

Cutting Edge: Our weekly analysis of marketing news

21 October 2015

Welcome to our weekly analysis of the most useful marketing news for CIM and CAM members.

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Marketing trends and issues

Advertising

Native advertising

The Association of Online Publishers commissioned a study to discover how native ads benefit advertisers in terms of the 'premium' they offer advertisers compared with online display ads and to establish some guidelines for best practice. Native ads were tested across six sectors and five magazine websites. Ian Wright of Tapestry, which conducted the research, shares five key findings from the research and offers five best practice guidelines to help maximise the benefits of this ad format.

Admap, October 2015, pp43-44 (Wright)

Iconography in gay-themed ads

This study looks at the characteristics of gay-themed ads with particular emphasis on symbols and iconography in gay magazines such as *Out* and *Curve*. In gay-themed ads advertisers tend to use culturally significant symbols or iconographies so as not to alienate non-gay consumers. But little in-depth analysis has been done on gay-themed advertising when it comes to creativity or consumer reactions. The authors discuss the implications of their findings, raise some concerns over gay-themed ads and make suggestions for future research.

Journal of Marketing Communications, Vol 21(6) 2015, pp393-407 (Um et al)

Beware Halloween and Bonfire Night says CAP

The Committee of Advertising Practice (CAP) has issued some advice for advertisers who might want to take advantage of Halloween and Bonfire Night. It notes that the ASA often receives complaints about images or branding used for Halloween costumes or

advertising for horror films released around this time, because they are irresponsible or cause offence. It also warns advertisers about not encouraging irresponsible behaviour around fireworks and children.

cap.org.uk/news-reports/media-centre

Brands and branding

Brand experience

Consumers are increasingly being perceived as rational, as well as emotional, decision makers. Hence companies have started to engage consumers through experiences that are linked with various aspects of the brand. This research focuses on brand experience through an extensive literature review and offers a series of research propositions from antecedents to consequences of brand experience. Managerial implications of brand experience are discussed with a view to developing a marketing strategy.

The Marketing Review, Vol 15(2) 2015, pp239-259 (Khan and Rahman)

Letter and number changes in brand names

A company has to decide what brand name to use to identify a new brand or brand extension. Mercedes, for example, increases the order of letters in its alphanumeric brand names (ANBs) to denote the enhanced quality of the car. Five experiments examine the effects of alpha and numeric components of brand names, specifically the effects of letter and number sequences on consumers' brand evaluations. They find that ascending letters in ANBs (D10 to E10) result in more positive evaluations of line extensions than descending letters (D10 to C10). Line extensions also receive a more favourable evaluation when an ANB is formed with a change in number (A70 to A80), rather than



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www.cim.co.uk/charteredcpd

letter, for an existing ANB. Other findings and their implications are discussed.

Journal of Brand Management, Vol 22(6) 2015, pp515-533 (Kara et al)

Brand purpose index

A new index has been created which ranks the top 100 brands for 'brand purpose'. Purpose can be defined through a brand slogan or a commitment to sustainability or society. Those which come out on top also see their brand purpose as benefiting their financial results. Unilever occupies first place in the index because its socially- and environmentally-conscious business practice has led to sales growth. It is followed by Philips, Lloyds Banking Group, Pearson and Nestlé. The index appears in Radley Yeldar's *Fit for Purpose* report.

Marketing Week, 15 October 2015, pp12-16

Conferences and events

When more is more

New research suggests that the majority of questions asked by delegates at meetings and events are short but that longer questions are more popular. Two-thirds of questions posed by delegates at events have fewer than 70 characters yet questions with over 100 characters are up to four times more popular with other delegates, according to a study by sli.do, specialists in audience interaction platforms. The study, which also analysed the popularity of words used to start a question – what, how and when – demonstrates how important audience interaction and audience engagement are to the success of an event.

Conference News, October 2015, p61

Event pitching – the issues

The first of two articles on event pitching focuses on the cost of pitching and discusses agency concerns about the pitching process. The average cost of a pitch for event agencies is £10,000, according to research from C&IT, but exhibition pitching can cost as much as £150,000. The average cost of a pitch can amount to 10% of the total price of the event which makes it hard for smaller agencies to compete on a level playing field. The single biggest expense for most agencies is manpower because of the increasing amount of time it takes to create a good pitch. The second article presents the top-five pitching challenges from the viewpoint of five experts.

Conference & Incentive Travel, October 2015, pp18-20

Consumer behaviour

Consumer search behaviour

Researchers have devoted much attention to the information search behaviour of consumers because of its role in consumer decision making. This literature review focuses on studies that investigate

information search behaviour in the context of services. A search of the literature was undertaken using various databases and keywords and the variables affecting consumers' information searches were classified into four categories: behavioural factors, personal factors, product/service factors and situational factors. Propositions for future research are put forward.

The Marketing Review, Vol 15(2) 2015, pp201-219 (Utkarsh and Medhavi)

Feedback not always a harbinger of success

The more excited customers are about a prototype the more likely it is that a company will carry on investing in it. In this article the authors demonstrate that not all positive feedback can be viewed as a signal of future success. They identify customers who they call 'harbingers of failure' who 'systematically buy new products that flop'. Their early adoption of a new product is a strong sign that it will fail and, the more they buy, the less likely the product is to succeed. Companies can identify such customers through their past purchases of new products that failed or existing products that few others buy. They suggest ways in which these insights can be incorporated into the NPD process.

Journal of Marketing Research, Vol 52 October 2015, pp580-592 (Anderson et al)

Consumer decision-making – the EKB model

The Engel, Kollatt & Blackwell (EKB) consumer decision-making model (1968) is a seminal work in consumer behaviour which proposes a sequential process of decision-making. The authors analyse the model and ask whether it is still relevant today with a culture in which shopping can be influenced by a powerful online social collective. They consider two scenarios that illustrate the effect of a participatory culture and conclude that the EKB model, with a few minor changes, still provides valuable insights into consumer decision making.

Journal of Customer Behaviour, Vol 14(2) 2015, pp127-146 (Ashman et al)

Customer relations

Channel relationships

Vendors collectively spend \$23 billion a year on channel marketing yet many partners want more marketing support from the vendors. However, this is not all about the money – rather it is about what the vendor can do to ensure that channel partners and end customers get the most from the relationship. Here are five suggestions for working more effectively with partners. They include making a wise choice of partners, helping your partners to sell and putting a good lead distribution system in place.

B2B Marketing, October 2015, p40 (Gilchrist)

New scheme at Marks & Sparks

Marks & Spencer has announced a new customer membership scheme called 'Sparks' which will focus on customer engagement and personalisation, reflecting the ethos of the traditional shopkeeper who knew their customers by name. Sparks will not be a traditional loyalty scheme and members can potentially receive more rewards from reviewing products online than from purchasing them. The scheme was formally launched last week with invitations being sent out to selected customers.

Retail Week, 16 October 2015, p1; The Daily Telegraph, 15 October 2015, p3

Law

Amazon to tackle fake reviews

Amazon has filed a lawsuit in the US against more than 1,114 people who it claims have offered to write positive reviews to help drive sales of unscrupulous authors or sellers. It claims that its brand reputation is being damaged by "false, misleading and inauthentic" reviews which are being offered for as little as \$5 each. TripAdvisor says that over the past six months it has closed around 30 businesses dedicated to posting fake reviews on its site and is targeting many more. Although Amazon has turned to US law in this case, legal experts believe that this could be the beginning of further legal action in Britain and elsewhere.

The Daily Telegraph, 19 October 2015, p11; The Independent, 19 October 2015, p19; The Guardian, 19 October 2015, p4; The Times, 19 October 2015, p9

Marketing

The challenger customer

The Challenger Sale, a book by Matthew Dixon and Brent Adamson, made a big impact when it was first published. The book describes the 'challenger' rep as someone who pushes customers to view things differently – this type of rep is the winner in today's complex B2B environment. B2B selling has changed and, according to insight company CEB, B2B buyers are 57% of the way through their decision-making process before they even talk to a salesperson. The B2B process involves more decision-makers and influencers than ever before. This is the subject of a second book by Dixon, Adamson et al, entitled *The Challenger Customer* which contends that: "Much of the problem lies less in a supplier organisation's inability to sell effectively and far more in a customer organisation's inability to buy effectively". The book identifies seven customer types and focuses on unlocking the 'mobiliser' potential.

Winning Edge, September-October 2015, pp18-21 (Beishon)

Marketing partnerships and risk

Strategic partners can help to supplement a company's efforts in a variety of ways and there is an increasing reliance on such partnerships but little is known about the risks involved. This study

examines whether marketing alliances – alliances that help the company gain access to new resources, markets, brands and products – have an impact on company risk. It also analyses whether the density of the company's network of alliance partners has an impact on the risk exposure. They conclude that marketing alliances reduce risk as long as the alliance is a new connection between partnering firms.

Journal of Marketing, Vol 79(5) 2015, pp63-79 (Thomaz and Swaminathan)

B2B content marketing

Content marketing, an effective way of connecting B2B brands with business customers, is a business asset which can help to generate leads, sales and revenue. IBM and Capgemini are notable examples of brands that have excelled at content marketing. Recent research reveals that 75% of B2B buyers rely more heavily on content to research and make purchasing decisions than they did a year ago. It is important for companies not investing in content marketing to do so before they are overtaken by their competitors. This article contains some advice on how a business can lead the way in its industry through content marketing.

Admap, October 2015, pp20-23 (Islam)

Slowing budgets

The latest *IPA Bellwether Report* reveals that the rate of marketing growth is slowing. A net balance of 4.4% companies expected budgets to increase in the third quarter of 2015 compared with 12.2% in the second quarter; this represents the lowest growth since the first quarter of 2013. In addition confidence among marketing executives has fallen to a nine-quarter low of 6.8%. Predictions for UK adspend growth this year have been downgraded from 4.2% growth in the last survey to 3.7%.

Campaign, 16 October 2015, p1

Aligning marketing with sales

Some of the most successful businesses are based on a happy relationship between sales and marketing. The author provides six tips for marketing to improve its relationship with sales. They include ensuring that you really listen to your sales partners because making people 'feel heard' can win them over and the role of recognition – research suggests that 80% of people are motivated by encouragement and recognition so it is important to recognise outstanding performance.

B2B Marketing, October 2015, p38 (Morgan)

Market research

Double jeopardy

Double jeopardy describes the relationship between the size of the brand and the loyalty of competing brands. Bigger brands are rewarded both for having

more buyers and buyers who purchase the brand more frequently. Traditional methods for identifying double jeopardy patterns in consumer purchasing behaviour tend to rely on panel data while other methods require huge amounts of data. In this study the authors propose a new method for identifying double jeopardy patterns which requires only small samples of data. They use the US coffee market to test the new method and demonstrate that it is an economical way of testing the market for double jeopardy.

International Journal of Market Research, Vol 57(5) 2015, pp743-758 (Greenacre et al)

Monitoring disaster signs

Companies frequently experience financial problems which can often be consumer based. These usually take the form of weak consumer demand where people either don't want to buy the product or don't want to pay the price being asked. But shouldn't companies be able to predict these problems by carrying out continuous monitoring through a range of research techniques? Here, Nigel Hollis, chief executive of Millward Brown, mines the company's BrandZ database to see whether consumer-based indicators could help with understanding whether a brand is heading for financial problems.

Market Leader, Q4 2015, pp50-52 (Hollis)

Research on a small budget

Before launching a new product or building a brand companies should understand long-term customer needs. Large companies can afford to invest heavily in gaining insight into customers and marketplaces but smaller companies are on a much tighter budget. This article looks at six ways in which marketers and entrepreneurs can carry out market research on a small budget. They include using social media to test the market and ensuring that you ask the right questions. Gemma Clarke, CMO of Tangle Teezer, and Tom de Pass, head of comms at Pukka, offer additional tips.

Marketing Week, 15 October 2015, pp23-25

Public relations

VW case could provide opportunities for PR

The VW emissions scandal might lead to reputation management being given greater priority in the boardroom. Corporate reputation and corporate success are inextricably linked as demonstrated by the VW crisis. It also shows just how much attention companies should pay to identifying where potential risks lie. This offers huge possibilities for the PR industry to demonstrate its value and to become an integral part of high level company strategy. Reputation risk evaluation is used by only a small proportion of the companies that would benefit from it. The author believes that the VW crisis will impact the PR industry in three ways: companies will examine their own risk profile; shareholders of

public companies are likely to demand clarity with regard to reputational risks; and the PR industry will have greater opportunity to prove its value.

PR Week, October 2015, p32 (O'Connell)

Generating publicity for small companies

Smart marketing and PR strategies can make all the difference to a small company that is competing against big companies and their large marketing budgets. The Guardian Small Business Network's Small Business Showcase Awards asked companies to submit 250 words setting out the innovative ways in which they have publicised their business. This article looks at how three businesses used creative advertising to create publicity for their campaigns.

The Guardian, 16 October 2015, p33

Sponsorship

Sponsor affiliation and transfer effects

When companies align themselves with a sports team through sponsorship, they benefit from 'affect transfer', in which positive feelings towards the team transfer to companies associated with the team. This in turn leads to more favourable attitudes and purchase intentions. This study examines how fan identification with a team moderates the effects of sponsorship affiliation and argument strength on fans' attitudes and intentions. The authors identify both positive and negative message effects and consider how fan identification influences the effectiveness of sponsorship affiliation and message characteristics.

Journal of Marketing Communications, Vol 21(6) 2015, pp408-424 (Bee and Dalakis)

Agriculture, fishing and forestry

More food, less nutritional value?

Has food been getting less nutritious because of intensive farming methods? Studies in the US and the UK have suggested that the amount of vitamins and minerals in vegetables has declined over the years. It is controversial to suggest that modern agriculture produces crops that are less nourishing but, even if this is the case, new methods have resulted in a huge increase in food supply which in turn has had a positive impact on diet and health. As farmers struggle to feed an increasing number of people while coping with environmental change, the problem of supply vs nutrition can only get worse. This article looks at the reality of modern-day food production and concludes that it is still better to eat unprocessed foods.

New Scientist, 17 October 2015, pp32-37

Fruit picking robot – disruptive technology

Cambridge Consultants has come up with a fruit-picking robot which it says could "transform how our

groceries are selected". A custom-made hand can adapt to the shape of the fruit and can grip it without causing damage. It can also sort the fruit by colour once it has been packed. Cambridge refers to this as "disruptive development" because the robot can cope around people, deal with irregular shapes and adapt to the environment. Until now robots have only been able to deal with repetitive tasks.

The Grocer, 17 October 2015, p10

Pumpkin crop scary at Halloween

The wet August weather has affected the UK's pumpkin crop this year and yields are expected to be around 50% of the planned crop. Pumpkins have grown in demand due to the rise in popularity of Halloween and the industry is worth around £6m.

The Grocer, 17 October 2015, p47

Building industry

SMEs – a slow return to housebuilding

The National House Building Council's *Housing Market Report*, published in January, revealed that the proportion of homes built by SMEs has been falling, from 44% in 2008 to 27% in 2013, but up slightly to 30% last year. There are signs that SMEs are moving back into housebuilding, according to a recent annual *Housebuilders' Survey* by the Federation of Master Builders. MD of Coventry-based Deeley Group, Peter Deeley, has identified a hole in the market where there is demand for affordable housing although one of the main barriers is local authority planning.

Construction News, 16 October 2015, pp21-23

Grow your own bricks

BioMASON is a biotechnology start-up based in North Carolina which grows bricks. Founder, Ginger Dosier, has invented a process involving sand inoculated with bacteria which attracts calcium ions to create a calcium carbonate shell. A single bacterial brick can take two to five days to grow which is comparable with a traditional kiln-fired brick which takes three to five days to make. She is hoping to challenge the cement industry which is second only to fossil fuels when it comes to global carbon emissions. She is also hoping to enable customers to grow their own bricks on site.

Wired, November 2015, p22

Businesses and strategy

Modes of business-customer interactions

Managers recognise the need to include social media in their communication models but cannot always adjust their approach to take advantage of opportunities and use social media effectively. The authors identify four mental modes of business-customer interactions: business-to-customers, business-from-customers, business-with-customers

and business-for-customers. They show how each affects how managers conceptualise and manage social media. They go on to provide a conceptual framework enabling managers to investigate their own mental modes and adjust their use of social media.

Journal of Interactive Marketing, Vol 31 August 2015, pp1-16, (Ryden et al)

Stock market listing and innovation behaviour

Going public provides companies with access to additional finance which could promote innovation, but at the same time exposes them to a set of requirements that constrains innovation. This contradiction can result in a unique pattern of innovation strategies among companies that go public in which they increase their innovation levels but reduce their innovation risk. The authors suggest that, after companies go public, they innovate at higher levels and with higher levels of variety. However, these innovations are less risky, include fewer breakthrough innovations, and fewer innovations in categories that are new to the firm. They test out their hypotheses through a study of 40,000 product introductions among CPG firms.

Journal of Marketing Research, Vol 52 October 2015, pp694-709 (Wies and Moorman)

Social business model innovation

This study examines business model innovation in the context of the social enterprise, identifies different types of innovation and explains their rationales. The research is based on data from awards for social innovation from 2011 to 2012. Six types of social business model innovation are identified: opportunity creation, smart distribution, ecosystem engineering, cheap sourcing, smart pricing and inclusive production.

Social Business, Vol 5(2) 2015, pp113-130 (Spiess-Knafl et al)

Charities and NGOs

People are being bombarded by fundraising

A survey of 2,000 UK adults has found that 79% ignore charity fundraising letters and e-mails while 74% agreed with the statement "I feel bombarded by charity fundraising appeals". This figure rises to 83% in the over 65 age group. Meanwhile only 26% of respondents said they were happy to stop and talk to charity fundraisers in the street. This finding was consistent for all ages, regions and social groups. The survey was carried out by ComRes on behalf of fundraising website eSolidar.

thirdsector.co.uk, 19 October 2015

Charities not to report on campaigning costs

The Charity Commission has decided not to insist that charities should report on the amount they have spent on campaigning in their annual returns. The Commission said that it had, "taken account of the

administrative burden that such an additional question would place on charities”.

Third Sector, October 215, p8

Durable consumer goods

Energy efficiency being over-stated

An investigation by *The Sunday Times* suggests that dishwashers, washing machines and other domestic appliances use more energy than that claimed by their manufacturers. It claims that domestic appliance firms are breaking rules such as the EU's eco-design and energy labelling directives. Some manufacturers, have been taken to task over this: Miele was ordered to pay compensation to customers who bought one of its freezers which consumed more energy than stated. Some experts believe that the appliance industry could be using 'defeat devices', which work like the software used by VW to reduce emissions during vehicle tests.

The Sunday Times, 18 October 2015, p13

Economy

Global inequality on the rise

A new report by Credit Suisse suggests that global inequality is on the increase. The research claims that half the world's wealth is concentrated in just 1% of the population and that middle class wealth is growing more slowly than the wealth of the very rich. It reveals that a person with \$3,200 is among the wealthiest 50% of people in the world, someone with \$68,000 is in the top 10% and wealth of \$759,900 places you in the top 1%. This year's survey focuses on the middle classes; it identifies 14% of adults around the world as being middle class and owning \$50,000 to \$500,000 of assets.

The Guardian, 14 October 2015, p23

Chinese investment in UK

China's investment in the UK has increased by 85% per year for the past five years, a trend that is expected to continue. A report from the Centre for Economic and Business Research and Pinsent Masons forecasts that China will invest £105 billion in Britain over the next decade. This investment will focus on energy infrastructure, transport and real estate. An infographic illustrates just where China is putting its money in Britain.

The Times, 16 October 2015, p9

Rate of store closure slows

New data from PwC suggest that retail store closures have fallen to their lowest level for five years. Shops closed at the rate of 14 a day in the first half of 2015, the lowest since 2010. PwC says that net closures amounted to 437 shops for the six months. However, new high street businesses are likely to be in the leisure or services sectors, such as

restaurants, jewellers, health food stores and computer games outlets.

The Guardian, 15 October 2015, p27

Consumer confidence on record high

According to Deloitte's latest *Consumer Tracker*, UK consumer confidence reached a record high in the third quarter of the year. Confidence among the 3,000 consumers who were surveyed rose by 2% from -7% to -5%.

The Independent, 19 October 2015, p52

Energy and utilities

CMA wants Ofgem price comparison service

As part of its *Energy Market Proposed Remedies* published in July, the Competition and Markets Authority (CMA) suggested that one way of gaining consumer trust would be for energy regulator Ofgem to operate an independent price comparison service. Ofgem says that such a service, "must be considered alongside the other remedies the CMA has set out". It proposes that consumer awareness campaigns could be an effective way of encouraging engagement. Another way would be to improve consumer trust in price comparison websites. In general Ofgem has agreed with the proposals, saying that it would, "support the CMA in developing remedies that can improve market outcomes for energy consumers£".

utilityweek.co.uk, 14 October 2015

Water companies are quids in

The UK's National Audit Office has estimated that from 2010 to 2015 water companies gained around £815m due to lower corporation taxes and interest rates. According to the Audit Office, the regulator Ofwat did not do enough to transfer the benefits to water customers. It admits that the quality of drinking water has improved since privatisation in 1989 but says that customers have been the ones to pick up the bill. However, Ofwat claims that the majority of water customers are satisfied with its price control regime.

The Times, 14 October 2015, p37

Environment

Eco-power stations get Chinese investment

A scheme to build power stations in Wales is receiving £2 billion in Chinese investment money. The power stations, based at Port Talbot and Anglesey, will generate electricity from imported plant waste. This could be used for homes while the excess heat from the plants will help to warm indoor ponds for seafood and hydroponic crops.

Financial Times, 20 October 2015, p4

Multinationals sign up to US climate pledge

A group of global companies, including Johnson &

Johnson, Ikea and Nike, have signed a White House-sponsored pledge to take greater action on climate change. This forms part of President Obama's efforts to garner corporate support for a global climate deal in Paris this year. Some 68 companies have joined the original signatories to the American Business Act on ClimatePledge. Large oil and gas companies, such as ExxonMobil and Chevron, are notable for their lack of participation!

Financial Times, 20 October 2015, p10

Fashion

Fashion and social shopping

A *Retail Week*/Salesforce report entitled *Connecting with Today's Fashion Consumers*, reveals that 72% of 18 to 24 year-olds and 49% of 25 to 34 year-olds want to shop directly from social media. The likes of Instagram, Facebook and Twitter are doing the right thing by introducing initiatives to make social shopping easier. Marketing will be key to success since consumers will be able to shop across multiple brands on one platform so brands will need to stand out in innovative ways. Although this report focuses on fashion, it is noted that other retail categories can learn from its example.

Retail Week, 16 October 2015, p15

'70s fashion makes a comeback

John Lewis's annual survey of customer shopping habits, *How We Shop, Live and Look*, suggests that people are attracted by 1970s fashion, not only in furnishings but in clothing such as platform shoes, cords, suede and flares in various shades of caramel and coffee. The report also says that Britons are becoming more adventurous in their fashion tastes, thanks to social media sites, such as Pinterest, and the influence of bloggers. It notes that men are expanding their tastes and sales of non-black suits have risen by 10%! (See also under Retailing)

The Guardian, 16 October 2015, p31; The Times, 16 October 2015, p23

Financial services

Culture and customer satisfaction

Little research has been done into the impact of individual culture on customer satisfaction in the global banking sector. This study designs a model of customer satisfaction which uses 'Uncertainty Avoidance' (the extent to which the community minimises uncertainty). It is tested among a sample of Arab customers in the UAE banking sector.

Journal of Financial Services Marketing, Vol 20(3) 2015, pp220-230 (Parahoo et al)

Barclays under new leadership

UK politicians are concerned that the UK banking sector should improve its performance. This article focuses on Barclays, Britain's biggest bank, and its new chief executive, US investment banker, Jes

Staley. Some experts believe that he is inexperienced both in the UK and in retail banking. However the bank has strong leadership in both areas.

Financial Times, 17-18 October 2015, p11

FMCG

Beverages

AB InBev finalises deal with SABMiller

On 13 October AB InBev announced a deal to take over SABMiller. The combined company will earn around half the brewing industry's profits worldwide and account for one in three pints sold worldwide. SABMiller gives AB InBev access to new markets, such as South Africa, where the former earns 29% of its profits. There are still various obstacles before the deal is set in stone, including winning the approval of regulators. However, forming a bigger company will do nothing to stop the increasing competition from craft brewers. AB InBev enjoys cutting costs but SABMiller is considered to have little fat to trim. There is considerable speculation that AB InBev's insatiable appetite for gobbling up companies may result in it trying to buy Coca-Cola.

The Economist, 17 October 2015, pp72-74; Financial Times, 14 October 2015, p18

Cosmetics and toiletries

South Korean beauty products take off

South Korean cosmetics company TonyMoly sells products made from snail slime in its New York store. Along with other Korean companies, such as Amorepacific and LG Household & Health care, it is producing beauty products which are rapidly becoming popular in the US and around the world, with chains such as Urban Outfitters and Target stocking their products. In the year to August sales of Korean cosmetics rose by 66% to reach \$1.5 billion and are projected to be worth \$10 billion over the next decade. Apart from snail slime, Korean women use camel milk, bee venom and starfish extract for their skincare. US fashion magazines and beauty bloggers are responsible for the growing demand for these substances.

Bloomberg Businessweek, 19-25 October 2015, pp27-28

Food

Food images make people over-eat

Scientists at Oxford University say that the popularity of food programmes on TV is helping to make Britons fatter. The trend for having images of food in the media, dubbed 'food porn', could be contributing to people eating more food. The study claims that people living in the Western world are watching more cookery on TV than ever before and the shows often, "glamorise food without necessarily telling a balanced story when it comes to the

societal, health and environmental consequences of excess consumption”.

The Daily Telegraph, 15 October 2015, p7

BEIC applies for new egg trademark

The British Egg Industry Council (BEIC) has applied to the UK's Intellectual Property Office to register a trademark for the slogan 'made with British Lion Eggs' alongside a new logo showing a lion wearing a crown and surrounded by the Union flag. This comes at a time when the BEIC has been lobbying for country-of-origin labelling on all egg products in the EU. British Lion Egg Products has recently published research showing that 80% of consumers would like food packaging to show which country eggs have come from.

The Grocer, 17 October 2015, p46

Danone boosted by China

Danone has just released better than expected third quarter sales, helped by strong demand for its baby formula in China, where milk safety scandals have led to a parental preference for premium imported products. Global sales of its 'early life nutrition' (ELN) rose by 11% thanks to online sales to the Chinese. China's shift to a consumer-driven economy should help Danone to maintain its market share. It also plans to sell ELN through specialised stores and local internet in China.

Financial Times, 20 October 2015, p20

Tobacco

The display ban in small shops

The tobacco display ban was introduced into small shops and forecourts in April. Since then 36% of convenience stores have reported a drop in tobacco sales according to a poll carried out for *The Grocer*. Other factors contributing to the sales shortfall are considered to be the illicit tobacco trade and the vaping trend. *The Grocer* examines how small shops have coped with the display ban. One solution has been to replace an existing gantry with vending machines which can carry digital advertising on the front but not for cigarettes of course!

The Grocer, 17 October 2015, pp4,30-33

Government and public sector

Government advertising review

The UK Government's Crown Commercial Service has announced a review of its roster of agencies. It says the review will, "ensure that its commercial models are able to adapt and flex". The Government has indicated that it will be looking for more regional agencies for the roster. The previous roster, which was held in 2013, was criticised by the ad industry after agencies that had been producing campaigns for the government for many years were not

selected.

Campaign, 16 October 2015, p1

UK tops openness of government data

The UK has been named as having the most 'openness' when it comes to government data, according to the think-tank Open Knowledge. However, the percentage of easily accessible data sets across all the countries in the survey was just 11%. The UK was followed by the US, Germany and India in the ranking. The survey data relates to 2014.

Financial Times, 20 October 2015, p1

EU tackles tax avoidance

The EU is due to make a decision on tax avoidance by multinational groups. EU competition commissioner, Margrethe Vestager, is expected to set a legal precedent to restrict the practices used by global companies in Europe for reducing their tax bills. This is likely to mean that tax rulings issued to Starbucks by the Netherlands and to Fiat by Luxembourg will amount to illegal state aid which will result in massive tax repayments. In the wider scheme of things Apple and Amazon could be targets for future EU action.

Financial Times, 20 October 2015, p1

Health and pharmaceuticals

Sugar tax attracts increasing support

A new survey by Marketing Sciences reveals that 35% of respondents agree strongly that it is a good idea to impose a tax on sugary drinks, an increase of 5% on last year; opposition to a sugar tax has fallen from 38% to 36%. Sarah Wollaston, chair of the health select committee who has opened an enquiry into childhood obesity, has condemned health secretary Jeremy Hunt's failure to release a scientific review from Public Health England into the link between sugar and obesity. Paul Darragh, of the BMA's board of science, is calling for restrictions on the advertising of unhealthy products, such as crisps, by sports stars like Gary Lineker.

The Times, 14 October 2015, p21

Cold remedies

GPs prefer not to see people with colds because antibiotics don't work and they are simply spreading germs by visiting the surgery. This sentiment is reflected in a Proprietary Association of Great Britain campaign which seems to have been effective: value sales of winter cold remedies rose by 12.2% in the year to 19 July, according to Kantar Worldpanel. This increase is also attributed to bad weather and new product development. This article looks at innovation and advertising in the cold remedy sector.

The Grocer, 17 October 2015, pp49-55

IT and telecoms

Dell wants head in the clouds

The move to the cloud has proved to be one of the biggest disruptions to the IT industry and many of the old guard IT companies have been slow to follow. On 12 October Dell, maker of PCs, agreed to acquire EMC, maker of digital storage devices for \$67 billion, in the biggest-ever technology takeover. Although Dell's PC business is declining as a result of cloud computing and the rise of smartphones, EMC's storage business is still growing, albeit slowly. The merged company could turn its attention to the production of 'converged devices' which it can sell to companies who want their own 'private' clouds or even sell to big cloud providers.

The Economist, 17 October 2015, pp71-72

Sainsbury's – second mobile failure

Sainsbury's is to axe its mobile network, Mobile by Sainsbury's, after having attracted just 150,000 users following its launch in 2013. This is the second failure in the mobile arena for Sainsbury's – its Sainsbury's One brand, launched in 2001, was abandoned after signing up just 60,000 users. Mobile by Sainsbury's is just one of a number of mobile networks in Britain which are seen as key to maintaining competition in the face of consolidation in the marketplace.

The Times, 15 October 2015, p45

Leisure and tourism

Competition law and online travel agents

Online travel agencies (OTAs) helped to maintain hotel occupancy rates during the 1990s when hotels were struggling. Now they have been accused of exploiting their position in a way that contravenes the rules of fair competition. This follows a number of investigations in the US, UK, and parts of Europe, where the European Commission wants to establish a harmonised approach to OTAs using the cases of Italy, France and Sweden as a precedent. This article centres on a complaint made to the French competition authority about Booking.com.

lexology.com, 7 October 2015

High earners take 8 holidays a year

A survey by the Association of British Travel Agents has found that the highest earners in Britain are taking on average eight holiday breaks a year. The average number of breaks taken overall in 2015 is 3.2, up from 3.0 last year. Londoners take the most holidays, at 4.4 each, while people in Northern Ireland take the fewest, at just 1.8 a year.

The Times, 14 October 2015, p11

Materials and mining

Lithium

With the advent of lithium-ion batteries, lithium has

become an important element. The world's biggest reserves of lithium are to be found in the salt flats – the Salar de Uyuni – of the Bolivian Andes but Bolivia is only just starting to tap into it. In August the Bolivian president signed a contract with a German engineering company to help construct an industrial-scale lithium plant. State mining company COMIBOL plans full-scale lithium extraction which will cover 5% of the Salar's surface. But Bolivia still has a long way to go to catch up with established players in the lithium market.

New Scientist, 17 October 2015, pp38-41

Iron ore prices unlikely to recover

BHP Billiton, the world's largest mining group, has warned that the increase in iron ore production among low-cost producers will destroy any hope of a price recovery led by China. The price of iron ore has fallen from \$190 a tonne in 2011 to \$54 a tonne.

The Times, 15 October 2015, p43

Green concerns over world's largest coalmine

Environmentalists in Australia are furious about the Government's decision to approve the world's largest coalmine. The A\$16.5 billion mine in Queensland will cover an area seven times the size of Sydney Harbour and will extract 66m tons of coal a year, mainly for export to India. Greenpeace Australia says that the mine will be, "a complete disaster for the climate and for the Great Barrier Reef" while the Australian Conservation Foundation believes it will add 128.4m tons of CO₂ a year to global emission.

The Independent, 16 October 2015, p29

Media

Books

Harry Potter to encourage e-book sales

According to the Association of American Publishers sales of electronic books have fallen by record levels. There has been a fall of 10% in the US for the first five months of the year compared with the same period last year. As reported in last week's *Cutting Edge*, Waterstone's has decided to stop selling Kindle e-readers due to the steady decline in sales. Apple has announced that it will launch interactive versions of the seven *Harry Potter* books with the aim of boosting e-book sales on its iBooks service. The books will have interactive animations as well as annotations by JK Rowling.

Retail Week, 16 October 2015, p30

Licensing revenues

Licensing revenues in the UK amounted to \$682m last year of which publishing accounted for \$57m, according to the Licensing Industry Merchandisers' Association's *Licensing Industry* survey. Global sales

of licensed merchandise and services reached \$241.5 billion which generated \$13.4 billion in royalties for the trademark owners. Global publishing revenues reached \$12.9 billion, generating royalties of \$615m. Publishing is the fifth-largest property type after entertainment and characters; corporate and brand; fashion; and sports.

The Bookseller, 16 October 2015, p13

Film

Chinese catching up with Hollywood

China's film market is predicted to be worth \$10 billion by 2017, which means that it is catching up with the American film industry. Western entertainment firms have been investing heavily in China. Warner Brothers has announced a joint venture with China Media Capital to produce films suitable for Chinese tastes. Putting money into co-productions with local partners is one way of circumventing the heavily regulated distribution of foreign films in China. Meanwhile Chinese film companies are busy investing in new technologies and ramping up their creative capabilities. Although Hollywood is still way out ahead, Chinese start-ups are winning in terms of their business models, such as developing new online revenue streams and promoting fan engagement on social media.

The Economist, 17 October 2015, pp76-78

Games

Gamers succumb to placebo

The placebo effect is very powerful and it can work in all sorts of environments. Gamers, for example, have more fun when they believe that a game has been updated even though it hasn't been. This is according to a study at the University of York which told some gamers that they would be playing against advanced AI while others were told that the game was random. Those who believed in the AI rated the game higher.

New Scientist, 17 October 2015, p24

Internet

Internet advertising

This new Key Note report analyses the internet advertising market, the largest and fastest-growing sector of advertising in the UK. It estimates that internet advertising expenditure this year will be 12.6% higher than for 2014. The report covers market and economic trends, market size, segmentation and forecasts as well as data on the global advertising market. CIM members can buy the report at a discounted price of £517.50 (+ VAT for a soft copy).

Key Note, Internet Advertising Market Report, October 2015

Music

HMV plans expansion based on physical sales

HMV chairman, Paul McGowan, has set out plans for expanding its e-commerce operation into ten new countries. The physical music market may be declining in the UK but it remains strong on the Continent. IFPI, the recorded music industry association, reports that 45% of all UK recorded music sales were digital compared with 41% in physical formats last year. This contrasts with Germany, where 70% of music sales were in physical formats, and France, where 60% of sales were in physical formats.

Retail Week, 16 October 2015, p13

Newspapers

Axel Springer tackles adblocking

German publisher Axel Springer plans to prevent online readers who use adblocking software from getting free access to *Bild*, Europe's bestselling newspaper. It says that readers using such software will be asked to subscribe or be blocked from reading the newspaper. It argues that journalistic services need to be financed in one of two ways – through advertising or circulation.

Financial Times, 14 October 2015, p19

Print ads down as digital slows

The print advertising market has dipped by as much as 30% over the past six months and most of the top ten newspaper advertisers have reduced their budgets. Sky has cut its budget by 20% in the first nine months while BT has reduced its national newspaper ad budget by 18%. This has been exacerbated by a slow-down in the rate of growth of digital ad revenues which publishers rely on to offset the decline in print ads. Mail Online has seen digital ad growth slow to single digits this year. Experts believe that this is a structural rather than cyclical trend. Brands are beginning to question the benefits of online advertising with concerns surrounding adblocking, ad fraud and measurement.

The Guardian, 19 October 2015, p33

Social media

Facebook offers mixed reactions

Facebook is currently testing its 'reactions' feature – its version of a 'dislike' button – in Spain and Ireland. The button allows users to express emotions such as 'haha', 'wow', 'sad' and 'angry'. Facebook believes that this will allow businesses and publishers to better understand how people are feeling about their content.

Marketing Week, 15 October 2015, p4

Packaging

Should SMEs introduce the 5p charge?

The 5p charge for plastic bags was introduced in England on 5 October in a bid to reduce the 8.5

billion bags used last year. Small businesses are currently exempt from this law but the Department for Environment, Food and Rural Affairs is encouraging SMEs to introduce a 5p charge anyway. Many will be wary of doing so in case it alienates customers. This colourful infographic from Make it Cheaper sets out seven reasons why small businesses should introduce a plastic bag charge.

smeinsider.com, 12 October 2015

Ryegrass egg boxes

Waitrose Duchy Original eggs are to be packaged in egg boxes made from ryegrass and recycled paper. Waitrose believes that this will save 77 tonnes of wood and recycled paper a year. It plans to extend the packaging to other egg ranges. The new boxes use 60% less water and release 10% less CO₂ during production than traditional egg boxes.

The Grocer, 17 October 2015, p10

Retailing

UK to look at price comparisons

The UK Government has announced plans to launch a consultation into supermarket price comparisons. The consultation follows a Competition and Markets Authority's (CMA) investigation into 'misleading' price promotions used by supermarkets. UK consumer minister Nick Boles says that: "Shoppers need to be able to get the best deal and make comparisons easily so we will look at how we can make information on price as clear and as simple as possible".

Mintel, Today in Retail, 15 October 2015

The master shopper

John Lewis's annual *How We Shop, Live and Look* report examines product trends and customer behaviour. It has declared 2015 to be the year of the 'master shopper', an expert shopper who has no problems with multi-screening and swapping between phone, tablet and PC to suit their needs. John Lewis reports that mobile makes up 60% of traffic to its website while sales from its mobile site have risen by 68% over the past 12 months. (See also under Fashion)

Retail Week, 16 October 2015, p8

Start-up aims to change people's minds

Yieldify is a start-up which uses predictive technology to send targeted marketing messages to shoppers just as they are about to leave a retailer's website. The personalised messages aim to convert online browsing into purchases. The technology reacts to customers' behaviour and triggers a personalised campaign to reduce abandonment.

Retail Week, 16 October 2015, p30

Services

The rise and rise of the MBA

The MBA has come in for some criticism over the years yet it remains a very popular qualification. Restrictions in both America and the UK – the two most popular MBA destinations – have made it tougher for foreign students who want to stay and work in the country. This is a problem for MBA courses which are often chosen on the basis of where someone would like to work after their degree. Canada and other countries are taking advantage of this – Canada has placed giant advertising billboards in Silicon Valley. Western business schools are also losing out to ones based in emerging economies. Whatever happens, business schools are unlikely to discontinue their MBA courses. The *Financial Times* supplement ranks the world's MBA courses.

The Economist, 17 October 2015, pp78-79; Financial Times (Business Education), 19 October 2015, pp1-56

Oyo rates India's hotels

Oyo Rooms is a hotel-booking app founded by Ritesh Agarwal in 2013. It allows people looking for a hotel in India to choose from an approved list based on minimum standards of cleanliness, service and safety. The company lists around 30,000 rooms in 120 Indian cities and uses customer feedback to encourage better standards. Oyo has collected \$125m in venture funding over the past two years and claims to be doing \$200m in bookings a year. But it is also attracting rivals, such as Zostel.

Bloomberg Businessweek, 19-25 October 2015, pp39-40

Transport and travel

VW scandal affects German national brand

One of VW's responses to the emissions scandal has been a marketing campaign which uses the line: 'We have broken the most important part in our vehicles: your trust'. It says it wants to win back trust using actions rather than words. According to YouGov BrandIndex, consumer perceptions of the brand have fallen by 32.1, its buzz score by 73.1 and its reputation score by 42.9. The scandal has also had wider repercussions: Brand Finance estimates that the brand power of the German nation has fallen by \$191 billion.

Marketing Week, 15 October 2015, p5

Tesla goes on autopilot

Last week Tesla launched an upgraded version of the software which runs its electric cars. The 'autopilot' enables the cars to change lanes and to park themselves without the intervention of the driver. In theory it would be possible for someone to travel hundreds of miles without touching the car's controls.

New Scientist, 17 October 2015, p24

Ferrari – a luxury brand?

This article asks whether Ferrari's pricey cars and operating margin of 14.16% qualify it to join the ranks of luxury-goods firms. Ferrari has exclusivity but its cap on car production also limits growth and its margins are well below those of other luxury companies such as Hermès or Prada. The main difference lies in the amount of investment required to launch new products – a car is more expensive to develop than a handbag. Luxury firms invest heavily in shops and glossy magazines for their advertising while Ferrari relies solely on F1 for its marketing. It is possible that Ferrari will embark on ventures other than cars, such as merchandise, which currently rakes in \$50m a year. But would people pay thousands for a Ferrari-branded watch?

The Economist, 17 October 2015, p74

VW to turn to new technologies

Volkswagen plans to cut its annual investment by €1 billion which could mean that it will postpone the development of many new vehicles and production plants. It insists that this will give it "more room" to focus on "trend-setting new technologies" such as the development of electric cars.

The Times, 14 October 2015, p45

Buzz phrases

Hurry sickness

Professor Richard Jolly claims that 95% of the executives he has interviewed over the past ten years have experienced 'hurry sickness'. This is where someone might get a buzz out of only just catching a plane before it takes off or trying to multi-task while brushing their teeth. Getting things done makes you feel good but in the long-term it can effect health as well as careers. Executives can end up feeling so tired and stressed that they are of little lasting value to their organisations. He suggests ways of overcoming the hurry sickness malaise.

London Business School Review, Vol 26(3) 2015, p22 (Jolly)

Website of the week

Business Companion

This website, overseen by the Chartered Trading Standards Institute and backed by the Department for Business Innovation and Skills, provides free, impartial information on trading standards law. It is designed so that company owners can find laws specific to their industry. A search on food will deliver information on food labelling and weights and measures. General guides consist of key points for those interested in an overview of a particular law. For example, the guide for B2B marketing gives an overview of the law, what the regulations cover, what is prohibited, comparative advertising, penalties, further reading and key legislation.

businesscompanion.info

Written by CIM's Knowledge Services Team

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On the Move

Name	From	To	New title	Source
Paul Carolan	JCDecaux	Widespace	Commercial Director	Campaign
Colin Clifford	Norstat	Alligator Research	Sales Director	research-live.com
Matt Springate	Droga5 New York	Grey London	Managing Planning Partner	Campaign

Promotions

Name	Company	Previous title	New title	Source
Mark Howley	ZenithOptimedia	UK Group Managing Director	UK Chief Executive	Campaign
Carmen Jimenez	John Blake Publishing	Deputy Press Officer	Press Officer	The Bookseller
Peter Lee	Pavilion Books	International Sales Manager	Head of International Sales	The Bookseller

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