

Expert know-how for Credit Suisse investment clients

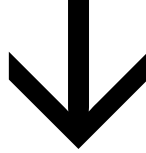
# Global Investor Focus

## Leisure

**Recreation or relaxation** The value of free time

**Self-organization** Stage-managing work and play

**New luxury** Opportunities for the leisure industry



→ **Glossary**

Baby-boom generation → The baby-boom generation denotes the group of people born during the post-war era, marked by an explosion in births in the Western industrialized countries. The period began following World War II (1946) and ended in the 1960s, with the sudden drop in birthrates caused by the contraceptive pill. The baby-boom generation reached its high point in the USA in the 1950s, and peaked in Europe in the 1960s.

Biosensors → Biosensors are a cross between the realms of biology and electronics; they are comparable to the natural senses of taste and smell, in that specifically determined molecules are recognized. The devices are equipped with a transducer and biological recognition element and are employed in the field of biotechnology measurement. Biosensors can be used to measure the glucose levels in blood, or gauge the bacterial count in a swimming pool.

DVB-T → DVB-T (Digital Video Broadcasting – Terrestrial) is the earthbound dissemination of TV signals and is used as the standard in Europe and Australia for transmitting digital television and radio via antenna. The North American counterpart to DVB-T is ATSC (Advanced Television Systems Committee), while Japan uses ISDB (Integrated Services Digital Broadcasting). In Great Britain, the standard is DTT (Digital Terrestrial Television).

Dermal fillers → Dermal fillers are injectable implants comprising substances utilized as skin underfilling for the treatment of wrinkles in the field of medicinal cosmetics. Biodegradable or nonreabsorbing substances can be used as underlying filler to support and tighten the skin, thus smoothing out wrinkles. Autogenous fat, collagen and hyaluronan – key components of connective tissue – are degraded, while materials such as artecoll and dermalive are nondegradable.

Generation Y → Precisely when Generation Y begins is a matter of controversy. Some place the start date at 1976, while others set the beginning at 1978, or even 1982. One thing is certain: Generation Y follows Generation X – the group referred to as the disillusioned post-baby boomers. When Generation Y exactly ends and what the subsequent generation is called still remains up in the air. Some put the cutoff date at 1999. Thereafter, the new silent generation should have emerged.

3G → 3G is defined as third-generation mobile telephony based on UMTS (Universal Mobile Telecommunications System) and is regarded as a standard in the mobile telephone industry. 3G has paved the way for services such as audio- and videophones, Internet access, chat functions, navigation support and much more. The standard is constantly being updated.

→ **Links**

- [www.sihlcity.ch](http://www.sihlcity.ch)
- [www.ea.com](http://www.ea.com)
- [www.logitech.com](http://www.logitech.com)
- [www.freedomoftheseas.com](http://www.freedomoftheseas.com)
- [www.oecd.org](http://www.oecd.org)
- [www.ovum.org](http://www.ovum.org)
- [www.cientifica.com](http://www.cientifica.com)
- [www.instat.com](http://www.instat.com)
- [www.unesco.org](http://www.unesco.org)
- [www.nanotech-now.com](http://www.nanotech-now.com)
- [www.nanotech.de](http://www.nanotech.de)



Human capital → Human capital is a term used in the world of economics and business. At the macroeconomic level, human capital is defined as the capabilities, skills and know-how that a person possesses. In the field of business, operating human capital – i.e., qualified, motivated employees – is regarded as part of a company's intangible operating assets and contributes to a firm's long-term success. In the German-language context, the term has raised controversy; it was dubbed "nonsensical word" of the year in Germany in 2004.

IPTV → IPTV (Internet Protocol Television) is the transmission of broadband applications, such as TV programs or films, over a digital data network. Internet Protocol (IP) is used for this purpose.

LOHAS → LOHAS, a term that originated from the language of marketing, stands for "Lifestyle of Health and Sustainability." It denotes a certain lifestyle or consumer type. In the medium-term future, up to one-third of the population is expected to identify themselves with LOHAS. This type of consumer is also referred to as a "cultural creative" and is interested in the realms of health, ecology, and vigor, among other things – all coupled with individual indulgence.

Mah-jongg → Mah-jongg is a Chinese board game designed for four players that functions similar to the card game bridge, but is played with small domino-like tiles. Internet versions are now also available, allowing users to play with virtual partners.

Microtransaction → Microtransactions (or micropayments) were originally payments of very small sums, equaling a fraction of one US dollar, for accrued charges incurred for downloading digital material from the Internet. New game systems, such as Microsoft's Xbox 360, Sony's PlayStation 3 or Nintendo's Wii, have integrated the possibility of effecting microtransactions. Accessing additional material in the middle of a video game – for example, in the form of the latest virtual race car – can be done via download and the charges incurred settled with a micropayment.

Nanotechnology → Nanotechnology draws on the field of nanoscience: the scientific discipline with the goal of researching phenomena on a nanometer scale: i.e., with dimensions ranging between 0.1 nanometers (one ten millionth of a millimeter) and 100 nanometers. Nanotechnology enables processes based on nanometer scale to be controlled.

Urban entertainment center → An urban entertainment center is a further-advanced form of a shopping center, which is expanded through adding theme-oriented, integrated recreational and entertainment offerings such as cinemas, casinos, discos, hotels and restaurants.

Work-life balance → Work-life balance denotes the ratio of working time to leisure time. When the relationship is balanced, people are pleased. Everyone must find his/her own ideal personal ratio. "Flexible work models" and the opportunity to "enjoy downtime" are key catchwords in this context.



Photo: Thomas Eugster, Cover: www.masstudies.com

Time is of the essence! Everywhere, people are complaining about the lack of leisure time and growing time pressure. Probably everyone is bothered now and then with the feeling of having too little time. The pleasure of having free time at one's disposal is not a foregone conclusion. In fact, leisure time is a key resource that should be utilized meaningfully.

At the same time, people are rediscovering the value of the quality of life. Personal health is more important, family life is more fulfilling, and a day spent in the great outdoors is more beneficial than focusing on material objects and goods. More and more people perceive prosperity as the social quality of life, rather than the mere improvement in living standards. Consequently, the focus on a sense of meaning will play a significant role in the future.

Nevertheless, in order to enjoy leisure, time as well as money are always necessities. Coincidentally, the emergence of all the new consumer goods and services also raises a reasonable question that deserves an answer: What is it all for? If the findings of research on the future of the leisure industry prove true, then the markets of tomorrow will inevitably be characterized by a sense of purpose too. Communicating values, rather than advertising messages, could then be what appeals to consumers who also see themselves as a generation seeking a sense of meaning.

The analysts at Credit Suisse as well as international specialists in the field have put together a compilation of the most important trends in the leisure industry, featured in this latest issue of Global Investor Focus. How has the sense of leisure time evolved, and which sociological and demographical factors have an influence on free time? What are the key leisure trends in the Western world and Asia? Technology, consumer goods and mobility are just a few of the sectors that play a paramount part in leisure time activities.

Whether football or wellness, enjoying the arts or shopping, watching television at home or vacationing in a faraway land: tourism, technology, media – including the markets for video games and the Internet – education, culture, sports and entertainment are all obvious growth sectors. The leisure industry thrives on the multi-faceted spectrum of offerings. And the secret of success lies in people's growing desire for a better quality of life. I hope you find it entertaining reading.

**Urs Dickenmann, Head Private Banking Switzerland**



**Leisure****No time to spend money**

- 6 Some are too busy to spend money, while others lack the money to savor their leisure time. A sociologist examines the connection between leisure, prosperity and education.

**Everything under one roof**

- 11 Shopping has become an integral part of today's leisure time activities. An interview with architect Conradin Stiffler about shopping centers that combine department store and entertainment complex all in one.

**Tomorrow's world of leisure**

- 16 Work-life balance versus the perception of material status. A futurologist depicts the consequences for the consumer markets.

**Asia warms up to a cool life**

- 22 Through many years of hard work, the people of Asia have achieved prosperity. Now they are beginning to enjoy life. Foong Wai Fong tells the story of new lifestyles emerging in Asia.

**Tackling the cable jungle in the digital household**

- 28 An interview with Logitech International CEO Guerrino De Luca about the wireless mouse, video communications and user-friendliness.

**Gaming conquers the world**

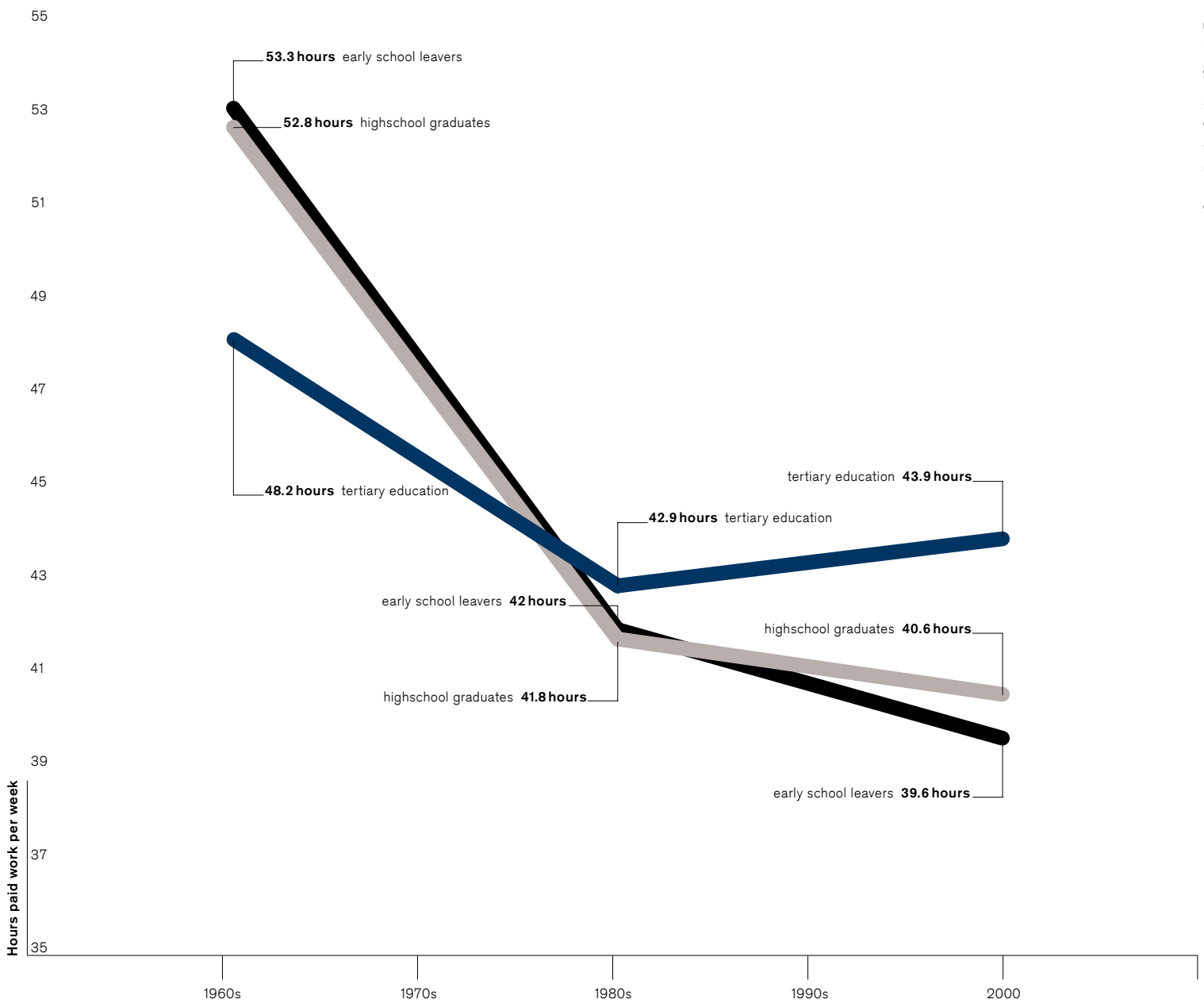
- 31 All over the world, people are playing games – so it should be a sound business. Asked about the opportunities and risks for the game sector, Electronic Arts CFO Warren C. Jenson replies: "Different countries, different games."

**Investing in leisure**

- Investments 34 The investment opportunities are as diverse as the individual leisure activities. Trend analysis from the Research Department.

**Services**

- 52 Authors  
54 Disclaimer



## The changing work/education gradient

Four decades ago more work in developed economies was carried out by those with less education. These figures represent the paid working hours per week for men aged 20–59 in Australia, Canada, the UK, the US, Denmark, the Netherlands, Italy and (West) Germany. As brainpower has become more important, those with a university or similar education have started to put in more hours. Postindustrial societies have less need of the brawn of early school leavers.

# Wealthy but no time to enjoy it

In the 19th century, the rich not only had the most money but an abundance of time in which to spend it. Today's moneyed are more likely to be working late at the office than dabbling in the arts or indulging their sporting whims. Meanwhile, it is the poor people of the developed world, struggling to compete for manual jobs in the face of competition from emerging economies, who tend to have more hours for leisure but also limited means with which to enjoy it.

**Jonathan Gershuny**, Professor of Sociology, University of Oxford

There has been a major change in the way leisure is perceived. Once leisure was the prerogative of the dominant social class, not a society-wide expectation. Now, that class suffers a dearth of free time. Meanwhile, the growth in the importance of knowledge as the source of wealth is transforming the economic meaning of the ways in which we spend our time.

I will suggest that we need more leisure to keep us in work and that an increase in sports and hobbies in the 21st century may be a key means of maintaining the integrity of the capitalist system — a view which contrasts sharply with the early views of the political left. To understand these 21st-century changes properly, we need to look back not only to the last century but to the century before and to two social theorists who shaped the traditional ways in which we think of work and leisure.

The first of these, once enormously powerful but now largely ignored, is Karl Marx, who for nearly a century and a half after the publication of his book "Capital" in 1866 remained perhaps the world's most influential thinker on social and economic topics. The balance between work and leisure was the key metric of Marx's economic theory: the "rate of exploitation." Marx defined this as the ratio between the amount of labor time that capitalist employers were able to extract from their employees and the amount of labor time that was necessary to maintain that labor force, and repro-

duce it for the future. Marx's theory encouraged communists to pursue shorter working hours (and hence reduce the rate of exploitation) as a way of lowering the rate of profit, and finally provoking the economic crisis that would destroy the capitalist system. Others more sympathetic to the capitalist system, including social democrats and socially liberal parties, sought, through the same means of work-time reduction, to mitigate the harsher aspects of capitalism and to share its benefits more equitably across society.

The consensus across quite a large part of the political spectrum on these policy objectives has led to what is arguably the longest-running and most consistently successful political campaign across Europe, and has resulted in the progressive reduction in paid working hours across the developed world. In the 1850s, in the industrialized countries of Europe, an average working week for a male manual worker was in excess of 60 hours, with many working substantially more. At the beginning of the 21st century this has been reduced, in continental Europe at least, to little more than 35 hours per week. (Male manual employees in anglophone countries, such as the UK and the US, still do put in just over 40 hours paid work per week, while many in Asia work much longer.) When paid holidays are factored in, we can see that the annual figure for time spent at work by male manual workers is now less than half what it was in the 19th-century. If the increase in life expectancy beyond





**Jonathan Gershuny** was appointed Professor of Sociology at St. Hugh's College, Oxford University, in 2006. Among his research interests are the relationship between the behavior of individuals and socioeconomic structure as well as interconnections between household organization and labor force participation. See full biography on page 52

the age of retirement is also included, it emerges that for the average adult male, paid work over a lifetime amounts to little more than a third of what it did for his 19th-century predecessor. Marx, in this respect, has indeed triumphed, at least in the developed world.

### Meaning of work and leisure has changed

However, the change is much more complex than this summary suggests. Work and leisure nowadays have a somewhat different meaning than previously. And they are distributed in a very different way across society. To understand this change we need to consider a second social theorist, Thorstein Veblen, whose Theory of the Leisure Class must be just about the wittiest of all major texts in political economy. He starts not with the distinction between work and leisure but with that between two altogether much less familiar concepts: "industry" and "exploit."

Industry, in this context, is not a branch of production. The word is used in the abstract sense, signifying a quality of approach to specific daily activities. Industry implies a regular, unchanging, unimaginative attachment to a routine or repetitive task, such as planting or weeding or work on a factory production line, normally involving the transformation of some inanimate object through the moderate application of human strength. Exploit, by contrast, involves some form of conflict or competition with an animate, cunning and possibly intelligent agent.

A deeply rooted linkage of superordination with exploit was reflected in a conspicuous abstention from industrial labor by the higher classes. This is the origin, in Veblen's account, of the deployment of leisureliness as "the badge of honor" in late 19th- and early 20th-century society. As an assertion of its superordinate status, the inheritor class engaged in leisure pursuits analogous to the exploits of bygone eras, such as hunting and athletic sports, unpaid participation in politics, scholarship or administration. In the case of non-inheriting, middle-class men who had to work, at least their wives and servants could be maintained in "honorific and wasteful idleness." Veblen's best-known surviving conceptual innovation, "conspicuous consumption," relates to this upwardly mobile group which, in his original account, relied on the wasteful deployment of unnecessary goods and services by an idle retinue expressly to disguise and distract from the shameful busyness of the master of the house.

### Incentives now are all to increase work time

Veblen was describing work and leisure in a typical industrial society at the turn of the 20th century — an era in which wealth was still best understood as being constituted by ownership of material assets and financial balances. But for several centuries a quite different sort of wealth has been growing in relative importance. This is "human capital" — accumulated skills directly marketable in the labor force. Possession of such skills has been progressively rising in importance relative to the possession of fixed assets such as savings, shares, land and so on. Human capital has become increasingly important for establishing the economic positions of individuals at the top end of wealth accumulation. Innovations in the technology of production have led to enormous increases in the volume and importance of professional and technical work. In the UK, engineering, scientific and professional work grew from 17% of all paid work in terms of time in 1961 to 39% in 2001; other less-skilled service work constituted 30% of work time in both years; and other manual work dropped from 53% to 30%. Information technology

and the globalization of trade, enabling the disaggregation of production, have caused vertical integration within companies to diminish. Instead they have allowed for the allocation of design, marketing, finance, transport and distribution functions to distinct companies, so producing new markets for skills in which those with high levels of human capital can bargain for higher wages than would have been possible within integrated firms.

Human capital differs markedly from fixed capital in its connection to individuals' income. Fixed capital produces income directly, insofar as time passes and interest, rents or dividends accumulate. Its owners, while this time passes, can devote their own time entirely to play, as was the case with the Victorian leisure class. Human capital, by contrast, only produces income to the extent that its possessors allocate their own time to paid work. If human capital, or more generally embodied capital, is replacing fixed capital as the income source of the economically best-placed over historical time, this means also that those who embody the human capital constitute a new, superordinate working class. A typical millionaire at the end of the 19th century could clip his coupons and play whatever and wherever he wished. But the typical million-euro-per-year worker at the start of the 21st century, perhaps a corporate lawyer or banker, earns his salary by selling his time. Since he (and increasingly she) gets richly rewarded for each hour, the incentives now are all to increase work time. As a result, for the largest part of the richest groups in our societies, the clearest way of demonstrating membership of the elite is no longer conspicuous idleness, but, on the contrary, to be conspicuously busy. The badge of honor is no longer leisureliness, but busyness.

We can see the implications of this change from long-term historical comparisons of how people spend their time, using so-called time-budget studies. These involve large representative national samples of people keeping diaries which record at exactly what points of the day they engage in various different sorts of activities. Such studies have been carried out on a regular basis in a number of developed countries from the 1960s onwards, and it is possible to use these to provide an extremely accurate picture of the amounts of paid work carried out by people with different levels of human capital.

### **The new busy boss class**

If we take just eight of the countries for which we have good evidence of historical change in time use from this source — Australia, Canada, the UK, the US, Denmark, the Netherlands, Italy and (West) Germany — we can see the consequence of this changed pattern of incentives. Educational attainment has been associated with high social status in developed countries for several centuries. It is also a simple and sensible way of judging human capital levels. We can see during the closing decades of the 20th century a historic crossing point at the end of the old dominance of a leisure class, as the historical relationship between social status and leisure is reversed.

It was the case in these countries during the 1960s that the traditional association of status and leisureliness still just about held good. Men of working age with incomplete secondary education worked an average of about 53 hours per week, while those with some university-level education worked around five hours less. Hours of paid work fell substantially for all groups over these four decades, but the extent of the fall differed according to human capital level. By the end of the century those with incomplete

.....

**“Today, it is being busy that makes you part of the elite.”**

.....

schooling worked around 40 hours per week, while those with a university education worked about four hours more. None of this should inspire any form of pity for the new, busy boss class. After all, the substance of what passed for the leisure of the privileged class in the late 19th century and what constitutes the paid work of some members of the best-remunerated groups at the beginning of the 21st century remains essentially unchanged. A Victorian gentleman might have spent his days playing games, as a politician, administering charities, overseeing the running of his estates or taking an interest in the management of his investments, while his sons might be encouraged to spend some time in a fashionable military regiment or contribute to the development of the arts or sciences.

### **Money not love**

Progressively through the 20th century, these previously “amateur” activities came to be undertaken not for love, but for money. Sometimes these transitions into paid work were unproblematic, as in the case of participation in national politics in the UK (where salaries for Members of Parliament were introduced in the early 1900s). But in other cases they were strongly contested. We might remember, for example, that throughout the middle part of the 20th century the major regulatory activity of national athletics associations was concerned not with preventing drug taking, but rather with preventing athletes from taking money payments for their sporting activities. The effort devoted to protecting amateur status in leisure activities represents, from this perspective, rearguard action protecting outmoded signifiers of social status.

Placed among the best-paid occupations for women and men in European and North American societies of the early 21st century are just those activities — sports, politics, business, civil and NGO management, the armed services, academia and the arts — that formed the unpaid vocations of the leisured Victorian gentleman. Such examples may represent only a small proportion of the top tier of occupations, but they may nevertheless serve to remind us of the continuing significance of Veblen’s core conceptual device, the contrast between exploit and labor. Exploit, a form of play, is about confronting knotty problems, and competing with worthy opponents. It would be an exaggeration to say that work, even for those with the best jobs in modern societies, is now play. Nevertheless exploit, an honorific (and often enjoyable) class of activity, is undoubtedly a central characteristic of those best-paid jobs.

These 20th-century changes have even more important implications for the demand for labor at the other end of the spectrum of social privilege. Technological advance means that year-by-year an ever-larger proportion of the previous demand for unskilled but intelligent (in the modest sense of directable) human labor can be replaced by machines. And the ever-cheaper and ever-faster global transport system, combined with ever-broader bandwidth communications and the doctrinaire imposition of global trading access, means the remaining demand for low human capital labor from rich countries can increasingly be satisfied by people in (or imported for this purpose from) poor countries. There is, increasingly, a shortage of work for people with low levels of human capital.

### **Consumption requires money and time**

What do these observations mean for the future of leisure in the 21st century? We can see that those in the best-educated sector actually increased their hours of work during the final decade or so of the 20th century, presumably at least partly in response to econom-

ic incentives. Can we expect to see a continuing growth in this gap between the work times of the better-off and worse-off in society? Will this lead (as some sociologists have asserted) to a growing polarization between the privileged work-rich/time-poor on one hand and the disadvantaged work-poor/time-rich on the other?

There is of course no single answer. The future is indeterminate and differs from country to country on the basis of public policy. But there is one particular reason for suspecting that this process may be self-limiting. This is a macroeconomic constraint: just as paid work occupies real time, so does consumption. Consumption requires both money and time to enjoy the goods and, increasingly, services that are bought with it.

Previously the rich, leisured class provided an engine of economic activity by spending their plentiful free time consuming the production derived from the industrious poor. When economies slowed down during the middle part of the 20th century, governments stimulated their economies by providing some extra income to the money-poor, who would be more likely to spend it than the money-rich. Now there may be an interestingly symmetrical opportunity to manage economies by redistributing free time. If the work-rich were to become too time-poor, they would not have the opportunity to spend their money. So polarization may be limited by the need to maintain the aggregate level of demand for goods and, in particular, services, which impose very specific time requirements. Attempts, such as those within the European Union, to impose limits on paid work hours and to increase leisure time may in effect represent a new time-use Keynesianism intended to stimulate demand; increasing leisure time amongst the best-off, who are most able to pay for leisure services, with the apparently paradoxical intent to increase employment opportunities. ■

Shopping center or main street? Sihlcity on Zurich's south side strives to be both: living, working, shopping and having fun are all combined in one complex. Sihlcity Project Leader **Conradin Stiffler** explains how it all functions. Interview by Ruth Hafen, freelance

# “For many people today, shopping is an integral part of their leisure time activities.”

Ruth Hafen: What's the idea behind Sihlcity?

**Conradin Stiffler:** We have conceptualized the entire complex as a city within a city. Sihlcity combines numerous elements: besides the shopping center, there's a hotel, a cinema and various restaurants. Our approach is in line with the concept of an urban entertainment center, but Sihlcity is not contained all under one roof. We sought a European variation that included an outdoor courtyard, which can be utilized depending on the weather conditions. In America and Asia, such shopping centers are always completely enclosed.

Do you have a comparative paragon in America or Asia?

**Conradin Stiffler:** In terms of a shopping mall, we of course looked around at models abroad. In the US, there are some

very beautiful examples, especially the Mall at Millenia in Orlando, Florida. Naturally, we also checked out the Mall of America, purely because of its imposing size. In Europe, we were particularly impressed by the Bluewater mall located east of London. And in the Asian region, the shopping centers that appealed to us most were rather Western-oriented. Some complexes integrated everything from children's playground to an entire leisure park. In our view, such things were unsuitable for our European clientele. In Dubai too there are fantastically exquisite shopping facilities for the upper-class segment, but in terms of style they are rather conservatively European. During my trips to Asia, I noticed that many people go to the large malls just to hang out or window shop, buying very little because they don't have

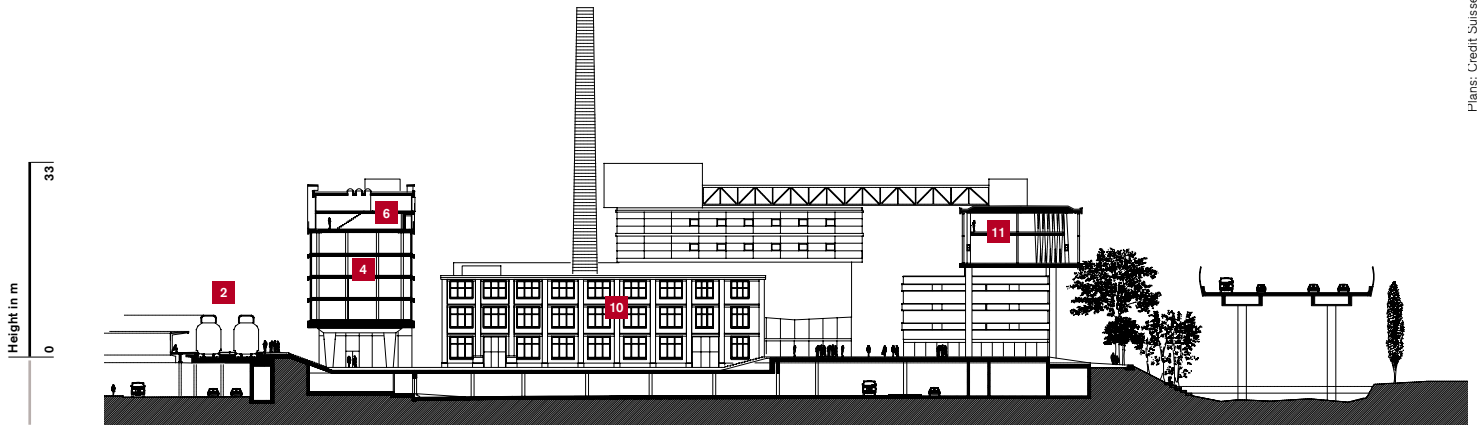
enough money. Logically, these places feature more entertainment options.

To which target clientele do you want Sihlcity to appeal?

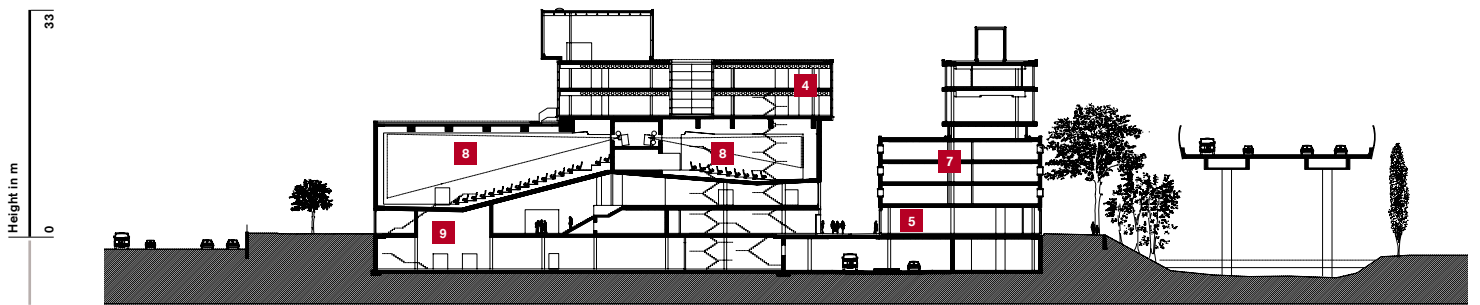
**Conradin Stiffler:** Our project is geared to the upper-middle class. So we selected the shops and restaurants accordingly. Of course, we want to cover the entire spectrum, including people with more modest wallets, who should also have the opportunity to shop at Sihlcity.

Sihlcity offers relatively few parking places. Isn't that a problem?

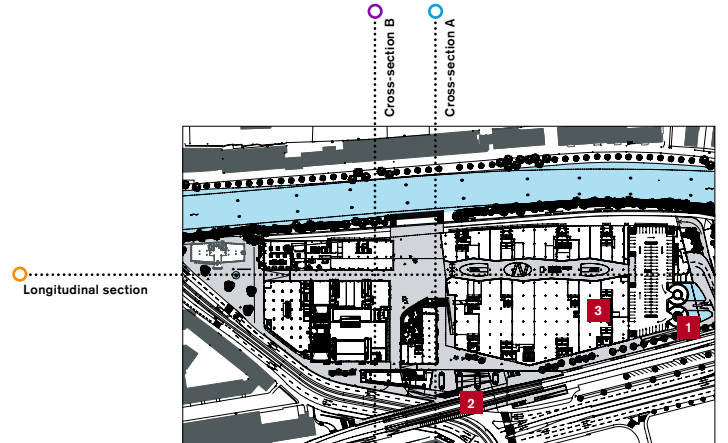
**Conradin Stiffler:** Relative to shopping centers of comparable size, we have an extreme shortage of parking places. In the 1960s and 1970s, the norm for shopping centers was that everything had to be accessible by car, so the complexes were built out in the countryside. Sihlcity is



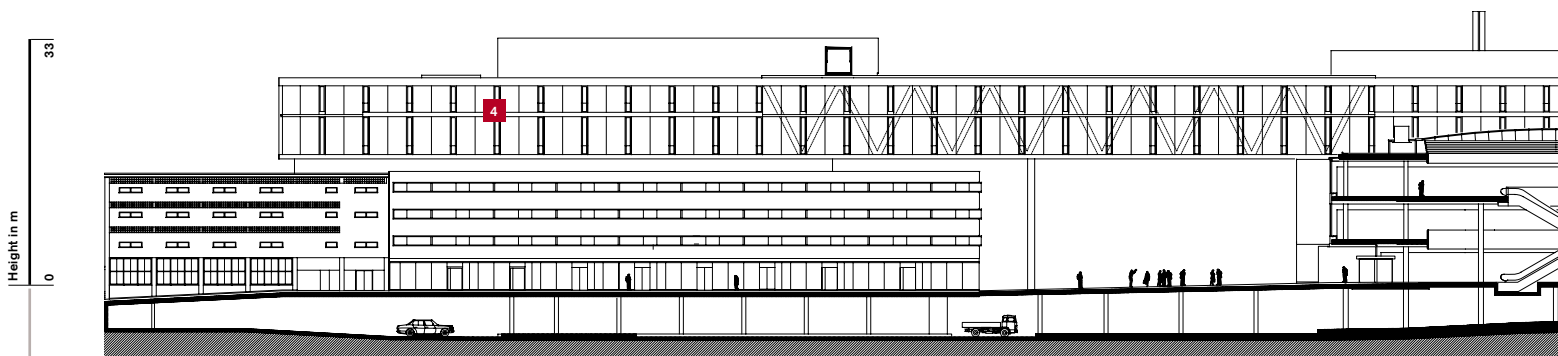
○ Cross-section A



○ Cross-section B



A dimensional comparison: Sihcity spans more than 325 meters, which corresponds in length to over three football fields.



○ Longitudinal section

**Sihlcity Box**

**Opening:** 22 March 2007

**Investment volume:**

CHF 620 million

**Floor space:** approx. 100,000 square meters

**Number of shops:** approx. 80

**Investors:** The Sihlcity Zurich owners' consortium comprises the stock-exchange-listed Swiss Prime Site AG (with a share of 24.2%) and the following five real estate investment groups managed by Credit Suisse:

Credit Suisse 1a Immo PK (share 25.0%)

CSA Real Estate Switzerland (share 16.5%)

Credit Suisse Real Estate Fund Interswiss (share 12.9%)

Credit Suisse Real Estate Fund Siat (share 11.6%)

Credit Suisse Real Estate Fund Property Plus (share 9.8%)

**1 Parking places:** 850

**2 Public transportation connections:** tram, buses and regional train

**3 Retail floor space:** approx. 41,000 square meters

**4 Services floor space:** approx. 24,000 square meters

**5 Restaurants:** 13

**6 Apartments:** 16

**7 Four-star hotel with 132 rooms**

**8 Cinema with 9 theaters**

**9 Fitness and wellness center**

**10 Discothèque**

**11 Culture center**

located on the edge of Zurich city and is thus in perfect proximity to public transportation. And that's our advantage. A development project with so few parking places would have been impossible to realize anywhere else. But even in the city center with more parking spots, the "full" signs are often lit up, and there's no place left to park. Although there are few parking places, we offer customers a home-delivery service at fair prices. Consequently, enough people will be content to leave their cars at home.

Sihlcity offers apartments, offices, shopping and leisure activities all in one complex. Has all the floor space already been leased?

**Conradin Stiffler:** Yes, the whole complex is already fully booked, from the shops, through to the cinema, restaurants and hotel. We don't expect Sihlcity to satisfy all of people's needs. There will quite possibly be people who live, work, shop and enjoy their leisure time activities here. The variety and mix of what Sihlcity has to offer is what's important. If the location is good, then there will be ample reasons to come here.

Does the current trend toward increasingly viewing shopping as a leisure activity play a role in your considerations?

**Conradin Stiffler:** We believe that there are many people today who, at least partially, define shopping as a leisure activity. Many times after shopping, a person has bought something that has personal value, something that reflects some achievement or something that represents the person. My parents differentiated between making purchases for daily sustenance and the

term "shopping" per se. When you went shopping, it was to buy a suit for father or bigger-ticket items, driving to the city especially to shop. On the other hand, buying your daily bread was regarded as a different activity from shopping.

And today?

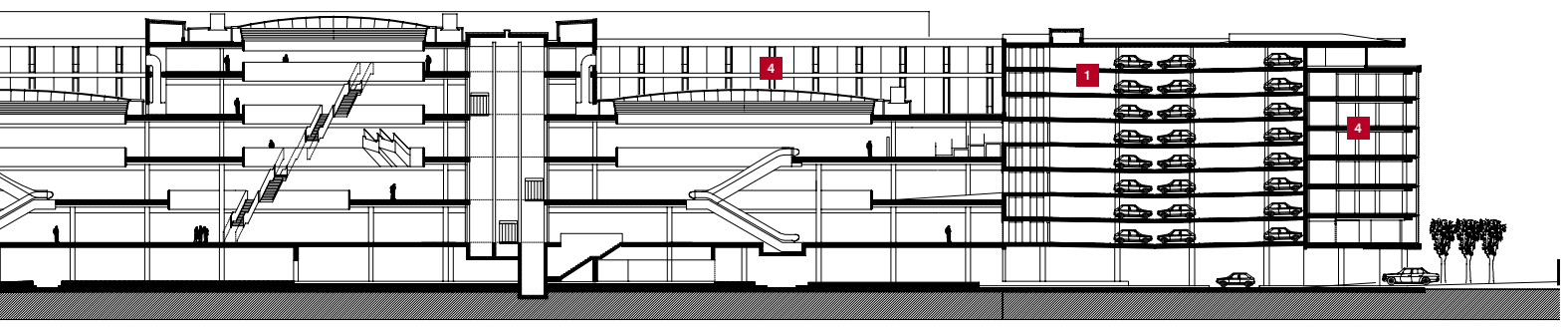
**Conradin Stiffler:** Today, everything is a very mixed bag, and people like to hang out at shopping centers when they are appropriately designed. That's why Sihlcity also features a total of 13 different restaurants, because customers who visit the center want to take a breather after shopping too. And they don't necessarily want to spend their time out at a bratwurst stand – where they have to be on their way again already after five minutes – but expect variety from which to choose. There's also the possibility to combine shopping with a visit to the cinema. I truly believe that for many people today shopping is an integral part of their leisure time activities. Shopping is ultimately a form of social interaction since people usually head to such places in groups or they meet there. No one goes shopping alone for long.

So Sihlcity is distinguished from other traditional shopping centers by the aspect of social interaction? But don't people consume products of various origins and from different types of cultures?

**Conradin Stiffler:** Of course. That's why Sihlcity also has a culture center. There are also plans to establish a public library here, thereby adding an informative element to the mix. The church also has a presence, with an "oasis of tranquility" open to everyone. This also includes spiritual counseling rooms with appropriate



175 | 200 | 225 | 250 | 275 | 300 | 325





amenities. Indeed, Sihlcity offers somewhat more than your typical mall.

How have you selected the tenants?

**Conradin Stiffler:** Two elements are the determining factors here: retail and gastronomy. For the shops, we defined a mix of sectors, and in a second step a tenant mix, meaning which brands should be represented. Not all of the tenants that we targeted were able or willing to come to Sihlcity. But in the end, we're very satisfied with the mix that we now have. In terms of gastronomy, the restaurants are oriented toward the two predominant elements of table service and self-service dining. We wanted something from every corner of the world, and even fast food should be represented.

Which age and gender segments have you targeted?

**Conradin Stiffler:** We anticipate that Sihlcity will be interesting for many older people, particularly because everything is available in one location. Sihlcity should be a meeting place; one person can go shopping, while another takes advantage of the health and fitness facilities; the kids can go to the cinema, while the parents meet some friends at a café. I believe that Sihlcity can also appeal to the 50+ generation. The younger segment between the ages of 15 and 25 should be most attracted to the various fashion offerings. This age group demands a lot and wants it very fast. This segment includes the hardcore virtual shoppers with unbelievable stamina. The middle-age group in between is distinguished by a tight time budget. These people have some money at their disposal, but not many hours in which to spend it. They are accustomed to finding everything they desire quickly and under one roof. So our shops are right in line with the trend.

**“The church also has a presence in the mall, with an ‘oasis of tranquility’ as well as spiritual counseling rooms.”**

Men in particular, who are not fond of shopping or spending much time doing it, will be in good hands here.

Does the tenant mix have an influence on customers' buying habits?

**Conradin Stiffler:** We have a youth-oriented section, with shops like Tally Weijl and Zara. Zara is a prime example. Ladies in their 50s as well as 15-year-old girls shop there. Today, buying habits overlap among the age groups.

Consumer tastes are becoming increasingly polarized. The trends are heading toward either budget shopping or luxury shopping. Such extremes can also be seen in the leisure activities pursued by many people: extreme sports events and an evening at the opera go hand in hand. Is Sihlcity able or willing to follow such trends?

**Conradin Stiffler:** People follow trends in any event; it's no longer necessary to lure them. Today, some things are socially acceptable that would have been scandalous in the past, for example, visiting a bratwurst stand before going to the opera. The spectrum is enormous. This is very

clearly manifested in the shopping trends in the interim too, when we see which bags people carry home with them. Luxury brand names mingle with budget discounters. But thanks to the breadth of providers that we have aimed for with the tenant mix, you can quench your thirst with a very expensive bottle of wine in a restaurant and, after watching a movie, still feed your hunger at a burger stand. That's what we want to achieve – and not just in the area of gastronomy.

What do you personally like the most about Sihlcity?

**Conradin Stiffler:** The fact that there is such a vast array of features pleases me the most. What I think is cool is that the entire complex is constructed like a city within a city, and that outdoor areas have been incorporated in the design concept. In a traditional shopping center, I always miss the fresh air; you can't easily get outdoors for a break and a breath of fresh air and stretch your legs. Here, you can dine outside in the summer. All in all, the shopping experience has an urban character that a traditional center just doesn't have.

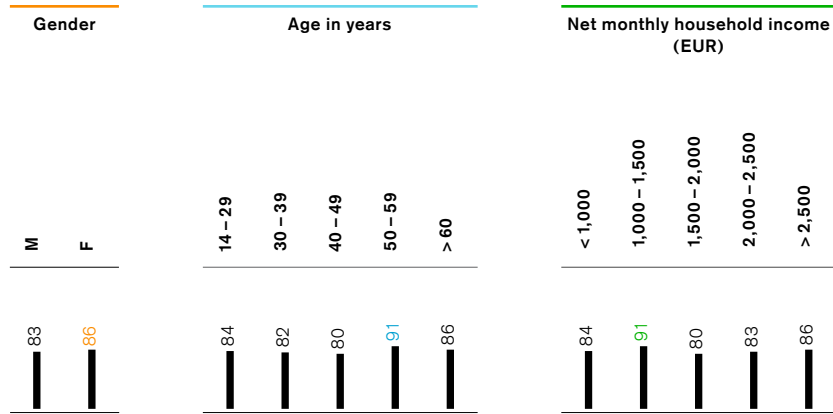
And what does the architect in you say?

**Conradin Stiffler:** The architecture is the structure that provides the ambience. Some old buildings have been preserved. Architecture functions like a stage on which the show now takes place. The shops should be in the spotlight; the tenants provide their color and their decor. I believe that people don't come just to look at the mall; they want to shop and have fun. The mall represents a neutral stage on which the visitors are the main stars. ■

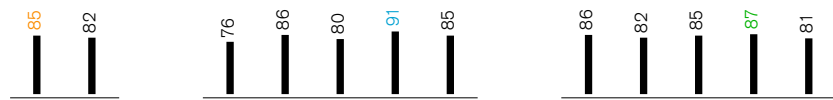


## Personal time means ... >

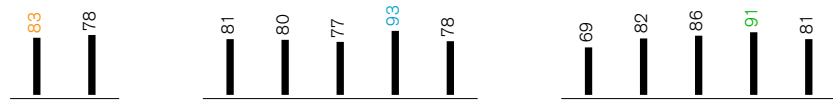
> being able to concentrate fully on the important things in life\*



> being able to relax in a physical sense



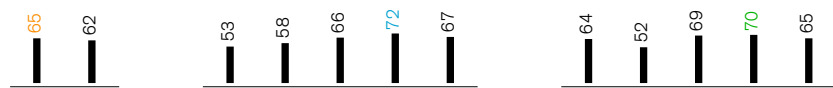
> being able to do something meaningful outside of work hours



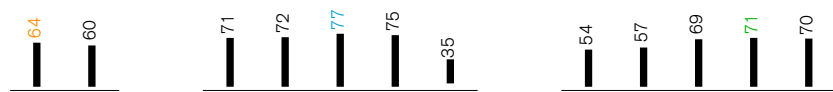
> feeling free from the stresses and strains of everyday life



> being able to recharge mental and spiritual batteries



> as work takes up ever more time, well-used personal time becomes more important



> to have enough personal time for oneself is the biggest luxury



> to be able to have time for oneself alone



\* agreement in %

## The self-responsible society

How important is it for you to have control over your **free time**? Most respondents to a 2004 survey said they didn't just want to use their leisure time to relax and "kick back," but to use their independence from the stresses and strains of everyday life to concentrate on the really important things – the things that give their lives meaning outside of work. Only a minority is able to devote their spare time to themselves alone.

# Wealth is dead! Long live worth

Time will be the key resource in tomorrow's world. Striving for more free time – or time affluence – will become the dominant trend of the future, affecting not just the consumer sector but financial services as well. The contemporary ethic of pursuing material gratification and monetary prosperity will become much less important than achieving a healthy balance between professional ambition and individual well-being.

**Eike Wenzel**, Editor-in-Chief, Zukunftsinstitut, Germany

It sounds like the corniest joke in the world, but what people expect from their leisure time activities in future is first and foremost more leisure time. In the world of tomorrow, time will become the key resource. Those who are able to enjoy an abundance of personal free time will have “made it,” belonging to a privileged social class since they live in the realm of time affluence.

This phenomenon is attributable mainly to a fundamentally changing paradigm that has emerged in our society in the past ten years. We are increasingly developing from a prosperous society into a feel-good society. This does not mean that prosperity has already permeated every aspect of our society and that we finally find ourselves living in paradise. There is a lot more to it than that. Striving for more autonomy, more personal free time, or time affluence, and particularly a work-life balance, will progress into a predominating trend of the future – affecting leisure time and consumer markets as well as financial services. In this regard, leisure time will undergo a remarkable change in significance:

- From industrial labor to a feel-good society: leisure time is no longer just the antithesis of hardship and necessity, or in other words, industrial labor. Working time is increasingly becoming creative time: Google today already allows its employees to spend 20% of office hours on creative idleness. On the other hand, there's a stronger trend toward spending leisure time with hybrid offerings such as language courses and training sessions in a vacation-like ambience.
- End of the fun society: if the concept of leisure time reverts back to its traditional connotation of “free time,” then a change in paradigm will emerge. Instead of the thrill-packed cascade of leisure

parks, aspects such as self-understanding and self-development will play a more significant role.

- Sense and sensibility: leisure time in the sense of availability of free time will increasingly lead to refocusing on the individual, a person's needs and a person's body. On the other hand, in the post-material society, leisure time will be reunited with traditional values, such as a sense of solidarity, neighborliness and charitableness.

Researchers at the University of Tilburg in the Netherlands last year surveyed a total of 1,128 men and 765 women ranging in age from 16 to 87, inquiring about the way they feel at weekends and during their leisure time. Roughly 3% of the respondents suffered from symptoms diagnosed as so-called leisure sickness such as fatigue, immunodeficiency, migraine headaches, rheumatism, even nausea and manifest bouts of depression. The researchers presume that the underlying cause of this leisure sickness is a problem relating to people's inability to tune out and wind down from work-related stress and tension during their free time. What sort of trend leads to such an apparently paradoxical twist of values – leisure as stress; work as sense of identity and self-fulfillment – from which a person cannot escape? We have made the following observation within the scope of the research carried out in the past three to four years at the Germany-based Zukunftsinstitut and on the basis of numerous studies and consultation projects: within the contemporary lifestyle of material gratification, striving for material monetary prosperity is much less important than the prospect of achieving a balance between professional ambition and individual well-being. This means that in the future, we will develop from a prosperous society into a feel-good society. Let us be absolutely



Photo: Thomas Eugster

**Eike Wenzel** is Editor-in-Chief at the Germany-based Zukunftsinstitut. As a media scientist he conducts research on changing trends in the fields of leisure and consumption and advises companies in a vast array of sectors. Mr. Wenzel is also author of numerous studies, including “Die neuen (Frei)-Zeitmärkte” and “Tourismus 2020. Die neuen Sehnsuchts-Märkte.” See full biography on page 52

clear here – we do not live in a society where material prosperity is all-encompassing and assured forever. Definitely not! But for the vast majority of society, attributes such as individual happiness, better ties to nature and the environment, a sense of solidarity and a work-life balance will become more significant than material assurance in the future.

### From mass markets to individual quality of life

One mega-trend that is basically driving this shift in mentality is individualization. We are increasingly transcending a society of mass media and mass marketing to a new feel-good culture and individualized quality-of-life offerings. The fundamental parameters of our lives are beginning to change meaning. That is, shifting away from a mass media-based prosperous society toward the individualized realm of well-being. In this regard, the following three factors are especially significant:

- The monolithic leisure time culture is unfolding into a more open realm of individual self-management (a lifelong process of learning; a new sense of solidarity; wellness becomes selfness; web communities supplant the mass medium TV; new mobility solutions).
- Personal free time, reclaiming sovereignty over time, does not necessitate a new cult of ego, but rather answers people’s needs for more self-responsibility and self-determining intercourse with health and leisure.
- Leisure time in the society of the future will therefore become condensed time – time filled with a sense of life. Hence, the explicitly expressed need that emerged from the results of our leisure survey was the ability to concentrate on the really important things during free time. In the coming years and decades, future markets catering to personal free time, selfness, inner growth and self-responsibility will emerge from the traditional leisure time world of industrial society.

### New luxury shuns material values

The shift toward immaterial values in leisure time activities calls for some new terminology on the agenda, with which providers of leisure time services should become familiar. “Inner growth” is an example of such terminology, which describes the far-reaching shift in significance in our leisure culture from values based on external status to an all-embracing perception of personal being, and from fleeting monetary attributes to established emotional values. This also means that our sense of luxury will undergo a fundamentally new reorientation under the influence of the changing needs of leisure time activities.

This “new sense of luxury” is what that the majority of respondents to a Zukunftsinstitut/Enmid survey associated with personal free time: “Free time means that I can focus entirely on the things that are important to me (85%); physical relaxation (83%); and doing something worthwhile outside of work (81%).” This trilogy contains the most significant values associated with leisure time or personal free time (see page 16). We know that men and women follow the beat of different drums. In the industrialized cultures of the 19th and 20th centuries, men (or the breadwinners) were the ones who took advantage of leisure time. For only men were involved in the labor processes and consequently were entitled to some relief in an existential world outside of work. Women were simply not a leisure target group – and this held true at least until the mid-20th century – because they were not regarded as belong-

ing to the sphere of production. The tasks of housework, childcare and mood management were carried out in a timeless world, day in and day out.

However, our survey conducted in 2004 revealed that men and women are becoming increasingly similar in the way they utilize leisure time. In terms of the perceptions of what leisure time and personal free time mean to the individual, the differences between men and woman are no longer profound. Nevertheless, it is true that men are more likely to interpret leisure time and personal free time in the physical sense, based on activities and events, while women relate more consciously to “mental” categories such as body, inner self and spirit. The greatest disparities between men and women with regard to the concepts of leisure emerged in the definition “leisure time means: being entirely devoted to oneself.” In terms of responses, 46% of the women supported this conclusion, but only 23% of the men agreed. Women can quite obviously relate more to the topics of self-care and focus on themselves. Men interpret relaxation more strongly in pragmatic terms and associate it directly with physical recreation: 85% intuitively affiliate leisure time with physical relaxation.

### Space travel and underwater hotels

By the year 2020, the newfound power of consumers will lead to long-lasting changes in the leisure activity markets and especially the tourism industry. We are currently experiencing consumer empowerment, which is characterized by the desire to have their aspirations taken seriously. In other words, they are not yearning for immediate fulfillment of their needs, but rather stimulation of their desires under different conditions – a better life, even if it is only possible for a limited time during a family vacation or brief trip.

In this regard, here is one example of how to ideally satisfy consumers’ increasingly complex leisure time needs: Bill Fischer never had an interest in the notion of bucket holidays. He sells high-end tours to super-rich and sophisticated travelers. Mr. Fischer finds the classiest resorts and offers a solution for every desirable service. His customers reward his efforts: they pay an annual “initiation fee” of USD 50,000 and enjoy a totally individualized offering of leisure activities.

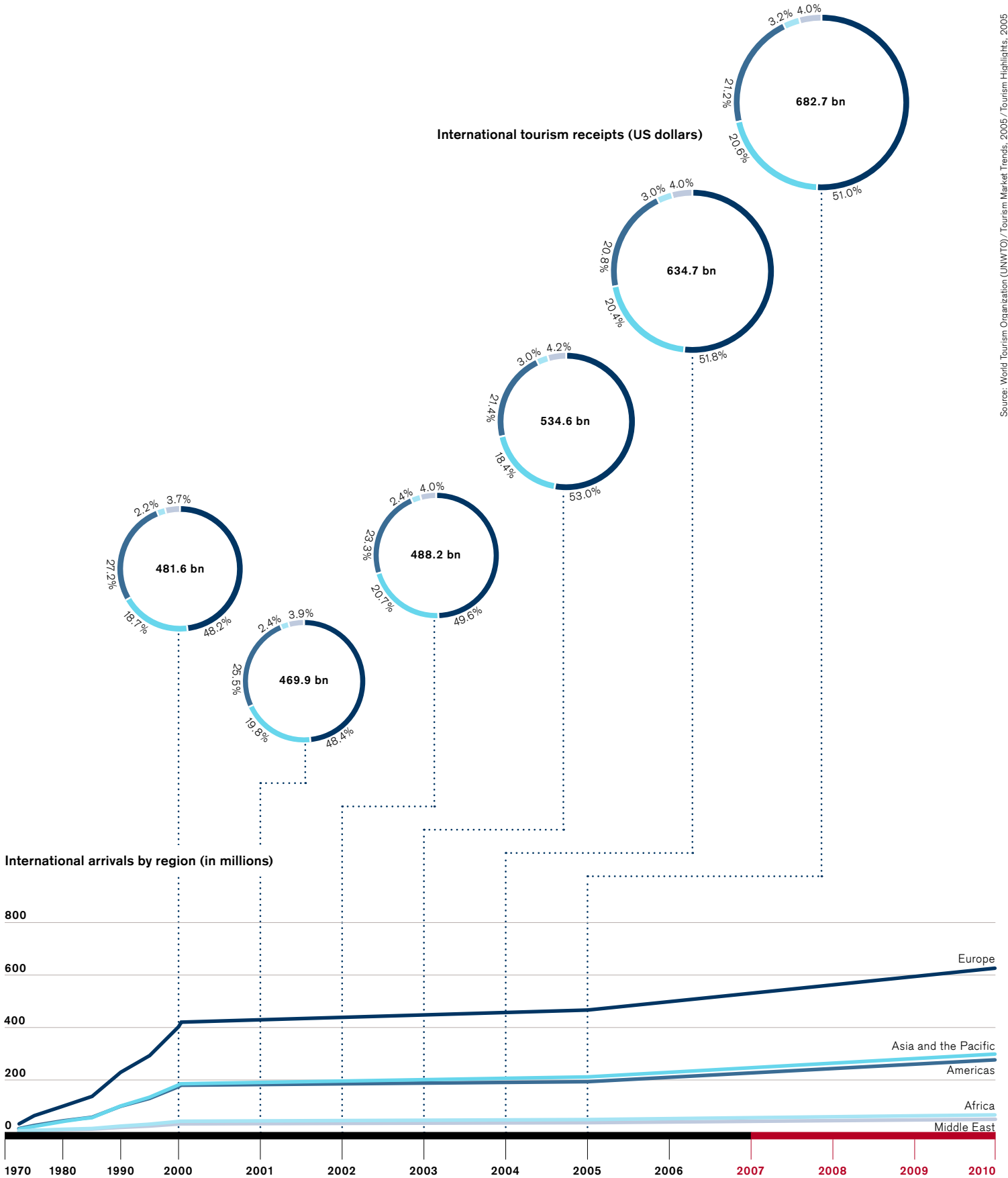
Despite all the crises, terrorism threats and varying consumer tastes, longing to see faraway places will remain the predominant motive in the future world of leisure. Experiencing lands of contrast, seeking a much-needed change of scenery, encountering foreign cultures, gathering new sensory input – all of these factors constitute an important key to luring customers in the society of the 21st century. In terms of the array of offerings, the tourism/leisure industry will develop into a vast jungle market in the coming years – with every single niche and pool accessible via at least one service provider. Every spot on earth – and beyond – will be covered; celestial hotels and outer space flights are no longer science fiction (Virgin Tours, for example: price per flight: EUR 198,600). The same holds true for underwater hotels and ice golfing in Greenland.

### Battling commuting stress with private wanderlust

The future markets for leisure time activities will be defined by the issue of mobility. The postmodern conquerors of the world will emerge and battle mobility stress with wanderlust. The new premium target group in the tourism industry not only feels at home in the world, acts nimbly and boasts an affinity for experiences; this group also no longer perceives vacation as a singular, once-a-year

## What the leisure consumers of tomorrow really desire:

- **Culture of participation:** The role of spectator will be spurned. Culture, pleasure and fun are fundamentally regarded as communicative and social “events.”
- **Cult of authenticity:** Mass events, mass media and mass marketing will be rebuffed with disregard because they hold no personal experience value.
- **Reemerging values:** A strong sense of values is not based on a conservative, compulsive culture. In fact, this trend leads to new consumer habits that have direct effects on leisure time activities.
- **The great fusion:** Anything that relates to the individual is deemed significant. Any desire for self-achievement can only succeed with a sense of harmony between inner and outside worlds.



## The desire to travel is steadily taking off

More and more people have the opportunity and the desire to go on vacation. Average annual holidays are becoming shorter, but people are taking more city breaks and engaging in cultural tourism. Encounters with foreign cultures and the search for new experiences, as well as the ability to distance oneself from the strains of life, will be the mainstay of the tourism market in future.

highlight. The vacationers of the future are persistent consumers of mobility options. They compensate for work-related travel stress with wanderlust, regardless of the destination. The primary objective is to distance oneself from the day-to-day routine, because only from a distance can a person fulfill the need to refocus.

Data on disposable incomes, expenditure per trip and spending per capita per day underscore this trend. Not all travel agencies will be pleased about the cutbacks on travel time for primary vacations. But in fact, a stable trend can be anticipated, whereby the postmodern world conqueror will increasingly switch to alternative offerings beyond the standard selection provided by the tourism industry (half room and board, sun, beach). This phenomenon cannot be attributable solely to the noticeable boom in city or cultural travel. On the other hand, it should not simply be overinterpreted as the impact of a mega-trend.

Indeed, with the postmodern world conqueror, we have uncovered a fundamental shift in mentality on the part of the customer toward aspirational adventures. And this is characterized by the fact that particularly wealthier, sophisticated target groups with a basically new perception of leisure, vacation and relaxation have emerged in the travel industry. So what does the demographical physiognomy of the postmodern conqueror look like? According to a 2002 survey by media research firm AWA, short-duration vacationers show up in all age groups between 18 and 60+, with the 50 to 59 year olds (index: 117) and the 18 to 29 year olds (index: 114) showing the strongest affinity for short trips. Of greater importance, more highly educated people with university degrees are without doubt most likely to take short vacations (index: 161). People earning good wages, with monthly household net incomes in excess of EUR 3,000, are the heavy users of short vacations (index: 141). Particularly noteworthy is that people with a fondness for vacationing more than five times a year have a strong orientation toward innovation, since it is primarily innovators (index: 236) and so-called trendsetters (index: 174) who fall into our designated category of postmodern world conqueror. By comparison, the group regarded as the vast majority (index: 76), as well as the stragglers and abstainers (index: 37), have so far been little tempted by short vacations.

### **The new consumer elite re-define work and leisure**

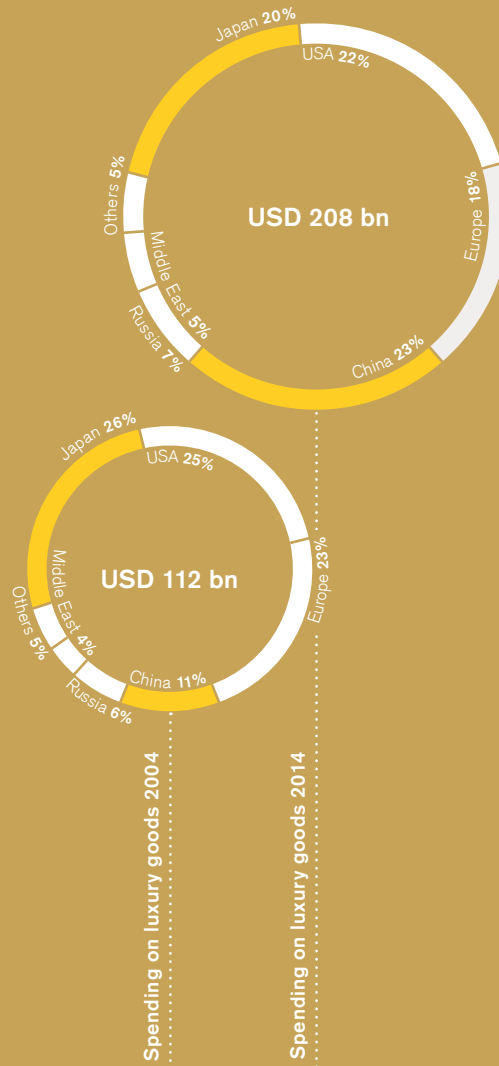
What we have described as the postmodern world conqueror, especially within the scope of tourism, has been recently referred to in sociodemographic literature by a vast array of ambivalent abbreviated forms and coinage. We are fond of the acronym LOHAS (lifestyle of health and sustainability). Research carried out in the US and Europe estimates that in the medium term one-third of the world's population will adopt this lifestyle. The new consumer type has also been reported as the "health hedonist" in the pages of the New York Times. These are health-oriented aficionados, to whom health and pleasure are equally important, who savor individual well-being and the destiny of mankind, and who maintain a family and their own career. American sociologist Paul Ray and psychologist Ruth Anderson coauthored a book in 2000 with the subtitle "How 50 million people are changing the world." Ray and Anderson also describe these hybrid consumers as "cultural creatives" and estimate their numbers in the US at roughly 50 million people (NB: the adult population over the age of 15 in the US amounts to 219 million) – equivalent to a "small France." They are inspired by creative, responsibly minded, health-oriented and pleasure-seeking people. During their study, Ray and Anderson conducted the most compre-

hensive up-to-date survey in the last 20 years on shifting values in the US. These surveys comprised findings from 100,000 Americans and more thorough analyses of more than 500 target groups. Ray and Anderson discovered that three subcultures exist side by side in the US today. Each lives in a world of its own and has a different mindset. These subcultures are referred to as the so-called traditionalists, the modernists and cultural creatives (or LOHAS). Indeed, the new consumer elite can also be aptly characterized by the way they change our society, economy and labor market.

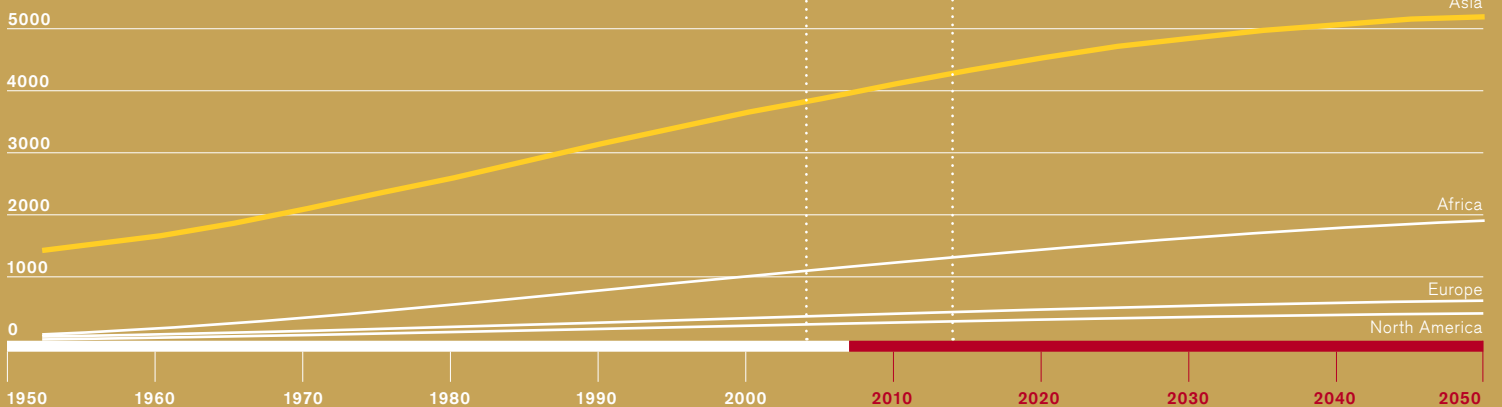
### **Rise of the creative class**

Richard Florida described it as such in 2002 in a book titled "The Rise of the Creative Class." For the American sociologists, the new creative class counts 38 million members among its ranks, or 30% of the total workforce in the US. Even though Mr. Florida's creative class is not identical with the LOHAS, there are numerous similarities between the two groups which can be useful in defining the new lifestyles. Included among Richard Florida's creative class are doctors; designers; writers; IT specialists; people in the TV, film and advertising business; wellness, health and fashion advisors; as well as carpenters, restaurant workers and hairdressers. The focal point of their work lies in the fields of service that are most in demand: consulting, conceptualizing, designing, inventing and providing therapy, training, etc.

For the leisure time people of tomorrow, there are two predominant sanctuaries, two yearning metaphors. The first is destination I, the awakening of the inner self, a journey of discovery of an especially unique nature. The second is the quest for the authentically different, the search for unknown realms, places and identities. We will learn in the foreseeable future how we supplant sensation with a sense of meaning, substitute hysteria with down-to-earthliness. The funtime society has become obsolete. ■



Resident population by world region by the year 2050 (in millions)



## No saving on luxury goods

The market for luxury goods is growing. Particularly in Asia and Russia, more and more people can now afford exclusive products. By the year 2014, China's share of the worldwide luxury goods market will have grown to roughly 23%, thus surpassing the USA, Europe and Japan.

# Asia warms to the cool life

The future of Asian leisure promises a mixture of wealth and creativity. Society's changing attitudes are driving the development of new leisure options and ideas, supported by the wealth accumulated from more than 50 years of hard work and toil. In line with a generational shift towards greater financial security, the region's youth are shifting from surviving to living. Business and social networks are beginning to merge into one.

**Foong Wai Fong**, Director, Megatrends Asia

"Check in with your wife and leave with a different woman," cajoles a playful message in the advertisement of a five-star spa resort in Thailand. The promised transformation for the lucky lady epitomizes Asian leisure in many ways. Like cosmetic surgery, in just half a century the face of leisure in Asia has evolved from simple, rural fun to sophisticated, global play. For many, going from subsistence to abundance has taken only a few decades. We recall nostalgic images of the occasional top-spinning and kite-flying in the rural fields which often climaxed with a long street feast to celebrate harvest. Today, we behold new and moving pictures of Asia's elites riding on their Harley-Davidson machines crossing the old silk road, with a stop at an Ayurvedic spa resort up in the Himalayas. The riders are perhaps in time to circle back to catch the wind in the Monsoon Cup on the eastern coast of Peninsular Malaysia before heading down to catch the "Phantom of the Opera" at the state-of-the-art Singapore National Theater. Asian leisure is entering a new era, with changing attitudes driving the development; demanding new leisure options and ideas supported by wealth accumulated from the last half century's sweat and toil.

China, India and the rest of East and Southeast Asia combined have half of the world's population; as many as one billion of these Asians are joining the ranks of the middle class. While their parents

and older siblings are still working and saving hard, the younger generation, from Harbin to Hanoi, from Shanghai to Singapore, from Bangkok to Bangalore, from Manila to Mumbai and Tokyo to Tehran, have decided that it is more important to have a cool life-style. A meaningful job is more important than simply earning to put food on the table and have a secure home. In the wake of the generational progress towards greater financial security, the region's younger mindset is shifting from surviving to living; from working hard to enjoying and playing.

## **A new sense of value**

Asia is among the world's hardest-working regions in terms of average, clocked-in workdays. Asians are also the world's most ardent savers, putting some 30% to 50% of their annual earnings into the kitty bank to prepare for retirement and rainy days. As a result, they have the world's largest holding of foreign reserves. A by-product of Asia's domestic, demand-driven growth policies, official government messages tout the dawning of a prosperous new era. Some go as far as to declare that Asia and China are entering a period more glorious than the times of the Tang dynasty when the middle kingdom was at its peak. Overall, the sense of values of urban Asians is changing and their lifestyle is diversifying. According





Photo: Thomas Eugster

**Foong Wai Fong** is the Director of Megatrends Asia. Her research areas include macro-economic trends in Asia, the progress of reform and changes in China, cultural industries and sustainable development. She has three best-selling books to her name: “The New Asian Way,” “We Have to Talk, Mr. Prime Minister” and “Culture is Good Business.” See full biography on page 52

to one regional survey of people’s daily lives, the largest single group of respondents stated that in the future, they wanted to live a life focused primarily on “leisure.” After more than 20 years of reform and opening in China, the GDP per capita in the eastern coastal cities has crossed the USD 5,000 level as both affluence and aspirations rise. This indicates that more people want to spend more time enjoying themselves with others or engaging in hobbies and recreational activity. This attitude represents a new opportunity for building a society where people can enjoy the riches of daily life, and are not merely working to build economic wealth. In other words, what do you do with your wealth now that you have created it? This new sense of value has tremendous implications for investment and structure for the provision of leisure.

### **Baby boomers are becoming grandparents and want fun**

From the old days, we can still remember cases of death from overwork and fatigue among Japanese and Taiwanese corporate warriors. People are more relaxed now. Asian baby boomers are retiring and are becoming grandparents. Many have decided to lead a more relaxed lifestyle and begin exploring and traveling while they are still physically strong. Asian society is aging at an increasingly rapid pace thanks to a lengthening average lifespan and a declining birthrate. For example in Japan, the nation’s total fertility rate in 1998, at 1.38, was the lowest on record. According to Japan’s projected future population, one in four people in the Land of the Rising Sun will soon be 65 or older, the largest proportion ever. This is a golden consumer group. With wealth and a more open attitude to spending, they are pushing for higher value, more luxurious new apartments, and higher quality travel options.

Younger Asians’ propensity to save has noticeably decreased in China, and many are running into deficits at the end of each month. They are known as the yueguangju (empty-every-month gang), who would not blink an eye throwing an entire month’s earnings on a designer bag or a new electronic gadget that they enjoy. Aspirations are to own a credit card, have lots of cash, drive an imported car, live in a condominium and with a lifestyle saturated in class: the so-called “6 Cs” lifestyle. The new rich are making waves in the market; the new millionaires that were created by the region’s economic growth are now supporting the most robust market in luxury goods. Whether it is a new Louis Vuitton bag or a Rolex watch or a pair of glittering Jimmy Choo shoes, the purchase fulfills the desire for status and reward.

### **The new temple of desire**

It is called retail therapy in many parts of urban Asia. Offering the opportunity to stretch your legs away from the heat outside, air-conditioned shopping malls are most attractive to Asians enjoying one of their favorite pastimes. These temples of consumerism are an irresistible draw, especially for the lower-middle-class groups. Here are the theaters where Asian dreams come alive. The precincts are getting bigger, better and cheaper. Even the new Suvarnabhumi airport that opened in October in Bangkok has several miles long of shopping pavilions.

For the nouveaux riches, they can buy ten Hermes ties in one shopping stop! From Chanel to One-Dollar shops, each meets his own needs, having fun accumulating material goods. Asians, especially single and wealthy women, have a habit of rapidly changing their material belongings, going for the latest models in vogue. After a long day of window shopping and bargain-hunting at the

commonplace all-year-round sales, shoppers can be treated to the most wide-ranging edible offerings in Asia's unique food courts. For example, in Suria Kuala Lumpur City Centre, the lively shopping mall below the twin towers, the food court is a vivid picture of globalization and Malaysia's Asiatic variety. Some 28 outlets are organized in a well-laid-out, pristine food court, offering over 200 different types of local and international cuisines. For Asians, nothing brings greater satisfaction than a good meal!

### **Lonely hearts like to be amused too**

In Taiwan's three largest cities, there are over one million people considered lonely hearts. The survey of a leading magazine revealed that some 20% of the population, 4.5 million of them, do not have a sense of belonging. In one year, the island sold some NTD 2 billion worth of antidepressant drugs. That figure is increasing at the rate of 10% per year. For every nine family households, there is one comprising a sole occupant. Lonely hearts are driving big-time leisure business: the market for pets is worth NTD 20 billion, soft toys NTD 600 million. Some 3.5 million people log onto the Net to chat every day, generating some NTD 1.2 billion in revenue for the online dating business. Luxurious suites for singles are worth NTD 60 billion, while night owls around the city consume NTD 3 billion annually. Music for healing is outselling the most popular teenage pop singers. People are abandoning material consumption for fulfillment of the senses and spirituality, by putting atmosphere, space, taste and class first among their considerations for leisure options and engaging in activities that will bring a sense of well-being and happiness. All across the region, the largest growing real estate sector is for "that one single person"; one that buys a luxurious designer-oriented apartment suite to nurture the lonely heart.<sup>1</sup>

The venerable Chinese game of mah-jongg (similar to Western bridge, but played with mini bricks) can now be played on the Internet and with virtual partners. Technology is radically changing the face of Asian leisure. Plasma TV, high-definition screens, all those stylish iPods, plus the multifunction mobile phones which not only keep you updated with important events but also provide a channel for pouring your heart out. The SMS text messages sent out in China are now a multibillion dollar business. About 500 to 800 million people in China alone are connected by mobile phones and another 150 million via the Internet.

### **iPartment allows virtual relationship**

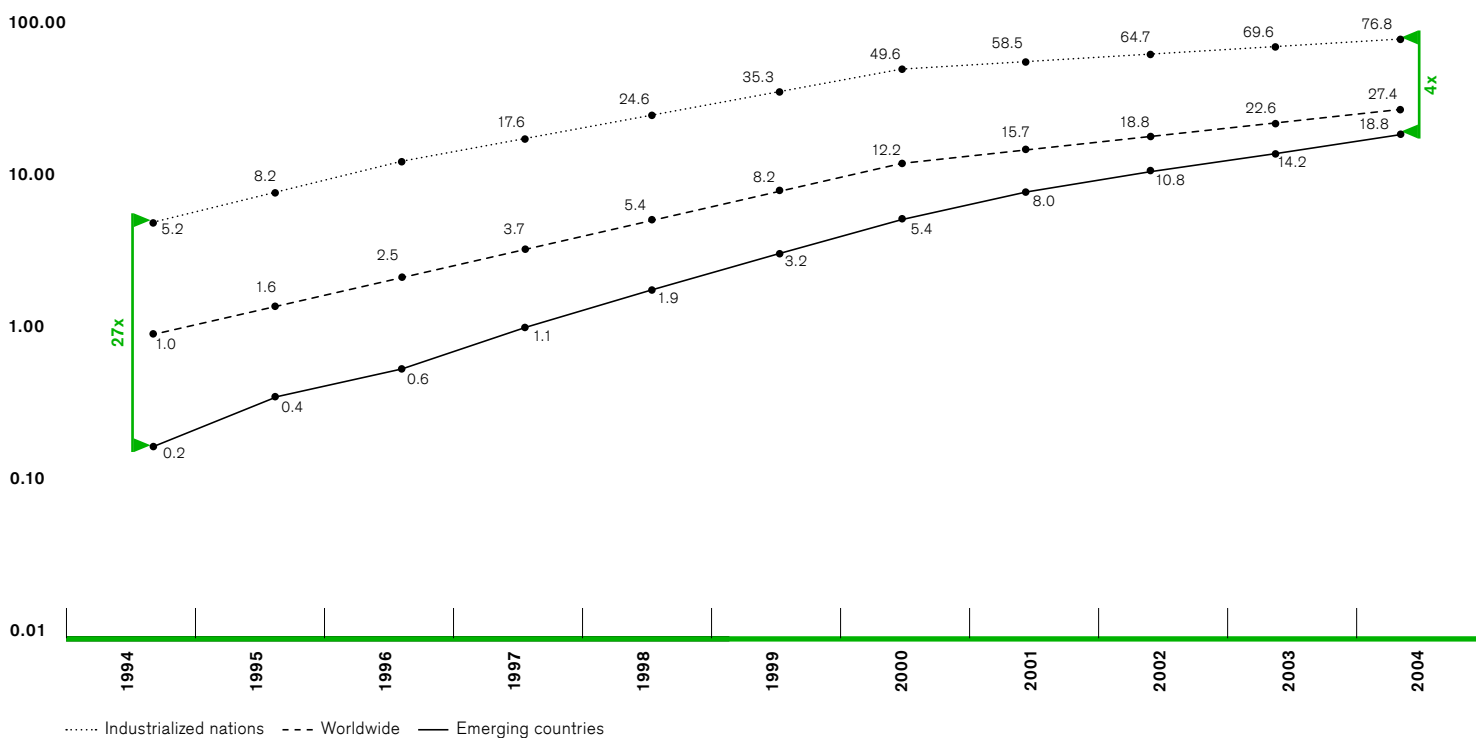
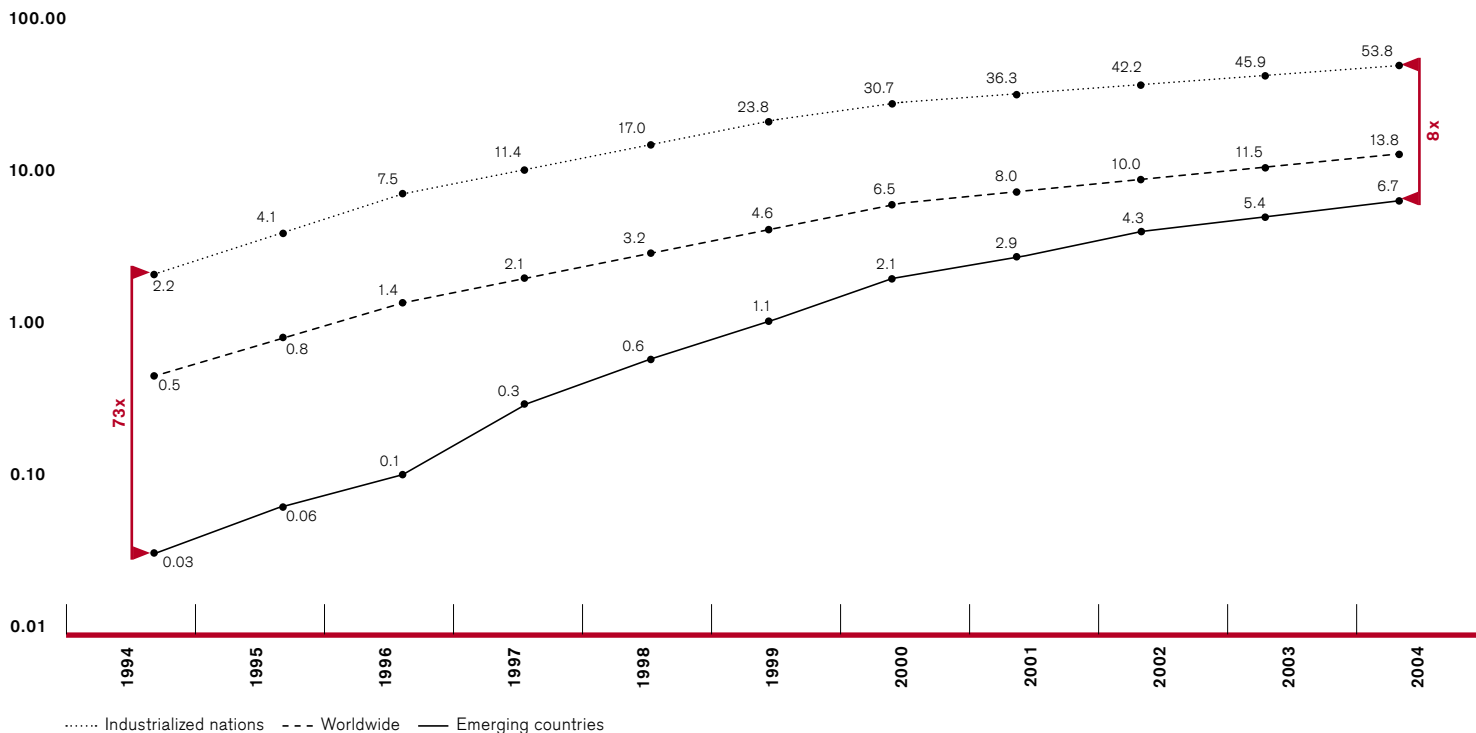
In 2006 the number of Internet users in Taiwan exceeded 14 million, about half the population. Around 32% of Net users use MSN and Skype. Between 8 and 10 pm, 3.5 million people log on the Net to chat. The dating business went from nothing to NTD 1.2 billion in less than four years. Taiwan Yahoo! has 1.3 million members joining its friendship portal. The iPartment ("i" means "love" in Chinese) Internet service allows participants to maintain a virtual relationship. There are some 89,000 members each paying a monthly fee of NTD 90 for its VIP membership, enabling iPartment to generate NTD 10 million in revenue in a very short time. Sony's electronic dog "Aibo" created another craze, selling 130,000 models in five years. During the vacation, people stay home to chat online; 1.26 million people have a log-on record of more than eight hours in a single day. In pet rooms, for a dollar a day, you can keep a virtual pet. There are now 8,000 pets available for adoption. There is a whole new world on the Internet. You can chat or text via your desktop, notebooks, smartphones and mobile

Continued on page 27

## **The five cool industries. A leading Asian business magazine came up with the following cool industries of the future:**

- 1. Movie and TV.** Big casts and big productions on popular Asian themes have led some productions to do extremely well. Asians are also eager and hungry for more culturally compatible presentations after having gotten enough of the artificial super-creatures (such as Spider-man and the like) in Western productions. Coproduction and cross-cultural collaborations are also in vogue. With Taiwanese directors, the movie cast can be drawn from among popular heart-throbs from Hong Kong, Taiwan, Korea, Thailand and Southeast Asia. Asian movies are entering the big time.
- 2. Games, girls and gambling.** The 3 G on the Internet does not refer to third generation mobile telephony but games, girls and gambling. A domestic market is being created with local productions, where games from Beijing and Shanghai now take up 80% of China's domestic market. Asian and Chinese expertise is also coming of age in this sector.
- 3. Animation.** This will be the strongest revenue driver on the Internet and mobile phone platform (counting local networks, China has between 500 and 700 million mobile phones and over 100 million Internet users). In 2004, animation sales exceeded RMB 10 billion; up to RMB 60 billion in 2005. A huge animation city of 32,000 square meters opened on 1 October in Guangzhou city to house one of the most concentrated production hubs for the animation industry. Besides Guangzhou, many other Chinese cities are working on leveraging their folk culture to produce great animation works.
- 4. Beauty.** Beauty pageants are like flowers blooming all over the region. Every city and province is holding its own beauty pageant, drawing financial rewards from sponsorship and tourist visitors.
- 5. Holidays.** For example, in China, the compulsory national holiday weeks of 1 May and 1 October are entering their seventh year now. One estimate puts the number of travelers at 1.7 billion, generating RMB 429.2 billion in consumer spending in the last 14 golden weeks. Every holiday becomes a big commercial opportunity. Consumers are conditioned by advertising to take on this new habit.<sup>4</sup>

## **The future of leisure promises richness and creativity. Stay tuned.**



## Digital gap between rich and poor narrows

**Internet – users per 100 residents:** In 1994, 73 times more people in the industrialized nations had access to the Internet than in the emerging countries.

But ten years later, the disparity between rich and poor was merely eight times so large. **Mobile phone – users per 100 residents:** In the mid-1990s, the proliferation of the mobile telephone among the population in the industrialized nations was 27 times greater than in the emerging countries. By 2004, the digital gap had narrowed to a factor of four.

phones. The end of the year is always an eventful time as schools break and adults treasure this an important time to get closer to their children. It is the annual school holiday in many of the South-east Asian urban centers. The younger urban families are packing their bags and heading out to the airports for the annual family holiday. With fewer children, younger middle-class Asians are making family vacations an annual ritual. Adventure travel, exotic destinations and more out-of-the-way options are being introduced. Soon Singapore will launch a private enterprise to help people get a tour of outer space in its space tourism project.

### **Drinking coffee in the library**

Business, health, socializing and networking are beginning to roll into one. Asians, however, like packaged services – having things organized and laid out for them. For example, South Asia's most successful fitness chain, Alexander Groups, has 240,000 members and 33 clubs in Taiwan, Shanghai and Beijing. Carefully designed package activities include offering gym, aerobics, group cycling, swimming, jacuzzi, sauna, spa, weight management, children's health, and nutrition and juicing services. Combining business with leisure, the massage centers in China often have special VIP rooms where executives discuss business while the masseurs press on their feet to ease blockage and boost blood circulation.

Starbucks Coffee shops in hospitals, DOME café stations in banking halls, airports turned into huge shopping malls; these are some of the ways that Asians mix work and formal business with a little leisure and relaxation. There are more sidewalk benches available for people to relax. Museums hold theme parties and have special restaurants. Public libraries have moved to shopping malls, while special cafés within bookshops open late into the night. Work can now be set in a leisurely environment.

The young Asian generation will prize quality of living over the life of a workhorse, and value meaning over accumulation. As the region heads to the future, for many of the urban middle class, the driving force behind economic growth will come from services. Much of this development will be driven by the creative and leisure industries. In many parts of Asia, China in particular, advertising and government messages are helping to shape this trend by promising the dawning of a glorious and prosperous new age. This is part of the atmospheric support for the government's effort to generate domestic demand as an engine of growth, as these messages are helping to shape new attitudes towards leisure. There is the danger of economic slowdown coupled with overspending. In spite of this risk of a hard landing after the buildup of unrealistic expectations, the future for leisure in Asia remains promising.

### **Sister Liu attracts millions of spectators**

On the banks of the Nijiang River in Quilin, set against a picturesque landscape, director Zhang Yi Mou created the largest and most spectacular show of Liu Shan Zhei Theatre. It is a spectacular outdoor musical, featuring the legendary folk songstress Sister Liu. The show, not even three years old, has already attracted some 1.5 million spectators. The success of this artistic project has also increased local real estate values fortyfold and created tremendous revenues for local tourism coffers. In Hunan province, the Super Girl vocal TV open contest has attracted the participation of millions of young and old people. Millions have the remote control in one hand, busy texting their vote for their favorite talent with the other. The show has created a new phenomenon in Chinese leisure

trends. The Hunan Satellite TV's Super Female vocal contest reached 19.45% of the national population and generated NTD 760 million in revenue.<sup>2</sup> The Ministry of Culture in China estimates that the creative industry was worth NTD 7 trillion<sup>3</sup> in 2004, and is growing at double-digit rates annually. The enormous potential and size of the Chinese economy have set the stage for entrepreneurs and businesses to innovate on China chic or Chinese ideas in leisure. The world will see this renewed confidence translated into an enormous offering of Chinese ideas in leisure, where western-originated modern technology will be applied to bring to life outstanding ideas from China's 5,000 years of knowledge and cultural accumulation. With a potential middle-class customer base exceeding one billion, there are justifiable reasons for excitement.

Even Asians are surprised that cool stuff is emerging from the most unconventional places. A song entitled Laoshu ai dami (Mouse Loves Rice), written and sung by a complete unknown, was widely downloaded on mobile phones and generated some RMB 150 million in revenue. The masses are participating in leisure and joining the party via new technology platforms; meanwhile, providers are working to sharpen their niches in a highly competitive marketplace. For example, the television stations in China are going for select positioning, making sure they can carve and keep even one space within a rapidly emerging market. Chinese movies which celebrated the centennial in 2005 are making a big comeback. The big Chinese movie "Hero" took RMB 250 million out of the total RMB 900 million box office sales in China and internationally it ranked 26th out of the "50 must-watch movies in your life" listed by an authoritative film review in England. ■

<sup>1</sup> Global Views Monthly (April 2006)

<sup>2</sup> Ibid, page 125, <http://www.cwgv.com.tw>

<sup>3</sup> Special Issue, Nov. 2006, Global Views Magazine, Taiwan, Creative China NTD 7.2 trillion converted into USD. Page 29

<sup>4</sup> Ibid, page 59

**Successful high-tech firms need to continually reinvent the categories they have created, providing consumers with new uses for the technology. Interview with **Guerrino De Luca**, President and CEO of Logitech International.** Interview Ulrich Kaiser, Credit Suisse Research

# “We have a fundamental mission to make technology simple.”

Ulrich Kaiser: Wireless connectivity, Internet communication, digital music and the digital home are key drivers of Logitech's success. Why are they so important?

**Guerrino De Luca:** The need for people to cut the cord is paramount. Consumers do not like to be tied down, and the more wires they can eliminate, the better. We have made cordless mice and keyboards, but cordlessness in general is becoming part of the entire portfolio. Any technology that enables people to get in touch with other people is a winner. On the Internet, communication takes place for free – just think of voice-over-IP. The fact that on the Internet you can not only talk to other people but actually see them is instinctively compelling for most humans. This is a huge trend which certainly helps our webcam and headset businesses.

What about digital music?

**Guerrino De Luca:** Music had been quiet for a long time and then all of a sudden, there was a big transformation. Music is not just physical, it is digital and can be enjoyed in many different circumstances: on the go, at home, with different means, in different infrastructures. This has driven a huge business for speakers. Music arrives at the PC before reaching portable players. Most people enjoy their music on the PC. But when they listen they want better quality than the computer itself provides. This is where we can make

a difference through our speakers, and wireless headphones for the iPod and other MP3 players. Once you have all your music on the PC, you want to distribute it throughout the house. So now hi-fi equipment needs to be revitalized in line with the streams of digital music coming out of the PC and via the Internet. We recently acquired a small company called Slim Devices, enabling wireless distribution from source to speakers.

What are the future growth opportunities for Logitech and what are its biggest threats and challenges?

**Guerrino De Luca:** The biggest challenge for us is to continue reinventing the categories that we have defined, and provide the consumer with fresher uses of technology. This is not a technology-driven business. What is important is what the user wants to buy. You have to use technology so that consumers can understand it. The growth of notebooks is an opportunity for us. There are 900 million PCs out there, and we have only penetrated a fraction with our products.

Do you notice any differences in PC use in different regions of the world?

**Guerrino De Luca:** In the developed world, the PC is more pervasive than any other technology platform I know of. It is everywhere, not only in the office but also at home. There are countless households in the Western world that have more than one PC. That obviously drives an incredible

usage not only for work but for entertainment, communication and games. The developing world is now equipping itself with PCs for home use, but our biggest opportunity is where the PC is all but ubiquitous. When everybody has a PC, our products become interesting. This is why the strongest growth is currently in the West, as opposed to many PC manufacturers whose growth fundamentally takes place in the developing world.

Many people aim to use their work and free time more effectively as time is getting scarcer. What new product could help to optimize the use of time?

**Guerrino De Luca:** Our “Harmony” remote can do that. It is a big simplifier – you can enjoy your entertainment without having to study 75 manuals and having to use 14 remote controls. People have to make choices as to what to do with their time. We notice that especially younger people spend much more time on the PC than in front of the TV. This is good because the PC is an interactive device. Television is totally passive – nice when you want to relax, but when it comes to stimulating your brain, the two don't compare.

Apart from the Harmony control, are there any other products in Logitech's pipeline?

**Guerrino De Luca:** Logitech makes 100 new products every year. I could already tell you what we have in store for Christmas 2007 because we finalize our roadmaps between 16 and 20 months



before the products become available. I am more excited than ever by the things we make! There are evolutions, even in our core product, the mouse. People might think: "what are you going to do with the mouse?" Well, expect mice that can navigate 3D virtual realities. There is a product we have just introduced called "SpaceNavigator," and it works beautifully with Google Earth. Our SpaceNavigator makes 3D navigation easy. We are also developing products that will enable you not only to use your PC on your desk, but sitting on a couch using a television screen. We will innovate along those lines very aggressively in 2007.

Why is the PC industry migrating from desktops towards notebooks? Does this pose a threat to your business model?

**Guerrino De Luca:** Originally, notebooks allowed business people to bring their work with them as they traveled. That has not changed. What is changing is the fact that at home, consumers now find a notebook affordable and powerful enough to be their computer of choice. So instead of buying a desktop, which is bigger and occupies more space, they use a laptop they can bring from room to room. With the growing importance of Wi-Fi installations at home, people also use their PC in their bedroom and in front of the television. But as the laptop is basically a replacement for the desktop in terms of functionality, people do the same thing. The tendency to accumulate peripherals around it is exactly the same. In fact, desktops present a tougher sell for us. All PCs come with a mouse, so we have to convince you that the mouse you have is not good enough and that you need an upgrade. Laptops do not come with a mouse but with integrated pointing devices most people do not want to use on a regular basis. So they buy mice, which is a great additional opportunity for us.

With new products like HDTV, people's home entertainment systems are becoming richer but also more complex. What are your solutions to this complexity? Does Logitech benefit from this development as well?

**Guerrino De Luca:** Absolutely. I mentioned "Harmony": I strongly believe that the digital home will become a platform very much like a PC is a platform. What is a platform? It is a combination of content and devices that you need to control. The mouse controls the PC. What will control

## "Ten years from now we will all consider video communication as popular as e-mail is today."

the digital home? When I say digital home, I mean movies that are stored in some server, music streaming from the Internet, multiple places where you want to listen to it, speakers in the bathroom, the bedroom, the kitchen. This complexity needs to be controlled. I believe that there will be a "mouse" for the digital home. "Harmony" is the beginning of that trend: a device that can control the source and destination of all your entertainment in the digital home.

Why is Internet communication so popular? What is the future of this trend?

**Guerrino De Luca:** The most compelling application of computers is communication. In fact, e-mail is probably the single biggest thing that you do on your PC. It is not word processing; it is not spreadsheet analysis; it is communication. Communication applications are incredibly appealing to people. The Internet as a platform makes communication richer and more affordable. You can speak, exchange videos, see one another. Remember, people have been talking for ages about the videophone. There has been experimentation in videophones; everything has failed. Why is that? The reason is that first of all, in order to enjoy videophones, both of us need to have one. In the case of the PC, everybody has one, so you already have the tool that enables you to see the other person. The second reason is a little bit more subtle: when you speak on the phone you hold your handset close to your ear. So how do you see one another when you hold your handset close to your ear? If you are in front of your screen, your posture is much more conducive to visual communication. I believe that in the long run, visual communication will be a standard application on every PC, which provides us at Logitech with a great opportunity for embedded webcams, as well as for webcams that can be bought separately. This trend is here to stay. Ten years from

now we will all consider video communication as popular as e-mail is today.

Logitech also makes products for the gaming industry, such as game controllers. Many computer games are very time-consuming. Is there room for this in a world where free time is so scarce?

**Guerrino De Luca:** Playing is part of human nature. If you prohibit games, people will play when they should be doing serious work. Firms who forbid their employees from surfing the Internet, thereby hoping to increase productivity, are wrong. Consoles play a big role in gaming today; playing is no longer isolated, but increasingly takes place in a social environment as you play with others on a network, recreating the social element of playing.

The growth of the travel and leisure market is largely attributable to the increasing number and wealth of retirees. Many companies are increasingly focusing their offerings on senior citizens. How do you target this group?

**Guerrino De Luca:** We have a fundamental mission to make technology simple. I think this is the single most important thing for senior citizens. Today's teenagers are used to a level of complexity that we adults cannot even imagine. Even before becoming old we struggle to grasp what comes easily to kids. Today's senior citizens were not born with a PC, so we need to make this technology very simple to use. I have trained my parents to use video communication on their PC, and I can tell you my parents really don't relate to PCs. But the application is so compelling, the opportunity to see me and their other children so irresistible and so relatively easy to use that they are interested.

The leisure and work activities of men and women are becoming increasingly similar. Are women using the computer more than they did a few decades ago, and what is the trend for the future?

**Guerrino De Luca:** I think that the big unifying application is Internet communication. Women tend to use the Internet for communication, as they are more focused on communication than men and every application that enhances communication attracts them. So we design our products to appeal to that interest and the visual sensitivity of the female consumer. We'll see growth even in areas like gaming that are traditionally aimed at men. The more gaming becomes social, the more women will participate. ■

**Do Asians play different computer games than the Europeans? Where are the big growth opportunities in the PC game sector? Warren C. Jenson, Chief Financial and Administrative Officer of Electronic Arts, provides the answers.** Interview Ulrich Kaiser, Credit Suisse Research

# “If you can include game dynamics in education, people will learn faster.”

Ulrich Kaiser: Total spending on leisure activities is rising, and it's an important driver of global economic growth in the 21st century. What are the specific drivers behind growth in the leisure market?

**Warren C. Jenson:** I cannot speak for the whole leisure market, but I think growth is based on two things: wealth and changing demographics. To some extent, in some countries, lifestyles are changing, people are putting more value on leisure time and their quality of life. As it relates to interactive entertainment, technology and quality are both getting better. Therefore the quality of the entertainment experience continues to improve and our markets very naturally expand. The internet is opening up all kinds of different gaming experiences and draws more and more people around the world to interactive entertainment.

Demographically speaking, who is Electronic Arts' typical customer?

**Warren C. Jenson:** In interactive entertainment the majority is male and the average age is between 18 and 34 years.

What's interesting though is that more and more women are participating in interactive entertainment. Separately, we are finding that every year the average age actually increases. This is probably due to the fact that many people began playing video games as teenagers or in their early twenties and they continue to find this an exciting form of entertainment as they get older.

You mentioned female gamers. Are you developing games that target this section of the population?

**Warren C. Jenson:** We sure are working at it. One of our best-selling franchises is The Sims. In fact, this is the most successful video game franchise ever created. Today, this game has mostly female customers. We also have a casual game website, Pogo, where 60% plus of the players are female. We're working to create more games and experiences that are likely to attract female gamers.

Are there regional differences worldwide in terms of gaming behavior and preferences for different styles of games?

**Warren C. Jenson:** I have to say two things that are somewhat contradictory: in this business one always has to remember that all entertainment is local and games have to be tailored to local tastes. If you fail to do that, you won't sell any copies or your sales will be limited if it's not culturally relevant. Secondly, we're fortunate to be in a business where much of our entertainment is global in its appeal. The Sims and Need for Speed, for example, are two of our biggest sellers. The Sims sell more outside the US than inside. Need for Speed is very successful in Europe, North America and Asia.

What about Asia?

**Warren C. Jenson:** It's all about online. This is one of the principal differences; someone playing a video game today in Switzerland or in the United States would go out and buy a PlayStation 3, an Xbox 360 or a Nintendo Wii and they would use that as their gaming machine to play a video game. Japan apart, the gaming consoles have not really taken off in Asia. In countries like Korea, China and Taiwan gamers play online: they register, and the





game is actually played on the game company's servers. Many of those games are also very different in how the software developer is compensated. Payment is done through microtransactions where people play the game for free but then will buy different add-ons to their game and download them into their gaming experience. This market is also driven by advertising. There are different models round the world, the biggest difference between Europe, North America and Asia being the predominance of online gaming in the Asian market. I expect that we will see more online gaming in the next decade in both North America and in Europe.

Are senior citizens also a target group for Electronic Arts?

**Warren C. Jenson:** They are not today. But I have to tip my hat to what Nintendo has done: one of the games they have for the Nintendo DS, their hand-held device, is a game called Brain Age. The lore of this game is that one of the senior members of Nintendo's board challenged the Nintendo developers to come up with something that he would like to play and they came up with this terrific game which is all about mental stimulation and exercising your brain.

People generally have more leisure time and some of this additional time is used for educational purposes. Are people now demanding more educational games combining fun and learning?

**Warren C. Jenson:** There always has been an educational market. One of the interesting things is that insights from gaming used in teaching methodology actually help people learn faster. Today kids are growing up learning and playing video games. The video game is a very sophisticated piece of software where you have to find solutions and solve problems throughout the game. If you include game dynamics in education, people will learn faster.

Many video games are very time-consuming. Is there room for this in a

## “The gaming consoles have not really taken off in Asia – but online has.”

world where free time is so scarce?

What trends do you see in this regard?

**Warren C. Jenson:** We try to provide the best possible entertainment value. There is an industry saying: for every dollar we charge, you will on average have an hour of entertainment. We try to do our best to make sure that with every video game there's real entertainment value and a very robust experience. Our games allow gamers with 15 minutes to spare to play for 15 minutes and to come back and pick up the game where they left off. We also have games on the mobile phone if someone has a few minutes to spare while on a bus. It also allows someone who wishes to play for two hours at a time to play for two hours at a time, and again, everybody has a great experience.

What are your current top sellers?

**Warren C. Jenson:** Some of our top sellers around the world are: The Sims, Need for Speed which is a street racing game, FIFA, Madden NFL, Harry Potter.

What are the longer-term trends between console, PC and hand-held software games?

**Warren C. Jenson:** The longer-term trend is connectivity, all the devices you mentioned are increasingly going to be connected. Your cell phone or a hand-held gaming device like the portable PlayStation or the Nintendo DS and your PC or console will all be connected. On each of those you may have a different entertainment experience but all of them are very important to interactive entertainment in the years to come.

What are the opportunities and risks in the gaming industry in the longer term?

**Warren C. Jenson:** The principal risk is the same risk every software developer or developer of creative products has, and that is to lose your creative energy. Technology constantly improves and this of course allows us to enhance the entertainment experience. Still, there is the risk that as an industry, we aren't taking advantage of what technology is making possible, providing new and different and also more interesting entertainment experiences. Another opportunity I would like to highlight is the trend toward online gaming – every game developer has to be very mindful of that when inventing new experiences. It's changing everything.

Do you see any opportunities for ancillary products and services such as in-game advertising, mobile gaming and microtransactions?

**Warren C. Jenson:** Dynamic in-game advertising is quickly becoming a reality. Dynamic advertising is happening online and it can change in an instant. If you're an advertiser you can put one advertisement in today and tomorrow you can change it. In the next generation of gaming consoles this will become more and more prevalent. With the Xbox 360, the PlayStation 3 and the Nintendo Wii you will see dynamic in-game advertising continue to grow. Microtransactions are already a reality. A microtransaction is a download of additional game content for a fee. If you wish to buy a new car in a racing game, or customize the clothing of your character, or buy energy drinks for your athlete, you can download these elements into the game you're playing. This is a reality in many games today and it will be an opportunity in most games as we move forward. ■

---

# How to profit from leisure

---

Lars Kalbreier, Head of Global Equities & Alternatives Research, Pascal Rohner, Equity Analyst

Leisure holds a central position in modern society. Throughout the 20th century, government social policies such as cuts in working hours and the implementation of retirement schemes led to an increase in leisure time. This trend is likely to continue, given the growing importance being placed on individual well-being, and the changing desires of baby boomers as they retire. As a result, in some economies, some 20% of the workforce is now involved in goods and services dedicated to the leisure time of others. On the other hand, a widening imbalance still looms between the amount of available free time and disposable income. Well-paid managers, for example, often have little leisure time at their disposal and are ready to pay a high price for personalized leisure. This concept is likely to emerge as a global trend as a broader group of people will seek more individual and a qualitatively better recreational time.

Individual well-being will gain in importance. The transition into a feel-good society has altered this perception and also given rise to the term “new luxury.” The motive for consumption is no longer social differentiation, but rather individual well-being. New luxury goods are less pricey than traditional luxury items, but are distinguished from “budget” products through the perceived quality, lifestyle and service enhancements they bring: iPods and Starbucks, as well as fashionable sports apparel, are prime examples. The frontiers of leisure are also extending to our shopping habits: shopping will increasingly switch from being an everyday pain to a pleasure, helped by the development of new shopping complexes incorporating cinemas, restaurants and fitness centers. International real estate companies with a focus on retail will reap rewards from this trend.


Furthermore, the desire for greater social well-being will increasingly become a global trend. Consumption differences between the West and Asia may consequently disappear – many young Asians of the Internet generation (Generation Y) say they want to orientate their lifestyles more toward leisure and consumption. The emergence of new technologies that modify existing leisure goods will dramatically alter the leisure market further. State-of-the-art video games enabling you to speak to your counterpart and the ability to watch TV via mobile phone or iPod are indications of the impact technology will have on leisure. Manufacturers of screens and memory chips, as well as content providers, will all profit from this trend. China’s emergence in the world of multimedia, notably the opportunities surrounding the 2008 Beijing Olympics, also offer good investment opportunities.

In coming years, we also expect that nanotechnology will become more and more important in leisure equipment: engineered sportswear, fashion, entertainment systems and vehicles will increasingly rely on innovations in this area.

Tourism will still remain big business in the leisure world of the future. Tour operators will benefit from changing demographics, as growing numbers of retirees learn to fill their “twilight leisure time” creatively. Cruise line operators will be among the main benefactors. Finally, for many people, dedication to appearance, health and spirit during their free time will also become important. In the next pages, readers will discover how leisure trends will evolve and how to benefit from these trends through selected investments. ■

---



	<b>The shopping experience</b> Page 36		<b>Mouthwatering new luxury goods</b> Page 43
	<b>Rediscovering television</b> Page 37		<b>Nanotechnology: Boosting the value of leisure</b> Page 44/45
	<b>Investing in education</b> Page 38		<b>Networked gaming</b> Page 46
	<b>Europeans and Americans love traveling</b> Page 39		<b>Anti-aging: A new favorite pastime</b> Page 47
	<b>China's new communication era</b> Page 40/41		<b>Sports industry races ahead</b> Page 48
	<b>Health and wellness enter the fast food sector</b> Page 42		

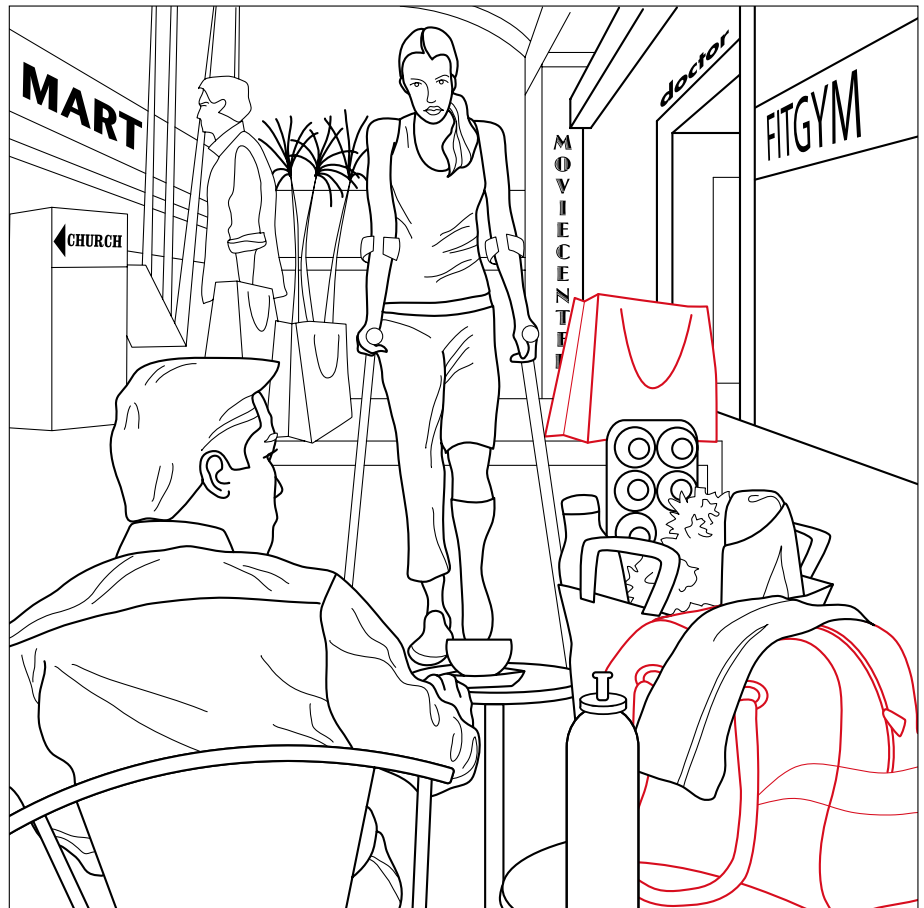
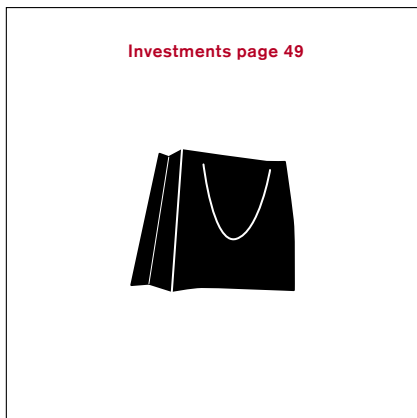
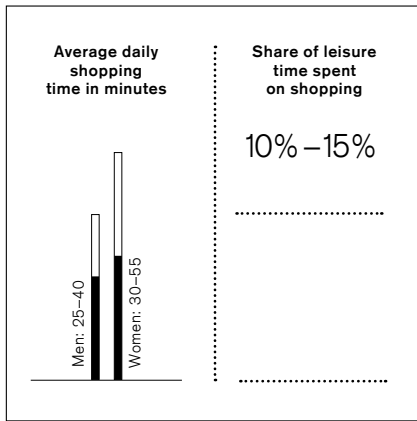


Illustration: Wolfgang Flämmer

## The shopping experience

Nowadays, shopping does not only serve to satisfy consumption needs. It has also evolved into one of our most important leisure activities. Recent surveys reveal that men spend on average between 25 and 40 minutes shopping every day, while women spend even more, up to 55 minutes. Factoring out sleeping and working time, we therefore apportion 10%–15% of the total time budget at our disposal to shopping.

As consumers are increasingly pressed for time, many do not want to waste that precious commodity searching far and wide to meet their requirements, preferring to find as much as possible under one roof. Hence, modern, spacious shopping centers fulfill the present-day needs of consumers offering a vast array of diverse products, services and activities. In this regard, shopping malls are striving to create a memorable experience for consumers and aiming to tempt them to return again and again. Successful shopping centers lure consumers with a variety of incentives: besides traditional food and fashion shops, offerings range from gourmet restaurants to takeaways, from massage therapy sessions to health care centers. Cinemas and entertainment venues such as discos, bowling alleys and fitness centers may also form part of a successful tenant mix. The objective here is to entice consumers to return to the shopping center throughout the day – at lunchtime or during coffee breaks in the restaurants, in the evening to the cinema, disco or fitness studio.

Location and proximity to transportation infrastructure are also important factors in establishing a successful shopping mall. The power to lure consumers to a shopping center is closely linked to the ability to achieve the right tenant structure, and these factors, in turn, are vital to the economic success of a shopping center. Operators can ask higher rents in places that register a strong flow of customers and they also reap benefits directly from customer flows through sales-linked clauses in rental contracts.

Larger shopping centers that offer entertainment activities and events have created success stories worldwide. Such facilities can be found in Manhattan, Sydney, Paris, Brazil and even Asia. In Eastern Europe, where such malls were scarce until recently, shopping centers are currently enjoying a boom. In the Bulgarian capital, for example, the first modern shopping center (Mall of Sofia) opened its doors in 2005, featuring, among other things, a 12-screen multiplex cinema. **Eric Güller, Zoltan Szelyes**

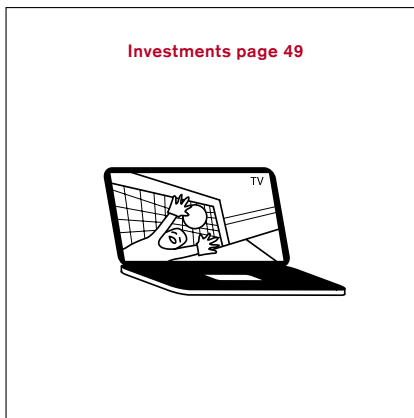
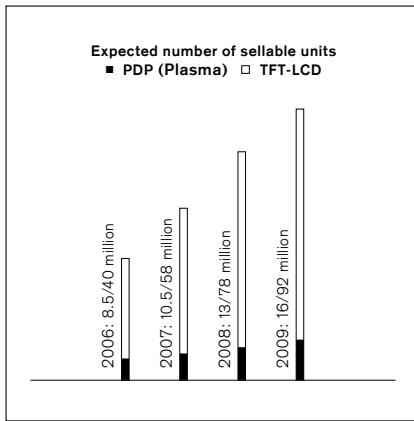


Illustration: Wolfgang Hametner, Source: Supply, DisplaySearch, CS

## Rediscovering television

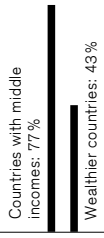
The ways in which we watch television — how, where, when and what — will change radically in the future, giving people greater choice over how they interact with this ubiquitous leisure tool. Consumers will no longer need to decide between television and other leisure activities, increasingly combining them to make more efficient use of their limited free time. Until recently, TV viewers were, for the most part, confined to their living rooms. But improving consumer electronic technology, more efficient infrastructure and the fast-expanding world of digital media are all helping consumers to watch television wherever and whenever they desire. In the era of laptops, mobile phones and iPods, consumers have virtually unlimited access to television programs and podcasts. Moreover, the increased storage capacity of consumer electronic equipment confers on viewers liberty to watch TV when they want.

So perhaps you want to catch a vital football game on TV, but the weather is great and you would also like to go swimming with friends. Thanks to mobile electronics equipment, such as laptops and mobile handsets, there is no longer a choice to make here, since you can enjoy both activities. A laptop equipped with a DVB digital TV card provides reception of terrestrially transmitted television, while a TV-equipped mobile handset offers an alternative means of viewing — and may be able to display individual video clips, such as the replay of a goal. Personal video recorders

(PVRs) constitute a third option, allowing time-delayed television viewing.

Viewers are increasingly able to have a greater say in what they watch too, compiling their favorite programs themselves using “video on demand” (VoD) technology. Selecting a VoD provider will become easier, as consumers gain from stepped-up competition between cable operators and telecoms companies. Both groups are offering customers the so-called triple play of television, Internet and telephone in one package, their products differentiated by quality, price and/or content. The content providers are also likely to benefit from this. The triple play will lead to a fusion of the television with the PC, as laptops become more suitable for the living room and serve as the hub for all forms of digital media: television, photos, video, music archives and so on. This will, in turn, facilitate private and commercial exchange in these media and enhance opportunities for social networking through technology. The TV experience will stop being a one-way flow from screen to the passive viewer. Exchanging recipes, developing hobbies to the full and offering advice on every aspect of life are things that will no longer be conceivable without using the new generation of TV/PC media. **Ulrich Kaiser**

Growth in enrollment in post-secondary educational institutions in the past 10 years



China is the world's largest market for education

USD 72 bn

Investments page 49

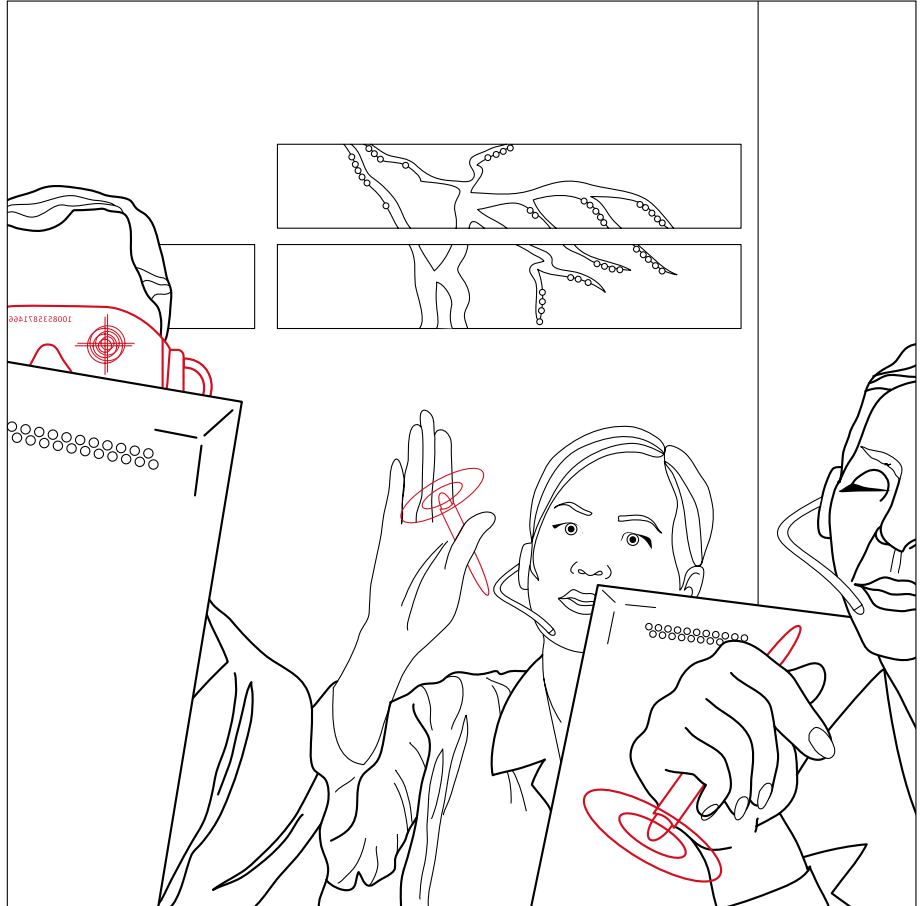
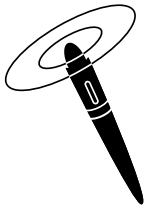


Illustration: Wolfgang Flämmer

## Investing in education

We expect private education services to grow rapidly on the back of the need for advanced and professional learning, led by rising demand in emerging markets and the changing requirements being made of personnel in Western countries. The public sector has been slow to react to these changes, and is unlikely to meet the new expectations of the industry, creating an opportunity for the private sector to grow.

We identify three catalysts likely to stimulate increased demand for educational services in coming years: **1.** Emerging markets' demand is rising: the wealth effect of recent years in flourishing economies has seen the growth of a middle class keen on education for their children. For example, in China alone, the number of post-graduate students has risen by 77% in the past decade, compared with 43% in Western countries. We expect this trend to continue as sustained, private sector-led, economic growth boosts the development of the middle class in many emerging markets. **2.** Continuous education is becoming a crucial factor for success: in today's fast-changing business environment, new techniques, new tools, and new knowledge are key to remaining competitive. Therefore, employees increasingly need to take courses whilst in employment in order to keep up with changes. **3.** An increasing number of retired people in Western countries intend to use their leisure time more actively: there is a clear trend in which older peo-

ple are starting to spend more time on mature learning. We believe that the education market will increasingly focus on this new target group.

Flexible courses offered parallel to the job, personalized services and seminars on brand-new techniques are the most-often requested services. The public sector is unlikely to live up to the challenges posed by this increase in demand for education. The public sector requires administrative approval for changes. It is also limited by the legacy of the past (such as the lack of courses provided in English in many countries) and is mostly geared to mass education, not to working adults with specific requirements, particularly in fast-growing economies.

As a result, the private sector is increasingly seen as an attractive niche market capable of providing the self-improvement services needed by people living in emerging markets and for working adults. To illustrate this trend, an increasing share of multinational firms are signing outsourcing contracts with private education firms to offer regular training to their employees. **Eritra Ibrci**

Expected  
annual growth  
in cabin capacity  
of cruise ships  
between  
2004 and 2009

In North America

+8%

In Asia

+2%

In Europe

+6%

Investments page 49



Illustration: Wolfgang Hametner

## Europeans and Americans love traveling

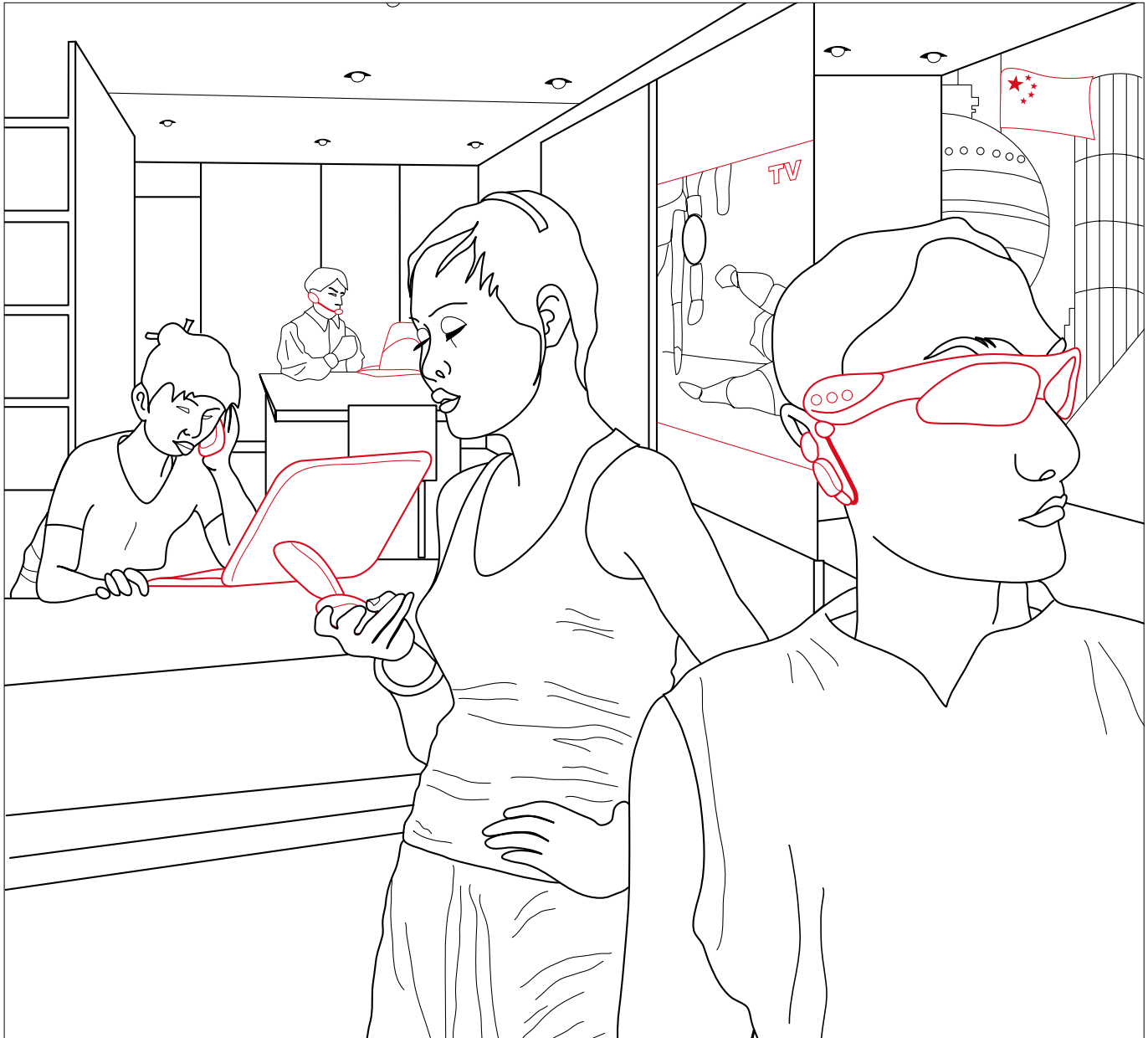
Shortly after the "Queen Mary 2" became the world's largest cruise ship, the "Freedom of The Seas" surpassed it. Making its maiden voyage in April 2006, this floating hotel – 339 meters long and 56 meters wide – can carry up to 3,800 passengers, offering them a dazzling range of activities and entertainment. The cruise ship industry is booming. Current shipbuilding capacity will be fully utilized for years to come because demand for cargo ships is also very high. We estimate cabin capacity will increase at an annual rate of 8% in North America between 2004 and 2009, by 6% in Europe and 2% in Asia. This growth differential mainly reflects the greater wealth of the baby boomer generation in the West, which is becoming the major target group for the cruise ship industry. We expect some scaling effects as rising supply meets what we believe will be even stronger rising demand.

Cruise ships are now being built with specific age groups in mind. Active seniors from Europe and North America appreciate what floating hotels calling at a different port every day can offer. So the rising number of retirees with money to spend represents a growing pool of potential customers. In our view, this segment is not only growing in number but also in quality, with the new ships being built for it mainly offering four- and five-star facilities. Another target group that cruise ship companies are rediscovering are the growing ranks of young singles with adequate incomes. Party

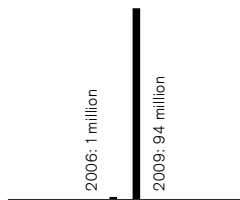
ships like those operated by AIDA, which belongs to the Carnival Group, are becoming increasingly popular. The key point for this target group is a mixture of socializing and adventure. This segment is likely to grow in numbers but less so in terms of extra content, since all-inclusive packages are very popular.

To meet customer needs, more niche offerings are being marketed, such as cruises with land-tour packages – these are mainly to northern destinations such as Alaska and Canada, but also to new markets, like Eastern Europe, as they open up. This segment offers good growth potential with rising margins as demand for additional services, such as excursions and day tours, picks up. Another new field is low-cost cruising of the type offered by easyCruise, an initiative of Stelios Haji-Ioannou, the founder of easyJet. Since low-cost cruise shipping is a very new category, direct investment patterns are yet to be established. However, a similar situation can be witnessed in the airline industry, where national carriers managed to close the gap with low-cost rivals on some fronts while also expanding their luxury product to earn better rents. The all-new A380 aircraft, when it is finally delivered, will offer a new luxury class segment, generating better margins. The travel industry seems set to expand in the low-cost and luxury segments, while that aimed at the middle classes could fade. **Markus Mächler, David Williamson**

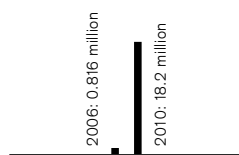




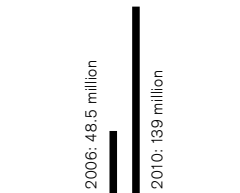
Mobile TV subscribers



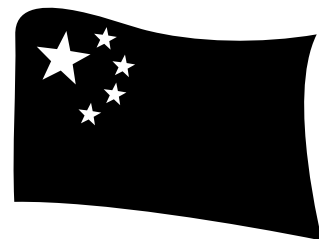
IPTV customers



Number of subscribers in broadband sector



Investments page 50



## China's new communication era

For the 449 million mobile service subscribers in China, the world's largest wireless market, watching TV on mobile handsets is no longer just a dream. Although still in their infancy, mobile TV services in China are expected to take flight, with the Beijing Olympics in 2008 providing the biggest catalyst driving mobile TV subscriber growth. The Chinese government is pushing for widespread availability by the time of the Olympics and, according to the latest market research, there is strong potential demand for mobile TV services. So there is every possibility that a mass market will emerge in the next three years. To pave the way for broadcasts during the Olympics, China will begin testing its digital multimedia broadcasting (DMB) technology in mid-2007. Research group In-Stat forecasts the number of mobile TV subscribers in China will grow to 94 million by 2009 from around one million in June 2006. Government studies estimate that 8% of China's mobile phone users will subscribe to mobile TV services within five years.

As China enters the new mobile era, with 3G licensing expected in Q1 2007, consumers will experience attractive offerings like sports news, TV drama, music videos and weather forecasts on their mobile phones – brief broadcasts lasting less than 15 minutes and so perfect for killing time while commuting or taking a lunch break. According to the Xinhua news agency, China's mobile TV market is projected to grow to CNY 6.05 billion (around USD 770 million) in 2008. In addition to mobile phones, personal digital assistants (PDA) and MP4 players will also be able to receive a mobile TV signal in China by 2008.

### High-speed Internet for the entire city of Beijing

Shanghai Dragon Mobile Information Ltd, a subsidiary of Shanghai Media Group (SMG), signed a strategic licensing agreement with ROK, the UK-based mobile technology and entertainment developer, in May 2006 to develop mass-market 2.5G mobile TV technology in China. SMG is the only approved content-supplier for China Mobile, the world's largest mobile network operator. The agreement allows SMG to deploy multichannel mobile TV services to 2.5G handsets across China via GPRS and will include international and Chinese-language channels. Along with mobile phones, TV will be the most popular electronic medium for Chinese consumers in the 21st century. With 128 million cable-TV-service subscribers and

380 million TV households, China is the world's largest TV market and is well poised to become the world's largest market for Internet Protocol Television (IPTV) before the end of this decade. The Chinese government has placed a strong emphasis on bringing the cable, broadcasting and telecoms industries together to deliver the best services for the Beijing Olympics.

### Everyone wants IPTV

The government intends every household in Beijing to have access to high-speed Internet by 2008 as part of this development. Over the past three years, China's broadband sector has shown a compound annual growth rate of 79%. With 36.9 million subscribers in 2005, it was already the second largest broadband market in the world, behind the US. The Chinese broadband market has sustained strong growth since then to reach 48.5 million subscribers in September 2006.

With a broadband penetration rate of only 3.7%, there is enormous upside potential for China's broadband market in the long run. IT and telecoms consultancy Ovum forecasts there will be 79 million broadband households by end-2007, turning China into the world's largest broadband country. The sector is then projected to grow a further 76% to 139 million subscribers by 2010.

At present, IPTV services have a restricted reach. There is potential to expand but for now they are limited to trials by key operators, including SMG and China Central Television (CCTV), the two earliest holders of IPTV licenses in China. Two more IPTV licenses were recently granted to Southern Broadcasting and Media Group and China International Broadcasting Station. It is estimated that there are 816,000 IPTV customers in China today. In-Stat projects that China will have as many as 18.2 million IPTV subscribers by 2010 and that IPTV set-top box shipments will jump from 100,000 units in 2005 to 8.7 million units by 2010.

Chinese telecoms operators are increasingly keen to introduce IPTV services, given stiffening competition in their traditional fixed-line businesses and improving technologies. They are in a good position to succeed, given the significant DSL subscriber base in China, which provides a ready pool of potential IPTV subscribers in the run-up to the Beijing Olympics. **Fan Cheuk Wan**

Sales growth of probiotic milk-based drinks in 2005

+17%

Investments page 50

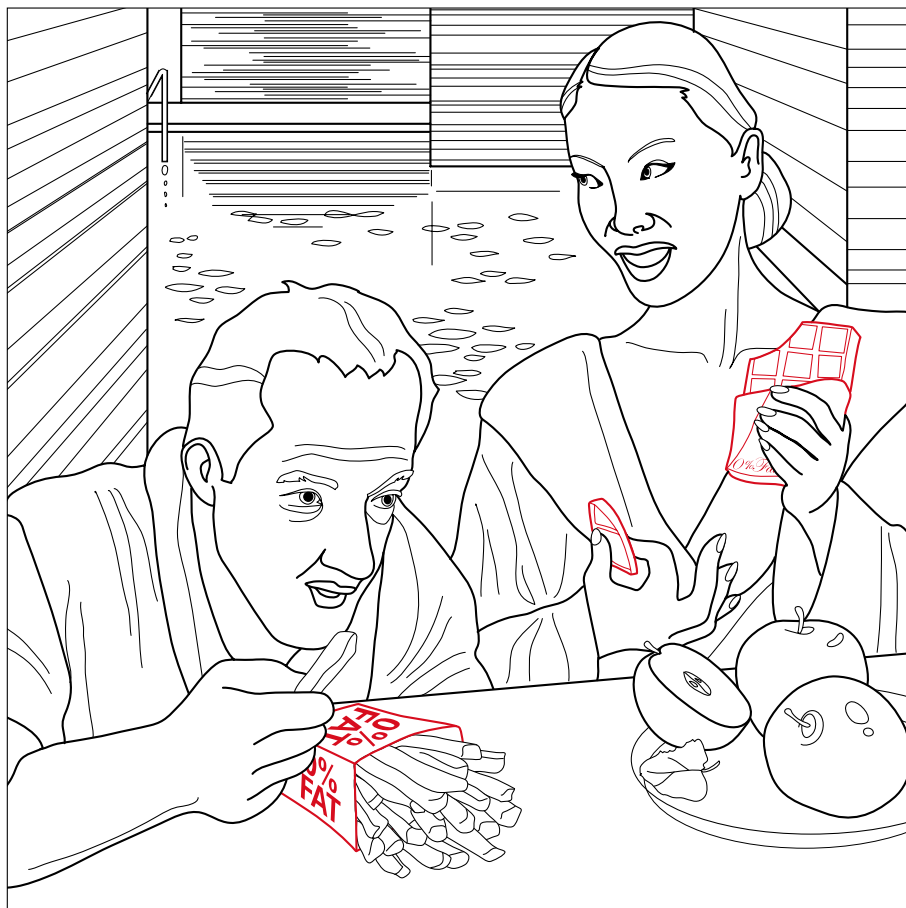


Illustration: Wolfgang Flämmer; Source: AC Nielsen

## Health and well-being enter the fast food sector

The political will to tackle the health risks of obesity is gathering momentum across the developed world, as New York's recent decision to ban food containing artificial trans fats from all 24,000 restaurants in the city illustrates. The cost of treating associated diseases, linked to elevated cholesterol levels and cardiovascular disorders, is placing such a burden on stretched health systems that remedial action is now widely seen as highly desirable. It is little surprise then that this increasing focus on health and well-being is also a dominant trend in the consumer foods industry itself. We believe this trend will accelerate over the next couple of years, as consumers become ever more health-conscious.

Over the last few decades, the increasing participation of women in the labor force, the more intense usage of time and the resulting shift in eating habits towards fast food and out-of-home consumption have fostered the growth of easy-to-consume products. Today, the demand for convenience products is overwhelming. As health awareness among consumers extends to the fast food sector, the industry has been reducing trans fats in their products. Mineral water, tea and fruit juice consumption is outpacing that of carbonated soft drinks; while the market in drinkable dairy products with active benefits is faster growing than that for confectionery. As consumers seem increasingly willing to pay a premium for products perceived as healthy and which are branded, this is offering a high-

growth and margin expansion opportunity for the industry, driven by premium pricing and increasing the price per volume unit. We believe that the division within the food manufacturing sector between those companies that adjust their product portfolio to match these trends and those sticking with lower-performing, old-style business will become accentuated. Regulations, currently being proposed for the European Union, are likely to put further pressure on the viability of high-fat/high-sugar products. The companies that invest in research & development to improve their food technology for the benefit of the mass market are likely to be those that prosper.

We believe it will be critical for the food manufacturing industry to shift its product portfolio out of slow-growing categories such as frozen food and traditional confectionery into nutrition-oriented products, healthier ready meals and snacks and water, as well as improving the nutritional profile of their existing product portfolio. Since consumers do not seem willing to completely exclude chocolate, snacks and cookies from their diet, we believe that another challenge will not only be to improve knowledge of potential health risks in those food categories, but also to genuinely improve their nutritional profile. **Olivier P. Müller**

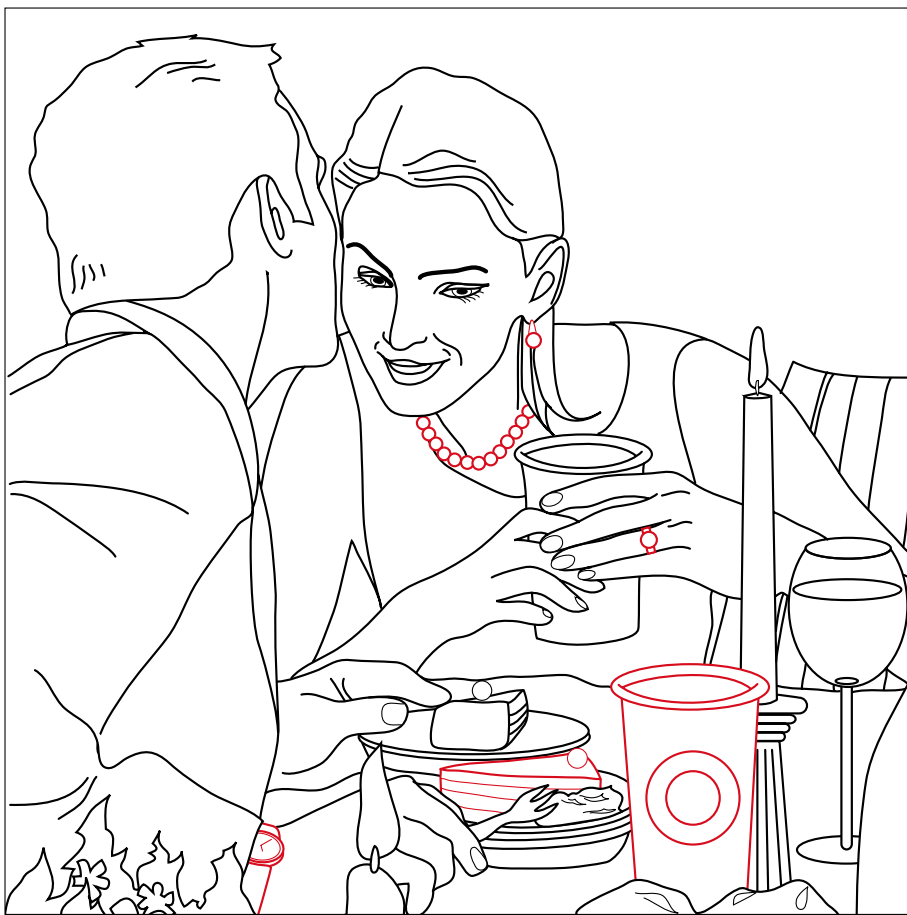
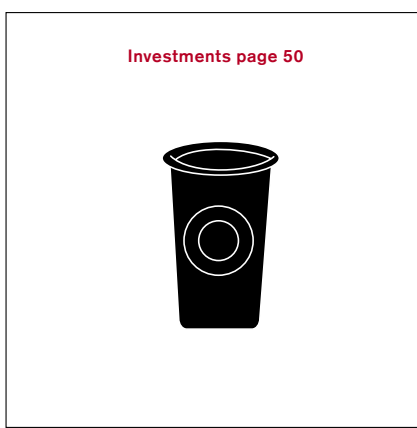
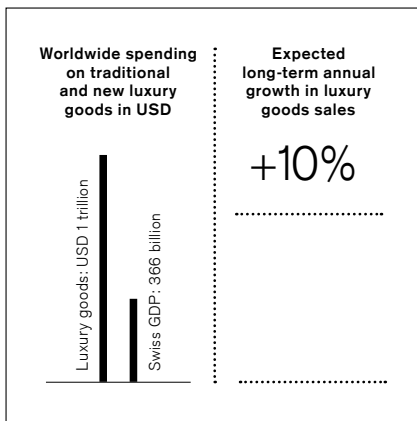


Illustration: Wolfgang Hametner

## Mouthwatering new luxury goods

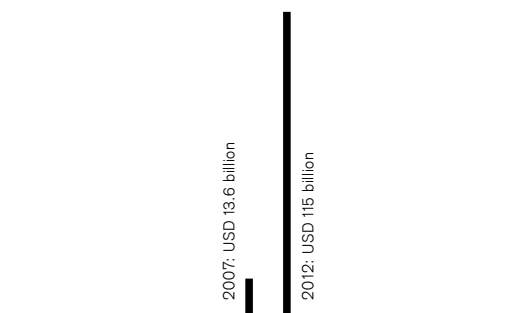
Consumers worldwide spend approximately USD one trillion every year on traditional and new luxury goods — the equivalent of the entire GDP of Spain or three times that of Switzerland. It is a sum that many believe will continue to grow at a rapid pace in coming years. However, the consumer's perception of luxury is no longer just about "traditional" luxury brands, such as Louis Vuitton, associated with the core attributes of creativity, craftsmanship, exclusivity, innovation and premium pricing. Now there is also "affordable" luxury, which is about goods within a product category selling at a significant premium to the average, offering not only better quality and availability than peers but also binding consumers emotionally. Consider, for example, Starbucks and Lindt & Sprüngli. While the former, an emblematic new luxury brand, charges a premium of around 50% over similar coffee products for a pleasurable experience, the latter has managed to garner a significant share of the premium chocolate market worldwide. Both traditional and affordable luxury are exposed, to a greater or lesser extent, to powerful economic, demographic and cultural trends. The wealth effect in emerging markets should support consumption and travel, while, in the West, luxury goods demand should continue to benefit from rising income inequality and discretionary income, as technological innovation, global sourcing and retail polarization continue to drive down costs. Other powerful engines for growth in the luxury goods

market are migration to the cities in China, as well as an increasing pool of aging baby boomers in mature markets with a propensity to spend more on higher-priced items. Cultural shifts, the increased spending power of women and customer sophistication should also help global luxury goods turnover grow at more than 10% per year in the longer term.

The trend toward premium goods or affordable luxury is more of a mature markets phenomenon. In his book "Trading Up: The New American Luxury," Michael Silverstein distinguishes more than 30 categories; from travel to food and personal care, where consumers trade up to premium products and services that are positioned below traditional luxury goods. Pressured by time, stressed by work, living in a complex world, sophisticated Western consumers are willing to pay more not only for quality and performance, but also for comforting emotional benefits. Changes in retail structures, greater availability of capital and efficient global supply-chain management systems have enabled established companies and new entrants to take advantage of this trend. Firms in the affordable luxury segment, which can create, manufacture and deliver superior products, normally generate superior growth and higher returns and offer attractive long-term investment opportunities. **Robin Seydoux**



Size of the market for textiles that use nanotechnology



Investments page 50



## Nanotechnology: Boosting the value of leisure

Traveling up into the earth's atmosphere by elevator; swimming in cold water like a polar bear without freezing; playing sports without having to wash your sweaty clothes afterward; using mobile handsets and PCs mounted on your body like a second skin; performing daily check-ups on your health without going to the doctor; accessing electricity from anywhere without an electrical outlet; flying away on vacation without contributing to the expanding hole in the ozone layer – are these all impossible aspirations? The proponents of nanotechnology say this nascent scientific field could help realize such leisure-time dreams in the near future.

### Nanotechnology reaches for the stars

The incentive to satisfy such needs is often mankind's burning desire to shape life in a more secure, pleasant and interesting fashion. Technological advances have always played an important role in enhancing the quality of life and, thus, leisure time as well. In the last 100 years, mankind has accomplished amazing feats through technological progress, thereby raising the level of prosperity and boosting leisure value. The automobile, radio, television, washing machine, airplane, telephone and light bulb are all products that have enhanced the qualitative and quantitative aspects of our leisure time. They have improved communications, reduced the amount of time expended on housework, or expanded mobility through long-distance travel.

In the past 30 years, findings from the space programs pursued by the US and Russia provided the foundations for a new stage of technological advancement. A vast array of modern, mass-produced products — such as color television, video and DVD recorders, laptop computers, mobile phone or the Internet — have completely changed our leisure-time activities, especially in the fields of communication, information technology and media consumption.

With the digital revolution well under way, nanotechnology is now the bearer of hope for a new age of technological progress, which could herald the era of an environmentally friendly society of greater leisure and well-being. In the search for new realms of experience with nanotechnology, we quickly encounter a somewhat amusing Utopian world. For instance, the tensile strength and frac-

ture resistance of mesh-like interlocking carbon nanotubes, spun into circular nanotube-composite cable, could enable the construction of an "elevator to the stars." A thin, wide "nanocable" would connect from a point on the equator to an orbiting space station, braced by the earth's gravitational pull. Heavy payloads could then be transported along this nanocable from the earth's surface up to the space station. While the idea of a "space elevator" being built seems rather distant (though NASA is seriously studying this project), the influence of nanotechnology in the leisure industry is already growing in fields such as sportswear, fashion, entertainment and information electronics as well as energy-efficient transport.

### From germ killer to energy source

The market for textiles that use nanotechnology applications is already valued at USD 13.6 billion and should grow to more than USD 115 billion by the year 2012, according to nanotech research firm Cientifica. High expectations have been set, particularly for the sport and leisure textiles subsector. For example, new optical fibers can be utilized that permit iridescently changing color effects, while light, easy-to-wear electronic communication or information components, such as pliable flat-screen displays, can also be incorporated into textiles. Another interesting development made possible through nanotechnology applications is the use of biosensors in textiles, which monitor the state of health of the wearer. Strong demand for such a function could come from people in need of care, in particular. Furthermore, in the foreseeable future, ultra-thin nano solar-cell films or state-of-the-art nanobatteries will likely be used in textiles as energy sources for the aforementioned functions. Last but not least, stain- and odor-repellent nanomaterials should help reduce the amount of time expended on washing clothes. Nanotech products will likely find their way increasingly into households: especially materials that help keep households clean, such as stain- and odor-repellent sealants for toilets, or those for windows, letting raindrops drip off without leaving behind dirty streaks. These are all attributes of products that will boost our leisure value and enhance our sense of well-being. **Uwe Neumann**

Expenditures on television advertising in the USA	Expected growth rate of video game market in 2006
USD 50 bn	+10%
Expenditures on in-game advertising (IGA) and microtransactions in the USA	in 2007
USD 0.1–1 bn each	>+20%

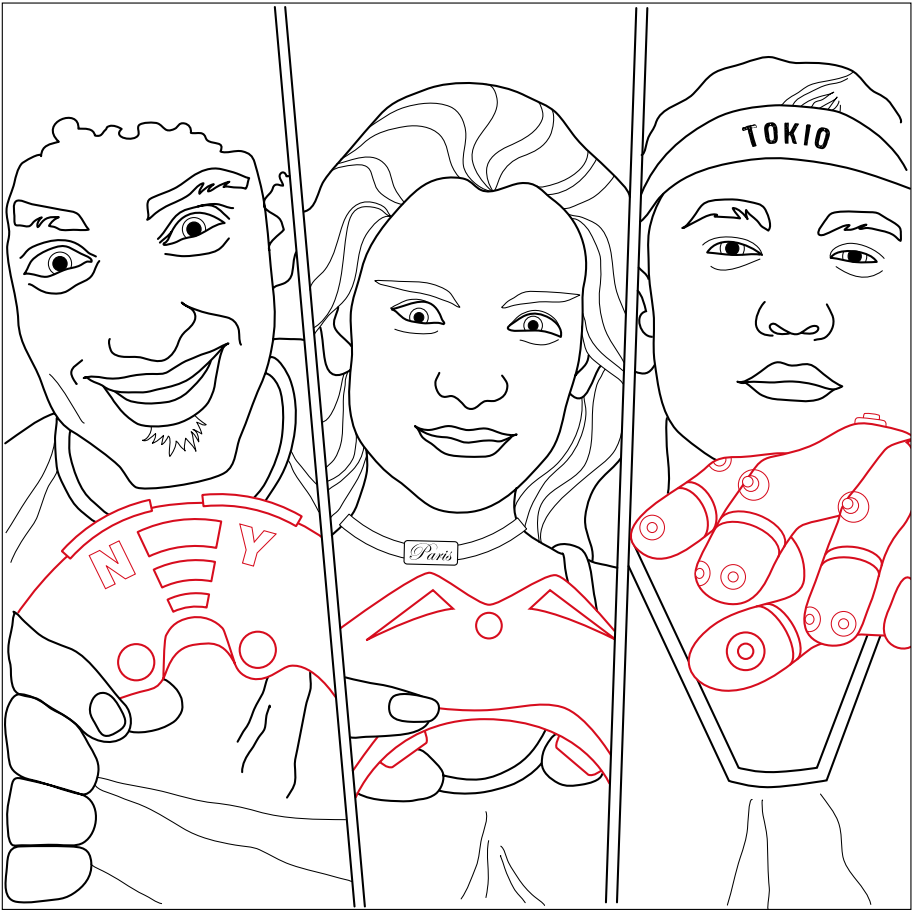
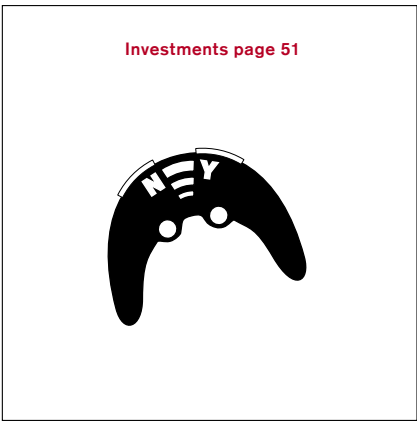


Illustration: Wolfgang Hamelner

## Networked gaming

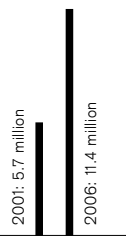
"Hai itz m3. c2c" "bz. way" "bawt a nu mmorpg 4my mactel, wpg l8tr :))" "nk. wich 1" "WoW, im a newb" "np m32" "lol" "wen" "tomm?" "wad ^5" "tc"

"Hi, it's me, care to chat?" "Busy. What about you?" "Bought a new Massively Multiplayer Online Role-Playing Game for my Mac-Tel. Want to play a game later? (big smile)" "No kidding. Which one?" "World of Warcraft, I am a newbie." "No problem, me too." "Laugh out loud." "When?" "Tomorrow?" "Without a doubt (high five)." "Take care."

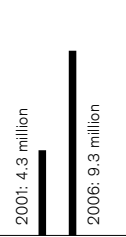
Thousands of online video game plays have begun with a similar conversation – using the increasingly common digital language of Generation Y. Broadly, Gen Y-ers were born in the 1980s or '90s and use the Internet as an integral part of their daily lives. The group is as large as the baby boomer generation. Gen Y is rapidly gaining economic power. While Boomers know a world of telephone socialization, newspaper reading, and television watching, the Gen Y spends its time with video games, digital social networking platforms such as MySpace, and real-time Internet news sites. Boomers get their entertainment and news through passive listening/watching, but Gen Y, in contrast, nearly controls its media environment. The trend strongly favors the video game industry, in our view; overlapping with a strong new console cycle. We expect the video game market to have expanded roughly 10% in 2006, and to

accelerate at over double that rate in 2007. The new console cycle marks a massive online migration for the industry that opens up potentially vast new revenue streams to gaming companies. The pay-to-play subscription model and wireless gaming are just two of these. As gaming moves into Gen Y's digital living room, it threatens to divert eyeballs away from the television, where advertisers, in the US alone, will spend roughly USD 50 billion this year. In-game advertising is a novice industry with vast potential, in our view. Such ads could also subsidize game development costs, facilitating lower selling prices, and bringing gaming to a wider audience over the next five years. Microtransactions provide another opportunity, involving very small fees to buy high volumes of things such as in-game equipment, characters and theme music. Our industry sales forecast does not include any of these new streams. We believe each could generate USD 500 million to 1 billion over the next five-year cycle. **Steven Soranno**

Increase in overall number of instances of cosmetic surgery in the past five years



Growth of noninvasive cosmetic surgical procedures



Investments page 51



Illustration: Wolfgang Hametner

## Anti-aging: A new favorite pastime

In the US, the aging baby boomer generation is set to trigger growing demand for anti-aging products. Today, the baby boomer demographic segment represents 25% of the US population and controls approximately 50% of all discretionary income in the country. The wealth and size of this group, combined with its desire to remain youthful-looking, are key drivers that will boost demand for aesthetic procedures in the near term.

The American Society for Aesthetic Plastic Surgery reports that, in 2005, total expenditure on aesthetic procedures in the US was approximately USD 12.4 billion. In the last five years, the total number of aesthetic procedures increased from approximately 5.7 million to over 11.4 million, representing a 15% compounded annual growth rate. This growth is primarily due to an increase in noninvasive aesthetic procedures, which rose from 4.3 million to approximately 9.3 million. Patients, both female and male, are seeking treatment for wrinkles in larger numbers than ever before. The baby boomers are active; they do not like spending time in recovery away from work and family activities, and are constantly looking for noninvasive or minimally invasive alternatives to plastic surgery. A number of speciality pharmaceutical and medical device companies in the US are taking advantage of this new trend by developing products addressing the needs of the baby boomers, while helping them maintain their active lifestyles. As a result, we expect to see

more companies developing minimally invasive, long-lasting facial dermal fillers and noninvasive, skin-tightening, energy-based treatments. Dermal fillers are natural or synthetic substances that are injected below the skin to fill lines and correct wrinkles, helping to add volume to facial areas for a more youthful look. The new dermal fillers, expected to enter the US market in the next couple of years, last longer and contain larger hyaluronic acid gel particles that treat deeper wrinkles, which makes them suitable not only for women, but also for men. The noninvasive skin-tightening treatments of the future include devices that use radiofrequency energy to penetrate the skin deeper than a regular laser. The energy used heats and shrinks collagen, tightens the dermis and the tissue underneath it while simultaneously cooling and protecting the surface of the skin. The heating of the collagen initiates a healing process, which further tightens the skin and reduces wrinkles over a period of time. The procedure requires no recovery time. **Tania Dimitrova**



Growth in sales in the sportswear sector in the last two years

+7%

Worldwide sales in the sporting goods industry in 2006

USD 73.8 bn

Investments page 51

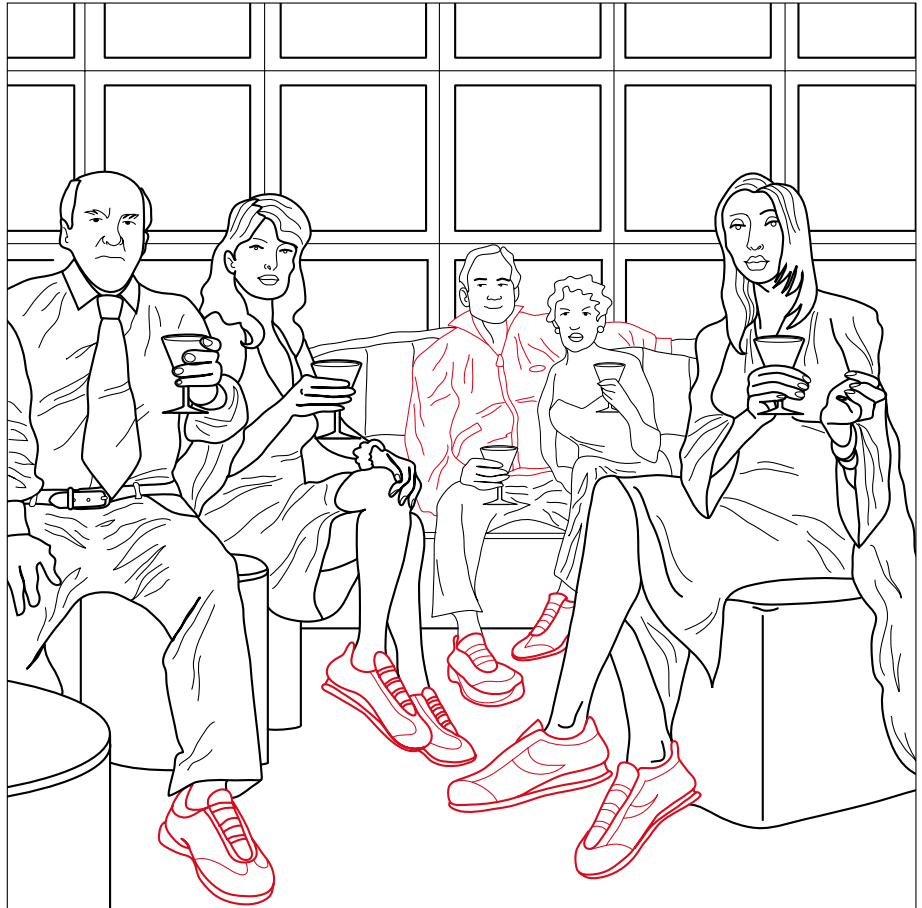


Illustration: Wolfgang Flämmer

## Sports industry races ahead

Over the past decade, the trend towards healthier lifestyles has gained momentum, boosting health and fitness club memberships substantially. In Germany and Switzerland, for example, memberships have almost tripled since 1992.<sup>1</sup> At present, almost 10% of the German population belongs to a fitness club. In Switzerland, spending on sports has risen to CHF 1,400 per capita annually, the largest share of which (30%) goes on apparel and shoes.<sup>2</sup>

As people around the world strive to achieve a better balance between work and leisure activity, the appetite for sports has grown, particularly among the active population with an above-average income. Consequently, apparel and footwear demand is climbing at a healthy pace. In the past two years, worldwide sales of sports apparel and footwear expanded roughly 7% per annum to total USD 73.8 billion. Demand is strongest for technically advanced gear and trendy items, particularly in the footwear segment, as people seek not only to improve their sporting prowess and reduce the risk of sporting accidents, but also to show off their leisure apparel in everyday life. Leaders in the sports industry have been able to reap the fruits of this use of sporting gear in wider society through their investments in research and development, design and retail outlets. Global footwear market share is currently dominated by three companies: Nike (36.6%), Adidas (22.2%) and Puma (6.9%), while the sports apparel market is much more fragmented,

with Adidas and Nike taking the top two slots at shares of 9.1% and 8.5%, respectively. Merger and acquisition activity is expected to rise, particularly in the apparel area, with the leading manufacturers likely to seek out niche players in certain sports equipment while capitalizing on their marketing power. We can, therefore, expect the leaders to become even more powerful in the coming years. **David Williamson, Markus Mächler**

<sup>1</sup> Karsten Hollasch and Fabio Mathias, Deloitte & Touche, "Health club management". <sup>2</sup> Markus Lamprecht and Hanspeter Stamm, Sport Schweiz 2000.

# Investments

## The shopping experience



Internationally active property companies with a retail focus not only reap rewards from their close ties to globally expanding retailers, such as H&M, Zara, Bulgari, Tesco, Carrefour and Wal-Mart, but also boast a high level of competence in shopping center management, a sense of local norms and innovative flair. In this regard, Westfield Group (HOLD), with strong businesses in Australia, the US and the UK, is the most innovative and successful globally active company. The US-based market leader Simon Property (HOLD) and European-based Dominator Rodamco (HOLD) should also benefit disproportionately in the long term from their market know-how and network of ties. For investors who wish to profit from growing earnings and expanding retail floor space in emerging markets, Meinl European Land (BUY) in Eastern Europe and Suntech REIT (HOLD) in Asia represent interesting real estate investments. **Eric Güller, Zoltan Szelyes**

## Rediscovering television



Opportunities are rife for the companies best positioned to supply the revived global television market. On the hardware side, Samsung Electronics (BUY) stands out for three reasons. First, the South Korea-based electronics giant is the world's largest manufacturer of LCD flat-panel displays and, as such, the most important supplier for PC and TV equipment companies, including Sony. Second, the group dominates the memory chip market in the field of NAND Flash as well as the DRAM segment. NAND Flash is required for storing data, including music and photos, on MP3 players and mobile phones, while DRAM serves primarily as storage capacity for PCs and game consoles. Third, Samsung Electronics holds the number three ranking in mobile handset production worldwide. MEI (HOLD) is the world's leading manufacturer of plasma screen TVs and Sharp (BUY) of displays for mobile electronic devices. By contrast, the content side is heavily dominated by US firms, among which we regard News Corp (BUY) and Walt Disney (BUY) as interesting investment opportunities. **Ulrich Kaiser**

## Investing in education



It is not easy to find "pure plays" in the private education sector, which benefit from both the growing demand from emerging markets and the growing needs of a competitive repositioning of developed countries. For example, China's rapid growth in recent years has created a big demand for certified professionals by Chinese and multinational companies, as well as government agencies. This has led to a corresponding increase in demand for high-quality professional certification preparation courses and materials. Companies like Pearson (HOLD) and Bright Horizons (BUY) could benefit in the long term from the growing trend to provide part-time education and personalized services to customers. **Eritra Ibroci**

## Europeans and Americans love traveling



As the world's largest cruise operator, Carnival (BUY) should benefit from the upsurge in demand for leisure activities. We expect some stabilization in 2007 Caribbean bookings and pricing. The recent decline in bunker fuel costs coupled with a slightly expanding margin structure should translate into mid-teen annual earnings-per-share growth. Carnival offers investors meaningful upside potential over the intermediate and long term. TUI (HOLD), one of the largest holiday operators in Europe, operates four top-class leisure ships, including the "MS Europa," along with 133 container ships. The positive impact from cruise activities has been overshadowed by integration problems at CP ships, the container shipping operation TUI acquired in 2005. However, these issues should be sorted out in the medium term, so we expect investor interest to increase again. Tallink (HOLD) operates ferry services in the Baltic region and is expanding into the leisure business. We see this recommendation not without risk but with good upside potential. **Markus Mächler, David Williamson**

**China's new communication era**



Chinese telecoms operators have developed a clear business model for streaming mobile video services over 2.5G and 3G networks. China Mobile (SELL) has signed agreements with phone-makers to buy TV-enabled handsets for a mass-market rollout of mobile TV services. China Telecom (HOLD) and China Netcom (BUY), as the dominant providers of broadband access services in China with a combined market share of 87%, should benefit from the rapid deployment of IPTV services in the run-up to the Beijing Olympics. Leading 3G equipment suppliers include Datang Mobile, Alcatel Shanghai Bell and Siemens (BUY). All these equipment providers are currently working with the Chinese telecoms operators on improving the interconnection between 2G and 3G networks. Being the sole designer of one of the TD-SCDMA trial systems, China Communications Services (HOLD) should directly benefit from national 3G deployment in 2007. On the TV broadcasting front, we believe pioneers in the development of TV-enabled handsets, including Nokia (HOLD) and NEC (HOLD), will benefit from China's commercial roll-out of mobile TV ahead of the Beijing Olympics. Other top-tier IPTV players in China include Huawei, Siemens and Alcatel-Lucent (BUY). **Fan Cheuk Wan**

**Health and well-being enter fast food sector**



We believe that those companies which have started investing a lot of R&D into and moved their product portfolio towards higher value-added products are now best positioned. In Europe, Nestlé (BUY) and Danone (BUY) are our favorite stocks. They have been successfully focusing on "health & well-being" in recent years, particularly with regard to nutrition products and also water. We believe that Nestlé will continue to transform its portfolio out of commodity-type products into high-margin, high-growth nutrition products, partially by acquisitions. Danone, with its fresh dairy products, beverages and biscuits has an excellent stake in the fastest-growing and most profitable categories. In the United States, by contrast, the tone has been more on improving the nutritional profile of categories that used to be considered unhealthy. We highlight PepsiCo (BUY), which improved its snacks portfolio towards "better-for-you" products and now has one of the best offerings of healthy food snacks. Kraft (HOLD) differs from other US names, as it has a strong focus on introducing health and well-being into all its product categories. McDonald's (BUY), the world's largest fast food restaurant chain, has been a prime mover in the sector, introducing a number of product innovations, including a variety of salads and reducing trans fats. **Olivier P. Müller, David Williamson**

**Mouthwatering luxury goods**



Lindt & Sprüngli (BUY) has successfully positioned itself in the premium chocolate segment through a high degree of innovation and continuous investment in its brand. The company now benefits from strong demand for high-quality chocolate and trading up by customers to Lindt & Sprüngli's "new luxury" products. Because of its excellent business model and the company's entry into fast-growing new markets, we believe Lindt & Sprüngli is an attractive long-term investment vehicle. Starbucks (HOLD) has captured the attention of both consumers and investors with its rapid growth over the past decade, and the brand has achieved near-iconic status around the globe. Significant growth prospects remain in both the US and overseas. Starbucks is also becoming more than just coffee; it is evolving into a leisure/lifestyle experience for consumers through its own-label merchandise and product tie-ins to other brands. Expectations for growth remain very high. **Robin Seydoux**

**Nanotechnology: Boosting the value of leisure**



Japanese companies are the leaders in the use of nanomaterials and nanoapplications within the textile industry. One such example is the firm Teijin (HOLD), which has developed the only color-optic textile fiber (Morphotex) that emulates the natural iridescent colors emitted by the South American Morpho butterfly, changing color depending on the incidence of light and shimmering like a rainbow. The search for companies that are pure manufacturers of nanomaterials and nanoapplications does not take very long. However, most of these firms are still small start-up companies, such as the innovative battery manufacturer Altair Nanotechnologies (BUY) which only has a modest market capitalization and still carries high investment risks. On the other hand, there are also companies like Nanotex, or Nano-Opto, although these are still privately held enterprises. Investors can participate indirectly in the success of these firms through investing in the holding company Harris & Harris Group (BUY), which holds stakes in private firms in the nanotech sector and provides financial support. Another interesting company is Cambridge Display Technology (BUY), whose organic-light-emitting diodes (OLEDs) technology has opened the door to the development of smaller, more pliable display screens featuring greater contrast and higher resolution. **Uwe Neumann**

## Networked gaming



We believe the industry offers attractive longer-term and trading-oriented opportunities. Video game sales are strongest during the back-to-school and holiday gift-giving seasons, a pattern reflected in solid near-term share price correlations. Electronic Arts (BUY) is our top industry selection. While rising game development costs are one of the industry's key challenges, EA has built a strong design team and has already funded much of the start-up structure for the current cycle. It has the balance sheet resources, design assets, and strong franchises to best shape the development of the video game industry's rapid change. As baby boomers leave the work force, they have more leisure time, which we believe favors Nintendo's (HOLD) Wii console. Rather than compete directly with the next-gen technology of PS3 and Xbox 360, Wii concentrates on simpler games and incorporates easy-to-use, differentiated features, such as a motion-controlled joystick. We believe this strategy could expand the industry's effective market with boomers, women and children, who typically have limited gaming experience. **Steven Soranno**

## Beauty care: A new favorite pastime



The aesthetics market is highly competitive and is characterized by rapid technological development and product innovations. We would recommend investing in niche speciality pharma companies, such as Medcis (HOLD) and Allergan (BUY). Medcis is the producer of dermal filler Restylane, the most widely used hyaluronic acid gel. By early 2007, the company plans to launch another dermal filler, Perlane, which has similar ingredients to Restylane but targets deeper dermis indications. Allergan, the maker of Botox, is Medcis' biggest competitor. Allergan is launching its own longer-lasting dermal filler, Juvederm, in early 2007. **Tania Dimitrova**

## Sports industry races ahead



Nike (BUY) is the world's number one athletic apparel and footwear manufacturer. Its brand is heavily associated with sports and is synonymous with quality, performance and innovation. Over the last few years, Nike has provided a more diverse product offering, opening it up to income from new types of consumer (both high- and low-end) and thus catching many aspects of the leisure trend while adding stability to earnings. Puma (BUY) is a label seen as being more closely linked to fashion than to sports. It is currently leveraging its trendy brand image to grow in new markets such as China, while increasing its link to performance and prestige sports. This latter move has enabled Puma to start combining its brand with other sport-linked brands such as Ferrari and Ducati, which seems to be a rewarding strategy given Puma's superior sales growth to that of its peers. **David Williamson, Markus Mächler**

# Authors

## **Urs Dickenmann..... 03**

Urs Dickenmann has been in charge of Credit Suisse's Private Banking business in Switzerland since 1 January 2006. After joining Credit Suisse in 1986, he headed various accounting and control departments as well as commercial banking units. He switched to Private Banking in 1999 after being put in charge of the Lucerne branch office. In 2002 he was appointed regional head of Central Switzerland and one year later this was expanded to include West-Central Switzerland as well as dealing with the activities of independent asset managers. Urs Dickenmann was born in Zurich in 1956. Upon graduation from HSW Zurich he worked as Finance and Administration Officer for LUWA (France) S.A. He is married and the father of two children.

## **Jonathan Israel Gershuny .....06-10**

Jonathan Israel Gershuny, born in 1949, was appointed to Oxford University's Professorship of Sociology, and to a Fellowship at St Hugh's College. Before that he was Professor of Economic Sociology and Director of the Institute for Social and Economic Research at Essex University from 1993 to 2006. He was the Principal Investigator for the British Household Panel Study for a decade from 1993, and he has directed the Multinational Time Use Study since its inception in 1985. Among Professor Gershuny's research interests are the relationship between individual-level behavior and socioeconomic structure, as well as interconnections between household organization and labor force participation. Selected publications: "Changing Times: Work and Leisure in Post-industrial Societies," "Social Innovation and the Division of Labour," both published by Oxford University Press.

## **Conradin Stiffler..... 11-15**

Conradin Stiffler is an architect by profession. He has worked at Credit Suisse Asset Management since 1999, starting out in the Real Estate Acquisition & Sales business unit. Between 2001 and 2003, Mr. Stiffler was head of the Development & Construction unit and then Acquisition & Sales. Since mid-2003, he has been responsible for the entire project management of Sihlcity – a real estate development complex located on the south side of Zurich, with an investment volume of CHF 620 million. Following his studies at the ETH Zurich, Mr. Stiffler worked as an independent architect as well as for a Zurich-based real estate company before arriving at Credit Suisse. Conradin Stiffler was born in Switzerland, is 38 years old, married and the father of two children. Incidentally, he is also happy that he and his family live within walking distance of Sihlcity.

## **Eike Wenzel..... 16-21**

Eike Wenzel has worked as chief editor at the Zukunftsinstitut based in Kelkheim, Germany, since 2002, participating in consulting projects for companies in a vast array of sectors. After finishing his studies in the fields of communications sciences, cultural sociology and philosophy, he obtained his doctorate degree in media sciences from the University of Marburg. Thereafter, Mr. Wenzel worked as a journalist for the German newspapers "Wirtschaftswoche" and "Frankfurter Rundschau," among others. His research interests encompass subjects such as leisure time, consumption and value changes, in particular. He is also author of numerous studies and publications, including "Die neuen (Frei)-Zeitmärkte" (The New [Leisure]-Time Markets) and "Tourismus 2020. Die neuen Sehnsuchtsmärkte" (Tourism in 2020: The New Aspiring Markets). Born in 1966, the futurologist prefers spending his leisure time mostly with his two children in the great outdoors, enjoying nature.

## **Foong Wai Fong .....22-27**

Foong Wai Fong is the Director of Megatrends Asia, a global research organization, founded with John Naisbitt of Megatrends fame. Ms. Foong, a graduate of economics from the University of Malaya, directs the Asian research programs from bases in Kuala Lumpur and Shanghai. Her research areas include macro-economic trends in Asia, the progress of reform and changes in China, cultural industries and sustainable development. Ms. Foong is a much sought-after speaker by multinational companies and institutions on Asian trends and she regularly contributes to regional economic and business publications. She travels a lot and speaks several Asian languages. Foong Wai Fong has three best-selling books to her credit: "The New Asian Way," "We Have to Talk, Mr. Prime Minister" and "Culture is Good Business."

**Guerrino De Luca ..... 28–30**

Guerrino De Luca, born 1952 in Italy, joined Logitech in 1998 as President and Chief Executive Officer. He is responsible for the worldwide affairs and operations of Logitech. He manages both the strategic activities of the company as well as the day-to-day operations. Before joining Logitech, Mr. De Luca served as Executive Vice President of Worldwide Marketing for Apple Computer, Inc., from February 1997 to September 1997, and as President of Claris Corporation, from 1994 to 1997. Prior to that, he held various positions with Apple in the United States and in Europe. Guerrino De Luca holds a Bachelor of Science degree in Electronic Engineering from the University of Rome. He lives in San Francisco, is married and has two children.

**Warren C. Jenson ..... 31–33**

Warren C. Jenson joined Electronic Arts in June 2002 as Executive Vice President, Chief Financial and Administrative Officer. Before joining the company, he was Senior Vice President and Chief Financial Officer for Amazon.com from 1999 to 2002. From 1998 to 1999, he was Chief Financial Officer and Executive Vice President for Delta Air Lines. Prior to that, he worked in several positions for the General Electric Company. Most notably, he served as Chief Financial Officer and Senior Vice President for the National Broadcasting Company (NBC), a subsidiary of General Electric. Warren has received several awards – including recognition as one of the "Best CFOs in America" by Institutional Investor. Warren C. Jenson earned his Masters in Accountancy-Business Taxation from Brigham Young University. Mr. Jenson is a citizen of the United States; born in 1956, he is married and has four children, all of whom like to play games.

**Credit Suisse Research Team.....****Lars Kalbreier, Managing Director ..... 34**

Head of Global Equities & Alternatives Research..... +41 (44) 333 23 94

**Pascal Rohner ..... 34**

European Retail..... +41 (44) 334 56 88

**Eric Güller, Vice President ..... 36**

Insurance, Real Estate..... +41 (44) 332 90 59

**Zoltan Szelyes, Assistant Vice President ..... 36**

Global Real Estate ..... +41 (44) 334 83 22

**Ulrich Kaiser, Vice President ..... 28–30, 31–33, 37**

IT Hardware, IT Services and Software, Media..... +41 (44) 334 56 49

**Etrita Ibroci, Director ..... 38**

Trading Strategy ..... +1 (212) 317 6704

**Markus Mächler, Vice President ..... 39, 48**

Automotive, Capital Goods, Transport..... +41 (44) 334 56 41

**David A. Williamson, Director ..... 39, 48**

Head of US Equity Research, Consumer Discretionary ..... +1 (212) 317 6701

**Fan Cheuk Wan, Director ..... 40–41**

Head of Asian Equity Research ..... +852 2841 4841

**Olivier P. Müller, Vice President ..... 42**

Italian and Nordic Banks, Consumer Staples.....+41 (44) 333 01 46

**Robin Seydoux, Director ..... 43**

Head of European Equity Sector Research, Luxury Goods .. +41 (44) 333 37 39

**Uwe Neumann, Vice President ..... 44–45**

Technology, Telecommunications ..... +41 (44) 334 56 45

**Steven Soranno, Vice President ..... 46**

Information Technology and Telecom..... +1 (212) 317 6702

**Tania Dimitrova, Assistant Vice President ..... 47**

Health care..... +1 (212) 317 6715

**Disclosure appendix****Analyst certification**

The analysts identified in this report hereby certify that views about the companies and their securities discussed in this report accurately reflect their personal views about all of the subject companies and securities. The analysts also certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

**Important disclosures**

Credit Suisse policy is to publish research reports, as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein. Credit Suisse policy is only to publish investment research that is impartial, independent, clear, fair and not misleading.

For more detail, please refer to the information on independence of financial research, which can be found at:

[https://entry4.credit-suisse.ch/csfs/research/p/d/de/media/independence\\_en.pdf](https://entry4.credit-suisse.ch/csfs/research/p/d/de/media/independence_en.pdf)

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse total revenues, a portion of which are generated by Credit Suisse Investment Banking business.

The Credit Suisse Code of Conduct to which all employees are obliged to adhere, is accessible via the website at:

[https://www.credit-suisse.com/governance/en/code\\_of\\_conduct.html](https://www.credit-suisse.com/governance/en/code_of_conduct.html)

**Rating history as of 06/02/2007**

Company	Rating	Date (since)	Company	Rating	Date (since)
ALCATEL-LUCENT (ALU FP)	BUY	24/10/2006		BUY	11/04/2005
	HOLD	24/03/2006		BUY	14/02/2005
	BUY	04/01/2005	DANONE (BN FP)	BUY	22/02/2006
	HOLD	09/01/2004		HOLD	20/07/2005
	SELL	12/09/2003		BUY	26/04/2005
ALLERGAN (AGN US)	BUY	10/10/2006		HOLD	15/01/2004
ALTAIR NANOTECH (ALTI US)	BUY	08/01/2007	ELECTRONIC ARTS (ERTS US)	BUY	12/01/2007
BRIGHT FAMILY SOL (BFAM US)	BUY	31/01/2007	HARRIS & HARRIS (TINY US)	BUY	29/01/2007
CAMBRIDGE DISPLAY (OLED US)	BUY	09/01/2007	KRAFT FOODS-A (KFT US)	HOLD	18/02/2004
CARNIVAL (CCL US)	BUY	21/09/2006		BUY	03/10/2003
	HOLD	26/04/2005	LINDT & SPRUENGL PS (LISP SW)	BUY	16/06/2006
	BUY	23/02/2005		HOLD	01/09/2004
CHINA COMM SRVCS-H (552 HK)	HOLD	31/01/2007	MATSUSHITA EL INDL (6752 JP)	HOLD	06/02/2007
CHINA MOBILE (941 HK)	SELL	30/03/2006		BUY	24/01/2007
	HOLD	08/02/2006		BUY	03/02/2006
	SELL	06/12/2005		HOLD	21/07/2005
	HOLD	21/11/2005		BUY	17/12/2004
	BUY	21/10/2005	MCDONALD'S (MCD US)	BUY	24/01/2006
	HOLD	04/10/2005		HOLD	08/06/2005
	BUY	16/03/2005	MEDICIS PHARM -A- (MRX US)	HOLD	07/12/2006
CHINA NETCOM GROUP (906 HK)	BUY	06/12/2006	MEINL EUROPEAN LAND (Mei AV)	BUY	23/01/2007
	HOLD	23/08/2005		BUY	11/01/2006
	BUY	10/01/2005	NEC (6701 JP)	HOLD	28/10/2005
CHINA TELECOM -H- (728 HK)	HOLD	06/12/2006		BUY	19/04/2005
	BUY	06/10/2006		HOLD	17/05/2004
	HOLD	24/05/2006	NESTLE N (NESN VX)	BUY	19/01/2007
				BUY	15/01/2004

Company	Rating	Date (since)	Company	Rating	Date (since)
	HOLD	16/09/2003		HOLD	14/12/2005
NEWS-A (NWS/A)	BUY	17/05/2006		BUY	17/08/2005
NIKE -B- (NIKE)	BUY	23/02/2005		HOLD	25/07/2005
NINTENDO CO LTD (7974 JP)	HOLD	24/01/2007	SIEMENS R (SIE GY)	BUY	15/12/2004
	HOLD	10/05/2005		HOLD	24/02/2004
	SELL	11/06/2004	SIMON PROP GRP (SPG US)	HOLD	31/01/2007
NOKIA (NOK1V FH)	HOLD	05/01/2007			
	BUY	11/04/2006	STARBUCKS (SBUX)	HOLD	02/06/2005
	HOLD	09/06/2005		SELL	11/04/2005
	BUY	27/01/2005		HOLD	23/02/2005
	HOLD	07/04/2004		HOLD	16/02/2005
	BUY	09/01/2004	SUNTEC REIT (SUN SP)	HOLD	02/02/2007
PEARSON (PSON LN)	HOLD	23/06/2006		HOLD	31/03/2006
	HOLD	28/02/2005		BUY	06/12/2005
	BUY	05/10/2004		BUY	27/07/2005
PEPSICO (PEP US)	BUY	12/01/2005		BUY	20/01/2005
	BUY	04/01/2005	TALLINK GRP LTD (TAL1T ET)	HOLD	24/01/2007
	HOLD	21/04/2004			
PUMA (PUM GR)	BUY	22/08/2005	TEIJIN LTD (3401 JP)	HOLD	29/01/2007
RODAMCO EUROPE (RCEA NA)	HOLD	23/01/2007	TUI N (TUI1 GR)	HOLD	23/03/2005
	HOLD	15/06/2005		SELL	15/09/2003
SAMSUNG ELECTRONICS CO LTD (005930 KS)	BUY	22/01/2007	WALT DISNEY (DIS US)	BUY	11/02/2005
	BUY	13/01/2006		HOLD	13/10/2004
	HOLD	15/09/2005	WESTFIELD GRP (WDC.AU)	HOLD	20/07/2006
	BUY	17/02/2004		BUY	19/12/2005
SHARP CORP OSAKA (6753 JP)	BUY	06/02/2007			
	HOLD	24/01/2007			

Fundamental and/or long-term research reports are not regularly produced for (BRIGHT FAMILY SOL, SIMON PROP GRP, TEIJIN LTD, TALLINK GROUP LTD). Credit Suisse reserves the right to terminate coverage at short notice. Please contact your Relationship Manager for the specific risks of investing in securities of these companies.

Credit Suisse has managed or co-managed a public offering of securities for the subject issuer (CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, MCDONALD'S, NESTLE N, SIMON PROP GRP, THE WALT DISNEY CO., WESTFIELD GRP) within the past three years.

Credit Suisse has managed or co-managed a public offering of securities for the subject issuer (CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, NESTLE N, SIMON PROP GRP, THE WALT DISNEY CO., WESTFIELD GRP) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject issuer (ALCATEL-LUCENT, CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, ELECTRONIC ARTS, KRAFT FOODS-A, NESTLE N, NOKIA, RODAMCO EUROPE, SIEMENS R, SIMON PROP GRP, THE WALT DISNEY CO., WESTFIELD GRP) within the past 12 months.

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject issuer (ALCATEL-LUCENT, ALLERGAN, BRIGHT FAMILY SOL, CARNIVAL, CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, ELECTRONIC ARTS, KRAFT FOODS-A, MATSUSHITA EL INDL, MCDONALD'S, NEC, NESTLE N, NEWS-A, NIKE -B-, NINTENDO CO LTD, NOKIA, PEARSON, PEPSICO, PUMA, RODAMCO EUROPE, SAMSUNG ELECTRONICS CO LTD, SHARP CORP OSAKA, SIEMENS R, SIMON PROP GRP, STARBUCKS, SUNTEC REIT, TEIJIN LTD, TUI N, THE WALT DISNEY CO., WESTFIELD GRP) within the next three months.

As at the date of this report, Credit Suisse acts as a market maker or liquidity provider in the securities of the subject issuer (ALLERGAN, BRIGHT FAMILY SOL, ELECTRONIC ARTS, MATSUSHITA EL INDL, MCDONALD'S, MEDICIS PHARM -A-, NEC, NIKE -B-, PEPSICO, SHARP CORP OSAKA, SIMON PROP GRP, STARBUCKS, THE WALT DISNEY CO.).

Credit Suisse holds a trading position in the subject issuer (ALCATEL-LUCENT, ALLERGAN, ALTAIR NANOTECH, BRIGHT FAMILY SOL, CARNIVAL, CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, ELECTRONIC ARTS, HARRIS & HARRIS, KRAFT FOODS-A, LINDT & SPRUENGL PS, MATSUSHITA EL INDL, MCDONALD'S, MEDICIS PHARM -A-, NEC, NESTLE N, NEWS-A, NIKE -B-, NINTENDO

CO LTD, NOKIA, PEARSON, PEPSICO, PUMA, RODAMCO EUROPE, SAMSUNG ELECTRONICS CO LTD, SHARP CORP OSAKA, SIEMENS R, SIMON PROP GRP, STARBUCKS, SUNTEC REIT, TEIJIN LTD, TUI N, THE WALT DISNEY CO., WESTFIELD GRP, MEINL EUROPEAN LAND, TALLINK GROUP LTD, CAMBRIDGE DISPLAY).

As at the end of the preceding month, Credit Suisse beneficially owned 1% or more of a class of common equity securities of (CHINA MOBILE, CHINA TELECOM -H-, NEC, SAMSUNG ELECTRONICS CO LTD).

#### Swiss American Securities Inc. disclosures

Swiss American Securities Inc. or its affiliates has managed or co-managed a public offering of securities for the subject issuer (CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, NESTLE N, SIMON PROP GRP, THE WALT DISNEY CO., WESTFIELD GRP) within the past 12 months.

Swiss American Securities Inc. or its affiliates has received investment banking related compensation from the subject issuer (ALCATEL-LUCENT, CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, ELECTRONIC ARTS, KRAFT FOODS-A, KRAFT FOODS, NESTLE N, NOKIA, RODAMCO EUROPE, SIEMENS R, SIMON PROP GRP, THE WALT DISNEY CO., WESTFIELD GRP) within the past 12 months.

Swiss American Securities Inc. or its affiliates expects to receive or intends to seek investment banking related compensation from the subject issuer (ALCATEL-LUCENT, ALLERGAN, BRIGHT FAMILY SOL, CARNIVAL, CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, ELECTRONIC ARTS, KRAFT FOODS-A, KRAFT FOODS, NESTLE N, NEWS-A, NIKE -B-, NINTENDO CO LTD, NOKIA, PEARSON, PEPSICO, PUMA, RODAMCO EUROPE, SAMSUNG ELECTRONICS CO LTD, SHARP CORP OSAKA, SIEMENS R, SIMON PROP GRP, STARBUCKS, SUNTEC REIT, TEIJIN LTD, TUI N, THE WALT DISNEY CO., WESTFIELD GRP) within the next three months.

As of the date of this report, Swiss American Securities Inc. acts as a market maker or liquidity provider in the equity securities of the subject issuer (ALCATEL-LUCENT, ALLERGAN, CHINA MOBILE, KRAFT FOODS-A, MATSUSHITA EL INDL, MCDONALD'S, MEDICIS PHARM -A-, NIKE -B-, PEPSICO, SIEMENS R, SIMON PROP GRP, THE WALT DISNEY CO.).

As at the end of the preceding month, Swiss American Securities Inc. or its affiliates beneficially owned 1% or more of a class of common equity securities of (CHINA MOBILE, CHINA TELECOM -H-, NEC, SAMSUNG ELECTRONICS CO LTD).

Swiss American Securities Inc. or its affiliates holds a trading position in the subject issuer (ALCATEL-LUCENT, ALLERGAN, ALTAIR NANOTECH, BRIGHT FAMILY SOL, CARNIVAL, CHINA COMM SRVCS-H, CHINA MOBILE, CHINA NETCOM GROUP, CHINA TELECOM -H-, DANONE, ELECTRONIC ARTS, HARRIS & HARRIS, KRAFT FOODS-A, LINDT & SPRUENGL PS, MATSUSHITA EL INDL, MCDONALD'S, MEDICIS PHARM -A-, NEC, NESTLE N, NEWS-A, NIKE -B-, NINTENDO CO LTD, NOKIA, PEARSON, PEPSICO, PUMA, RODAMCO EUROPE, SAMSUNG ELECTRONICS CO LTD, SHARP CORP OSAKA, SIEMENS R, SIMON PROP GRP, STARBUCKS, SUNTEC REIT, TEIJIN LTD, TUI N, THE WALT DISNEY CO., WESTFIELD GRP, MEINL EUROPEAN LAND, TALLINK GROUP LTD, CAMBRIDGE DISPLAY).

#### Additional disclosures for the following jurisdictions

**Dubai:** Related financial products or services are only available to wholesale customers with liquid assets of over USD 1 million who have sufficient financial experience and understanding to participate in financial markets in a wholesale jurisdiction and satisfy the regulatory criteria to be a client. **Hong Kong:** Other than any interests held by the analyst and/or associates as disclosed in this report, Credit Suisse Hong Kong Branch does not hold any disclosable interests. **Qatar:** All related financial products or services will only be available to Business Customers or Market Counterparties (as defined by the Qatar Financial Centre Regulatory Authority (QFCRA), including individuals, who have opted to be classified as a Business Customer, with liquid assets in excess of USD 1 million, and who have sufficient financial knowledge, experience and understanding to participate in such products and/or services. **Russia:** The research contained in this report does not constitute any sort of advertisement or promotion for specific securities, or related financial instruments. This research report does not represent a valuation in the meaning of the Federal Law On Valuation Activities in the Russian Federation and is produced using Credit Suisse valuation models and methodology. **United Kingdom:** For fixed income disclosure information for clients of Credit Suisse (UK) Limited and Credit Suisse Securities (Europe) Limited, please call +41 44 333 12 11.

For further information, including disclosures with respect to any other issuers, please refer to the Credit Suisse Global Research Disclosure site at:

[https://entry4.credit-suisse.ch/csfs/research/p/d/de/disclosure\\_en.html](https://entry4.credit-suisse.ch/csfs/research/p/d/de/disclosure_en.html)

## Guide to analysis

### Rating allocation as of 01/02/2007

	Overall	Investment banking interests only
BUY	45.78%	45.15%
HOLD	49.19%	50.50%
SELL	4.55%	3.76%
RESTRICTED	0.49%	0.59%

### Relative performance

At the stock level, the selection takes into account the relative attractiveness of individual shares versus the sector, market position, growth prospects, balance-sheet structure and valuation. The sector and country recommendations are "overweight," "neutral", and "underweight" and are assigned according to relative performance against the respective regional and global benchmark indices.

### Absolute performance

The stock recommendations are BUY, HOLD and SELL and are dependent on the expected absolute performance of the individual stocks, generally on a 6–12 months horizon based on the following criteria:

BUY	10% or greater increase in absolute share price
HOLD	variation between -10% and +10% in absolute share price
SELL	10% or more decrease in absolute share price
RESTRICTED	In certain circumstances, internal and external regulations exclude certain types of communications, including e.g. an investment recommendation during the course of Credit Suisse engagement in an investment banking transaction.
TERMINATED	Research coverage has been concluded.

### Corporate and emerging market bond recommendations

The recommendations are based fundamentally on forecasts for total returns versus the respective benchmark on a 3–6 month horizon and are defined as follows:

BUY	Expectation that the bond issue will be a top performer in its segment
HOLD	Expectation that the bond issue will return average performance in its segment
SELL	Expectation that the bond issue will be among the poor performer in its segment
RESTRICTED	In certain circumstances, internal and external regulations exclude certain types of communications, including e.g. an investment recommendation during the course of Credit Suisse engagement in an investment banking transaction.

### Credit ratings definition

Credit Suisse assigns rating opinions to investment-grade and crossover issuers. Ratings are based on our assessment of a company's creditworthiness and are not recommendations to buy or sell a security. The ratings scale (AAA, AA, A, BBB, BB) is dependent on our assessment of an issuer's ability to meet its financial commitments in a timely manner.

AAA	Best credit quality and lowest expectation of credit risks, including an exceptionally high capacity level with respect to debt servicing. This capacity is unlikely to be adversely affected by foreseeable events.
AA	Obligor's capacity to meet its financial commitments is very strong
A	Obligor's capacity to meet its financial commitments is strong
BBB	Obligor's capacity to meet its financial commitments is adequate, but adverse economic/operating/financial circumstances are more likely to lead to a weakened capacity to meet its obligations
BB	Obligations have speculative characteristics and are subject to substantial credit risk due to adverse economic/operating/financial circumstances resulting in inadequate debt-servicing capacity

For the AA, A, BBB, BB categories, creditworthiness is further detailed with a scale of High, Mid, or Low, with High being the strongest sub-category rating. An Outlook indicates the direction a rating is likely to move over a two-year period. Outlooks may be positive,



stable or negative. A positive or negative Rating Outlook does not imply a rating change is inevitable. Similarly, ratings for which outlooks are "stable" could be upgraded or downgraded before an outlook moves to positive or negative if circumstances warrant such an action.

#### **Credit Suisse HOLT**

The Credit Suisse HOLT methodology does not assign ratings to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms and warranted value calculations, collectively called the Credit Suisse HOLT valuation model, that are consistently applied to all the companies included in its database. Third-party data (including consensus earnings estimates) are systematically translated into a number of default variables and incorporated into the algorithms available in the Credit Suisse HOLT valuation model. The source financial statement, pricing, and earnings data provided by outside data vendors are subject to quality control and may also be adjusted to more closely measure the underlying economics of firm performance. These adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes the baseline valuation for a security, and a user then may adjust the default variables to produce alternative scenarios, any of which could occur. The Credit Suisse HOLT methodology does not assign a price target to a security. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes a warranted price for a security, and as the third-party data are updated, the warranted price may also change. The default variables may also be adjusted to produce alternative warranted prices, any of which could occur. Additional information about the Credit Suisse HOLT methodology is available on request.

#### **For technical research**

Where recommendation tables are mentioned in the report, "Close" is the latest closing price quoted on the exchange. "MT" denotes the rating for the medium-term trend (3–6 months outlook). "ST" denotes the short-term trend (3–6 weeks outlook). The ratings are "+" for a positive outlook (price likely to rise), "0" for neutral (no big price changes expected) and "-" for a negative outlook (price likely to fall). Outperform in the column "Rel perf" denotes the expected performance of the stocks relative to the benchmark. The "Comment" column includes the latest advice from the analyst. In the column "Recom" the date is listed when the stock was recommended for purchase (opening purchase). "P&L" gives the profit or loss that has accrued since the purchase recommendation was given.

For a short introduction to technical analysis, please refer to Technical Analysis Explained at:

[https://entry4.credit-suisse.ch/csfs/research/p/d/de/techresearch/media/pdf/trs\\_tutorial\\_en.pdf](https://entry4.credit-suisse.ch/csfs/research/p/d/de/techresearch/media/pdf/trs_tutorial_en.pdf)

---

### **Global disclaimer / important information**

References in this report to Credit Suisse include subsidiaries and affiliates. For more information on our structure, please use the following link:

[http://www.credit-suisse.com/who\\_we\\_are/en/structure.html](http://www.credit-suisse.com/who_we_are/en/structure.html)

The information and opinions expressed in this report were produced by Credit Suisse as of the date of writing and are subject to change without notice. The report is published solely for information purposes and does not constitute an offer or an invitation by, or on behalf of, Credit Suisse to buy or sell any securities or related financial instruments or to participate in any particular trading strategy in any jurisdiction. It has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Although the information has been obtained from and is based upon sources that Credit Suisse believes to be reliable, no representation is made that the information is accurate or complete. Credit Suisse does not accept liability for any loss arising from the use of this report. The price and value of investments mentioned and any income that might accrue may fluctuate and may rise or fall. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to individual circumstances, or otherwise constitutes a personal recommendation to any specific investor. Any reference to past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any products mentioned in this document. Alternative investments, derivative or structured products are complex instruments, typically involve a high degree of risk and are intended for sale only to investors who are capable of understanding and

assuming all the risks involved. Investments in emerging markets are speculative and considerably more volatile than investments in established markets. Risks include but are not necessarily limited to: political risks; economic risks; credit risks; currency risks; and market risks. An investment in the funds described in this document should be made only after careful study of the most recent prospectus and other fund information and basic legal information contained therein. Prospectuses and other fund information may be obtained from the fund management companies and/or from their agents. Before entering into any transaction, investors should consider the suitability of the transaction to individual circumstances and objectives. Credit Suisse recommends that investors independently assess, with a professional financial advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences. The issuer of the securities referred to herein or a Credit Suisse company may have acted upon the information and analysis contained in this publication before being made available to clients of Credit Suisse. A Credit Suisse company may, to the extent permitted by law, participate or invest in other financing transactions with the issuer of the securities referred to herein, perform services or solicit business from such issuers, and/or have a position or effect transactions in the securities or options thereof.

#### **Distribution of research reports**

Except as otherwise specified herein, this report is distributed by Credit Suisse, a Swiss bank, authorized and regulated by the Swiss Federal Banking Commission. **Bahamas:** This report was prepared by Credit Suisse, the Swiss bank, and is distributed on behalf of Credit Suisse (Bahamas) Ltd, a company registered as a broker-dealer by the Securities Commission of the Bahamas. **Dubai:** This information is distributed by Credit Suisse Dubai branch, duly licensed and regulated by the Dubai Financial Services Authority (DFSA). **France:** This report is distributed by Credit Suisse (France), authorized by the Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI) as an investment service provider. Credit Suisse (France) is supervised and regulated by the Commission Bancaire and the Autorité des Marchés Financiers. **Germany:** Credit Suisse (Deutschland) AG, authorized and regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin), disseminates research to its clients that has been prepared by one of its affiliates. **Gibraltar:** This report is distributed by Credit Suisse (Gibraltar) Limited. Credit Suisse (Gibraltar) Limited is an independent legal entity wholly owned by Credit Suisse and is regulated by the Gibraltar Financial Services Commission. **Guernsey:** This report is distributed by Credit Suisse (Guernsey) Limited. Credit Suisse (Guernsey) Limited is an independent legal entity wholly owned by Credit Suisse and is regulated by the Guernsey Financial Services Commission. Copies of annual accounts are available on request. **Hong Kong:** This report is issued in Hong Kong by Credit Suisse Hong Kong branch, an Authorized Institution regulated by the Hong Kong Monetary Authority and a Registered Institution regulated by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). **Luxembourg:** This report is distributed by Credit Suisse (Luxembourg) S.A., a Luxembourg bank, authorized and regulated by the Commission de Surveillance du Secteur Financier (CSSF). **Qatar:** This information has been distributed by Credit Suisse Financial Services (Qatar) L.L.C, which has been authorized and is regulated by the Qatar Financial Centre Regulatory Authority (QFCRA) under QFC No. 00005. **Singapore:** Distributed by Credit Suisse Singapore branch, regulated by the Monetary Authority of Singapore. **Spain:** This report is distributed in Spain by Credit Suisse Spain branch, authorized under number 1460 in the Register by the Banco de España. **United Kingdom:** This report is issued by Credit Suisse (UK) Limited and Credit Suisse Securities (Europe) Limited. Credit Suisse Securities (Europe) Limited and Credit Suisse (UK) Limited, both authorized and regulated by the Financial Services Authority, are associated but independent legal entities within Credit Suisse. The protections made available by the Financial Services Authority for private customers do not apply to investments or services provided by a person outside the UK, nor will the Financial Services Compensation Scheme be available if the issuer of the investment fails to meet its obligations.

**UNITED STATES:** NEITHER THIS REPORT NOR ANY COPY THEREOF MAY BE SENT, TAKEN INTO OR DISTRIBUTED IN THE UNITED STATES OR TO ANY US PERSON.

Local law or regulation may restrict the distribution of research reports into certain jurisdictions.

This report may not be reproduced either in whole or in part, without the written permission of Credit Suisse. © 2007 CREDIT SUISSE

7C007A

## **Imprint**

### Publisher

Credit Suisse, Global Research  
P.O. Box 300, CH-8070 Zurich  
Director: Giles Keating

### Editors

Uwe Neumann, Pascal Rohner

### Editorial deadline

31 January 2007

### Organization

Bernhard Felder

### Concept and design

Arnold Design AG, Uerikon-Zurich  
Michael Suter, Urs Arnold, Charis Arnold,  
Monika Isenring (Project Management)

### Editorial support

Zoé Arnold, Ruth Hafen (D)  
James Gavin, Ian Lewis, Brendan Maton (E)

### Layout

Arnold Design AG, Uerikon-Zurich

### Typesetting

Arnold Design AG, Uerikon-Zurich (G/E)  
gdz AG, Zurich (F/ES/I)

### Printer

Feldegg AG, Zollikerberg (G/E)  
Stämpfli AG, Bern (F/ES/I)

### Translations

RZG Anderson, Adliswil (E)  
Alleva Übersetzungen, Baar (I)  
ManRey Übersetzungen, Baden (G)  
Übersetzergruppe Zürich, Zurich (F/ES)  
ITLA, Zollikon (G)

### Copy editing

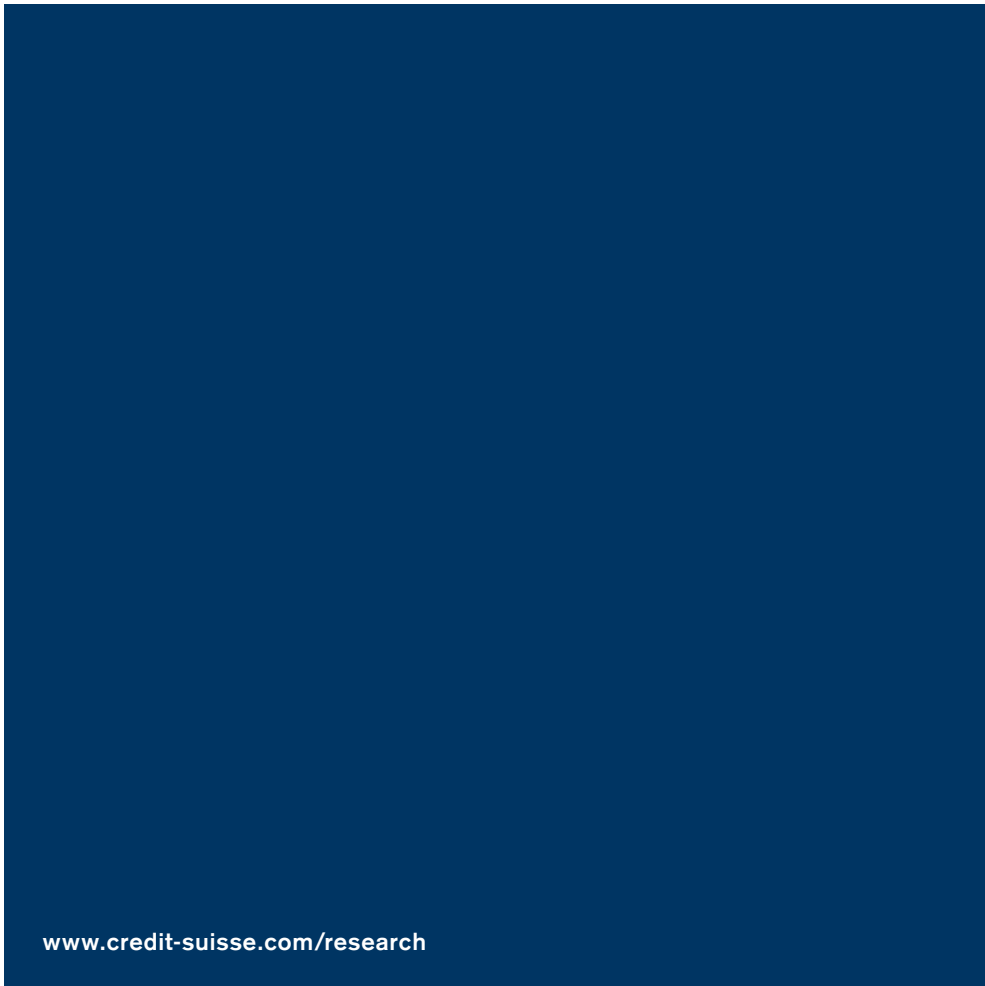
text control, Zurich (G/E)  
Übersetzergruppe Zürich, Zurich (F/ES)  
Alleva Übersetzungen, Baar (I)

Copies of this publication may be ordered  
via your customer advisor; employees contact  
Netshop directly.

This publication is available on the Internet at:  
[www.credit-suisse.com/research](http://www.credit-suisse.com/research)

Intranet access for employees of  
Credit Suisse Group: <http://research.csintra.net>

International research support is provided by  
Credit Suisse's global network of representative  
offices.



[www.credit-suisse.com/research](http://www.credit-suisse.com/research)