

Cutting Edge: Our weekly analysis of marketing news

20 April 2016

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

Quick [links](#) to sections

Marketing trends and issues

Advertising

Effect of co-exposure to media and ads

Viewers of movies, TV and video like to share their experiences with family and friends. Group consumption or co-viewing means that co-exposure to adverts has also become common across various media. Research suggests that interactions with other people will affect viewer perceptions and will also affect views of advertising. Most media planning makes the assumption that the value of reach and frequency of ads does not change over social contexts. This study suggests that the social context of exposure does indeed influence advertising effectiveness.

International Journal of Advertising, Vol 35(2) 2016, pp325-344 (Mora)

Bringing back advertising characters

This article discusses the risks and benefits of reinstating historic advertising characters. Captain Birdseye, who first appeared in Birdseye's UK ads of the 1960s, is being brought back for an £8m campaign. Advertising characters are icons and can be a valuable asset to the brand in question, but brands should be careful not to alienate millennial audiences by simply dredging up the past and bringing back old advertising. Nicholas Hall, head of broadcast and delivery at Gocompare, was involved in bringing back the Gio Compario character to Gocompare's ads. He argues that people either love or hate Gio Compario, but that this has to be better than "vanilla advertising".

Marketing Week, 14 April 2016, p10

Agencies

UK advertising is an export success

The Advertising Association has published a paper

on its website, *Advertising Pays 4: Export value and global impact*, which examines the contribution made by advertising to Britain's exports and the impact of the UK's advertising industry around the world. It provides some eye-catching statistics, such as the fact that annual UK exports of advertising services are worth £4.1 billion and provide greater export value than either insurance or construction services; the UK's balance of payments surplus for advertising is the biggest in Europe at £1.6 billion; and 35% of the top 20 UK ad agencies' total revenue is generated by overseas business. It also boasts that, since 2005, the UK has won more Cannes Lions awards than any other country apart from the USA. Separately *Marketing Week* looks at the implications of the report's findings.

adassoc.org.uk, 12 April 2016; Marketing Week, 14 April 2016, pp8-9

Sorrell defends pay package

Sir Martin Sorrell has again been forced to defend his remuneration package at WPP, the world's largest ad company. This year he is due to receive £70m, including a £62.8m share package and bonuses. This will be the second-largest pay package ever paid by a company in Britain. In 2009 Reckitt Benckiser paid its chief executive, Bart Brecht, the princely sum of £92m. However there are signs of public and City disquiet over the levels of boardroom pay – 59% of BP shareholders recently voted against a £13.8m pay package for the company's chief executive, Bob Dudley.

The Times, 19 April 2016, p45

Brands and branding

Brand licensing – the risks and rewards

Brand licensing – the licensing-out of brands and products not made by the brand owner – is an important strategy for companies in the marketing of their products. However, the risks and rewards of



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licensing should be carefully considered before embarking on this path. The advantages include increasing the value of the brand, extending the reach of the brand into new channels of distribution, promoting the brand's appeal to the consumer and improving revenues. Brand licensing is a highly specialised area and companies should not enter it without sufficient preparation and knowledge. This could result in devaluing the brand's equity, alienating consumers and unnecessary expenditure. The author explains how brand licensing works while outlining the advantages, pitfalls and remedies.

Journal of Brand Strategy, Vol 4(4) 2016, pp357-362 (Cross)

Employer branding

The authors investigate how employer branding is used in HR activities, notably recruitment, selection and integration. They explore the specific role that HR practices play in employer branding and their implications. They use a multi-national organisation, which provides products and services to the construction industry, as a case study for evaluating employer branding outside consumer-facing industries. They highlight the fact that employer branding should be viewed as a management tool associated with cultural reinforcement and symbolic representations at work, and explain the way in which this works through HR practices.

European Management Journal, Vol 34(2) 2016, pp114-124 (Russell and Brannan)

Conferences and events

Two-way beacons the way to go

Beacon technologies, which send out signals that interact with mobile phones apps, are increasingly being used at events. Companies have been using the technology in areas such as automated event check-in, location-aware polling and heat maps of crowd flow, but reaching 100% of attendees is hard. However, the next generation of beacon technology – in the form of wearable, two-way beacons (on a badge or lanyard) – will lead to constant transmission of Bluetooth Low Energy that can reach 100% of attendees. Although two-way beacons are more expensive than the traditional phone app or location-based beacon, their advantages will mean that they are increasingly used at events in the future. The author reviews some two-way beacon products.

Association Meetings International, April 2016, pp39,41 (Ball)

Tips for a successful event

Organising a conference is a big challenge and the time taken to plan and arrange it could take several months. This article offers five top tips for planning a corporate event: plan by setting out what you hope to achieve and what you want the attendees to accomplish; ensure that the invitation makes your

organisation look as professional as possible; choose a suitable location; raise awareness of the event through social media, advertising and marketing; and use post-event activities to elicit feedback on what worked and what needs to be improved upon.

London Business Matters, Issue 124, April 2016, pp54-55

Northern lights on conference circuit

Prior to the 1980s, the conference business tended to be confined to London, Birmingham and large resorts such as Blackpool. But, increasingly northern cities, such as Manchester, Liverpool, Sheffield and Leeds, have developed facilities capable of hosting large events. These are rising up through the ranks as business destinations as this article explains.

Financial Times (Special report - Destination North of England), 15 April 2016, p3

Consumer behaviour

Website characteristics – shopping behaviour

It is tricky for companies to understand which factors influence online shopping behaviour. These can include the product being shopped for (the "what") and the context of the website (the "where"). This study looks at the effect of these factors on an online transaction's basket value. It takes into consideration the role of other aspects of the browsing process, such as page views and length of visit to the website. The study supports the idea that contextual factors are associated with online browsing. For instance, it reveals that the product variety on a website has positive associations with the length of visit and basket value, but is associated negatively with basket value for hedonic products.

Journal of Marketing, Vol 80(2) 2016, pp21-38 (Mallapragada et al)

Daily-deal behaviour

Daily deal sites have become increasingly popular since the inception of Groupon in 2008. Most daily-deal sites require sales to reach a predetermined number before the deals become active, a feature known as the 'tipping point'. Most daily-deals also have a built-in redemption period aimed at maximising the promotional effect of the deal. The authors ask whether these features have contributed to the success of the daily-deal industry. They conducted a study in Korea to find out whether consumers' purchase and redemption behaviours were influenced by these features and how consumers changed their behaviours as they purchased and redeemed vouchers over a period of time.

Journal of Interactive Marketing, Vol 33 February 2016, pp57-76 (Song et al)

Customer relations

Offering a choice of rewards

As a way of differentiating themselves from competitors, brands will often offer customer incentives and rewards that fall outside their core product offering. This appears to be a sound strategy: 69% of loyalty programme members in the UK agree that the value of the scheme is less when the rewards are limited. Research by loyalty firm Collinson Latitude among the airline and hotel sectors, found that 37% of respondents regarded schemes that only offer rewards related to a brand's core products to be "dated and old-fashioned". In contrast 77% of respondents continued to purchase from the brand after reward redemption on non-core products. This article examines the benefits of offering a broad choice of rewards and provides a case study of Sofology.

Marketing Week, 14 April 2016, pp29-31

Direct marketing

Mistargeted mail is costing £1 billion a year

A new survey by the Software Bureau has identified five main sources of direct mail wastage which lead to 1 in 12 pieces of direct mail being obsolete. These are: pack design, postage optimisation, data formatting, data quality and failure in the feedback loop. These can result in poor response rates, increased campaign costs and unhappy consumers. It estimates that badly targeted direct mail is costing UK businesses nearly £1 billion a year.

Database Marketing, March-April 2016, p8

Law

The spontaneous deregulators

Some platform businesses, such as Uber and Airbnb, have achieved success by circumventing laws and regulations that traditional competitors are subject to. The authors refer to this as "spontaneous private deregulation". Businesses are at their most vulnerable to spontaneous deregulation when regulations are excessive, obsolete or protect consumers from unlikely risks. Incumbent players have four options: they can take legal action to request enforcement of an existing law; they can adopt aspects of the new entrant's model (some taxis have already introduced Uber-style apps); they can use their own strengths to tackle the threat from upstarts; or, as a last resort, they can leave the business!

Harvard Business Review, April 2016, pp80-87 (Edelman and Geradin)

General Data Protection Regulation adopted...

On 14 April 2016, the EU ratified the General Data Protection Regulation (GDPR). The new Regulation will have a significant impact on all organisations in the EU that process personal data; it will also affect those outside the EU who provide services to Europe. Companies will have two years in which to

achieve compliance. The GDPR replaces the current European data protection laws which comprise the 1995 Data Protection Directive and 28 national data protection laws. The Regulation contains many important changes, 14 of which are summarised in this article.

lexology.com, 14 April 2016

...but how will it affect marketers?

The new General Data Protection Regulation will be enforced in 2018. This paper, which represents research undertaken by DataIQ, is the first of four to examine the likely impact of the new Regulation on business critical processes, with particular emphasis on marketing. The first report, entitled *Permission*, focuses on the issue of consumers giving their consent to a company to use their personal information. It is divided into the following sections: the connected consumer; data-savvy consumers; the data-driven marketer; and the data-enriched marketing process.

dataiq.co.uk/reports, 13 April 2016

Marketing

The effect of "great" on products

The adjective "great" is used by organisations to name products as a way of somehow adding value to the product but little is understood about the effect of the word. The authors examine the effect of "great" when linked to product names in different environments. The aim is to discover whether this word and others like it, such as "grand", can add value to a product. A series of studies reveal that, when consumers know that "great" means "truly superior", they can overestimate the main attributes of the product. But when there is no way of knowing if "great" means superior and the product is well-known, consumers are generally indifferent. If "great" is added to the name of a product there is no change in consumer perceptions of that product. The authors conclude that marketers should consider the term "great" when aiming to persuade consumers.

Journal of Brand Management, Vol 23(2) 2016, pp179-196 (Martínez)

Product placement disclosure

The EU has reacted to concerns over product placement by prohibiting placements from directly encouraging the purchase of the goods in question, and the goods themselves are not allowed to be inserted too prominently. In the light of the EU situation, the authors conducted a study to test how product placement disclosures could influence the awareness of persuasive intent. They also looked at how persuasive intent influences the recall and recognition as well as attitudes towards the placed brand. Participants were asked to view a video clip

of *Telephone* by Lady Gaga in which the Polaroid brand had been placed.

International Journal of Advertising, Vol 35(2) 2016, pp185-199 (Matthes and Naderer)

Ad budgets rise, confidence falls

The latest *IPA Bellwether Report* reveals that UK marketing budgets rose in the first quarter of the year but that financial confidence has fallen. A net balance of 3% of companies said that there had been an increase in their budgets for the first quarter, up from 0.5% in the final three months of 2015. Internet marketing had a five-quarter high of 9.8% while direct marketing, sales promotion and market research all suffered downward revisions. Overall financial confidence has fallen to its lowest level (-6.5%) since the beginning of 2013 which could be due to uncertainty associated with the European referendum.

Campaign, 15 April 2016, p2

Market research

The implicit mine and automatic processes

Market research has traditionally used fairly sophisticated scientific methods, such as clustering and modelling, to research fairly ordinary products, such as soap or biscuits. Yet now it seems that these traditional tools of measurement are simply not up to the job. This is because a lot of the truth about brands or advertising is submerged in the implicit mind of the consumer and direct questioning will not get at the truth. Approaches need to take into account the fast, automatic nature of the human mind. The author describes a case study in which he demonstrates how response latency (the speed with which a response comes to mind) within a semantic priming framework is used to assess attitudes towards the eBay brand and its advertising.

International Journal of Market Research, Vol 58(2) 2016, pp175-199 (Penn)

Public relations

EU referendum – a PR view

This month *PR Week* focuses on the European referendum from the perspective of the PR industry. There are interviews with Finsbury Chairman, Roland Rudd, and Michael Heseltine (both anti-Brexit) and Paul Stephenson, comms director of Vote Leave. It also summarises the main 'leave' and 'remain' campaigns. *PR Week's* survey of its *UK Power Book* reveals that the vast majority of senior PR respondents (79%) want Britain to stay in the EU vs only 13% who want to leave. However, while 53% said that a Brexit would have a negative impact on the PR industry, 37% thought it would have no effect and 10% thought it would have a positive effect.

PR Week, April 2016, pp28-45

Don't let your message get lost in translation

Badly translated signs can have serious consequences at the best of times, but in marketing the catch phrase or slogan can be essential for communicating core brand values. In a global marketplace there are greater chances of this message being disrupted. In 2009 HSBC had to spend £7m on rebranding a campaign whose slogan, *Assume Nothing*, was translated as "Do Nothing" in some countries. The author provides advice on how to reduce the chances of ending up with a campaign that says the opposite of what is intended. These include telling the translator who the final audience will be and ensuring that the text reads as though it was produced in the target language.

London Business Matters, Issue 124 April 2016, p32 (Barella)

Agriculture, fishing and forestry

Organic farming outperforms conventional

A report on organic farming in England and Wales, by the Organic Research Centre for the Welsh Government, reveals that the organic dairy industry is now making higher profits than conventional farms even though they produce lower yields. The organic sector has also been competing successfully for new export business in countries such as China and the USA. The Soil Association's 2016 *Market Report* shows that the organic market grew by 4.9% in 2015, the third year of consecutive growth for the sector. Sales of organic products have also been out-performing the non-organic grocery market which has declined by 0.9%. Animal welfare is important to consumers who will choose organic products because they want to know the origins of their food.

farmingfutures.org.uk, 14 April 2016

GoPro films cow's-eye view

A new TV ad from Waitrose features footage filmed by a GoPro camera attached to a cow. The campaign aims to demonstrate to consumers that Waitrose's products come from an ethical and healthy source. The ad includes film of a Waitrose dairy farm in Newbury. A similar ad will show a Waitrose hen farm near Marlborough.

Campaign, 15 April 2016, p5

Building industry

London reaches for the sky with timber

An 80-story timber skyscraper, to be located in the Barbican complex in London, has been proposed to the London mayor. If accepted, it will be the second-tallest building in London after the Shard. Its aim is to demonstrate how sustainable wood can be used as a building material. Currently the tallest timber building in the world is a 14-story block in

Bergen, Norway. The London plan was designed by PLP Architecture, researchers at Cambridge University and engineering firm Smith and Wallwork.

Construction News, 15 April 2016, p2

Housing association merger

The merger of three of the largest housing associations in London could result in one of the largest housebuilders in England, with the building of 100,000 homes in London and the South-East over the next decade. L&Q, Hyde Group and East Thames would jointly be worth an estimated £30 billion. The new entity also plans to launch a training academy with an additional £5m-a-year budget.

Construction News, 15 April 2016, p8

Largest housing development in UK

Alconbury Weald, near Huntingdon, Cambridgeshire, is the largest residential development scheme currently under construction in Britain. It is built on an old RAF base, has a perimeter of 11 miles and will result in 7,000 homes upon its completion in 15 to 20 years. Developers Urban and Civic have just launched the first 128 homes. They will also build two primary schools, a secondary school and a health centre on the site.

The Daily Telegraph (Business), 15 April 2016, p8

Businesses and strategy

The resurgence of vertical integration

Vertical integration used to be all the rage – in 1926 Henry Ford wrote that: “If you want it done right, do it yourself”. For the past 30 years companies have been focusing on their core business while contracting out other activities to specialists. Now there seems to be a change of direction, especially among IT companies who were at the forefront of the original contracting out trend. These days technology start-ups are ‘re-bundling’, a movement that is also found in many other sectors. There are five key reasons for this trend reversal: simplicity, efficiency, choice, speed and uncertainty. Vertical integration may not be seen everywhere and it is less ambitious than in Henry Ford’s day. It is a question of striking the right balance between doing things in-house and contracting out. In the meantime, the likes of Apple and Tesla are operating their own forms of vertical integration.

The Economist, 16 April 2016, p62

CSR mechanisms and company performance

This article looks at the relationship of corporate social responsibility (CSR) to company performance and identifies four mechanisms associated with this relationship: slack resources mechanism; good management mechanism; making amends for past corporate social irresponsibility (CSI) or penance mechanism; and CSR insuring against future CSI or insurance mechanism. The authors test the

mechanisms on a data set of over 4,500 companies to reveal that companies engaging in CSR are likely to benefit financially from their CSR investments. The effects of the mechanisms are discussed.

Journal of Marketing, Vol 80(2) 2016, pp59-79 (Kang et al)

Tackling industry-wide problems

Super-innovators are those who look beyond the problems in their own company to ‘bottlenecks’ in the industry as a whole. The tactics usually employed by companies who are trying to get ahead of their competitors will often lead to little more than incremental improvements. But, by taking a macro approach to the environment they work in, businesses can make changes that could put them ahead of the field. There are five categories of solutions or “levers” which successful companies can use to tackle a problem in their industry. The authors identify five companies that have used these levers.

London Business School Review Vol 27(1) 2016, pp22-25 (Mullins et al)

Busting bureaucracy

The problem for fast-growing, innovative enterprises is that they could end up being bogged down in layers of bureaucracy and red tape. To prevent this happening, companies are developing models of self-organisation or self-management. For example, Zappos, the Amazon-owned shoe retailer is using Holacracy, a structure that does not use job titles although the company has suffered a painful transition period. Chinese white goods company Haier is transforming itself into an active shareholder that oversees a network of micro-enterprises. This article looks at the benefits of “busting bureaucracy”.

Financial Times, 15 April 2016, p9

Charities and NGOs

The funding crisis and the data industry

Negative media attention surrounding the charity sector means that it will have to adapt to a new environment rather than relying on the same tried and tested methods of fund-raising. Research from the REaD Group reveals that 42% of UK adults are less likely to donate to charities because of negative press coverage and that the sector could lose nearly half the £10.6 billion it receives from the public every year. The charity sector is important to the data marketing industry, but charity donors are concerned about the use of their data. This means that the data industry will have to “get itself in shape” for the changes that are taking place in the industry.

Database Marketing, March-April 2016, pp24-27 (Scott)

Durable consumer goods

Smart mattress can catch you out

Durmet, a Spanish company, has developed the Smarttress, a mattress that contains a "lover detection system". The mattress contains 24 ultrasonic sensors which monitor "excessive" movement or pressure. The results are sent to the buyer via a mobile phone app in real-time so that the person will know if the mattress is receiving an unexpected amount of attention while they are out at work. A 2014 survey indicated that 39% of Spaniards have admitted to having an affair!

The Times, 15 April 2016, p34

Campaign for compact self-assembly

A US start-up called Campaign took the limited dimensions allowed by a Fedex box as a challenge for producing furniture that could be fitted into the box and delivered. Campaign was founded in 2014 by engineer Brad Sewell with a team of like-minded engineers. They have already invented a chair, love seat and sofa, which will be available online from June – they can be packed into the required box size and assembled by the customer.

Bloomberg Businessweek, 11-24 April 2016, pp54-55

Economy

IMF downgrade GDP growth forecast

The IMF has warned of another downward revision to its predictions for global GDP growth. Chief economist, Maurice Obstfeld, has identified key threats to the world economy as being "non-economic risks" – in other words, worldwide political problems. Overall the IMF reduced its estimate for global growth this year from 3.4% to 3.2%, which is better than last year. America, Europe and the emerging world had similar downgrades while sub-Saharan Africa was the most downgraded, mainly due to Nigeria. Out of the large economies, only China was not downgraded.

The Economist, 16 April 2016, pp66-67

The counterfeit economy

A study of counterfeit products reveals that fake goods account for 2.5% of all international trade and up to 5% of goods imported into the EU. Fake goods sold across borders were worth £270 billion in 2013, according to a study from the OECD and the European Observatory on Infringement of Intellectual Property Rights. The most popular counterfeit items were branded shoes, clothes and leather goods.

The Daily Telegraph (Business), 19 April 2016, p5

Energy and utilities

Spark fires up revenues

Spark Energy is one of the new energy companies that have sprung up over the past decade to

challenge the 'Big Six'. Based in Selkirk, Scotland, it has carved out a niche by supplying rental properties and making it easier for landlords to manage the transition between tenants. Revenues are expected to rise by over £15m to £119m this year and the company is in profit. However, Spark is still trying to recover from a customer service scandal and an Ofgem fine of £250,000. It is currently expanding into social housing by offering the UK's cheapest prepayment tariff.

Financial Times, 13 April 2016, p14

Electricity customers switch to small suppliers

Data from Energy UK show that the number of customers switching from large to small or mid-tier electricity suppliers rose to a record high of 206,419 last month. This represents 43% of all switches, compared with just 11% of switches from smaller to larger suppliers.

utilityweek, 14 April 2016

British Gas loses customers

British Gas lost 224,000 (1.5%) of its residential customers during the first quarter of the year. This was nearly double the number who defected during the whole of 2015. It highlights the problems facing the 'Big Six' energy companies which are suffering from declining power prices, increased competition and closer political scrutiny. Energy secretary Amber Rudd has been urging suppliers to reduce bills while independent suppliers, who have fewer overheads, are able to undercut their larger rivals.

Financial Times, 19 April 2016, p22

Environment

Climate change in business

Climate change is one of the most important factors influencing the way that business operates, both now and for the foreseeable future. Oliver Bäte, CEO and chairman of insurer Allianz SE, talks about how the company, as a professional risk manager, integrates climate change into its day-to-day operations in three main areas: incorporating climate change considerations into company agendas; incentivising preventive measures for the environment and compensating customers; and providing solutions for a low-carbon society.

International Trade Forum, Issue 4 2015, pp20-21 (Bäte)

Whitbread introduces greener coffee

In order to reduce its energy consumption, Whitbread has created a Costa Coffee Eco Pod and a new type of city hotel called the Hub, part of Premier Inn. The Eco Pod features solar panels, passive ventilation and a rainwater harvesting system resulting in 52% less energy consumption than in a similar-sized Costa. The first Eco Pod, in Telford, Shropshire, claims to be the first "zero

energy" coffee shop in the UK. The Hub brand also incorporates environmental technologies which reduce water and energy usage.

Financial Times, 19 April 2016, p10

Fashion

Sales boost with virtual resizing tool

Rising sales at Shop Direct have been attributed to the use of virtual technology enabling customers to compare clothing sizes. The tool lets shoppers scale up items and compare them with clothes they already own on a virtual model the same size as they are. A recent experiment, in which half of customers visiting Shop Direct's site had access to the resizing tool and half didn't, resulted in a net revenue increase of 10.3% and sales conversion of 7.2% among those using the technology. However, only 17.1% of those who viewed the tool actually used it.

Retail Week, 15 April 2016, p30

Burberry – suffers from consumer angst

Burberry is expecting worse-than-expected profits due to slowing sales in Europe as wealthy Chinese tourists were deterred from visiting Europe following the terrorist attacks in Paris. Demand for the luxury fashion brand's goods fell in France, Germany, Spain and Italy as concerns over possible terrorist threats continued. The company plans to respond by cutting costs and improving productivity and efficiency.

The Times, 15 April 2016, pp42-43; The Guardian, 15 April 2016, p25; Financial Times, 15 April 2016, p21

Athleisure boosts JD Sports

Demand for women's leisure clothing has resulted in a 45% leap in profits for JD Sports. Executive chairman Peter Cowgill reported that womenswear was the fastest-growing sector with brands capitalising on the craze for athleisure. This is where sports fashion mixes with catwalk trends among women who want to wear sportswear outside the gym. JD Sports, Nike and Size? have all opened women-only outlets to cater for the trend.

The Guardian, 15 April 2016, p23; The Times, 15 April 2016, p43; Financial Times, 15 April 2016, p21

Financial services

Introductory pricing

Financial institutions often provide new customers with special introductory prices when they sign up to services. However, this can be challenging for decision makers because small incentives may not affect the behaviour of new service adopters while large incentives could have a negative financial impact. This study seeks to address the gap in the literature concerning the effectiveness of incentives by investigating the optimal introductory pricing of a financial service. It reveals that introductory discounts significantly increase a company's net

present value (NPV) of profits. It also finds that the level of discount, and length of time that a new customer receives the discount, are critical factors for determining NPV of profits.

Journal of Financial Services Marketing, Vol 21(1), pp34-50 (Nejad and Kabadayi)

FS companies lose licences

After the UK's Financial Conduct Authority (FCA) started regulating the sector in April 2014, thousands of financial services businesses were obliged to apply to the watchdog for permission to continue trading. Since that time over 1,400 companies have either withdrawn their application or have been refused a licence. Yet there are still companies offering a poor service to customers, according to Tracey McDermott, acting chief executive of the FCA.

Financial Times, 13 April 2016, p3

Contactless payments skyrocket

Research from Visa reveals that contactless payments in the UK rose by 237% between October and March after the payment limit was raised from £20 to £30 in September. The number of transactions has more than trebled since then. The greatest beneficiaries have been the supermarkets where the average basket size is £25. Visa Europe MD for UK & Ireland, Kevin Jenkins, says that the increase in transactions has shown a "demonstrable shift in consumer behaviour".

Retail Week, 15 April 2016, p31

FMCG

Beverages

Prosecco sparkles

Britons' liking for Prosecco is growing – they purchased 40m litres from supermarkets last year, eight times the amount bought in 2012. But Prosecco is geographically limited to a small area of Italy so supply is finite while demand is growing around the world and this is boosting the price. UK retailers have started to look for alternative products to meet demand. Cava is one possibility and sales of the Spanish drink are already on the rise, up by 11% in the year to 4 January. *The Grocer* analyses the sparkling wine market in Britain and questions whether growth is sustainable.

The Grocer, 16 April 2016, pp5,39-41

PepsiCo sees volatility in world markets

PepsiCo has suffered a sixth successive quarter of falling sales, which has been exacerbated by weaknesses in some markets. Sales in Europe and sub-Saharan Africa fell by 9.1% to \$1.3 billion. However, the company's developing and emerging markets business rose by 7%. Pepsi admitted that

global business faced “sustained volatility and uncertainty”.

The Times, 19 April 2016, p44

Government and public sector

Lies, damned lies and bullshit

The use of statistics to convey a message but not necessarily because they are true, is becoming commonplace, especially among politicians. Last year’s British general election campaign was characterised by “relentless statistical crossfire” with none of the politicians caring whether their claims were true. Thirty years ago Harry Frankfurt, a Princeton philosopher, concluded that a liar cared about the truth so much that he wanted to hide it while a “bullshitter” did not care whether a statement was true or not. “Statistical bullshit” is easy to share and spread on Instagram or Twitter and everyone wants an eye-catching headline. This article looks at the prevalence of dodgy statistics in public life and how the EU referendum has become a magnet for it.

Financial Times (FT Magazine), 16-17 April 2016, pp11-17

Bringing campaigns to local sports networks

US political campaigns often don’t consider local or regional sports channels when they are buying airtime. Fox Sports, which sells ads for around 40 regional sports channels in the US, wants to change all that. It aims to gain a larger share of the roughly \$4.4 billion that political candidates will spend on TV advertising during the presidential election. Research commissioned by Fox found that viewers of local sports tended to be undecided voters – just the people that campaigns need to reach!

Bloomberg Businessweek, 11-24 April 2016, p26

Indian defence industry

India, which has the fourth-biggest military budget in the world (\$50 billion a year), is also the biggest single military arms importer. Now the government is focusing on defence to boost domestic manufacturing and the country has ambitions to be a major player in arms manufacture. Large Indian conglomerates, such as Tata, have entered weapons manufacturing in the past few years. Groups with expertise in cars or precision engineering have also entered the fray but will need to develop skills in design, not just in assembling equipment.

The Economist, 16 April 2016, pp60-61

Czech Republic to rebrand

The Czech Republic was named in 1993 after the former Czechoslovakia collapsed. Now it wants to rebrand as simply Czechia. This is not a crowdsourcing stunt but the actual name that has been used regionally since 1993 while “Czech

Republic” is the name used in official documents. In 1997 the country established The Civic Initiative Czechia to promote the name. It also has a website and Facebook page. Kazakhstan is another country that has toyed with the idea of changing its name.

brandchannel.com, 15 April 2016

Health and pharmaceuticals

Aiming for a sustainable obesity strategy...

Sustain’s Children’s Food Campaign, which has been arguing for a tax on sugary drinks, has reacted to Mars’ plans for labelling and promotion. Malcolm Clark of the Sustain campaign criticises Mars for its lack of “quantifiable targets”, reformulation of just selected products and the lack of connection with Public Health England’s new Eatwell Guidance. He also points out that there is no mention of Mars changing its marketing and promotions and criticises the Government for not publishing an obesity strategy: “The sooner it is published, and provides a level playing field of mandatory rules on reformulation and marketing for all companies and products, the better for everyone”.

sustainweb.org, 15 April 2016

...while Mars admits laws may be needed

Mars global president of food, drinks, and multisales, Fiona Dawson, has said that she would like the industry to try a voluntary approach to making products healthier, but has conceded that laws may be needed if changes do not happen fast enough. This follows a warning by the company that some of its products, notably Uncle Ben’s rice and Dolmio sauce, should only be eaten once a week because of their high levels of sugar, salt and fat.

thedrum.com, 17 April 2016

GMC launches new cosmetic surgery rules

Doctors carrying out cosmetic treatments will have to avoid irresponsible advertising such as two for one treatments, and allow a two-week cooling off period before surgery, according to General Medical Council directions published last week, which cover all cosmetic procedures. Failure to follow the guidelines could lead to a fitness-to-practice investigation.

the guardian.com, 12 April 2016

IT and telecoms

Vodafone and EE fail on customer service

The annual survey from Which?, the consumer group, has revealed that Vodafone and EE both “fail” when it comes to quality of service. The two mobile providers tied in second to last place in the league table of customer service. They achieved a score of 49% for metrics such as signal strength, value for money and ease of getting in contact to make a complaint. The worst-scoring mobile brand

was Lebra, which hands out phone cards at Tube stations. GiffGaff received the highest score, followed by Asda Mobile.

The Times, 16 April 2016, p52

Mast operators may

The European mobile infrastructure industry is beginning to consolidate. Cellnex Telecom, a Spanish mast operator, and EI Towers of Italy, a smaller mobile mast business, are trying to buy part of Inwit, another mast owner which is controlled by Telecom Italia. At the moment most cell towers across Europe are owned by mobile operators but Telecom Italia may sell in order to reduce its huge debt.

Financial Times, 14 April 2016, p14

Leisure and tourism

VR reaches the theme parks

This summer some theme parks will be introducing attractions based on virtual reality headsets. Thorpe Park is launching Ghost Train, an experience designed by Derren Brown, which takes place largely through HTC Vive VR headsets. The narrative is designed so that every viewer has a different experience. This month Alton Towers launches a space-based VR ride called Galactinauts while Disney's Star Wars land in California will include elements of virtual reality. Theme parks fit well with VR, which needs a lot of physical space for maximum impact. TrendForce estimates that the market for VR will be worth \$6.7 billion this year.

Wired, May 2016, p94

Materials and mining

Coal industry – all burnt out?

On 13 April the world's largest private coal company, Peabody Energy, filed for Chapter 11 bankruptcy. The US coal industry faces huge problems and since the beginning of 2015 five large US coal miners have entered bankruptcy. The rise of shale in America has meant that natural gas is replacing coal as the country's main fuel for creating electricity. Britain plans to close all its coal-fired power stations by 2025; even in China, coal use for power supply has been falling although it is likely that India and China will continue using coal for some time to come.

The Economist, 16 April 2016, p57

Media

Books

Extreme dot-to-dot

With colouring books having become a well-established craze in Britain, a new trend has entered the fray in the form of extreme dot-to-dot books. WH Smith has just reported record sales of extreme

dot-to-dot books and "querkles", otherwise known as colouring by numbers. Colouring books, often regarded as a way of relieving stress, have been boosting sales since last spring but now other book therapies are becoming popular. Garth Moore's *Ultimate Dot to Dot* has over 30,000 dots to join up.

The Guardian, 14 April 2016, p9; The Daily Telegraph (Business), 14 April 2016, p5

Internet

Wirecutter benefits from affiliate marketing

Gadget review site the Wirecutter has no need of advertising because it offers links to Amazon.com and other sites where visitors can buy the named products. The site, which takes a percentage of the purchase price, contributed to \$150m-worth of online sales last year. Wirecutter is one of the first sites to turn affiliate marketing into a mainstream media success. Founder Brian Lam argues that the site has more incentive to review and recommend the best products than sites that rely simply on ads. Other major publishers, such as BuzzFeed and *Cosmopolitan* are beginning to offer product reviews with links to the product site.

Bloomberg Businessweek, 11-24 April 2016, pp30-31

Google faces legal challenges in Europe

News Corporation has filed a complaint with the European Commission against Google, claiming that it has abused its dominance of the search business. It is accused of 'scraping' or copying content from other sites and using its power to promote its own news results over those of competitor sites. Europe's competition regulator has also expressed concerns over Google's contracts with phone makers that use the Android operating system. Google has a 90% share of internet search in Europe while Android has an 80% share of smartphones. Google has already been charged by the EC for using its search results to favour its own shopping service.

The Times, 19 April 2016, p42

Music

Free music outperforms other

The decline in music sales, which began with the introduction of music-sharing service Napster in 1999, has continued until now. Last year the rise in digital streaming services allowed music industry sales to grow by 3.2%, the fastest rate of growth since 1998, according to trade body IFPI. However the total market is still 36% smaller than at its peak in 1999 and illegal downloads continue to be a issue. Another problem is the accessibility of free music due to YouTube and other sites not being properly licensed – the IFPI claims that far fewer users pay directly for digital music than listen to it for free.

The Economist, 16 April 2016, pp58-59

Newspapers

Rich list is on the cards

The first *Sunday Times Rich List* campaign in four years is using 19th-century tarot cards to describe how the richest people in Britain made their fortunes.

Campaign, 15 April 2016, p6

The Guardian to tackle ad-blockers

The Guardian Media Group's chief executive, David Pemsel, has said that the company will be asking readers to turn off ad-blocking software "in certain environments". He says that his remit is to protect *The Guardian* newspaper and that, "if more and more of those ad-blockers are introduced, we will be far more aggressive".

Financial Times, 13 April 2016, p23

Social media

Facebook launches Messenger bot

Last week Facebook launched its Messenger bot platform together with partners including Bank of America, Expedia and Burger King. Head of Messenger, David Marcus, claims that bots, or AI systems that respond to human requests, could create a "new paradigm" in the same way that apps and GPS services did for services such as Uber. Facebook Messenger will enable Facebook's 900m users to chat with automated systems, to ask for information and submit orders. Facebook claims that companies will be attracted to this huge audience but Gartner analyst, Brian Blau, believes that companies are not as technologically advanced as Facebook would like to think...

Financial Times, 14 April 2016, p16

Television

Thinkbox rethinks Google ad claim

Thinkbox, the trade body for commercial TV, has finally managed to challenge Google's assertion that brands should channel 24% of their TV budgets into YouTube in order to target 16 to 24 year-olds. Thinkbox has been using a number of sources to examine various forms of video. It has found that live TV makes up 43.5% of video viewing among this age group, a figure which rises to 57.5% when playback catch-up and broadcaster VoD are included. YouTube accounts for 10.3% of video viewing and Facebook 5.7%. Thinkbox also found that TV accounts for 87.6% and YouTube just 1.4% of time spent watching video advertising.

Campaign, 15 April 2016, p29

TV advertisers hold off spending

The forthcoming EU referendum is having an adverse effect on TV advertising. Uncertainty over the result of the vote together with global economic risks has prompted advertisers to reduce their spending. This is according to KPMG's media tracker

survey which reports a "marked slowdown" in the ad market during the final quarter of 2015.

The Daily Telegraph (Business), 18 April 2016, p1

Video

Amazon Instant Video to offer UK channels

Amazon is understood to be in discussions with British pay-TV channels, such as Viacom, UKTV and Discovery, to offer them on its Prime Instant Video as optional extras for subscribers. It is also in discussions with BT, leading to speculation that live sport might be offered on Prime Instant. Experts believe that UK pay-TV channels have led Amazon to change its model by bundling channels to provide a more traditional subscription.

The Daily Telegraph (Business), 13 April 2016, p1

Packaging

Packaging for on-the-go consumption

The author looks at trends and developments in the on-the-go food packaging market. 'Transumers' (consumers on-the-go) place high value on convenience and are contributing to the "snack society" in Britain. Transumers, who prefer food to be sold in pre-portioned, highly portable packaging, also want packaging that can easily be opened and closed. Packaging solutions providers are busy responding to the demand for small, disposable, transportable packaging. Flexible packaging is now the second-most popular form of packaging amongst new products while pouches and sachets are enjoying the strongest growth in the market.

packagingnews.co.uk, 18 April 2016 (Ehret)

Retailing

Tesco in profit

Tesco has reported a pre-tax profit of £162m for the year ending 27 February, an improvement on the £6.4 billion loss last year. Tesco's Extra stores have improved their performance, suggesting that consumers are beginning to return to bigger stores for their weekly shop. The company has recently been criticised for its Farm Foods brands that use farms which do not exist (See Cutting Edge, 6 April). Chief executive Dave Lewis explains: "I know that anything one does in marketing will always attract discussion and comment, but our customers totally get it".

The Daily Telegraph, 14 April 2016, p5

Own-label – an essential ingredient

Supermarkets, such as Tesco and Waitrose, have been busy launching own-label brands in a fiercely competitive market where innovation is essential. Kantar Worldpanel has released data showing that premium own-label sales rose by 6.6% over a period of 12 weeks. The Co-op's 1.4% increase in sales in the 12 weeks to 31 January was attributed to a 7%

increase in own-label revenue. Experts say that own label accounts for half the shopping basket. This article explores own-label's growing importance.

Retail Week, 15 April 2016, p29

'Big Four' could become 'Big Six'

Aldi and Lidl are busy building new stores at a time when the major UK supermarkets are reducing their store portfolio. The German discounters have built more than 100 stores over the past year while Tesco has built only four. In 2015 it closed more stores than it opened for the first time in many years. Michael Dall, lead economist at Barbour ABI, says that the 'Big Four' supermarkets will soon become the 'Big Six'.

The Daily Telegraph, 16 April 2016, p31; The Grocer, 16 April 2016, p6

Services

Funeral services profit as death rate rises

Profits at Britain's biggest undertakers have been rising – last year the number of deaths in England and Wales rose at its fastest rate since 1968; this was due to the increase in dementia and Alzheimer's, according to the ONS. The Co-op, which has reported a 9.9% rise in funeral sales, plans to open another 200 funeral parlours over the next three years. Dignity, a listed funeral services company, enjoyed a 13% increase in revenues for 2015. The UK market consists of many small independent businesses which provide the large companies with a chance to expand through acquisition, another reason for the higher profits seen among the bigger players.

Financial Times, 13 April 2016, p23

Transport and travel

Volvo Truck an exercise in SAM

In 2012 senior managers at Volvo Truck realised that the teams who were managing their most strategic company accounts didn't have a unified approach to areas including account selection, planning, strategy, development and team role sharing. This was leading to inconsistent results so the company decided to initiate a new strategic account management programme. This article explains how the programme was constructed, sets out the five challenges that had to be overcome and provides advice and learning for other programmes embarking on strategic account management.

Velocity, Vol 18(1) 2016, pp20-23 (Roddy and Hirst)

Chinese bus company looks to Europe and US

China's Zhengzhou Yutong Bus Company has become the biggest bus manufacturer in the world, with 10% of global sales. But its home market has slowed down: bus sales have fallen from 604,000 to 598,000 over the past two years and this has

prompted Yutong to look overseas. So far its foreign endeavours have focused on developing markets but now it is putting money into fuel-replacement and autonomous technologies. The company plans to expand beyond the 130 countries where it currently operates, which offer long-term potential, into regions such as Europe and North America which offer more short-term opportunities.

Financial Times, 15 April 2016, p19

Cadillac and Lincoln take on Chinese market

Ford's Lincoln and General Motors' Cadillac brands are tackling the Chinese market, which has traditionally been the preserve of German luxury vehicles. Luxury sales account for just 9% (1.9m) of the total cars sold in China but luxury sales are expected to reach 3.5m vehicles by 2020, which would make it the largest luxury market in the world. Audi currently has 30% of the luxury market and BMW 25%. In stark contrast Cadillac has 4% and Lincoln less than 1%. The problem is that they simply "don't have that premium image" says one expert.

Bloomberg Businessweek, 11-24 April 2016, pp21-22

Is Boaty McBoatface sunk?

A poll to name the new £200m UK polar research vessel has now closed. As reported previously (see Cutting Edge, 23 March) the front runner was Boaty McBoatface which received 124,000 votes, 90,000 more than the runner up. The aim was to select a name that reflects British heritage, such as Scott of the Antarctic. The public thought differently and its suggestions included RRS I Like Big Boats and RRS Pingu. The Natural Environment Research Council, which ran the poll, may have a get-out clause – a competition rule states that the chief executive has the final say so Boaty McBoatface could just be scuppered. So much for crowdsourcing!

The Times, 18 April 2016, p5

Buzz phrases

Slacktivism

Slacktivism is generally defined as actions performed online or on social media to support a cause, and it is usually regarded as an easy option. Yet viral social media campaigns often don't deliver. For instance, a poll revealed that only one in ten people who took part in the ice bucket challenge made a donation. This is further illustrated in research involving anti-poverty charity Heifer International – its campaign reached 6.4m users of which 6,700 clicked on its website, 2,000 'liked' it on Facebook but only 20 actually made a donation. There is a growing suspicion that most social media users openly pledge their support for a cause, feel good about themselves and then forget all about it!

The Times, 16 April 2016, p31

Written by CIM's Knowledge Services Team

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On the Move

Name	From	To	New title	Source
James Crampton	Diageo	Merlin Entertainments	Corporate Affairs Director	PR Week
Susanne Jones	Critical Mass	Isobar UK	Managing Director	Campaign
Sam Lister	Department of Health	The Department for Business, Innovation and Skills	Group Director of Comms	PR Week
Helene Roberts	Graphic Packaging International	Linpac	Group Marketing and Innovation Director	packagingnews.co.uk
Laura Rogers	Ogilvy & Mather	CHI & Partners	Creative Director	Campaign
Louise Stewart	BBC South East	The Federation of Small Businesses	Head of Media and Comms	PR Week
Jennie Younger	FTI Consulting	AstraZeneca	Head of Global Corporate Affairs	PR Week

Promotions

Name	Company	Previous title	New title	Source
Chris Daly	Chartered Institute of Marketing (CIM)	Acting Chief Executive	Chief Executive	Database Marketing
Emma de la Fosse	Ogilvy & Mather Group UK	Joint Chief Creative Officer, OgilvyOne EMEA	Group Chief Creative Officer	Campaign
Kalpesh Tailor	Nintendo Europe	European PR Manager	Head of Comms, Nintendo UK	PR Week

Sources

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www.farmingfutures.org.uk

[The Financial Times](#) ~

The Grocer

[The Guardian](#)

Harvard Business Review**

International Journal of Advertising**

International Journal of Market Research**

International Trade Forum

The Journal of Brand Management*

Journal of Brand Strategy

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Journal of Interactive Marketing

Journal of Marketing**

www.lexology.com

London Business Matters

London Business School Review**(12 month embargo)

www.packagingnews.co.uk

Retail Week

www.sustainweb.org

The Times

www.utilityweek.co.uk

[Wired](#) (selected articles available)

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