

Cutting Edge: Our weekly analysis of marketing news

19 October 2016

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

World outlook...

This year total adspend in 12 major markets is predicted to rise by 4.2% to \$386 billion. The US will achieve 46% share (up by 5.8%), bolstered by political and sports events. Internet will be the largest ad channel in 2016, reaching \$166 billion, \$12 billion more than the predicted spend on TV. The internet is expected to account for over 50% of adspend in the UK and China, although in six of the countries TV will remain the biggest channel. A series of graphs illustrate adspend by medium, region and country. The data is taken from Warc's latest *International Ad Forecast*.

Admap, October 2016, pp48-49

...while Brexit creates contradictory views

The latest IPA *Bellwether Report* reveals that the balance of marketers who increased their adspend during the third quarter of 2016 was 13.4%, the highest rate for two years. However, there are warnings that the mood may have changed since PM, Theresa May, said she would invoke Article 50 (the formal instrument for withdrawing from the EU) in March 2017. The *Bellwether Report* also shows that a net balance of 12.1% of marketers had expressed greater pessimism about the industry's prospects. Overall it has revised 2016 adspend forecasts up to 1.9% from a decline of 0.2%, although it expects a fall of 0.7% next year.

Campaign, 14 October 2016, p2

A boom in mobile ad spend

Mobile advertising spend was up by 56% in the first six months of the year. Advertisers are becoming smarter at tracking users' browsing and search history and at using smartphone apps for acquiring personal information. Some 36p out of every £1

spent on internet advertising goes to smartphones, up from 4p five years ago. This data come from the latest Internet Advertising Bureau UK/PwC *Digital Adspend Study*. It also reveals that video advertising on mobiles was the fastest-growing ad format in the first half of 2016, with spending up by 129%!

The Times, 12 October 2016, p43

Agencies

WPP – buying and selling ads

WPP's TV operation, Group M Entertainment (GME), achieved revenue growth of 20% last year, down from 45% during the previous year. GME co-finances and co-produces TV programmes made by independent production companies which are then sold to broadcasters. It often receives advertising airtime in lieu of payment from the broadcasters, enabling Group M to then sell the airtime back to its agencies' clients. Other ad groups have adopted this way of working but Group M is in the spotlight because it pioneered the trend. John Billett of ID Comms argues that the relationship between Group M and Channel 4 has, "the potential to damage the best interests" of advertisers because WPP is buying and selling ads.

Campaign, 14 October 2016, p5

Account reviews down

There has been a 14.3% decline in the number of account reviews, according to AAR's *New Business Pulse*. The number of pitch results announced from July to September fell by 26.6% year-on-year while ad reviews fell by 30.3%. AAR says that this decline cannot solely be attributed to the Brexit vote although the resulting uncertainty will have had an effect on the market.

Campaign, 14 October 2016, p6

CHI launches new recruitment scheme

CHI & Partners is the latest agency to radically



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change its recruitment process. Its new entry-level scheme, Spark, allows non-graduates to apply without a CV. Instead it asks them four “creative and strategic” questions. Chief executive, Sarah Golding, says that the industry needs “horizonless thinking” in order to thrive. Some WPP agencies have adopted similar approaches to recruitment. Many people can’t afford to go to university and these schemes open up opportunities for greater diversity. However, Steve Woolley, CIM’s Head of External Affairs, argues that formal marketing qualifications are critical to help people in “learning that continues throughout your career”.

Campaign, 14 October 2016, p8

Brands and branding

Celebrity endorsement

Celebrity endorsement is well documented for helping to achieve communications objectives such as brand recognition and recall. This study tests a framework which looks at the relationships between user, brand and celebrity as factors that affect brand attitude and purchase intention. The study was carried out among a group of consumers in India. It reveals that user-brand and brand-celebrity congruence have a notable impact on brand attitude and purchase intention, but celebrity-user congruence does not. The implications for marketers are discussed.

Journal of Marketing Communications, Vol 22(5) 2016, pp456-473 (Pradhan et al)

Adapting your branding

Brand is a central concept in marketing – the way the company’s brand is defined helps both the internal culture of the company to grow and creates a loyal following and reputation outside the company. Adidas used its brand strategy to create an instantly-recognisable brand identity and single vision that linked all its communications. This earned it the brand recognition which allowed it to make a successful comeback in the sportswear market. The author examines three brand journeys: Formula One, Ice Cream Union and SPI Cinemas.

Cambridge Marketing Review, Issue 11 Winter 2015, pp4-9 (Connell)

Conferences and events

The future of meetings

It is difficult to engage a large group of people and ensure that they all go away from a meeting or conference having learned something useful. The German Convention Bureau and its partners have published a report, which forms part of the Future Meeting Space research project, which aims to give meeting planners guidelines on best practice through. The “six meeting scenarios of the future”, which are outlined in the report, are discussed here.

Association Meetings International, October 2016, pp58-59

Video conferences – looking your best!

Telecommuters – those who work at home – often don’t bother much with their appearance. The problem arises if they are suddenly asked to join a video conference. Now a Japanese cosmetics company has come up with the answer in the form of its Telebeauty app. It provides the appearance of fresh make-up, rouge and lipstick on the computer screen and will even blur the background to conceal untidy piles of laundry and other mess. Megumi Koyama of Shiseido, the app’s developer, says that they would like men to use the app as well because it makes the skin look brighter, “a feature that helps anyone look professional”!

The Times, 12 October 2016, p33

Consumer behaviour

Product assortments and proximity

Retailers place a mix of products in a particular area of the store, such as the checkout or freezer space. This means that in this type of “target” space, shoppers are exposed to a variety of product categories. The authors examine whether the assortment of one category affects consumers’ purchase decisions in another category – such as frozen meals and ice cream – that is displayed in a common display space. The analysis reveals that consumers are less likely to purchase from a category with a particular assortment when it is close to another category assortment with greater variety. They conclude that this effect is influenced by the proximity of the display.

Journal of Marketing, Vol 80(5) 2016, pp34-52 (Hong et al)

Online customer reviews

Online customer reviews have become a major source of product information and a significant influence on customers’ purchase decisions. This paper looks at the latest theories regarding the links between online customer reviews and customers’ purchase intentions. It examines issues such as credibility, roles, antecedents, helpfulness, measures and the consequences of online customer reviews. A case study is included in which the relationship between online customer reviews and consumers’ purchase intentions is examined.

Journal of Customer Behaviour, Vol 15(2) 2016, pp123-152

Luxury value perceptions

This study looks at the relationship between different aspects of luxury value and how these influence consumer purchase intentions. It uses data from China, the second-largest luxury market in the world. The results indicate that perceived social value and perceived emotional value both directly affect luxury purchase intentions, while perceived unique value has an indirect effect on purchase intention. Perceived quality value has both a direct

and indirect effect on purchase intention. Cultural differences are also taken into account.

International Journal of Market Research, Vol 58(5) 2016, pp711-731 (Sun et al)

Customer relations

Stock returns and customer satisfaction

The question of whether companies with superior customer satisfaction deliver better stock returns has been a subject of debate. The authors analyse 15 years of audited returns to show that stock returns on customer satisfaction do outperform the market. They demonstrate cumulative returns of 518% for the period 2000 to 2014 compared with a 31% return for the Standard & Poor 500. Similar results were found when this was tested for the UK. Although the results can be explained in terms of other factors on occasions, there is evidence to suggest that the effect of customer satisfaction is channelled through "earnings surprises". In other words, even though the market may be unaware of customer satisfaction, there is a subsequent reaction through corporate earnings.

Journal of Marketing, Vol 80(5) 2016, pp92-107 (Fornell et al)

Personalisation should meet needs

Finnish academic, Christian Grönroos, made a ground-breaking contribution with his theory on the relationship between the consumer and brand. Now this relationship has become commonplace in the age of big data and digital marketing: there is a tacit acceptance that the brand will try to understand the consumer and interact with them accordingly. Personalisation is a natural extension of this. Although surveys suggest that consumers are receptive to the idea of personalisation in some situations, the information should be used in a meaningful way. Be aware of confusing "context" with "relevance". If the content doesn't match customer needs, the relationship will break down.

Cambridge Marketing Review, Issue 11 Winter 2015, pp75-76 (Paa-Kerner)

Direct marketing

Is "direct marketing" still a valid term?

Although agencies still believe that there is value in even the most traditional types of direct marketing, such as mail and e-mail, they are also concerned that this could be limiting from a client perspective and the next generation of marketers. The expression "direct marketing" is falling out of favour on both sides of the Atlantic. This article looks at the roots of direct marketing and current client and agency attitudes towards it.

dmnews.com, 13 October 2016

Law

Venues – customer copyright infringement

Venues, conference centres, cafes, hotels and retailers must be relieved that offering free Wi-Fi to customers will not render them liable for damages when a customer uses the network to illegally access or distribute copyright-infringing content. This follows a ruling by the EU Court of Justice relating to a retailer in Germany who offered free Wi-Fi to customers. A copyrighted song had been uploaded through his network without his knowledge. This places venue owners on the same footing as ISPs in terms of protection from liability.

The Business Magazine - Thames Valley, October 2016, p23

Marketing

Cause-related marketing – a new model

Cause-related marketing (CRM) is adopted by companies as a way of communicating their responsibility and engagement and has become part of the marketing communications mix. However, brands are increasingly under fire from consumers who want greater transparency and involvement. This has forced companies to rethink how their sense of responsibility engages with their markets. New communications strategies involve addressing markets through forums and speaking "with" consumers rather than "to" them. This article looks at revising CRM in response to the new market conditions. The Pepsi Refresh Project is cited as a case study of a CRM practice which shifts CRM from a company-driven to community-driven initiative.

Journal of Marketing Communications, Vol 22(5) 2016, pp524-543 (Andersen and Johansen)

The changing face of sales

The nature of selling is changing: consultative selling based on value is gradually replacing transactional selling and this requires different competencies. Sellers need to bring new insight to the process so that those responsible for the company's bottom line can understand why it is important to solve a business issue. According to Forrester, solution providers who engage prospects early in the buying process win 74% of sales. Sales people can be coached to sell differently so that they create demand rather than being purely responsive. The author contrasts the competencies required by traditional and consultative sales people.

The Business Magazine - Thames Valley, October 2016, p22 (Edmunds)

Market research

Research for creative development

Qualitative research tends to rely on focus groups which appears to pay no more than lip service to emotional responses, tending instead to ply participants with rational questions. Although researchers probably realise that this may not be the

best approach, they still can't get away from the "interrogation" model. Creative development research needs to apply some of the principles of behavioural economics by: focusing on instinctive, emotional responses; being aware of "distinction bias"; acknowledging context; and recognising that language isn't always sensitive enough to convey subtle ideas. The author describes six rules for helping to achieve greater accuracy when researching creative development.

Admap, October 2016, pp10-12 (Hayter)

Emotional research

Newer research methods are emerging that can track real-time emotional responses and understand the unconscious reactions behind consumer decision-making. A report, commissioned by the Market Research Society and PwC, suggests that new technologies, such as neuroscience and behavioural economics, are being used at the expense of more traditional research methods. This article looks at what these emerging technologies can offer brands and what challenges they face. It includes a discussion of emotion tracking, as used in a study of Paralympics ads from Paralympics GB, Channel 4, and Samsung.

Marketing Week, 13 October 2016, pp24-26 (Chahal)

Public relations

Product recalls don't have to be negative

Traditionally a product recall is perceived as being bad for a company's reputation. However, if handled quickly and efficiently it can provide an opportunity to reconnect with customers, boost loyalty and gain useful intelligence. There are various areas that must be handled carefully, such as accurately recalling all affected products in order to maintain the integrity of the brand. Customer experience can have a huge impact on long-term satisfaction and loyalty which means that call centres must be able to extend beyond their usual capacity. Ultimately a company that acts speedily and efficiently will be perceived as smart. The automotive sector is cited as an industry that has had a lot of experience in dealing with recalls.

Admap, October 2016, pp38-40 (Henareh)

Samsung acts to regain consumer trust

Samsung is trying to regain consumer confidence, following the recall of its Galaxy Note 7. It is offering financial incentives to South Korean customers who swap their Note 7s for other Samsung devices. It is also sending fireproof boxes and gloves to US customers so that they can send their phones back safely to retailers, a move which has been mocked on Twitter. Analysts believe the debacle over replacing the phones will lead some customers to defect to Apple and Google if damage to the Samsung and Galaxy brands continues.

Financial Times, 14 October 2016, p19

Sponsorship

Sponsorship needs a new model

Former Coca-Cola marketing director, Bobby Brittain, has argued that the traditional sponsorship model of being a top sponsor at an event, such as the Olympics, "no longer works". Virgin Media set out to disrupt the traditional sponsorship model with its sponsorship of Southampton Football Club, which included subsidising the match day ticket price for fans travelling to the stadium. The conclusion is that sponsorship has become "so much more than a straight logo swop". This article also mentions Nissan Europe, Sky Gaming, DFS and EE.

Marketing Week, 13 October 2016, pp22-23 (Rogers)

Chelsea has new kit sponsor

Chelsea football club has signed the biggest commercial deal in its history, worth £60m-a-year. The Nike deal is worth twice as much as the Adidas sponsorship, which it replaces. Chelsea had become annoyed that Adidas was paying much more for the rights to other European clubs, such as Manchester United, to whom it paid £75m-a-year. Chelsea will start wearing Nike shirts in the 2017-2018 season.

The Daily Telegraph (Sport), 14 October 2016, p13; The Times, 14 October 2016, pp69,76

Agriculture, fishing and forestry

Solar farm

A huge greenhouse in South Australia uses sunshine and seawater to produce 17,000 tonnes of tomatoes a year. The first large-scale agri-system of its kind, it requires no soil, pesticides, groundwater or fossil fuels. Could this be the farm of the future? Sundrop Farm's tomatoes are already on sale in Australian supermarkets and it plans further greenhouses in Portugal and the US.

New Scientist, 15 October 2016, p5

Cricket shacks

New York-based Terreform ONE is tapping into the trend for eating crickets with its Cricket Shelter. The shelter contains 224 22-litre chambers for incubating edible crickets, making it possible to produce 50,000 crickets in just six weeks. Terreform ONE, which tends to focus on environmentally-friendly projects such as tree-houses, says that big cricket farms are showing an interest in its latest creation.

Wired, November 2016, p93

Building industry

Bellway – strong growth

Housebuilder, Bellway Homes, has recorded a seventh consecutive year of growth, with record re-tax profits up nearly 41% to £497.9m in the year to the end of July. The company attributes its strong performance to longer lead times and strong

relationships with suppliers. Chief Executive, Ted Ayres, has stressed that exchange rates since the EU referendum vote are not an issue since the group doesn't import materials from overseas. The effect of currency fluctuations are likely to be minimal when considering the cost of a new home. Other challenges for the construction industry are labour costs, particularly in the south-east, but Ayres says that material cost increases, usually a key problem for the industry, "have largely abated".

constructionenquirer.com, 18 October 2016;
theconstructionindex.co.uk, 18 October 2016

Lego bridge acts as link with civil engineering

A Guinness World Record suspension bridge made entirely out of Lego has gone on display at the Institution of Civil Engineers in London. At over three metres tall and 31 metres in length, it is made out of 200,000 plastic Lego bricks. It was built by Duncan Titmarsh, the UK's only certified Lego professional, and his company Bright Bricks. The bridge, which forms part of an exhibition of bridges through the ages, aims to help raise awareness of civil engineering among the public.

theconstructionindex.co.uk, 18 October 2016

Businesses and strategy

The Stewardship Model

Business could be a helpful tool for addressing a variety of human needs. However, this would require a different value set from Shareholder Wealth Maximisation. This paper looks at the implications of the Stewardship Model of Business, which proposes that the purpose of business is to serve; the practice of business should follow positive ethics; and that business should operate in partnership with other social institutions. The author proposes a new set of market/opportunity criteria based on the Stewardship Model.

Social Business, Vol 6(2) 2016, pp175-193 (Karns)

Open innovation and performance

Open innovation (OI) is defined as the innovation capability of a company when it interacts with other firms. Some people have argued that OI strategies can be beneficial to economic and industrial innovation. However, over-collaboration can reduce OI returns when the company uses additional innovation partners. The authors argue that the variety of external partners (search breadth); the extent to which the company uses them (search depth); and the extent to which it collaborates through different channels (coupled OI) are related to innovation performance.

European Management Journal, Vol 34(5) 2016, pp501-516 (Greco et al)

Assessing the technology ecosystem

Some transformative technologies quickly take over the market while others can take years to become

established. This can be because of problems in the broader ecosystem, such as electric cars requiring charging stations. The ecosystems of legacy technologies can also play an important role. An analysis of an industry's ecosystem can help one decide how quickly a technological change will take place. The authors examine two scenarios: "robust coexistence" of the two technologies (old and new); and the "illusion of resistance" (the old technology remains competitive for a period but then quickly declines once the new technology's ecosystem is ready for take-off). By understanding which scenario applies, it is possible to assess the threat of disruptive change.

Harvard Business Review, November 2016, pp60-67 (Adner and Kapoor)

Charities and NGOs

Mobile solutions

Charities are increasingly going digital in order to increase donations and attract new supporters. Oxfam, for example, has abandoned paper forms in favour of mobile data capture solutions which it has used while campaigning at festivals. Such solutions enable charities to capture donor information in real-time on a mobile device, including contact data, donation information, images and signatures. Oxfam used WorkMobile for Charities' mobile data capture solution to link photos and audio files to each supporter.

charitydigitalnews.co.uk, 13 October 2016

Social media advice for chief executives

Social media has become an important tool for charities but when it goes wrong it can be very damaging. This article looks at how social media can best be used by charity chief executives, using five simple pieces of advice from charity social media experts. These are: provide a personal touch; don't overshare; be sensible, respond and trust your staff.

Third Sector, October 2016, p55

Durable consumer goods

Smart toys – privacy issues

Smart toys are ubiquitous: from dolls that respond to a question to talking puzzles and the Hello Barbie Dreamhouse (a smart dolls house). Privacy campaigners object to smart toys because children do not understand the implications of their data being collected. Perhaps the most controversial toy to date has been Hello Barbie, which sent children's responses back to the manufacturer, Mattel. It soon emerged that some of the data was being stored and shared with third parties. Critics say that smart toys might not be the most beneficial anyway, since they don't fire up children's imaginations!

New Scientist, 15 October 2016, p22

Lego creates Yellow Submarine

Lego has launched a Yellow Submarine set which includes figures in the form of John, Paul, George and Ringo. The 550-piece set, inspired by the 1968 film, was built in response to a suggestion from Beatles fan, Kevin Szeto.

The Daily Telegraph, 14 October 2016, p12

Economy and society

Pay gap widens with age

A new report from the Trades Union Congress reveals that a gender pay gap is apparent in every stage of a woman's career, but that in later years it widens to more than £8,000 per year. While an 18-year-old woman earns £1,395 a year less than her male peer group, women in their 40s earn £7,200 less.

The Daily Telegraph, 14 October 2016, p12; The Guardian, 14 October 2016, p27

Facial recognition – a touch of class

In 2009 research by a team in Berkeley, California, revealed that people from upper classes were not as good as those from lower classes at recognising emotions on the faces of others. Now research from New York University suggests that the amount of time spent looking at someone's face actually varies with social class: one experiment revealed that upper-middle-class and upper-class people looked at the faces of others for a fifth of a second less than members of lower classes. One explanation is that the upper classes believe that random strangers have little to offer them!

The Economist, 15 October 2016, p77

London population outstrips UK growth

London's population grew twice as much as the whole of the UK from 2011 to 2015, according to data from the Office for National Statistics. In 2011, London's population, including Greater London, was 8.2m but last year it reached 8.7m, a rise of 5.7% compared with average growth of 2.9% for the UK as a whole. Bristol experienced the second-greatest population growth (up 4.5%) and the West Midlands the third-greatest (up 3.4%).

The Guardian, 13 October 2016, p26

Energy and utilities

The UK is out of top ten Trilemma Index

The UK is no longer in the top ten of the World Energy Council's 2016 energy *Trilemma Index*, having been placed 11th, down from 10th last year and 9th the year before that. The index ranks countries according to their performance across three pillars: energy security, energy equity and environmental sustainability. The UK's fall is attributed to the Brexit vote, cuts to renewables subsidies and a question-mark over foreign investment in infrastructure. Denmark, Switzerland

and Sweden occupy the top three positions.

utilityweek.co.uk, 12 October 2016

Energy and Climate Change report

The Energy and Climate Change Committee final report, which can be studied on the UK Parliament website, sets out the energy policy implications of Britain leaving the EU. It covers recommendations on energy storage; demand side response; implications of an EU exit; EU emissions trading; and retaining EU-related laws. The committee's chair, Angus MacNeil MP, states that "The Government must get a move on and encourage the energy market to embrace smart technological solutions like energy storage and demand side response. There is an incredible opportunity for the UK to become a world leader in these disruptive technologies".

www.parliament.uk/business/committees/committees-a-z/commons-select/energy-and-climate-change-committee/news-parliament-2015/energy-revolution-report-published-16-17/

Tesla joins up with Panasonic for PV cells

Tesla has partnered with Panasonic to collaborate on the manufacture of photovoltaic (PV) cells in New York. The agreement will depend on whether Tesla's acquisition of Solar City receives shareholder approval. Tesla will use the solar cells together with its energy storage products, Powerwall and Powerpack, to provide a sustainable energy solution to residential and commercial customers.

utilityweek.co.uk, 17 October 2016

Environment

Food in Patagonia

Patagonia Provisions is the three-year-old food company and sister to Patagonia, the outdoor clothing business. It recently produced a film, *Unbroken Ground*, which documents the ecological credentials of the suppliers behind the food it sells, although it doesn't deny that this is also "a slick marketing piece". The food company aims to apply the same ethics to food as the clothing company does to its sourcing of cotton and other materials.

Bloomberg Businessweek, 10-16 October 2016, pp54-59

Coffee cup scheme takes off

The #1MoreShot, a campaign supported by Waitrose, Greggs, Costa, McDonald's, and other major high street chains, has just launched in Manchester. Run by charity, Hubbub, it aims to encourage people to recycle their disposable coffee cups. The Manchester experiment involves 11 giant coffee cup recycling bins which have been placed in the city's busiest street. Hubbub wants to collect 20,000 paper cups which will be reused as flower pot holders by the charity, Groundworks, in community gardens. (See also under Packaging)

The Grocer, 15 October 2016, p6

PepsiCo sets out sustainability strategy

This week PepsiCo published its new sustainability strategy which sets out targets to reduce environmental impact, deliver health improvements for customers and extend its sustainable farming. This represents an update to its 2006 "Performance with Purpose" strategy. PepsiCo chairman and CEO, Indra Nooyi, describes the strategy in terms of three "pillars": Helping to improve health and well-being through the products it sells; Protecting our planet; Empowering people around the world. The company aims to cut greenhouse gas emissions across its value chain by at least 20% by 2030 and to increase the use of sustainably-certified raw materials, including sustainably sourcing all palm oil and cane sugar by 2020.

businessgreen.com, 18 October 2016

Fashion

Perceptions of ethical clothing

There is widespread consumer support for ethical clothing but this doesn't necessarily translate into purchases. This paper seeks to discover whether the way in which previous research has addressed the topic could have contributed to this state of affairs. The survey reveals that ethical clothing is influenced by four factors: environmental responsibility, employee welfare, animal welfare and slow fashion attributes. It finds that one of the aspects often overlooked in the past is animal welfare, which is in fact the dimension found to have the most influence on consumer perceptions. The study suggests that all four elements have to be present in order for a clothing item to be perceived as ethical.

Journal of Fashion Marketing and Management: An International Journal, Vol 20(4) 2016, pp383-399 (Reimers et al)

UK fashion sales in seven-year decline

Spending on clothing and footwear in the UK has fallen to its lowest level since 2009, according to Kantar Worldpanel. September represented the fourth consecutive month of decline in a year that has seen both BHS and Austin Reed disappear from the high street. The fall in the value of the Pound has made things harder for retailers because the prices of raw materials, such as cotton, have risen. If prices go up, sales volumes are likely to fall. The volume of clothes sold in the UK this year has fallen for the first time in 20 years. Lord Wolfson, Chief Executive of Next, says that fashion retailers should change their strategy "of overbuying and deep discounting".

Financial Times, 18 October 2016, p21

Financial services

Customer contribution to innovation

Much research has been devoted to the involvement of customers in new service developments but the

findings have been ambiguous. This research, conducted among members of a leading international professional services association, explores customer involvement and identifies the importance of different customer groups for developing new financial services. Specifically it seeks to answer three questions: what type of customer contributes most to service innovation; how much are customers of financial services companies a good source of original, valuable and usable ideas; and what type of innovation do customers contribute to financial services?

Journal of Financial Services Marketing, Vol 21(3) 2016, pp226-239 (Smet et al)

Changing the face of digital payments

San-Francisco-based NewDeal Design, well-known for its design of the Fitbit, has unveiled a conceptual design for Scrip, a digital payment device. Users would load it with money from their current accounts through a cell phone and pay for goods using a swiping gesture. Scrip weighs just one ounce and its surface is made up of diamond-shaped sections, which change after each financial transaction – the idea being to introduce a physical dimension to purchasing.

Bloomberg Businessweek, 10-16 October 2016, p46

FMCG

Beverages

New Frontier goes to the wall

People wandering around Hackney over the last week may have seen something reassembling a giant fried egg splattered over a wall. This was a poster for Fuller's craft lager, Frontier. People could take a photo of the ad and use filters on Instagram to reveal a picture which could be entered into a prize draw.

Campaign, 14 October 2016, p6

Vietnam attracts foreign investment

Vietnam is to sell 9% of Vinamilk, a large dairy firm and the country's best-known consumer brand. The communist government will eventually relinquish its entire 45% stake in the company. It has also indicated that it will divest itself of stakes in other major companies. Foreign investors, such as ThaiBev, have shown an interest in Vinamilk while foreign brewers are said to be interested in beer producers, Sabeco and Habeco. However, consumers are concerned that a sale to foreigners will damage their local brands.

The Economist, 15 October 2016, p62

Malibu launches internet-connected cup

Malibu is using the Internet of Things to enhance customer experiences in bars – customers can avoid queues and have their drinks brought straight to

them. Users can twist the base of their “Coco-nect” cups to send signals to the bar staff while a light at the base of the cup changes colour to show that the order has been acknowledged. Malibu claims that the cup is an industry first and plans to use it at events and festivals.

marketingweek.com, 12 October 2016

Could nutritional labelling increase sales?

Ab InBev has introduced nutritional labels on its Budweiser and Beck’s brands, primarily as part of a corporate social responsibility strategy in response to the obesity epidemic. However, it could also inform drinkers that beer has a low number of calories: the 128 calories in a 330ml bottle of beer is less than those in a 175ml glass of Champagne. Tennent’s became the first major lager brand in the UK to display calorie information but it is hard to say how much this has translated into increased sales. Meanwhile AB InBev will be watching to see how beneficial the additional calorie information is to its sales before extending the initiative to other brands.

The Grocer, 15 October 2016, p14

Food

The Marmite battle resolved

Last week’s argument between Tesco and Unilever has been resolved. Tesco had withdrawn many of Unilever’s brands from its e-commerce site after Unilever had announced a 10% price increase due to the rising cost of imports and the fall in Sterling. Consumers claimed that Unilever was using Brexit as an excuse to raise prices and many announced on Twitter that they would boycott its goods. David Lidington, leader of the House, told MPs that ingredients used in making Marmite were sourced from the UK. Retail analysts, who believe that Tesco possibly had more to lose than Unilever, say that both sides have probably made concessions.

The Times, 14 October 2016, p33; Financial Times, 14 October 2016, p1; The Guardian, 14 October 2016, p7

Weak confidence and rising prices

The UK’s Food and Drink Federation reveals that confidence among its members is ‘fragile’: over two-thirds of companies that took part in a survey were less confident about the business environment than they had been before the EU referendum vote. They also warned that three-quarters of ingredient prices are rising because of the weak pound and that companies will not be capable of absorbing these prices for very long. (See also under Retailing)

The Times, 12 October 2016, p43

Household

Food for fat cats

Pet food company, Green Pantry, is introducing fancy cat food – containing caviar, lobster, crab and salmon – for “insanely rich” pet owners. The British Banquet gourmet cat food tastes “absolutely

wonderful” according to the company and is good enough to be eaten by humans if the cat turns its nose up at it. The food costs £250 for a 2kg bag which means that a year’s supply would cost £9,000 (delivery free!).

The Sunday Times, 16 October 2016, p13

Cold and flu remedies

Value sales of winter cold remedies rose by 12.2% last year but growth has been faltering over the past year. One of the main reasons is that fewer people have caught colds or flu thanks to the mild weather which has resulted in 255,000 fewer people buying remedies. This article takes an in-depth look at cold and flu brands and asks whether it is possible for them to become proactive on the basis that prevention is better than cure. An increasing number of players in the market are turning to products containing ingredients aimed at boosting the immune system and helping people to prevent getting lurgies.

The Grocer, 15 October 2016, pp53-59

Tobacco

Big Tobacco funds vaping research

The Times claims that at least a dozen scientific papers published in leading academic journals since 2013 have been penned by employees of e-cigarette companies which are owned by tobacco companies or by scientists sponsored by them. Tobacco companies have been keen to enter the vaping arena as traditional tobacco sales decline and want e-cigarettes to be perceived as a safe alternative. Health experts are concerned that the reports are misleading. Around 2.8m Britons smoke e-cigarettes.

The Times, 12 October 2016, p4

Government and public sector

Local councils ramp up property investment

Britain’s local councils have spent over £1 billion on commercial property so far this year as they try to make up for Government cuts. They are typically buying shopping centres and business parks using loans from the Public Works Loan Board, a Treasury agency. Spelthorne Borough Council in Surrey is the biggest spender so far, having acquired the BP Business Park in Sunbury for £350m. Experts believe that the trend will grow, especially in areas where the investment could lead to local economic growth.

Financial Times, 18 October 2016, p2

Health and pharmaceuticals

Fitbit has the X factor

Fitbit is moving away from simply tracking users’ movements towards helping consumers with chronic health problems, such as heart disease. This is according to Salesforce CEO, James Park, who was

speaking at the company's Dreamforce event recently. He says the brand's mission is to become "even more integrated into the healthcare system". The company is currently involved in more than 200 clinical trials. Fitbit is also teaming up with *The X Factor* in a deal that will see its products being used by contestants during the live shows.

Marketing Week, 13 October 2016, p7

Pfizer loses Lyrica battle

Pfizer has lost a legal case in the UK Court of Appeals against competitor, Actavis, who has been using its drug Lyrica (its best-selling drug), for so-called "secondary uses". After the patent ran out in 2014, Actavis developed a generic, cut-price version of Lyrica, which is used as a treatment for epilepsy. However, Pfizer had also patented the drug in the UK as a painkiller (a secondary use) and the patent remains active. It alleges that Actavis is also using the drug for treating pain, but the High Court has ruled that the latter is not infringing patents. Other courts in Europe will be watching this case with interest.

Financial Times, 14 October 2016, p19

An eye for investment

The eyecare sector is attracting the attention of biotech entrepreneurs and investors. Between 2006 and 2015 \$1.9 billion was spent on ophthalmology companies in the US, but many larger companies also have eyecare as part of their more diverse product portfolios. There are various reasons for the growing attraction of ophthalmology including the fact that eye disease is part of old age and therefore on the increase. The environment is ripe for biotech companies to commercialise their products.

Financial Times (Special Report: FT Health Eyecare), 13 October 2016, p2

Boys in deprived areas more obese

A new study from the Obesity Health Alliance reveals that young boys living in the most deprived areas of England are more likely to be obese than those in affluent areas and the weight gap is widening: it predicts that by 2020 60% of five to 11-year-olds in poor areas will be over-weight, compared with 16% of boys the better off areas. Sugar consumption is cited as a major reason for this trend.

The Grocer, 15 October, p8

IT and telecoms

Virtual reality – can it go truly mainstream?

Sony's PlayStation VR, which has just been released, is the latest in a line of VR devices to come on the market and could be "the biggest test case for mass market acceptance of the technology", according to the *FT*. VR was much-heralded in the 1990s but failed to take off. Now consumers can buy the

technology at a range of prices. London-based director, Sebastian Hagemeister, films 360-degree video promos and ads which are viewed in virtual reality, although just a small minority of people will be able to watch them. VR viewer sales are on the increase and Google has shipped millions of units of Cardboard. The question is whether AR or VR will be the dominant technology. For VR to really work, it will have to become cheaper and easier to use.

New Scientist, 15 October 2016, pp18-19; Financial Times, 14 October 2016, p15

China leads in virtual reality

China is quickly becoming the most important virtual reality (VR) market in the world. Goldman Sachs predicts that mainland China will account for a third of global VR sales this year. This is because, although Chinese firms are not leaders in making the headsets, its companies are leading the way in the use of VR, and business applications are seen as a profitable avenue of growth. As well as property and architectural design, it is being used in education. China also has the infrastructure in place for consumers to try out the technology cheaply, unlike other countries where the cost is high.

The Economist, 15 October 2016, pp62,64

Speeding up the internet

Google and Facebook, have collaborated to build the longest and fastest internet cable across the Pacific. Stretching from Los Angeles to Hong Kong, the aim of the Pacific Light Cable Network (PLCN) is to improve connection speeds. It will be launched in the Summer of 2018 and have the capacity to transport every book ever written in just a few seconds!

The Daily Telegraph (Business), 14 October 2016, p8

Leisure and tourism

A new take on influencer marketing

Adidas is tapping into influencer marketing through the creation of "Tango Squads"; these are groups of "socially-savvy" 16- to 19-year-olds based in 15 cities around the world. The groups – which will be managed by a company in-house team – will share content and new products within the group using direct messaging apps, such as WhatsApp, before they are unveiled by Adidas on Twitter or Facebook. Currently 70% of global brand referrals take place on dark social, rather than Twitter or Facebook.

Marketing Week, 13 October 2016, p7

Media

Books

Penguin regroups around printed books

Joanna Prior, MD of Penguin's general books, admits that the company was too quick to dismiss the

power of printed books during the rise of the e-book. Her comments came after the news that e-book sales fell by 2.4% last year year-on-year. Prior, speaking at the Cheltenham Literature Festival, said that Penguin had been forced to “regroup” and now releases e-books “harmoniously” alongside their physical counterparts.

The Daily Telegraph, 15 October 2016, p16

Ladybird spoof titles extended

The creators of Ladybird book parodies, which include titles such as *The Lady Bird Book of the Mid-Life Crisis*, are hoping to have another successful year with the launch of eight more titles, including *The Sickie* and *The Zombie Apocalypse*. Most of the books in the first series have already been sold to other countries including China.

The Sunday Times, 16 October 2016, p22

Internet

Nordic countries buy online – via computers

Most internet users in Nordic countries also make purchases on the internet: over 90% of female and 87% of male internet users in Denmark, Norway, Finland and Sweden made purchases online in Q2 2016, according to research from AudienceProject. Over 90% of those surveyed (aged 15 or over) said they used a computer to make a digital purchase compared to tablets (30%) and mobile phones (25%).

emarketer.com, 14 October 2016

Music

Amazon Music echoes well at home

Amazon Music Unlimited is a new streaming service from Amazon which is set to compete with Spotify and Apple Music. Although it is charging exactly the same price as its competitors (\$9.99), Amazon Prime customers can obtain their subscription cheaper (\$7.99) as can Amazon Echo speaker owners. Amazon may have a competitive advantage in the home because neither Spotify nor Apple have hardware to compete with the Echo smart speaker devices.

The Guardian, 13 October 2016, p24

Newspapers

Ad-blocking – how to approach it

In this article on ad-blocking, Tim Gentry of Guardian News & Media says that there has been a shift away from short-term approaches to digital advertising to longer-term relationships with audiences through fewer, better ads. News publishers are at an advantage because they own “respected” environments where high-quality advertising can appear. But there are two major challenges: digital advertising performs well on short-term metrics, such as clicks; but underperforms on long-term metrics, such as brand

health or market share. Secondly, digital is part of a supply chain in which up to 60% of the value of media investment is taken by ad tech and agencies. This can lead to price deflation and over-commercialisation of publishers’ sites. Gentry advocates developing stronger relationships with readers to ensure that ad blockers and other intermediaries cannot make the decisions.

Market Leader, Q4 2016, p15 (Gentry)

Social media

Endorsements – paid influencers

Advertising on social media is taking off in a big way: since January over 200,000 posts per month on Instagram have been tagged #ad, #sp or #sponsored. Many ads are reaching users through celebrities or influencers who provide advertisers with a means of building relationships with consumers that traditional media cannot. Yet the lines between voluntary and paid celebrity endorsements are blurring. This summer the US Federal Trade Commission (FTC) clamped down on Warner Brothers for failing to disclose its payment of online influencers. The FTC’s continuing vigilance has led celebrities to get up to date with their #paid labels.

The Economist, 15 October 2016, p61

Social media influence in the UK

According to a poll conducted in June, nearly 45% of UK internet users over 55, and nearly 42% of those under 25, said they were immune to the influence of social media. Yet, more than one in three respondents aged 25 to 34 said they were influenced by social media at least weekly, while 49% of those aged 35 to 44 said they were influenced monthly. Women are most likely to follow money-saving social media accounts while men opt for vacation and travel accounts and politics.

emarketer.com, 13 October 2016

Television

Data tones for interactive TV

A new system can deliver additional TV content to your smartphone or tablet, such as booking details for a travel programme. Developed by Tae Hyun Kim of Soundly in South Korea, it uses the TV’s speakers to play “data-filled tones” alongside the programme you are watching, enabling your smartphone to pick up the content and make the TV interactive. The technology could be used to send data between any two devices that have speakers and microphones.

New Scientist, 15 October 2016, p23

Packaging

Collapsible cup addresses recycling problem

Amid all the controversy over disposable coffee cups, British businessman, Andrew Brooks, has

invented a reusable, sealable and collapsible mug. Upon hearing the news that only 1% of the 2.5 billion paper coffee cups used each year are recycled, the Lib Dems called for a 5p tax, similar to that imposed on plastic bags. Brooks hopes that his Pokito cup may help to reduce the use of paper cups, some parts of which can take 30 years to rot down. (See also under Environment)

The Times, 14 October 2016, p23

Carlsberg shows off fibre bottle

Carlsberg has unveiled the design for its new Green Fiber Bottle at the recent Sustainable Brands 2016 conference in Copenhagen. The project, which was initiated in 2015 with Danish packaging company EcoXpac, aims to develop a beer bottle made from sustainably sourced wood fibre. The bottle's fibres come from responsibly managed sources, where trees are replanted at the same rate that they are harvested. The bottle is due to be test-launched in 2018.

packagingtoday.co.uk, 10 October 2016

Retailing

Smith's performs well in travel

WH Smith, often criticised for its shabby stores, has recorded its strongest sales in 14 years, resulting in an 8% rise in pre-tax profits in the year to August. A large proportion of the growth derives from the retailer's travel division, notably its outlets at railway stations and airports, where trading profits rose by 9%.

The Times, 14 October 2016, p45

Brands will raise prices – warning from BRC

Richard Baker, chairman of the British Retail Consortium, has warned that many brands will see price rises due to the higher cost of imports. He said: "Clearly a 15% or 20% depreciation will raise import costs...it's not realistic to think that devaluation will not, in due course, make itself felt in higher shelf prices". However, research by MySupermarket suggests that the price of many branded goods has already gone up since the Brexit vote in June, despite supermarket costs having remained fairly level. The price of a basket of Heinz, Kellogg's, Coca-Cola and Pepsi goods has risen by more than 12%. (See also under Food)

The Daily Telegraph, 14 October 2016, p9

Sainsbury's – a departure from the norm

Sainsbury's has unveiled its "supermarket of the future" which is based on the model of a department store. It has already opened a "department-store-style" outlet in London, which contains a food hall, an Argos, a mini-Habitat, a sushi bar and a pharmacy as well as homewares and clothing departments.

The Times, 12 October 2016, p43

Amazon plans convenience store launch

Amazon is to open grocery convenience stores in the US which will stock basic fresh items such as milk and meat. Customers will also be able to order other products, for same-day delivery, using touchscreens around the store.

The Grocer, 15 October 2016, p8

Services

Car-sharing

Thousands of car owners across Europe use peer-to-peer rental services to help offset the cost of car ownership. The services, which include GoMore of Copenhagen and Drivy of Paris, operate a bit like Airbnb. Car owners post their vehicles on a website and users ask to rent them. The websites, which take a percentage, work in partnership with insurance companies. It is estimated that global car-sharing will reach \$6.5 billion by 2024, up from \$1.1 billion in 2015.

Bloomberg Businessweek, 10-16 October 2016, pp36-37

The MBA – declining popularity?

Business is the most popular master's qualification in the world and two-fifths of chief executives at *Fortune 500* companies are likely to have an MBA. Yet the full-time MBA may be on the decline according to the Graduate Management Admission Council (GMAC). *The Economist's* ranking of full-time MBAs shows a decline in the number of applicants for each MBA place (down from 17 five years ago to just ten this year). The MBA is threatened by competition from specialist masters degrees and internet MBAs. A ranking of *The Economist's* top 15 MBA programmes is included.

The Economist, 15 October 2016, pp64-65

Transport and travel

Ryanair predicts lower profits

Ryanair has reduced its full-year profit forecast by 5%, becoming yet another company to blame its performance on the Brexit vote. It also predicts that the fall in the value of the Pound will reduce revenues for the second half of the year by around 13% to 15%. Its competitor, Easyjet, has also warned that the lower Pound would cost it around £90m this year. Experts say that Ryanair's performance may have suffered due to the "low level" price war taking place between the budget airlines.

bbc.co.uk/news, 18 October 2016

Googling London Underground

If you are having trouble finding your way around the London Underground system, then Google's artificial intelligence may help. DeepMind is capable of dealing with sequences while remembering and reusing what it has learnt. This means that it can find the shortest route between two stations.

New Scientist, 15 October 2016, p24

Written by CIM's Knowledge Services Team

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On the Move

Name	From	To	New title	Source
Katie Arora	Top That Publishing	Michael O'Mara Books	Head of US and Canada Sales	The Bookseller
Andrew Easton	Optimisa Research	Opinium Research	Associate Director	research-live.com
Paul Farthing	NSPCC	Aspinall Foundation	Head of Fundraising	thirdsector.co.uk
Eilidh MacAskill	Monsoon Accessorize	Asda	VP of Creative	Campaign

Promotions

Name	Company	Previous title	New title	Source
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Priya Patel	Rainey Kelly Campbell Roalfe/Y&R	Managing Partner	Managing Director	Campaign
Dr Peter Pirner	Kantar TNS	Practice Head, Customer Strategies	Head of Digital as well as Practice Head, Customer Strategies	research-live.com
Pinelopi Pourpoutidou	Michael O'Mara Books	Senior Rights Manager and Head of Digital	Head of Foreign Sales	The Bookseller
Filip Weymans	Xeikon	Director, Segment Marketing Labels & Packaging	VP of Marketing	packagingnews.co.uk

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www.emarketer.com

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www.marketingweek.com

Marketing Week **

Market Leader

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www.packagingtoday.co.uk

www.parliament.uk

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