KERS is recharged solely through the recovery of kinetic energy, which it releases during acceleration. There is no chance, here, of driving in "zero emissions" mode, with the Euromix stat standing at 14 l for 100 km. It may be less environmentally friendly, but it is certainly designed for more realistic use.

Of course, there are plenty of other ultra-high-performance sports cars, such as the Koennisgsegg Agera, the Pagani Huayra and the Lamborghini Veneno, but only the brands that invest intensively in professional motor sport have the expertise and the resources necessary to implement the very latest technology, such

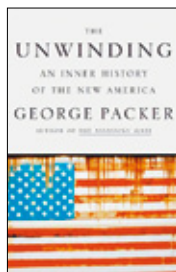
as hybrid propulsion, in their supercars. More than their horsepower, it is undoubtedly their advanced technology, their prestige and their limited availability that attract people to these athletic performers. After all, while horsepower has never been available so inexpensively, with 200-hp GTI models available for less than 30,000 Swiss francs (less than 150 Swiss francs per hp), it certainly does not come cheap on these models—their selling prices of 1 million Swiss francs or more work out at 1,000 Swiss francs per hp. However, with their order books already full, Ferrari, McLaren and Porsche surely have their pricing right! ▲

TO READ

THE UNWINDING

AN INNER HISTORY OF THE NEW AMERICA

By George Packer [FSG, 2013]

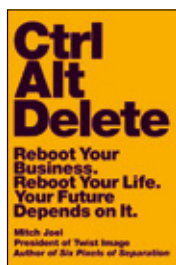


George Packer explores the unraveling of the US social fabric over the last four decades through portraits of ordinary Americans, including a farmer and an activist, and not-so-ordinary Americans, among them Oprah Winfrey and Peter Thiel. The author concludes that the freedoms gained by Americans in recent years have come at a price: loneliness. The book has received rave reviews.

CTRL ALT DELETE

REBOOT YOUR BUSINESS. REBOOT YOUR LIFE. YOUR FUTURE DEPENDS ON IT.

By Mitch Joel [Grand Central Publishing, 2013]



The world is changing at breakneck pace, the nature of business has undergone a sea change, and we are constantly struggling to keep up with the times in our personal and professional lives. As such, we have to continuously “reboot” and adapt. Or so says new-media expert Mitch Joel, who takes an in-depth look at the trends behind the upheaval.

TO DOWNLOAD

IN COMMUNICADO

[Android]



With Last Message, there's no need

to panic when your mobile dies in the middle of a conversation, text message or email. This new app continuously monitors battery life and, when none remains, automatically sends a message to friends and colleagues telling them your phone is temporarily out of service. The app can also post messages on Facebook or Twitter.

Last Message
Free

FORGET? ME? NOT.

[iPhone, iPod, iPad]



Remember when your vacation to-do lists

were scribbled down on scraps of paper? That's in the past now, thanks to Stow. This practical app asks for a range of relevant personal information, as well as the day and time of your departure. It then suggests what you need to take with you, based on the purpose of your trip and what the weather's like where you're headed.

Stow
\$1.99

HOW-TO DIY

[Android]



Sometimes it's hard to describe a DIY quandry.

With Fixya, you can film and post your problem on a network, and in return get advice from knowledgeable members. The app also includes a catalog of user guides and troubleshooting manuals for a wide range of products, listed by category (electronics, IT, office equipment, jewelry, gardening, etc.).

Fixya
Free

FREE SPIN

[iPhone, iPod, iPad]



Now everyone can play radio DJ. Mixlr makes

it easy to create your own sets, broadcasting them live or pre-recorded, and even engage listeners. This new app also allows you to archive sets and listen to them later—in your car, at the gym or wherever you like. Mixlr is already drawing 500,000 unique visitors and 14,000 DJs every month.

Mixlr
Free

TRAVEL

THE TREASURES OF OAXACA

The Mexican state of Oaxaca is small in size but packed with an abundance of cultural attractions and idyllic landscapes. An ideal destination for an autumn break.

By Salomé Kiner

ALFONSO DE BEJAR

The pristine private beach at the Zoa Hotel in Mazunte, at the southern tip of the state of Oaxaca



Mexico

Oaxaca

When to go

The rainy season in Mexico lasts from June to September. The lushness of the vegetation in October further enhances the beauty of the country's landscapes. Oaxaca puts on a spectacular show for the Day of the Dead, generally falling on November 2. Festivities include floral altars, street theatre, votive offerings and a range of special events.

Surrounded by 1,000 archaeological sites and encircled by mountains, Oaxaca is a standout among Mexican cities. A shining example of the Spanish colonial period, it is home to architectural masterpieces and a joyful atmosphere. The luminous town is a sought-after destination for history and archaeology buffs, artists and foodies, who travel here to delight in its multi-colored houses, world-famous cuisine and top-quality crafts scene, celebrated across Mexico and throughout the world.

From Mitla, a breathtaking road climbs 2,700 metres to the petrified waterfalls of Hierve el Agua

"Your first port of call should definitely be the arcaded terrace of the El Jardin restaurant on Zócalo square," says Isis Lopez from Oaxaca's tourist office. Zócalo square is the town's nerve center, enlivened by mariachis and street vendors and opening on to Alcala, a pedestrian street lined with shops, ice cream parlors and art galleries. Alcala leads up to the Santo Domingo church and monastery complex, which today houses the Oaxaca Cultural Museum, organized in 14 rooms packed with precious remains and handy timelines that prove useful for visits to the region's historic sites.

One essential visit is to the Monte Alban pyramids, a 30-minute drive from town. People come from all over the world to take in the sacred pre-Columbian site and former Zapotec capital, which dates back to 200 A.D. The site's full mystical force is most vividly experienced near dawn and sundown.

Monte Alban is part of a circuit of must-see sites generally kicking off with El Árbol del Tule, a 2,000-year-old cypress that at 14 meters across boasts the world's stoutest trunk. "El Tule" is located on the way to Mitla, another archaeological jewel from the Zapotec era.

MARKETS

The closest: Benito Juárez market, Oaxaca.

The best for food: Mercado 20 de Noviembre. For a comprehensive taste of local specialties.

The most authentic: Tlacolula market, 30 km east of Oaxaca. Craftspeople from the region sell their wares here every Sunday.

The most environmental: El Pochote, Fridays and Saturdays. Organic produce exclusively and home to the city's finest mezcal.



Inhabitants of Oaxaca in traditional dress

NATURAL BEAUTY

From Mitla, a breathtaking road climbs 2,700 meters to the petrified waterfalls of Hierve el Agua. The site features two natural pools of mineral-rich water, perched on the edge of a cliff and offering an arresting view. Taking a dip here is an unforgettable experience.

Nature lovers looking for a spot of relaxation should head out to San Agustín, Oaxaca.



The geological site of Hierve el Agua, 70 km east of the city of Oaxaca. Its natural swimming pool at an altitude of 2,700 meters offers breathtaking views.

a fishing village and ecotourism center located a few hours by road from Oaxaca, between the resort of Huatulco and the surfer community of Puerto Escondido. Set on an ochre coast line against a turquoise sea, the settlement is a haven for couples, surfers and vacationing families. The site is a secret pearl of the Pacific with its lagoons and bays, emerald jungle, palm-lined beach and fantastic fish restaurants.



The archaeological site of Monte Alban, in the south of the state of Oaxaca, one of the first Mesoamerican towns in history.

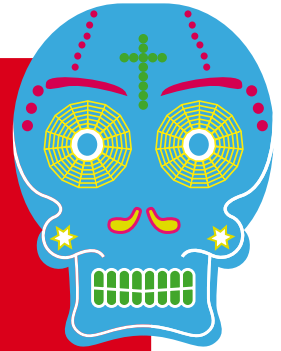
Visitors can stay in one of the beach cabañas affording magnificent views of the endlessly hypnotic spectacle of the Pacific Ocean. If you don't want to brave the crashing waves, simply chill out in one of the village's swimming pools, or doze off to the sound of lapping waves, awaking to a treat of fresh coconut and tropical fruit juices. You can grab a mask and snorkel and commune with the starfish and puffer fish, and perhaps hop aboard a fisherman's boat for a voyage of discovery. Surf instructor Efren Mendez Avalos organizes sea excursions.

WHAT TO EAT

Mole poblano: A black sauce concocted from chocolate and spices and served with chicken.

Chapulinas: Grasshoppers fried with chili and garlic and washed down with beer.

Tlayudas: Corn tortillas stuffed with beans, avocado and tomatoes and cooked in a wood-fired stove.



A traditional market in the city of Oaxaca



A peaceful neighbourhood of Oaxaca, capital of the state of the same name

sions. "From November to April whales pass through here on their way to Costa Rica. The rest of the year, tourists are guaranteed to get a close-up look at dolphins and can even dive on the back of a sea turtle." The hardest thing about this heavenly experience will be finding a reason to leave. ▲

SHOP

Precious moments

Made of rose gold, with a Moser fumé dial and tapered, leaf-shaped hands, the 2013 version of the Monard opts for elegance without sacrificing technical excellence. Its hand-wound caliber 343 is equipped with a hacking seconds system, so that the watch may be set accurately to the second.

www.h-moser.com

About \$22,000



Levitation act

At Eternit's request, designers Kevin Fries and Jakob Zumbühl have turned their hand to making magic, creating a table that gives the illusion of floating in mid-air. Entirely handmade from fibre cement in the Swiss town of Payerne, the aptly named Hocus Pocus can be used as a bedside table, an occasional table or a dining table.

www.eternit.ch

About \$195



To die for

Jarre Technologies is playing the gothic bling card with this skull-shaped docking station, complete with sunglasses and femur-shaped remote control. The Aeroskull, whose mini-jack inputs can be used to connect it to a CD player, MP3 player or PC, is available in a range of ten drop-dead gorgeous colors.

www.jarre.com

About \$490

Makes sense

It may look like a high-tech radio, but the Fleur Mécanique makes no sound. Instead, employing Frédéric Malle's exclusive range of scents, it diffuses floral fragrances throughout your home. Wireless and user-friendly, the unit is as simple to recharge as a mobile phone.

www.fredericmalle.com

About \$295





Time wise

With a three-dimensional, one-piece dial and automatic movement with five-day power reserve, Spirit Mark 2 revisits Peter Speake-Marin's iconic model. What it has in common with the Pioneer is the designer's motto, "Fight, Love & Persevere," engraved on the case-back.

www.speake-marin.com

About \$6,490



A cooler cooler

Say goodbye to ugly plastic water jugs. The Ovopur, created by French Canadian designer Manuel Desrochers, is an ultra-stylish water filter with an egg-shaped porcelain reservoir that houses a resolutely environmentally friendly cooling and filtration system. It's both green and glam.

www.aquaovo.com

About \$690

Cocoa puffs

A cigar that meets with unanimous approval. It may look just like the real thing, but there will be no smoking when Parisian chocolatier Jean-Paul Hévin's creation is chomped on.

The cigar-shaped confection, which contains 64% cocoa and comes with its own case, is a stogie for those with a sweet tooth, sure to devour it in a single sitting.

www.jeanpaulhevin.com

About \$14



The wining wall

Canadian company Stact has invented a storage solution for wine bottles. The brainchild of designer Eric Pfeiffer, this modular wine wall, made from anodized aluminium and wood paneling, transforms a wine cellar into a work of art. Perfect for home sommeliers who are running out of space for their collection!

www.getstact.com

About \$138

SHOP

HIGH-TECH SELECTION



Listen up!

Available in ebony, mahogany, cherry or beech, LSTN Headphones are hand-crafted from recycled exotic woods. The eco-conscious Californian brand hands over a share of its profits to a charity for hearing-impaired children. Chic, functional and ethical: sounds good to us.

www.lstnaudio.com

About \$142

Mighty mouse

A mouse that oozes class. Created by Dutch studio Intelligent Design, the Titanium ID Mouse has sleek, stylish lines and is decorated with rare materials: titanium and resin for the shell. Windows- and Mac-compatible, the Bluetooth laser mouse is battery operated.

www.intelligent-design.nl

About \$490



Regatta ready

As a long-standing partner of the most prestigious races and sailors, like Loïck Peyron and Ben Ainslie, it was only natural that Corum should produce a special sailing timepiece: The new Admiral's Cup AC-One 45 Regatta is equipped with a caliber that combines a countdown function with a chronograph.

www.corum.ch

About \$11,200



Wings of sound

Based in a loft apartment in Brooklyn, Oswald's Mill Audio produces hand-made amplifiers, turntables and speakers. The company is carving a niche for itself by producing super-deluxe hi-fi systems imbued with a retro-futuristic style. Our personal favorite is this Monarch loudspeaker, a high-performance two-way speaker made of precious wood that bears more than a passing resemblance to a butterfly.

www.oswaldsmillaudio.com

About \$54,900





Plate Tableware or part of a watch movement?

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Plate | The plate which bears the various movement parts and in particular the bridges. The dial is usually affixed to the bottom side of the plate. The plate is pierced with holes for the screws and recesses for the jewels in which the pivots of the movement wheels will run.

HH
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In each issue of *Swissquote Magazine*, an artist describes his or her creative process. This month, we feature the writer Arno Camenisch.

“Writing is like sledding”

Arno Camenisch

“I am wary of ideas, as an idea has to be embodied before it can serve as literary material. The best stories come into my head just before I fall asleep. If the story still haunts me when I wake up, great. If not, too bad. The brain has a healthy capacity to erase everything that is secondary, which is beneficial for writing and for life in general. Writing is about extracting what is of value and getting rid of all the rest. It is a real art.

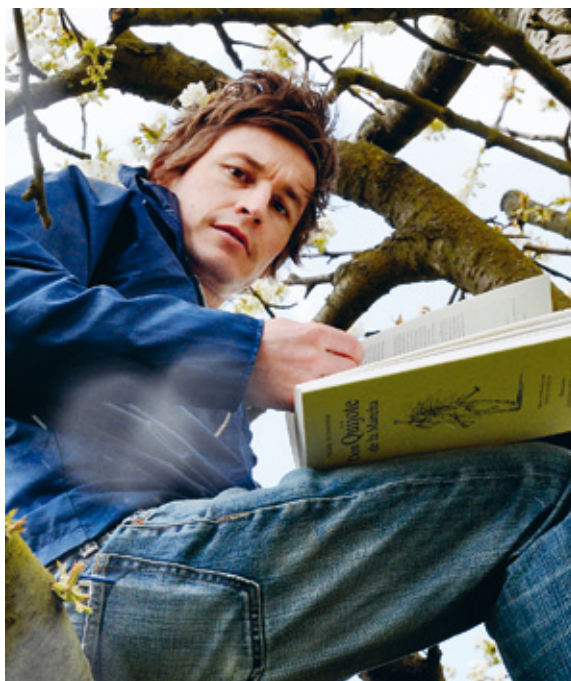
I live and work in my studio-apartment in Biel/Bienne. The furniture is very basic. The solid wood table is the most important item of furniture. When I write, I withdraw from the world and shut myself away. The monotony of my daily routine enables me to concentrate all my energy on the text.

I never make notes. My novels take shape entirely in my head. Only when I know exactly what my book is going to look like do I start writing. Before that, I prefer to let the material float in the air so that I can knead it into shape.

My novels are inspired by my day-to-day life and the lives of people like me. For me, it is important to talk about what you know well. That is the only way to be precise, and I am fascinated by precision.

Film influences me as much as literature. I like the films of Godard, Jarmusch, Fellini and Kaurismäki. When I write, I always have pictures in my head. I then set about translating these pictures into words, before reducing the material, so that the picture is crystal clear to the reader.

I have a soft spot for unique and original characters. What interests me in a character



YVONNE BÖHLER

A confederal author par excellence, Graubünden native Arno Camenisch, 35, caused a sensation with his first bilingual novel *Sez Ner*, published in 2009 in Sursilvan (one of the five Romansh dialects) and German. Two more books, *Behind the Station* (2010) and *Ustrinkata*, followed this alpine tale to form a Graubünden trilogy in which the author mixes German with Romansh, Italian and new lexical coinages. Camenisch has won a number of awards, including the Federal Prize for Literature, in 2012, and his work has now been translated into 18 languages.

are his joys, his strengths and fears, his doubts and contradictions. When a character is vulnerable, he or she resonates with readers.

To move forward, it is vital to keep asking yourself questions and to look at your past work with a critical eye. With writing, what matters is developing a personal style that is unlike anybody else's.

Only my publisher has access to what I write before the book is finished and proofread. I usually then send my manuscript to two people who are very close to me. They read what I have written, critically, and give me their opinion on specific points that I still have doubts about.

At the moment, I'm just carrying on writing and writing. Writing is like sledding: you stick your legs in the air and let yourself go.” ▲

PANERAI.COM



Mediterranean Sea.
"Gamma" men in training.
The diver emerging from the water
is wearing a Panerai compass on his wrist.

HISTORY AND **HEROES.**

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