Swiss Manufacturing: Why it still matters

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EXECUTIVES INTERNATIONAL

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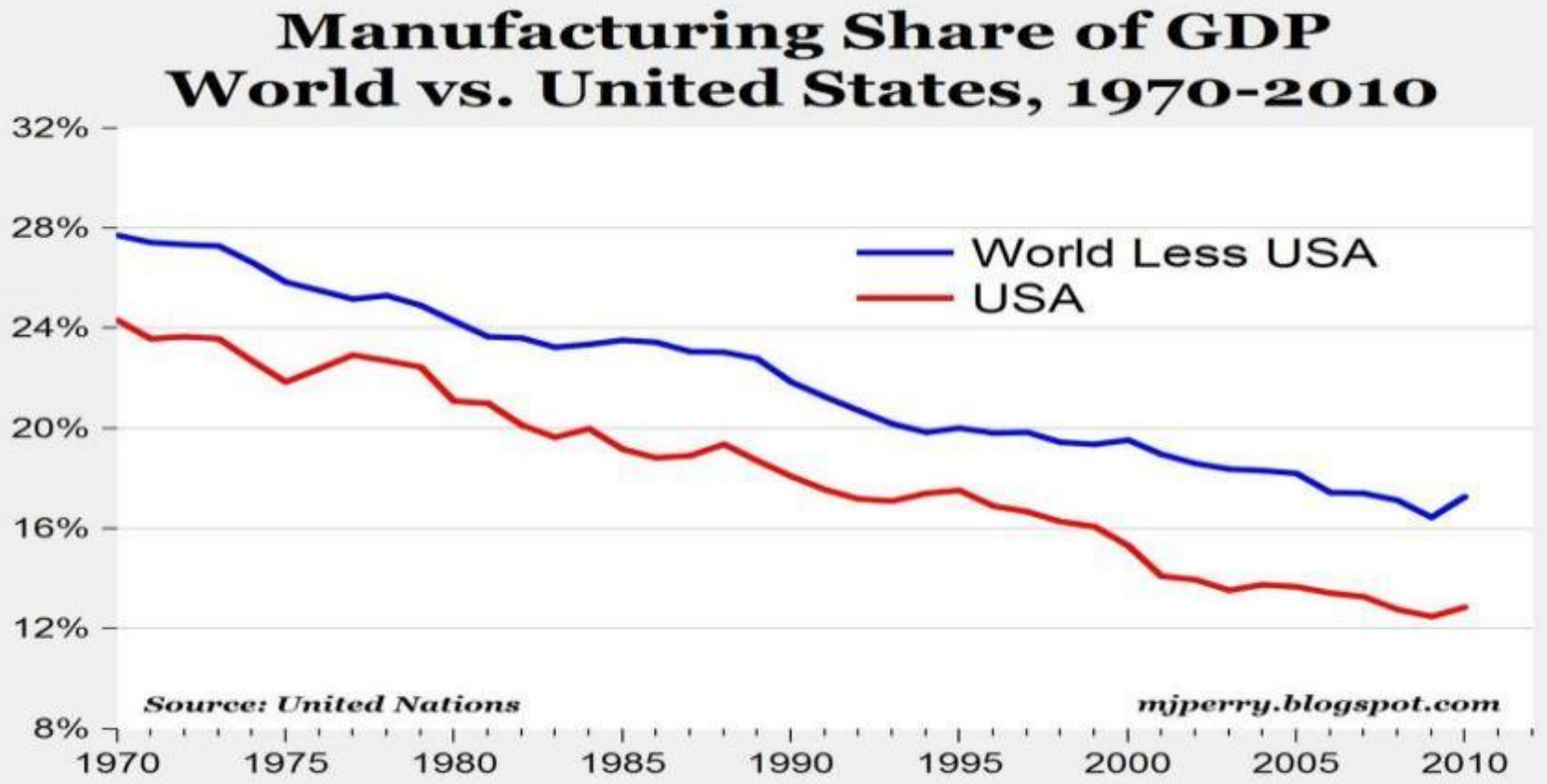
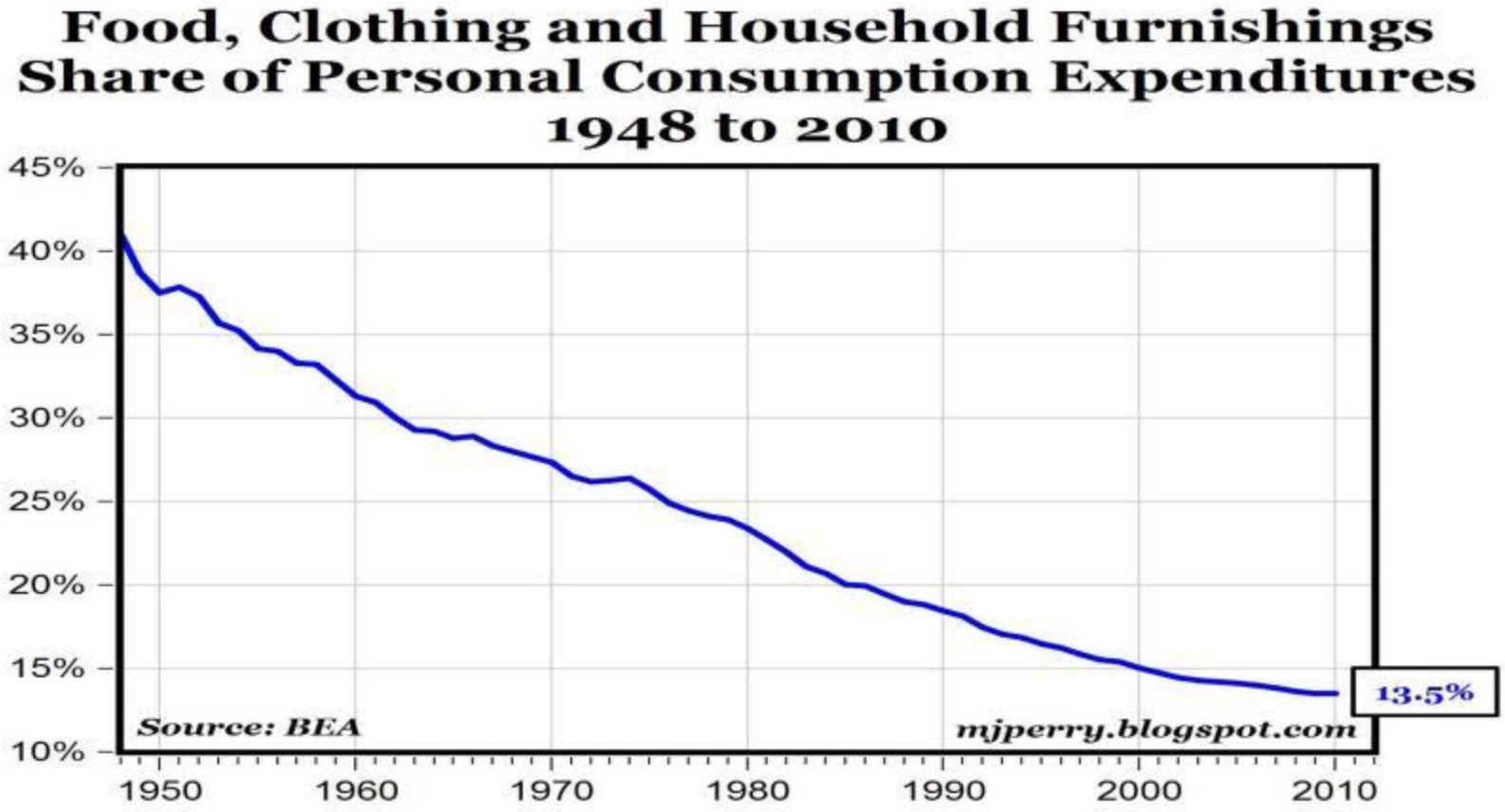
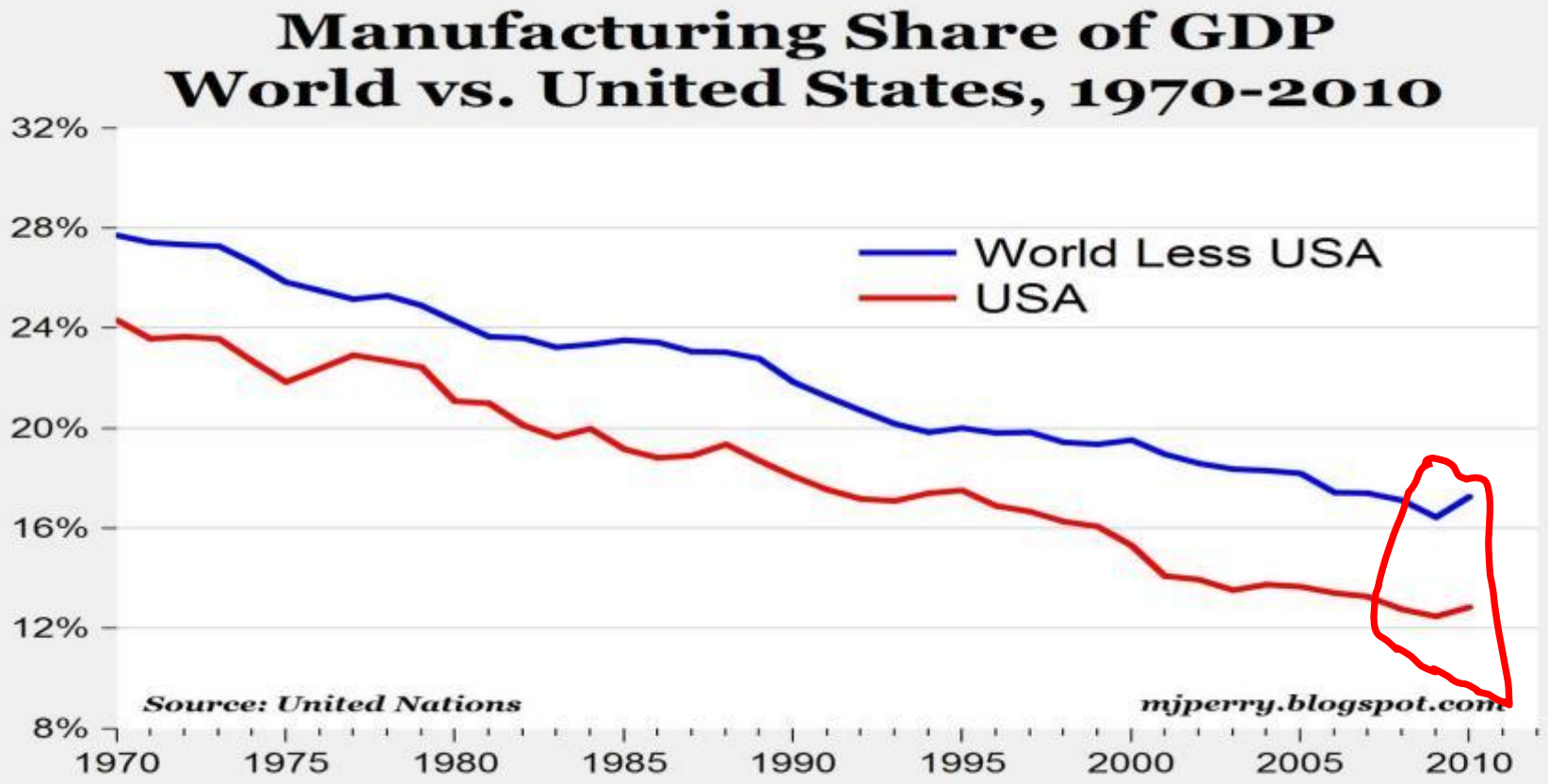
Does it still matter?



Maybe not? Look at Productivity!

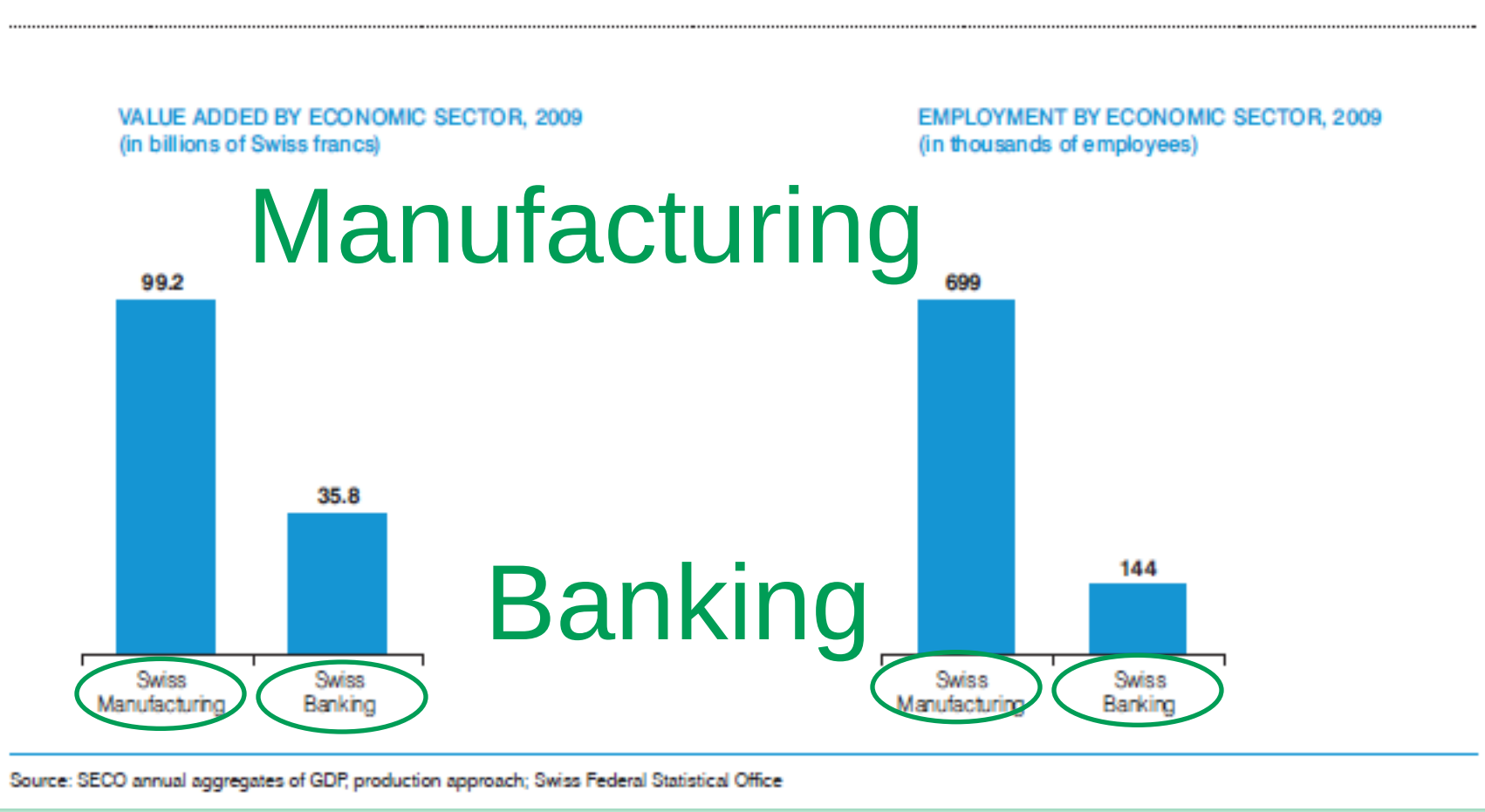


But wait a minute…



But What About Switzerland?

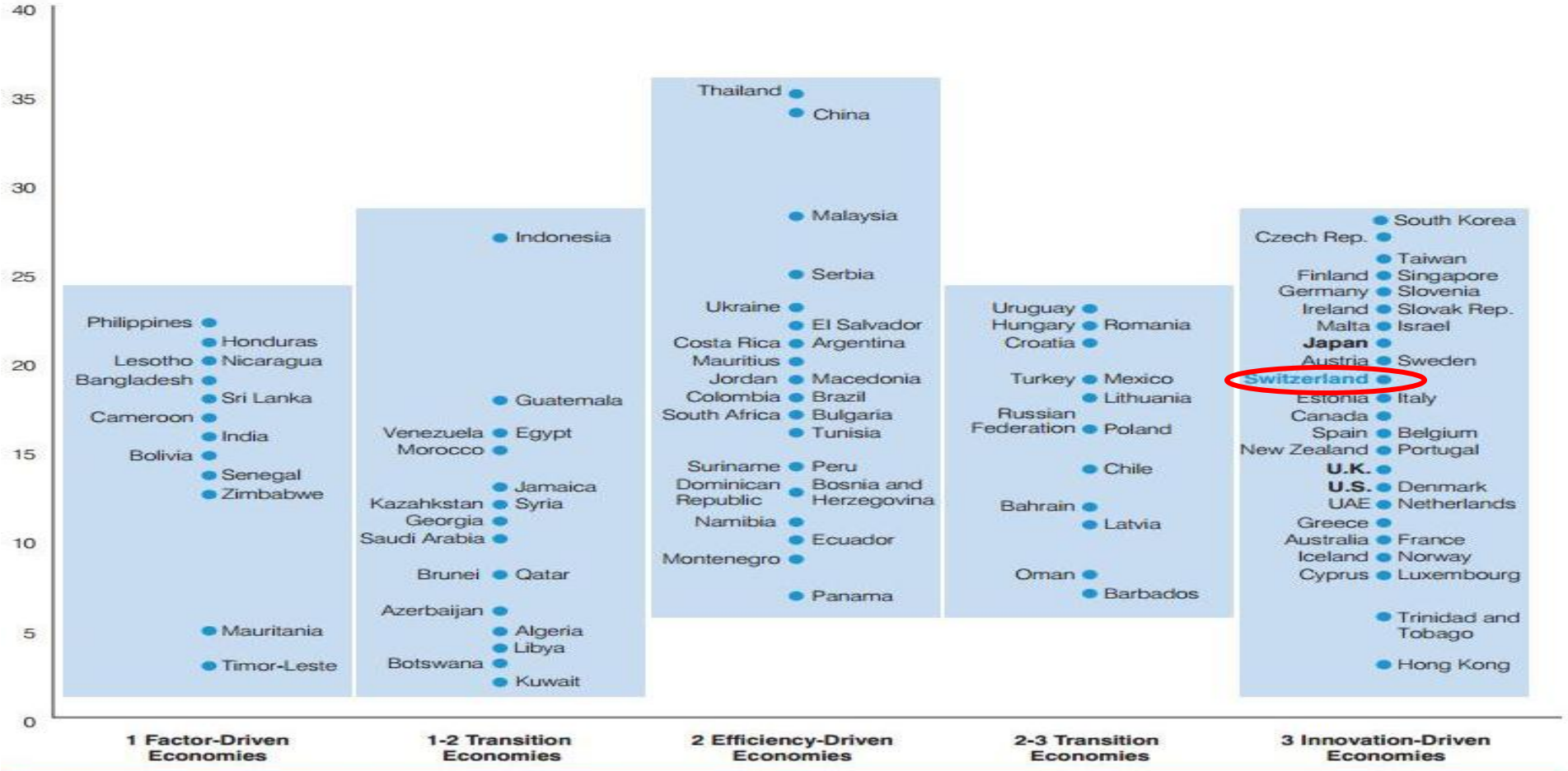
Who adds more to the economy?



Manufacturing

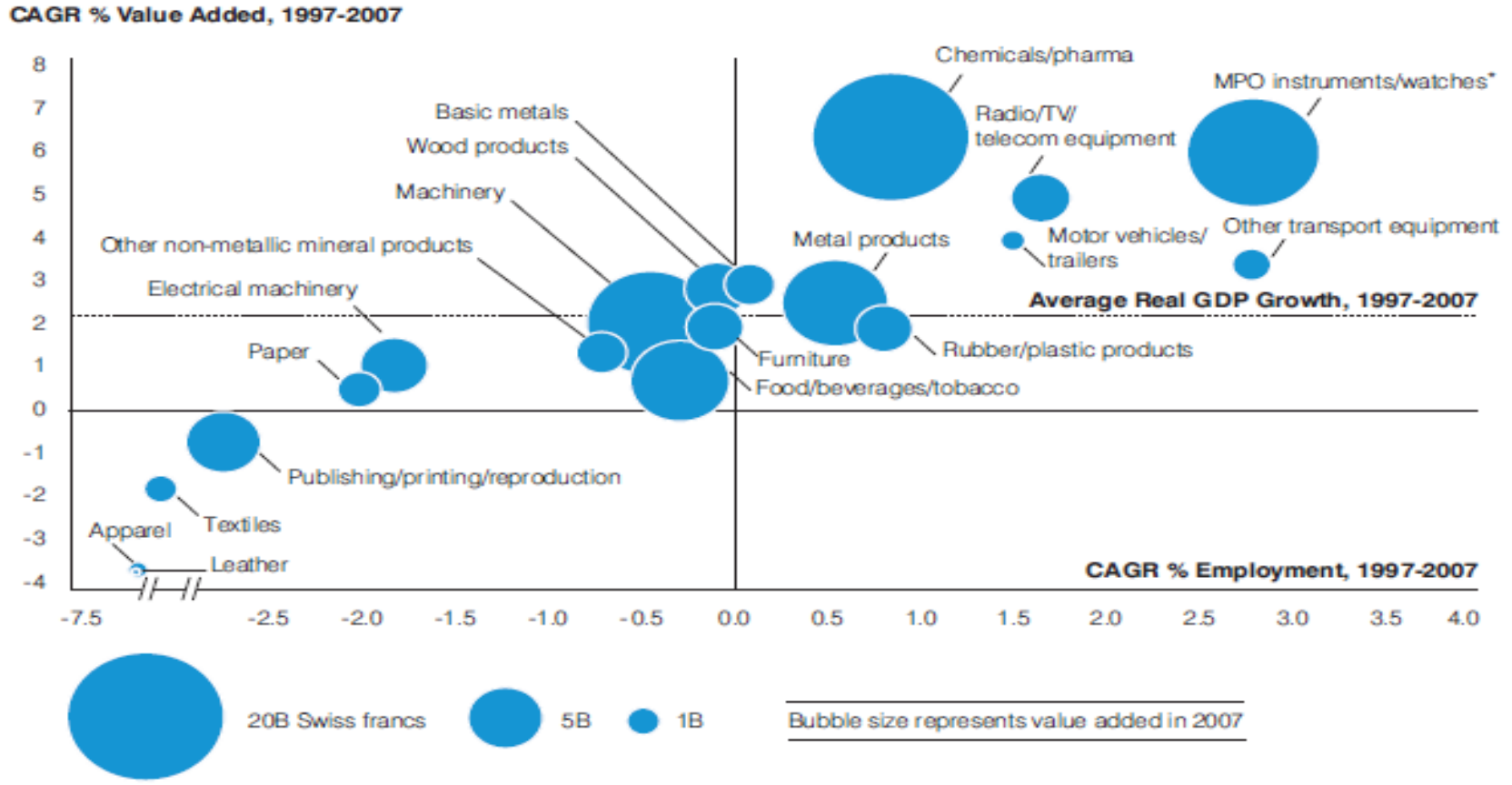
Banking

Manufacturing share of GDP



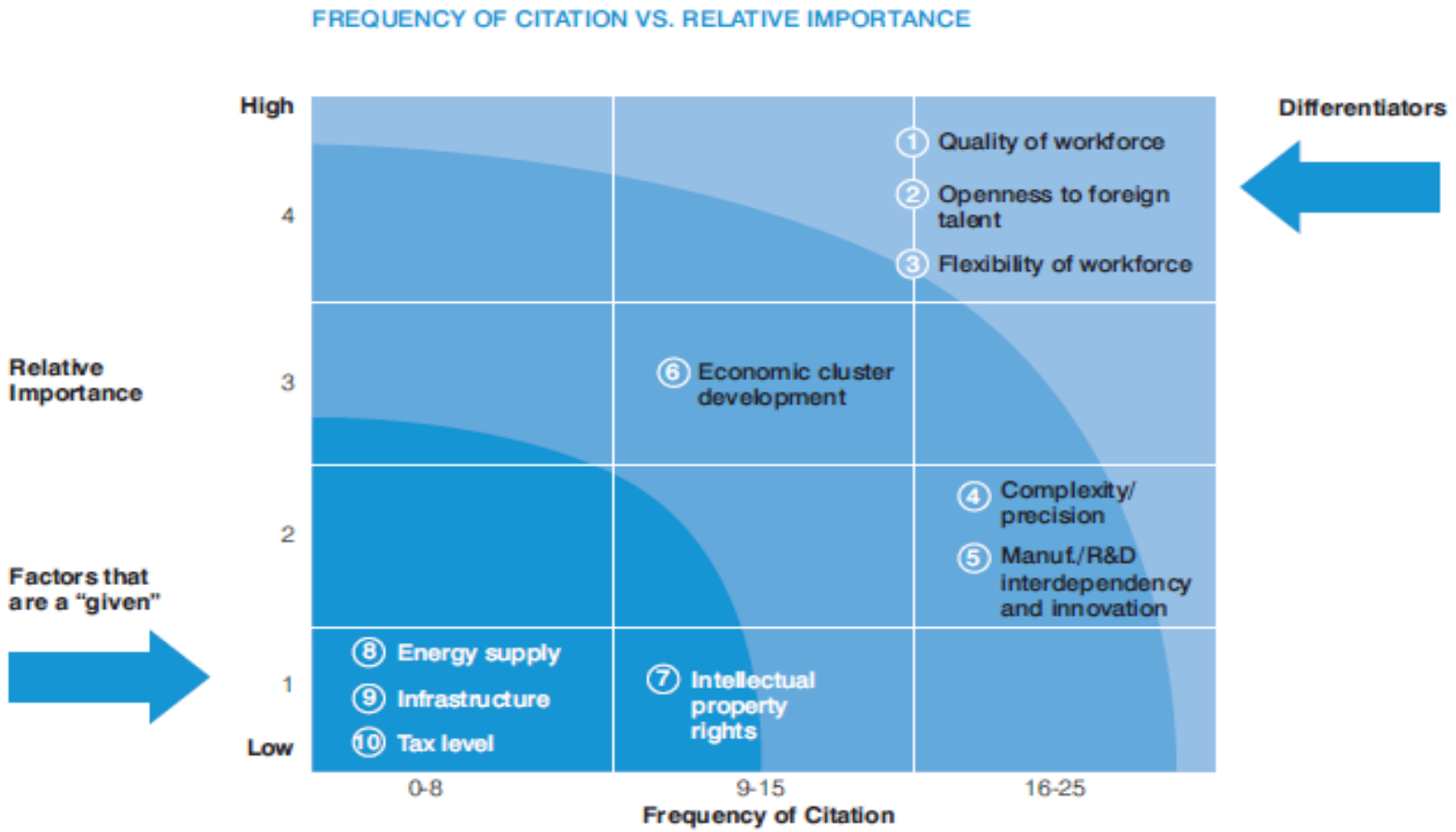
Note: Excludes countries with more than 20% of GDP contribution of agriculture sector.
Source: World Economic Forum's Global Competitiveness Report; Booz & Company analysis

Swiss manufacturing industry growth



Source: Swiss Federal Statistical Office; Booz & Company analysis
*MPO - Medical, precision, and optical

Root causes of success



Source: AmCham, Booz & Co

What's going on?

Seven secrets to success

Environmental imperative

What's happening: companies use 'green' thinking to sell more products and invent new ones

Who's doing it:

Interface (US) is a large carpet maker that for the past decade has been a leader in using environmental standards as a way to sell more products. Of the company's sales last year of about $1bn, roughly 90 per cent came from carpets sold with an 'environmental product declaration'. These provide an assessment of some of the environmental factors linked to the product's manufacture, such as energy use, production of waste and greenhouse gases.

Networked manufacturing

What's happening: companies are making more effective use of global supply chains and talent, using people where they are most cost-effective geographically. This makes them more nimble at spotting trends

Who's doing it:

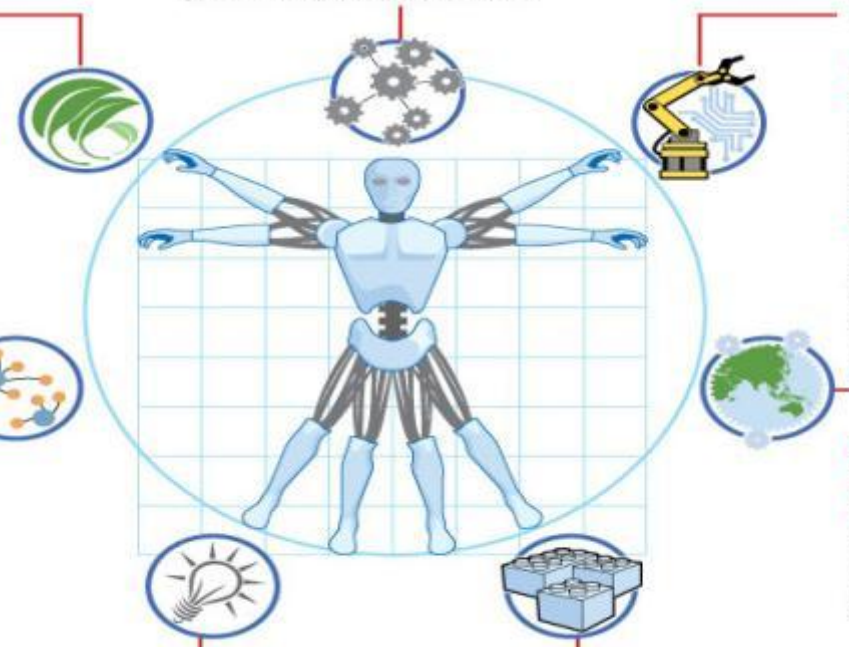
Luxottica (Italy) the world's biggest maker of spectacle frames, employs 200 designers in Italy, the US, China, Japan and Brazil. With its products being dependent on quick switches in global trends, Luxottica frequently changes the designs of its glasses, with half the 50,000 products made last year different from its output in 2010.

Technological acceleration

What's happening: companies are becoming more adept both at improving individual technologies and using them in combination with others

Who's doing it:

Komax (Switzerland) is the world's biggest maker of high-tech machines for automating the production of wiring harnesses – the spaghetti-like tangles of wire that feature in electrical equipment ranging from computer control panels to washing machines. The machines cost up to $1m and use a mixture of technologies including precision engineering, sensors and software. Combining skills in these different disciplines has made the mechanisms that thread the wiring more effective.



Cluster dynamics

What's happening: even as supply chains become more geographically diverse, manufacturers are becoming more reliant on certain 'clusters' of local suppliers and 'technology partners', many of them located in high-cost countries

Who's doing it:

Panaz (UK) is a world leader in making special fabrics that have properties such as fire resistance or ability to stifle bacterial growth. It has close links with about six technology and supply 'partners' near its base in Lancashire, in northern England. The six companies are part of a network of roughly 50 businesses around the world.

Industrial democracy

What's happening: more countries have become capable of top-class manufacturing and product development, giving manufacturers greater choice over where to produce. China, now the world's biggest manufacturing country, has made the greatest strides

Who's doing it:

Mindray (China) the maker of medical equipment is a leading high-tech business from China. It has added a US marketing and development base to its Chinese operations. Mindray bases nearly all production in China because of low labour costs, while locating product development and marketing teams in the US, Sweden, Germany, the UK and India.

Niche thinking

What's happening: changes in technology mean more business for boutique, specialist businesses with emphasis on design and top-flight manufacturing

Who's doing it:

Freudenberg (Germany) is a world leader in two specialised sectors: industrial lubricants and complex synthetic materials called elastomers, used in applications ranging from cars to healthcare. In each of these areas, Freudenberg sells about 30,000 different types of product.

Personalised production

What's happening: making things in small batches tailored to a customer, perhaps even one at a time, is starting to become routine

Who's doing it:

Essilor (France) is the world's biggest maker of lenses used in spectacles. Last year Essilor made more than 300m lenses, of which more than 100m were 'personalised' to correct for a person's sight depending on his or her physical characteristics.

Sources: Paul Bairoch, IHS Global Insight, UN, Stephen Broadberry, Angus Maddison, FT estimates

FT Graphics

Personalised production

3D printing employing additive processes

Medical-grade titanium & micro-structures

Pioneered in Europe

Cluster dynamics

Nestlé BabyNes ADVANCED NUTRITION

Established Swiss image of Nespresso

Leveraged existing R&D and supplier network

Produce both machine & capsules

Technological acceleration

Detector boards for digital mammography

Ultra-miniaturization and full automation

Low labour content

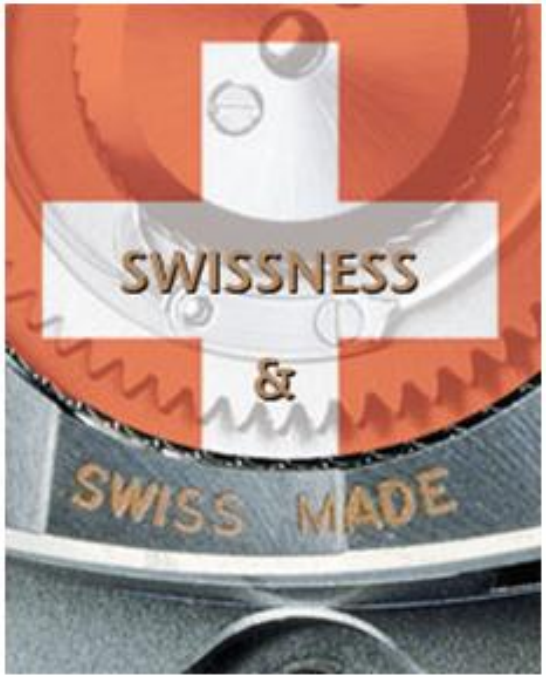
But What About Swissness?

How do I know what is «Swiss»?

swiss made
software

Swissness legislation

- Existing statutory rules unreliable
- New legislative amendment under review
- Amendment expected to benefit high-technology



Indications of Swiss as source

Coat of Arms strictly reserved for the Confederation

Swiss made: Swiss label, association

Swiss Federal Institute of Intellectual property
Made in Switzerland

Preferential origin of Switzerland

Current state

Swiss Content

- Minimum 50% of the production costs were incurred in Switzerland
- Not binding

Includes

- Basic materials
- Semi-finished products
- Accessories, wages & overheads
- “Essential manufacturing process”

Excludes

- Marketing & Distribution
- R&D
- Operating expenses
- Use of “Swiss” for commercial purposes

Likely future state

Classifications

- 60% of production costs in CH for industrial products **including R&D**
- Origin of natural products determined by place of extraction
- Processed natural products origin where processed

Services

- Headquartered and administrative staff in CH

***Ex ante*…protective actions**

- National register for goods whose reputation or quality attributable to origin
- Geographical trademark for appellations of controlled origin

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Threats & Conclusions