



THE PAIN AND GAIN OF SELLING EXPENSIVE PRODUCTS

SELLING CHEAP IS EASY. CAPTURING A HIGH PRICE REQUIRES GOOD MARKETING

By IMD Professor Stefan Michel – January 2015

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The Swiss marketing association GfM has been awarding prizes to the most ingenious companies in Switzerland for the past 30 years. In 2014 the prize went to Swisscom, the country's top telecommunications firm. It joins former laureates Mobility Car Sharing (2013), Freitag lab AG (2012) and other past winners such as La Mobilière, Geberit, Mammut, Jura, Logitech, Betty Bossi and Sika.

Good marketing creates something that customers want and will continue to buy. The GfM prizes show that marketing is much more complex than a good advertisement or new packaging. The competition looks for companies that have innovative marketing strategies and strong media impact as well as those which contribute to the field of marketing through scientific research and practice. Companies whose marketing strategies are sustainable do particularly well; 29 out of the 30 winners since 1984 are still leaders in their markets today.

Marketing is incredibly important for the Swiss economy. The country owes its prosperity in large part to exports — goods and services which are produced in Switzerland and sold abroad. The Confederation is constantly faced with the fact that its international competition is playing on the same field but has lower costs. This is nothing new for Swiss companies, but the continuing strength of the franc (or weakness of the euro) has ratcheted up the pressure on them.

As a consequence, Swiss companies must offer their clients products which are consistently of higher quality in order to stay competitive despite their higher costs. This means Swiss companies have to be superior marketers to meet customers' needs better than their competitors do.

Great examples are the Swiss watch makers, which have managed to remain leaders in their industry. Rolex, Omega and Patek Philippe represent Switzerland on the top of the well-known Interbrand ranking of the best global brands.

In the pharmaceutical sector, Swiss companies Roche and Novartis have long been major players, just like the world famous Nestlé and its brands Nescafé and Nespresso are in the nutrition market. Although there have recently been a number of challenges facing the banking sector, UBS, Credit Suisse and Zurich continue to contribute to Switzerland's economic strength.

However, the country's success is not only due to its big companies. High-performing cooperatives and numerous innovative start-ups have also helped Switzerland prosper.

Take Migros and Coop for example. These cooperatives don't have to generate profits for shareholders. Their main purpose is to provide their Swiss customers with the best products. For its part, Raiffeisen capitalizes on its clients' desire to have a close relationship with the bank. La Mobilière, another cooperative, wins its customers over with its high-quality insurance but also with great advertising. The cooperative Mobility brought a new, comfortable and environmentally conscious form of transportation to a segment of the population who wanted to be able to occasionally use a car but not own one.

While these well-established organizations fuel the Swiss economy with efficient marketing, new start-ups are also shaping Switzerland's future and economy. And they are not only based in Zurich. An important hotspot of innovation is developing in the Lake Geneva region.

At IMD in Lausanne, for example, each year we organize a start-up competition. New businesses are supported by MBA participants who help them establish their business plans. If they are already at an advanced stage of development, we put them in contact with participants from the

Executive MBA, who are tasked with putting the companies in contact with a team of venture capitalists from Silicon Valley, the global headquarters for innovation.

Can we conclude that Swiss companies are great marketers? Personally, I am deeply convinced. Where is the proof? Many large and medium-sized Swiss companies are successful despite their high costs. Investing in training and education is very important for companies. But in the end, it's the ability to co-create more value with customers, to communicate this value, and to capture it with better pricing that makes a high-cost economy thrive. And that's what I call marketing.

[Stefan Michel](#) is professor of marketing and service management at IMD and director of IMD's [EMBA program](#). He will also direct a new IMD "Global Leadership in the Cloud" program on pricing. For more information on this new program, please email stefan.michel@imd.org

In addition, he serves on the board of Bossard, a publicly listed company, and is the chairman of the foundation board of the Swiss Society for Marketing GfM.

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