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# STRATEGIC MANAGEMENT IN THE DIGITAL ECONOMY

**SONOVA: Hearing a sound digital  
strategy?**



**Read the case (20 min)**



OUR VISION ·

A world where everyone enjoys the  
delight of hearing and lives a life  
without limitations



## Some insights from the case



- Sonova's previous M&A strategy delivered rapid growth and led to consolidation among hearing aid manufacturers
- Through vertical integration, the company gained customer access and grew its sales and profitability
- Recent investments in digital solutions created an innovative business model and reduced the importance of local audiologists

## Some insights from the case

Martin is surrounded by tough trade-offs:

1. If he consolidates brands to create the necessary scale for digital solutions, he will likely lose market share
2. If he accepts the brand environment and seeks to develop digital solutions, it will demand multiple investments, while damaging hits to company profitability
3. If he ignores digital solutions and invests more heavily in R&D to regain technological leadership, he risks being pushed out of the digital space completely as Apple and Google expand into it
4. If he decides to keep things as they are, he might be surpassed by Amplifon, which would then set the standard for the future

# Industry transformation

1. Analyze the industry using Porter's five forces framework. What are some difficulties? What are some insights?
2. What do the three strategic horizons look like for Sonova? Where are digital solutions located?

### **Strategic implications**

3. What are the current key success factors for this industry? How are they likely to evolve in the future?
4. How strong is Sonova's competitive position? Compare its greatest competitive advantage against the competitive advantage of its most important rival?

### **Digital transformation**

5. Does Sonova have a digital strategy? Has Sonova undergone a digital transformation?
6. Is this the right time to go digital? Is Sonova ready for this change?

## Industry transformation

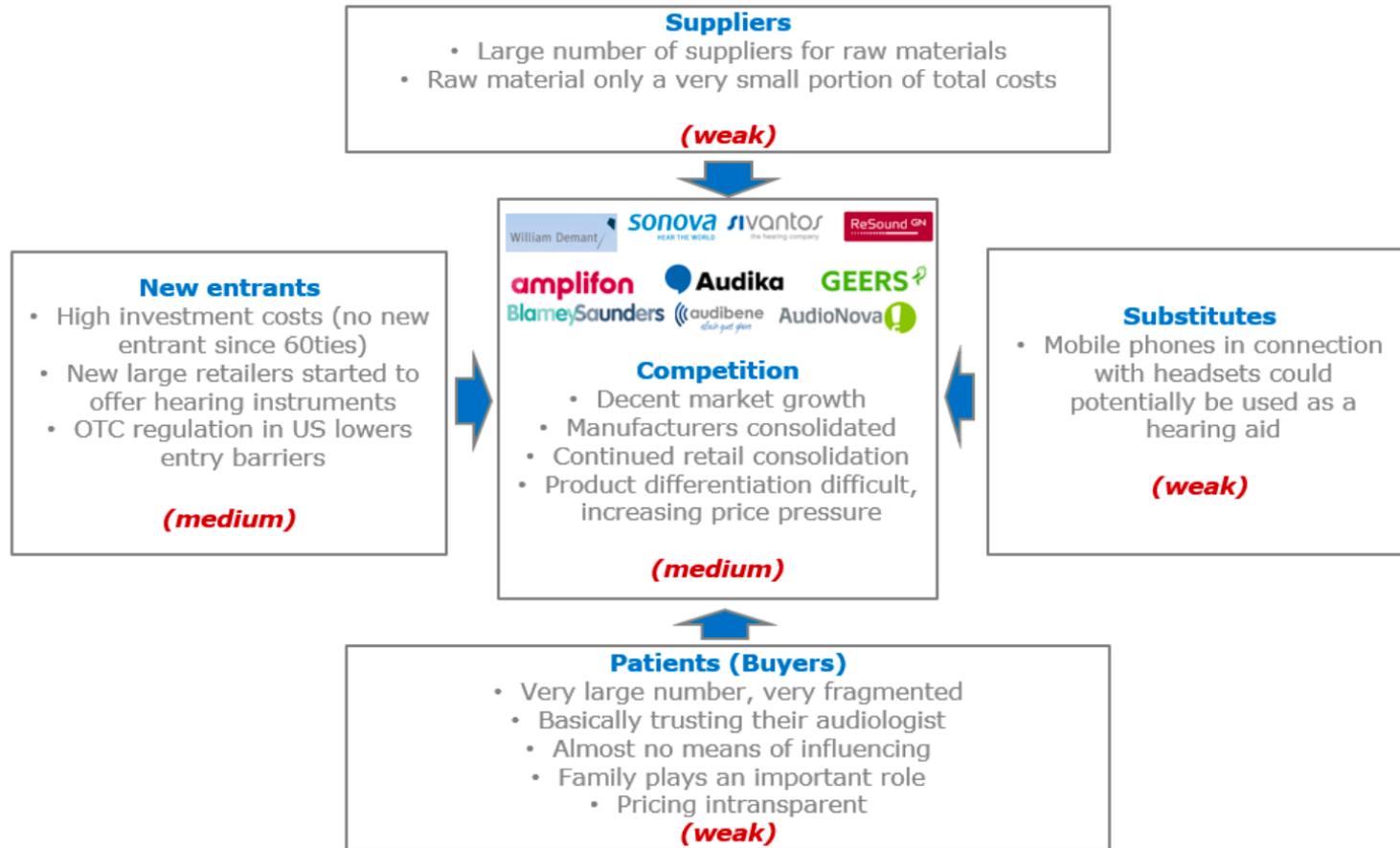
1. Analyze the industry using Porter's five forces framework. What are some difficulties? What are some insights?

### Main challenges:

- How to define the market? Manufacturers or retailers?
- How to define the buyer? Audiologists, final customers, families?
- What role for Apple and Google?
- What is the interplay between Sonova and Amplifon?

# Industry transformation

## 1. Analyze the industry using Porter's five forces framework.



## Industry transformation

2. What do the three strategic horizons look like for Sonova? Where are digital solutions located?

### Main challenges:

- Can digital solutions help Sonova's maintain its market position?
- Are they leading to a new, emerging business or creating a viable option for the future?

### Industry transformation

2. What do the three strategic horizons look like for Sonova? Where are digital solutions located?
  - A. If digital solutions are part of the core business, management should invest fully and attempt to be first to market
  - B. If management believes that digital solutions offer an option to create a different future market (e.g., remote health control), the company might invest more slowly but remain open to developing other product features
  - C. It might make sense also to split digital solutions to pursue more detailed options, e.g. putting new mobile applications in horizon 1, digital platform in horizon 2, and big data in horizon 3.

### **In groups, address these questions (40 minutes)**

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## Discussion of question 3

What do consumers want	How do firms survive competition	Key success factor
Improving their hearing	<ul style="list-style-type: none"> <li>Hearing instruments with improved sound quality and functionality</li> </ul>	Product innovation
Low impact from stigmatisation	<ul style="list-style-type: none"> <li>Miniaturization of hearing devices, skin-like colours, extended battery life</li> </ul>	Product features
Purchasing and service experience which provides care and understanding to consumers personal needs	<ul style="list-style-type: none"> <li>Medical-like consulting by audiologists</li> </ul>	Empathic audiologists
Access to hearing care	<ul style="list-style-type: none"> <li>Develop sufficient coverage with retailers</li> </ul>	Retail network

What do consumers want	How do firms survive competition	Key success factor
Hearing solutions which automatically adapt to needs	<ul style="list-style-type: none"> <li>Fully connectable and integrated hearing solutions with augmented benefits</li> </ul>	Integrated hearing solutions
No impact on social life, convenience	<ul style="list-style-type: none"> <li>Digital purchasing and support processes, possibility to connect to audiologist remotely</li> </ul>	Online processes
Become their own audiologist	<ul style="list-style-type: none"> <li>Offering consumers the possibility to adjust fitting by themselves depending on current situation (e.g. when going to a concert)</li> </ul>	Customization

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- 4. How strong is Sonova's competitive position? Compare its greatest competitive advantage against the competitive advantage of its most important rival?**
5. Does Sonova have a digital strategy? Has Sonova undergone a digital transformation?

- Compared with **William Damant**, Sonova has the broader product portfolio and a larger network of its own retailers; while capacity to innovate, create digital solutions, and the product quality appear equally good
- In comparison to **Amplifon**, as the largest retailer, Amplifon can force manufacturers to supply hearing devices compatible with its platform → Amplifon can offer best-in-class hearing aids under its own brand.
- Considering the future key success factors, Sonova might suffer from a competitive gap with respect to Amplifon. **Should Sonova consider acquiring Amplifon?**
- Digital solutions will diminish the importance of the retail network. **Should Sonova stop acquiring further retailers?**

Brand diversity in retail remains an issue to be solved through careful consideration

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Three aspects can be discussed:

**Digital strategy** → basically not existing

- Digital solutions are now just additional functionalities
- There is no digital go-to-market model in place
- It is unclear how digital options will transform the current network of retailers
- Sonova does not know how to create the necessary scale for digital solutions

Three aspects can be discussed:

**Digital engagement** → quite weak

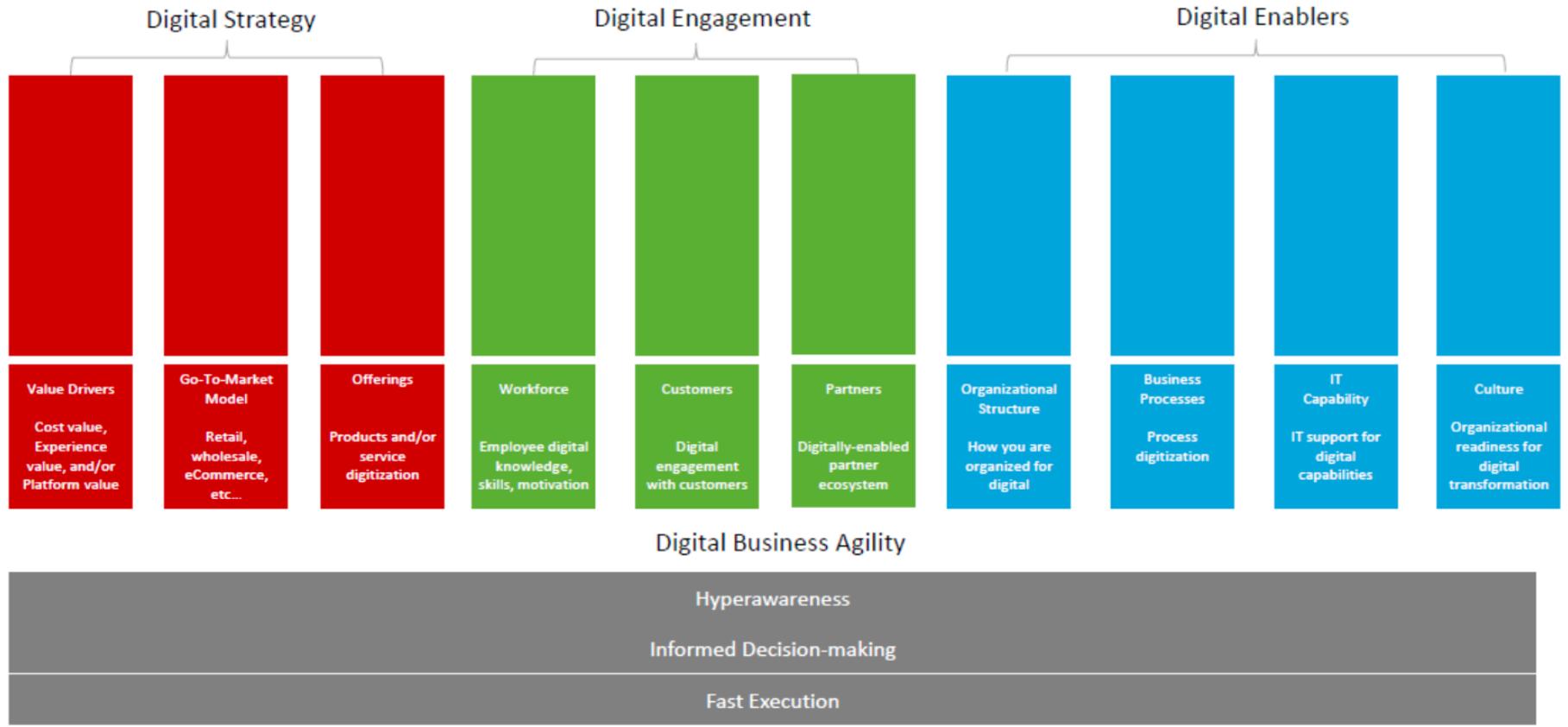
- **Staff members** have the necessary knowledge, but it is not sufficient to drive a full digital transformation
- **Customers**, who are older and not particularly tech-savvy, have little motive to start engaging through digital channels
- **Audiologists** will be important partners in the digital transformation process, but it is not clear whether they will see the value of the shift
- **Partners** are necessary assets, but it is not clear who those partners should be

Three aspects can be discussed:

### **Digital enablers** → weak

- Despite the presence of a digital marketing and a digital R&D department, they are not fully embedded in the organization (they are treated as projects)
- Business processes are not standardized
- The IT infrastructure at Sonova is diverse, as each brand maintains its own software, and there are two different CMR (customer relationship management) systems

## Digitization Piano



1. Complete the Digital Transformation Piano for your company: What degree of digitization is required for each column?
2. What is your current level of Digital Business Agility across the three elements: hyperawareness, informed decision making, and fast execution?
3. What resources and capabilities are required to make the necessary changes? Do you currently have these?
4. How can you play 'chords not keys'? Which chord should you play first, second, ...



6. Is this the right time to go digital? Is Sonova ready for this change?
- Given the high average age of final users, it might be too early to invest in digital solutions
  - Yet there is a lot to be done on this long-term journey → it's the right time to start engaging in this transformation process
  - It is difficult to say if Sonova is ready → it strongly depends on management's ability to communicate a vision and inspire employees to embrace the future