

Cutting Edge: Our weekly analysis of marketing news

14 December 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

Native advertising

Native advertising is expected to reach \$49 billion in value in the US by 2021, up from \$30 billion this year. The majority of native ads are labelled as "sponsored" (55%) while 18% are "promoted" and 7.5% are not labelled. Click-through rates vary by market and publisher but are all under 1%. Most publishers (77%) report that online articles are the most effective form of native advertising. This is followed by printed content (63%) and video (54%). Further data on native advertising are displayed in the form of graphs and infographics.

Admap, December 2016, pp48-49

Adspend growth rate to slow

According to forecasts from IPG Mediabrands' Magna, global adspend growth next year will be at its slowest since the financial downturn. It predicts that adspend will grow by just 3.6%, which is well below the 4.4% forecast by Zenith and Group M for 2017.

Campaign, 9 December 2016, p3

Piccadilly digitises for 2017

Ocean Outdoor is to digitise Piccadilly Lights, the iconic ad site in London's Piccadilly Circus. The six existing slots will be replaced by a single LED screen, which will be divided into six virtual segments, in the autumn next year. Coca-Cola, which has been advertising on the site since 1954, will remain, as will Samsung, which has had a presence there since 1994. The new format will see brands switching between each slot in a 30-minute cycle and advertisers will be able to run interactive and real-time campaigns.

Campaign, 9 December 2016, p6

Agencies

The Accenture-Karmarama deal

Accenture's recent takeover of Karmarama is a "natural fit", according to Joydeep Bhattacharya of Accenture Interactive, where Karmarama will sit. Bhattacharya says he is certain that other consultancies will consider acquiring marketing services agencies. This poses questions about the continued dominance of the "big six" advertising groups. Bhattacharya believes that Karmarama will strengthen Accenture Interactive's creative expertise and make it into "a new breed of agency". Karmarama's key clients, which include Costa and Confused.com, will be offered the same "Master Service Agreement" as other Accenture clients.

Campaign, 9 December 2016, p8

Sorrell's "superstar" payout

Sir John Hood, chair of WPP's pay committee, has argued that Sir Martin Sorrell's £70m payout could not be described as "superstar". He was being questioned by the Commons business, energy and industrial strategy committee over whether Sir Martin deserved such a massive remuneration considering that WPP is run by a pool of executives. Sorrell will continue to receive large payouts until a new scheme comes into force next year. (See also under Economy)

The Guardian, 7 December 2016, p25

Brands and branding

Brand categorisation

The authors argue that the best way to classify brands is to examine consumer perceptions rather than using typologies, such as "global" or "local", which are based on objective criteria. This is because consumers may perceive brands quite differently. The authors undertake a survey among Mexican consumers using a new methodology which



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www.cim.co.uk/charteredcpd

follows the categorisation principles of Steenkamp and De Jong (2010). They suggest a categorisation of leading brands into "global", "glocal" and "functional" based on consumers' perceptions. They conclude that there are important differences between this categorisation of brands and the traditional approach reported in the literature.

International Journal of Market Research, Vol 58(6) 2016, pp795-813 (Llonch-Andreu et al)

Trust in the experience economy

Well-delivered experiences can enhance consumer trust for a brand. CMOs and marketers should be working together with product development, IT and the legal department to ensure that consumers receive a good proposition in exchange for their personal data and that this supports the brand promise. One way of achieving this is to build "trust-building" moments into the customer journey so that "moments of truth" are strengthened by "moments of trust". Success in the experience economy depends on the brand offering relevant, personalised experiences but the consumer must be prepared to share their personal data. Marketers in the experience economy should be working to improve consumer trust in all areas of brand experience and this goes beyond just creative communication.

Journal of Brand Strategy, Vol 5(2), pp178-185 (Morey and Krajecki)

Children

CAP restricts HFSS advertising

The Committee of Advertising Practice (CAP) is to ban all ads for food and drink that is high in fat, salt or sugar (HFSS), in all media targeting the under-16s. From July 2017 there should be no "junk food" ads on social media and gaming where 25% of the audience is made up of children. However, the rules only apply to HFSS products and do not cover all food and drink. Last month an Ofcom report revealed that children aged five to 15 spend 15 hours a week online compared to 13 hours 36 minutes watching TV a week.

Campaign, 9 December 2016, p5; Financial Times, 8 December 2016, p2; www.cap.org.uk, 9 December 2016

Conferences and events

Ford drives more events

This article reports on how Ford is making the most of its events to maximise its budget. The motor manufacturer holds between 75 and 100 business events every year, a number that is likely to rise next year. According to Howard Kee, manager of advertising and events at the company, the managing director "believes that live events are an effective way of communicating with an audience" but they need to be delivered more efficiently. One approach taken by Ford is to hold many different activities during one major event so that it can

target different groups. Kee describes some examples of these initiatives.

Conference & Incentive Travel, December 2016, pp14-15 (Cernik)

Delegates afraid to speak their mind

A new survey reveals that 51% of delegates don't feel they can speak freely at meetings, but instead say what is expected of them. This is because of the fear of "looking foolish", according to 54% of women and 41% of men. Mark Scales, of Banks Sadler, says that the traditional idea of giving someone a microphone and allowing them to stand up in front of people doesn't always work. However, apps and technology, which enable people to submit questions, can work. He also suggests that the design of the conference, such as having smaller, break-out groups, can encourage participation.

Association Meetings International, December 2016, p12

Consumer behaviour

Reverse psychology in marketing

Some companies have flouted the rules of conventional marketing by using innovative tactics in product planning, advertising and promotions. Controversial initiatives include shops without names, products in limited quantities or product-centric rather than customer-centric products. These sorts of tactics seem to attract and engage customers who are tired of media and "over-marketing". These new marketing initiatives are also well-received among younger people who are more dubious about the claims which marketers traditionally put in their communications. This article looks at the reverse psychology phenomenon in both theory and practice.

The Marketing Review, Vol 16(3) 2016, pp343-353 (Sinha and Foscht)

Customer relations

Emotions in online reviews

Online customer reviews, which have become an important way for customers and companies to channel feedback on products and services, are also a way for customers to express emotion. This enables marketers to analyse the content of reviews to try to understand the emotions and how they affect other customers. The authors propose an approach to extracting emotional content from online reviews using an emotion lexicon. They also build a classification model to measure the importance of emotion dimensions based on the quality of reviews. The study adds an emotional perspective to the tools marketers can use to analyse online reviews.

Journal of Interactive Marketing, Vol 36 November 2016, pp60-76 (Felbermayr and Nanopoulos)

Maintaining customer value

An important part of marketing is to create and communicate value to customers in order to boost loyalty, satisfaction and profitability. The authors contend that customer value has two important aspects: firstly companies have to create perceived value for customers. Secondly customers themselves give value through various forms of engagement with the organisation. Marketers should measure and manage the value of customers to the business and incorporate this into their real-time marketing decisions.

Journal of Marketing, Vol 80(6) 2016, pp36-68 (Kumar and Reinartz)

Direct marketing

ICO takes over TPS

The Information Commissioner's Office (ICO) is to have responsibility for the Telephone Preference Service (TPS), which will enable it to take faster action against rogue callers. Currently the TPS is run by the DMA on license but from December 30 it will move from Ofcom to the ICO. This should make it easier for the ICO to go after companies who have breached the Privacy & Electronic Communications Regulations. So far the ICO has issued fines amounting to almost £3.7m to companies carrying out nuisance marketing.

dataiq.co.uk, 8 December 2016

Vodka campaign is its best shot

Tito Vodka, the first legal distillery in Texas, produces vodka made from yellow corn rather than wheat or potato. Although production is growing, the company is small with only two people handling e-mail marketing. The company decided to change its e-mail strategy, which was being used to attract people to the site and to Tito's Tasters club. Its new welcome e-mail campaign has received 50,000 new subscribers to date with a 60% opening rate. The company has also found that those receiving a welcome e-mail demonstrate 33% more long-term engagement on average.

dmnews.com, 8 December 2016

Starbucks launches AI and one-to-one e-mail

Starbucks is launching an artificial intelligence-powered ordering system, so that customers can place orders through voice command or messaging. Its new My Starbucks Barista system, which aims to boost customer loyalty and engagement, is due to appear in beta form early in 2017. The company is also launching one-to-one personalisation in its e-mails and app. Starbucks claims that its personalised e-mail rewards, which have over 400,000 variations, have more than doubled customer response rates compared with previous, segmented e-mail campaigns.

marketingweek.com, 7 December 2016

Law

IPO protection for a global market

It came as some surprise when Trunki (maker of the ride-on suitcase) lost an intellectual property lawsuit against a competitor in Hong Kong this year. This is despite the company having a raft of IP protection, including trademark registrations in 51 countries. IP protection is only effective in the country where protection has been granted so it can be a minefield for exporters, especially for small entrepreneurs. This article gives some advice which includes visiting the UK IPO website (ipo.gov.uk) and the European IPR Helpdesk (iprhelphdesk.eu).

The Times, 7 December 2016, p44

DoJ in antitrust probe

The Department of Justice (DoJ) is investigating whether Interpublic Group fixed the bidding process for video production in favour of its own in-house team rather than external bidders. The investigation, relates to one of the Group's US agencies. The agency claims that it requires triple bids on all production projects above a minimum price. This comes at a time when advertisers in both the UK and US have become concerned that agencies are using non-transparent business practices to enhance their profits at the expense of clients.

Financial Times, 8 December 2016, p16

Reference pricing in advertising

Following the recently published *Guidance for Traders on Pricing Practices*, the Committee of Advertising Practice has produced this brief paper to remind advertisers of the rules and guidance that should be taken into account when referring to competitors' product pricing in advertising. The guidance offers advice on ensuring that pricing practices are compliant with the Consumer Protection from Unfair Trading Regulations 2008 (CPRs). Here are five key considerations for reference pricing.

cap.org.uk, 12 December 2016

Marketing

Marketing organisation and excellence

Marketing organisation – the interface of the company with its markets and where the actual marketing is performed – plays an important role in achieving marketing excellence. In this article the authors review 25 years of literature on marketing organisation and examine four key elements: capabilities, configuration, human capital and culture. They argue that the four elements are mobilised through seven marketing activities (the 7As) that take place during the marketing strategy process. The extent to which the company manages these seven activities determines the performance of the marketing organisation.

Journal of Marketing, Vol 80(6) 2016, pp6-35 (Moorman and Day)

Industrial selling improvisation

Industrial selling does not have to be pre-scripted and salespeople must find ways to respond to unexpected market conditions. This study looks at the factors affecting salesperson improvisation. It examines how perceptions of resource availability and strength of customer demand lead salespeople to improvise. It suggests that higher levels of salesperson improvisation are associated with increased sales performance. Moreover a stronger perception of resource availability and greater customer "demandingness" are linked to increases in salesperson improvisation.

Industrial Marketing Management, Vol 59 November 2016, pp120-130 (Banin et al)

Cross-channel attribution

These days marketing campaigns must cover multiple channels in order to have a fighting chance of engaging and converting customers. Marketers have begun to move from "last-touch" attribution models (assigning credit for a conversion to the final touchpoint) towards cross-channel attribution models. The latter gives a more comprehensive view of the impact of each marketing touchpoint on conversion or brand engagement, which in turn enables more effective marketing planning and budgeting. This year Havas Media Group collaborated with Visual IQ to implement a cross-channel attribution model for a UK brand. Key findings and guidance are distilled into ten steps which are set out here.

Admap, December 2016, pp32-33 (Olney and Delserieys)

Agile marketing – making it happen

Everyone is talking about "agile" business but how do you make it happen? Many organisations think they are agile because they have adopted some principles of agility, but if you dip below the surface you find they are only partially agile. The authors argue that: "If you're not agile all the way then you're not agile". This article explains how successful companies put an agile marketing team together; gives a step-by-step overview of what an agile marketing team does; and explains how to scale it across the organisation.

mckinsey.com, November 2016 (Edelman et al)

Female marketing director earn less than men

Data from the Office for National Statistics (ONS) reveal that female marketing and sales directors are paid nearly a fifth less than their male colleagues. On average men earn £36.45 per hour (about £75,744 per year), while women earn £30.20 per hour (£54,667 per year). The Government has just published regulations forcing companies in the private sector, which employ more than 250 people, to report on their gender pay gap.

marketingweek.com, 9 December 2016 (Roderick)

Market research

"Pick any" list and brand attributes

The "pick any" response format is often used to measure brand image. It involves giving respondents a list of attributes and asking them to select all that apply to the brand in response to a question. In contrast, an "association grid" places all brands and attributes into one table, allowing respondents to assess them all simultaneously. This study compares the quality of data from each method in a web survey. The results suggest that larger association grids are answered faster but are prone to "evasion bias" as well as performing worse in terms of drop-out, comprehension and attention. Smaller association grids have no negative affects, but overall the authors don't recommend the association grid.

International Journal of Market Research, Vol 58(6) 2016, pp779-793 (Rintoul et al)

Public relations

Employees' social media competence

Employees sometimes use social media in ways that cause harm to the reputation of their organisation. This highlights the requirement for a way of evaluating employees' reputation-related social media competence (RSMC). This study uses data from four samples of employees with different occupations. It develops and validates a new multidimensional measure of RSMC or the employee's ability to use social media without damaging their employer's reputation.

Journal of Interactive Marketing, Vol 36 November 2016, pp46-59 (Walsh et al)

Leadership during crises

The way in which a company leader handles a crisis has a serious impact on the brand's reputation. This article offers two examples of how to deal with a crisis and two examples of how not to. BP and the Deepwater Horizon Oil spill is an obvious example of how a crisis very quickly turned into a major PR disaster which was exacerbated by comments made by the company's Chief Executive, Tony Hayward. Meanwhile the credibility of Sir Philip Dilley, chair of the Environmental Agency, quickly disappeared after he chose to remain in his Caribbean villa rather than tackle the floods in north-west England last year. On the positive side, both Alton Towers' and TalkTalk's chief executives responded to their crises with a degree of honesty and openness.

The Times (Raconteur: Brand & Reputation), 13 December 2016, p15 (Snoddy)

Sponsorship

Olympics – sport or flawed business model?

The author asks whether the Olympic Games is a festival of sport or a "commercial fiasco". In the past critics have defined the Olympics business model as a franchise system that sells the rights to various

parties “to host, to broadcast, and to sponsor the Games”. Yet some host cities are already beginning to question whether it is really worth hosting the Games and even media rights have become a contentious issue, while the cost of sponsorship prohibits all but a few wealthy companies. So should the Olympic business model be transformed into something different?

Marketing Africa, Issue 14 2016, pp90,92-93 (Wanjohi)

Image rights payments

A report that José Mourinho moved £10m into an offshore trust has kicked off an investigation by HM Revenue & Customs. HMRC has also said that it will review its deal with the Premier League whereby its football clubs pay a maximum of 20% of a football player's income from an image rights deal. Clubs argue that large payments for using players in sponsorship and marketing are a part of modern football. The 20 Premier League clubs earned almost £1 billion from commercial deals in the 2014 to 2015 season. HMRC is under pressure to recover more tax losses as a result of avoidance and evasion.

Financial Times, 7 December 2016, p3

Agriculture, fishing and forestry

Irish producers could expand to UK

Irish mushroom producers may move their production to the UK to offset the effects of the weak Pound. Padraic O'Leary, MD of Walsh Mushrooms, the second-largest supplier of mushrooms to the UK market, is to expand his farms into the UK over the next couple of years. He cites the supply of labour as one of the biggest challenges. Other producers may follow his example since the UK imports 60% to 70% of its mushrooms, 40% of these coming from Ireland.

The Grocer, 10 December 2016, p34

Avoiding the pitfalls of diversification

Diversification has become a popular tactic for farmers as a way of supplementing their income; around half of UK farms have some form of diversification in their business which brings in an average of £10,400 per farm. This article looks at the pitfalls of running a diversified business, such as a weak core business; poor market research; the lack of the right skills; lack of infrastructure; costs; and planning.

farmingfutures.org.uk, 13 December 2016

Spanish saffron

Since the 1970s Spanish saffron farmers have struggled to compete with cheaper products from countries such as Iran. Now Spain's saffron industry has turned around as consumers look for higher quality products. Production has been gradually

rising, from 100kg in 2007 to 754kg last year. Manuel Navarro, of the Spanish Association of Saffron Producers, is concerned that some foreign products are being wrongly labelled as Spanish.

The Times, 12 December 2016, p45

Building industry

Saint-Gobain struggles to take over Sika

Saint-Gobain, a French maker of building materials, has grown mainly through acquiring smaller companies; it has made 20 purchases this year worth €400m in total. However, its attempts to acquire Sika, a Swiss competitor, have gone on for two years and the matter is now in the hands of the courts. Sika is described as “an example of European industrial excellence” with agile factories that can adjust quickly to fluctuations in demand. In contrast, Saint-Gobain has been criticised for focusing on slow-growing markets in Europe rather than looking further abroad.

The Economist, 10 December 2016, p62

Businesses and strategy

Social partnership success

There has been huge growth in business and non-profits working together in social partnerships. This study uses structural equation modelling to examine cross-sector social partnerships in Spanish business. It identifies the role of relational factors which affect partner success and reveals that, in order to be successful, it is necessary for socially responsible business to share the same values as their non-profit partners. This in turn contributes to the degree of trust and commitment, which enhance such relational effects.

European Management Journal, Vol 34(6) 2016, pp674-685 (Barroso-Méndez)

Sustainable value propositions

Companies are under pressure to demonstrate the sustainability of their products and services. The authors develop a framework to build sustainable value propositions. The framework, which can be used to demonstrate and evaluate the economic, environmental and social benefits of industrial products and services, consists of five elements. Two case studies, in the metallurgical and automotive sectors, show the value provided to customers through a combination of direct economic benefits and the benefits of environmental and social impacts. Guidelines are offered on how to build sustainable value propositions that customers can relate to.

Industrial Marketing Management, Vol 59 November 2016, pp144-156 (Patala et al)

Most admired companies

Britain's Most Admired Companies 2016 which ranks companies on 12 criteria of success, has been won

by ARM, the first technology firm to take pole position. It takes over from previous leader, Unilever. The most admired leader accolade continues to be held by Carolyn McCall of EasyJet, one of only six female CEOs in the FTSE 100. In terms of quality marketing, Hargreaves Lansdown (financial services) has been awarded top spot, followed by Unilever (food producer) and Berkeley Group (construction). The article includes the full league table.

Management Today, December 2016-January 2017, pp24-38,53-65

Successful CEO selection

Directors who are good at choosing a new CEO tend to focus on two or three capabilities that a chief executive will need in order to succeed in that particular business (the author refers to this as the "pivot"). Directors should also keep an open mind about where the candidate will come from; for example, they might consider a leader from a few ranks below the CEO. They should also "go deep" to understand which person will best fit the pivot and should even allow for imperfections in the candidate. Each company has a distinct pivot which directors must define and get right, but it is important to choose the right directors to lead the process.

Harvard Business Review, Vol 94(12) 2016, pp52-59 (Charan)

Charities and NGOs

Effect of social information on volunteering

A recent study looked at whether sharing information about how other people have volunteered, as well e-mail endorsements from celebrities, politicians and students about volunteering, could help to increase volunteering activity. The results suggested that social information on volunteering does not seem to have a significant benefit for volunteering although social information can help to increase donations of money.

Society Now, Issue 26 Autumn 2016, p9

What next for Movember?

The Movember Foundation, which started in the mid-2000s, encouraged men to grow moustaches in aid of men's health programmes including prostate cancer. But now YouGov's *Charity Index* suggests that the campaign is losing its impact. The *Word of Mouth Exposure* score, which measures whether someone has discussed the charity over the past two weeks, has been falling year-on-year since 2014. The ad awareness score has also declined over the years, from 12% in 2014 to 6% this year. So is it time for the charity to take a new direction asks YouGov?

yougov.co.uk, December 2016

Durable consumer goods

Lego's new British boss spots opportunities

Bali Padda, Lego's chief operations officer, is to become the 84-year-old company's first British chief executive in January. The current chief executive, Jørgen Vig Knudstorp, is to head up Lego's new brand group as the company expands overseas. Padda believes that there is still plenty of opportunity for Lego since 60% to 70% of its products are new every year and: "There are millions of children around the world that do not have access to the product". One of Lego's targets is China where a new factory was opened last month.

The Guardian, 7 December 2016, p26; The Times, 7 December 2016, p38; Financial Times, 7 December 2016, p21

Carpetright floored by falling sales

Carpetright, the floorings company, has revealed a fall in like-for-like sales for the UK market in the first 25 weeks of its financial year. It has cited competition from new entrants and the depreciation of the pound as key factors. In contrast, business in the rest of Europe is improving. The company has been busy revamping its "drab outlets" to make them more customer-friendly. This strategy seems to be paying off since sales have been improving in these stores. A SWOT analysis of the company is included.

The Daily Telegraph (Business), p12 December 2016, p2

Economy

Industrial production declines in October

Industrial production, which accounts for 15% of the UK economy, fell by 1.3% in October compared with September and was also 1.1% lower than October 2015. This represents the largest monthly fall since September 2012. Manufacturing output, which makes up 70% of industrial production, fell by 0.9% in October. Liz Martins of HSBC says that industrial production will have to grow by over 1% in November and December in order to achieve positive growth in Q4.

Financial Times, 8 December 2016, p2

Achieving high growth

Britain is good at starting up companies – last year 608,100 new companies were formed – but it is not good at helping them to grow. Some 99% of British businesses are SMEs yet few become high-growth companies, with fewer than 4% having ten or more employees after their first ten years. According to economists this could be one explanation for Britain's low productivity. The Government wants to encourage start-ups to grow and this may involve foreign investment.

The Economist, 10 December 2016, pp28-29

Director-worker pay gaps

There has been increasing concern over the dramatically-rising pay gaps between a company's bosses and its workers. Through the *International Social Survey Programme*, which covers 40 countries, the author and a colleague asked how much people thought a CEO in a large national company earned and how much an unskilled factory worker earned. The average estimated pay ratio was 10:1 but in the UK the ratio was 13.5:1. When asked how much people thought that a CEO and workers should earn, the ratio was 4.6:1 and 5.3:1 respectively. In reality the UK pay gap is 84:1! (See also under Agencies)

New Scientist, 10 December 2016, p18 (Norton)

Energy and utilities

Fresh water from waste water energy

Aarhus in Denmark will become the first city in the world to provide its citizens with fresh water made only with energy made from waste water and sewage. The Marselisborg Wastewater Treatment Plant can make 150% of the energy required to operate the plant, allowing the remainder to be used to pump drinking water to the city. Excess electricity is sold to the local grid and the investment required is expected to be recouped within five years.

New Scientist, 10 December 2016, p5

Water competition in England

From next year 1.2m businesses in England will be able to switch water supplier. Although the water will be supplied through the same pipes, customers will be able to choose who they pay to manage the service. Meanwhile many retail arms of traditional water companies have rebranded, relocated or recruited new staff. The retail business of Yorkshire Water has rebranded as Three Sixty, moving away from the word "water" in its title.

The Times (Raconteur: Future of Water), 8 December 2016, pp6-7 (Loveday)

Wave power

Eco Wave Power, a Tel Aviv-based company, makes floats that are attached to coastal infrastructure such as quays and jetties and can convert wave power into electricity. In May it launched a plant attached to a jetty in Gibraltar which is connected to the commercial grid. The next project will be in China, while others are planned for Chile, Mexico and the UK.

Wired, January-February 2017, p19

Environment

The end of plastic cotton wool buds

All major UK supermarkets have committed to phasing out cotton wool buds made with plastic sticks. These will be replaced with sticks made out of rolled paper. Millions of the sticks are flushed

away every year, ending up polluting rivers and the sea. They generated the most frequent type of sewage debris in this year's Marine Conservation Society "great beach clean".

The Times, 8 December 2016, p3

Encouraging conscientious consumption

Researchers at the University of Sheffield and London College of Fashion have revealed that many consumers feel detached from the processes that deliver electricity, water and gas to their homes and do not understand the social and economic impact of clothing. This can lead them to make "bad" choices or "surplus" purchases. Researchers from the TRANSFER knowledge exchange project have carried out various activities to promote the more conscientious consumption of energy and clothing, such as showing people the processes involved in making a t-shirt.

Society Now, Issue 26 Autumn 2016, p7

Fashion

Dressing the first lady

We recently reported that fashion designer Sophie Theallet, who has dressed Michelle Obama for the last eight years, does not want to be associated with Donald Trump's wife. Since then other designers, such as Marc Jacobs and Tom Ford, have said that they will not be offering her clothes. They do not reflect the views of all designers: Jean-Paul Gautier and Tommy Hilfiger have said they would be happy to dress Mrs Trump. But some experts believe that, after a controversial election, many designers simply don't want to be involved in politics.

The Times, 7 December 2016, p9

Asos to hire 1,500 employees

Asos, the online fashion retailer, is to hire a further 1,500 staff at its London HQ. It plans to spend around £38m on technology, marketing, editorial content and retail specialists over the next five years. The company will also double domestic manufacturing of its own-brand clothing. This will be beneficial for UK fashion manufacturing which was damaged in the 1990s due work moving overseas.

The Guardian, 13 December 2016, p26; The Daily Telegraph (Business), 13 December 2016, p1

Financial services

Consumer consumption behaviour

The author examines the accumulated knowledge on consumer behaviour in financial services and proposes a framework that covers various aspects of the consumption of financial services. The consumption process is presented as a multidimensional structure that covers the selection and purchase of financial products and services; the relationship between consumers and their providers; and the wider sociocultural aspects of financial

consumption. A research agenda for future studies is also developed.

The Marketing Review, Vol 16(3) 2016, pp265-284 (Minina)

Digital marketing in Kenya

Financial institutions in Kenya have been slow to use digital technology due to regulatory barriers, risk to reputation and general "fear of the unknown". Now they have begun to catch up as financial marketers realise just how intense the competition is when trying to get noticed online by their target audience. The author emphasises the importance of putting a mobile marketing strategy in place and how financial institutions should not be held back by sticking to tried and tested formulae.

Marketing Africa, Issue 14 2016, pp40,42 (Muthoni)

FCA to investigate crowdfunding

The Financial Conduct Authority (FCA) plans to publish a consultation paper in 2017 which will propose new rules to regulate crowdfunding. It has just published interim findings, which show concerns that crowdfunding platforms are making it difficult for investors to understand the risks and returns of investing via the crowd. It also points to unclear and misleading marketing material. Andrew Bailey, FCA Chief Executive, says: "Our focus is ensuring that investor protections are appropriate for the risks in the crowdfunding sector while continuing to promote effective competition in the interests of consumers".

smeinsider.com, 9 December 2016

FMCG

Beverages

Skinny prosecco appeals to desire for control

The alcohol industry is being forced to rethink its marketing strategy because younger people are drinking less. According to research from Heineken, 59% of Millennials are limiting their alcohol consumption because they want to avoid loss of control. The need for people to control their image is a factor in the success of brands such as Skinny Prosecco, which has quadrupled its sales month-on-month. Amanda Thomson, founder of Thomson and Scott (owner of Skinny), believes that "the next generation of drinkers" have been largely ignored by the wine industry.

Campaign, 9 December 2016, p15

Gin renaissance

Gin has made a major comeback, with sales exceeding £1 billion this year for the first time. It has also recorded the largest volume sales on record. The growth of craft distilleries has helped to drive the rise of gin, as local ingredients and artisan

techniques are marketed to a new generation of drinkers. Gin sales have grown more than any other spirit sold in bars, pubs and restaurants. Overseas sales have been boosted by *Downton Abbey* and the *James Bond* movies.

The Daily Telegraph, 9 December 2016, p3; The Guardian, 9 December 2016, p5

Food

Mr Kipling closes the mince pie gap

Mr Kipling's 20-acre factory in Barnsley, South Yorkshire, contains the largest mince pie factory in the world. It produces 720 mince pies a minute and seven out of every ten households in the UK will buy them. There is also a growing export market, notably to Australia. The company tries to tweak its pies to suit individual customers. For example, Asda has just asked for the "air gap" between the filling and the lid of the pie to be closed!

The Guardian, 10 December 2016, p15

Top banana for Sumitomo

Fyffes, the Irish fruit producer, has recommended that its shareholders accept a €751m takeover by Sumitomo Corporation of Japan. Two years ago Fyffes tried to become the world's largest banana supplier by merging with Chiquita Brands, but failed. It is likely that Sumitomo wants the company so that it can expand into European and American markets. Fyffes, which was founded in 1888 by London food wholesaler Thomas Fyffe, claims to be the oldest fruit brand in the world.

The Times, 10 December 2016, p52; The Daily Telegraph (Business), 10 December 2016, p37; Financial Times, 10-11 December 2016, p18

Government and public sector

Leave campaign targeted new voters

At a recent event which analysed the role of pollsters in the EU referendum campaign, the British Polling Council described the Remain campaign as "a clear failure" in appealing to newly registered voters. Of all newly registered voters in the European referendum, 60% voted Leave and 40% Remain. Critics claim that polls have become irrelevant since many have failed to predict the outcome of elections. Ipsos Mori Chief Executive, Ben Page, defends his company's performance during the Brexit vote.

marketingweek.com, 9 December 2016

Health and pharmaceuticals

Drug recalls

Elad Yom-Tov at Microsoft trained an algorithm to predict recalls of specific drugs a day before they occurred. The algorithm identified spikes in searches on Bing relating to a particular drug, suggesting that

people were concerned about that drug. This approach could help to identify bad batches of medicines.

New Scientist, 10 December 2016, p22

IT and telecoms

FitBit buys Pebble

Fitbit's acquisition of Pebble, the smartwatch company, includes its software, intellectual property and engineers but not its hardware. Pebble's smartwatches failed to gain mainstream appeal but its software and operating system have acquired a loyal following among app developers. IDC reports that the wearables market grew by just 3.1% in the third quarter year-on-year. Fitbit is the market leader with 23%.

Financial Times, 8 December 2016, p17

Materials and mining

Tata steels itself to keep business running

Tata has agreed to put a further £1 billion into its UK steel business and will not impose compulsory redundancies, although its pension provision will be less generous. In March the company announced that it would sell its UK steel business due to pressure from cheap Chinese imports so this announcement is something of a U-turn. UK Steel, the industry trade body, says that the latest move will "breed confidence in the supply chain and feed through to customers".

**The Daily Telegraph (Business), 8 December 2016, p1;
The Economist, 10 December 2016, p29**

Media

Books

Libraries still in decline

The number of libraries in England, Scotland and Wales fell by 1.7% or 67 in the year to April 2016 while overall library funding decreased by £25m. Total visits to libraries fell by 5.5% to 250m while the number of library staff fell by 5.3% with volunteer numbers rising by 7.5%. The *Ambition Report for Public Libraries*, published on 1 December by the Department for Culture, Media and Sport, has pledged £4m to finance initiatives for disadvantaged communities, including literacy schemes and better access to technology.

The Bookseller, 9 December 2016, p28; The Guardian, 8 December 2016, p21

Games

Sony launches on smartphones

Some of Sony's PlayStation games are to be launched on smartphones next year, as it tries to gain a greater share of the \$35 billion global mobile-gaming market. Sony plans to release six PlayStation games in Japan for Apple's iOS and Google's Android

devices. To date the company has not made much of an impact on mobile gaming.

Financial Times, 8 December 2016, p15

Music

Vinyl overtakes digital

Two weeks ago sales of vinyl records reached £2.4m, overtaking digital music sales at £2.1m, for the first time since downloads began. At the same time last year vinyl sales were £1.2m and digital £4.4m. During the past 12 months interest in physical records has experienced something of a renaissance. Vinyl has also become more accessible due to the opening of vinyl-only shops and its sale in supermarkets.

The Guardian, 7 December 2016, p15; The Times, 7 December 2016, p9

Music labels to tackle free streaming

This year revenues from music streaming have offset declines in physical sales for the three major music labels. Music streaming is dominated by Apple (20m subscribers) and Spotify (40m), but the music industry is struggling with competition from Facebook and YouTube, which provide free music. YouTube has become the biggest music streaming platform in the world, prompting pop stars, such as Lady Gaga and Coldplay, to write to the European Commission to complain that YouTube is "unfairly siphoning value" away from artists and songwriters. The three biggest music labels are trying to negotiate new deals with YouTube.

Financial Times, 9 December 2016, p20

Newspapers

Advertisers stop ads on Breitbart

Some large German companies have stopped advertising on Breitbart News, a right-wing news and opinion site that campaigned for Donald Trump. BMW has become the latest company to remove ads from Breitbart in response to a social media campaign, "Kein Geld Für Rechts" (No Money for the Right). When Kellogg's stopped advertising on the site in the US, Breitbart suggested that readers should stop buying the company's products. Breitbart is expanding into France and Germany next year, having opened a UK operation in 2014. *The Economist* analyses Breitbart's growth.

The Guardian, 9 December 2016, p29; The Economist, 10 December 2016, p63; Financial Times, 8 December 2016, p11

Print costs to increase

As if newspapers didn't have enough to contend with, they are now having to deal with the rising cost of paper. Since the EU referendum vote, the cost of newsprint has risen by more than 8% for UK newspaper businesses despite remaining stable for European publishers. At least one newspaper group reports reducing pagination and using lower-grade

paper to control costs. However, with double-digit price rises being predicted for next year as well as a further decline in print advertising and falling sales, 2017 is likely to be another difficult year for newspapers.

Financial Times, 12 December 2016, p24

Social media

Conditional go-ahead for LinkedIn takeover

On 6 December the European Commission gave conditional approval for the proposed acquisition of LinkedIn by Microsoft. Microsoft and LinkedIn largely operate in complementary business areas, except for some overlap in online advertising. The Commission's investigation, which focused mainly on professional social network services, customer relationship management software solutions, and online advertising services, identified a number of concerns which Microsoft has committed to address as explained here.

lexology.com, 8 December 2016

Television

TV ad market – the future of CRR

Although the TV ad market appears to have recovered from its post-EU-referendum trough, the environment for 2017 is being described as "deflationary" by media buyers. The market is expected to be flat in December and January following a fall of 6% in October and November. ISBA has said that regulators may need to review Contract Rights Renewal (CRR), which is the legislation that forces ITV to guarantee historic trading arrangements to advertisers. This is due to changes in the viewing environment, notably the rise of YouTube, Facebook, Netflix and Amazon. A spokesman for ITV refers to CRR as belonging to "a scarcely recognisable analogue TV era".

Campaign, 9 December 2016, p5

Video

The rise of the YouTube star

YouTube stars have earned a total of £55m over the past 12 months, up by 23% on the previous year. This reflects the growing influence of YouTube celebrities who have succeeded in monetising the platform through advertising, books, film deals and merchandising. One YouTuber has even become the face of L'Oréal. For the second year running Forbes has compiled a ranking of YouTube stars from around the world, based on their earnings. This article examines some of the success stories.

The Guardian, 7 December 2016, p3

Packaging

Packaging underestimated as marketing tool

A new report from Nielsen says that "Package design is the dark horse of the marketing world" and that "its impact tends to be vastly underestimated".

Almost 60% of product decisions are made at the shelf while 56% of European consumers say that "in-store discovery" is one of their top information sources for new products, compared to 45% for TV ads. Nielsen analysed 9,900 product launches across Europe and found that just 11 "truly broke through". These included: Colgate, Air Wick and Whiskas.

packagingnews.co.uk, 13 December 2016

Oasis launches face-swap bottle

Coca-Cola GB has introduced a limited-edition pack of Oasis that allows people to use a face-swapping app. Consumers can switch their face with the label of the bottle which resembles a face.

The Grocer, 10 December 2016, p33

Retailing

Digital marketing helps independent retailers

Could digital marketing help to reverse the decline in the UK high street? Google says that "near me" searches have doubled over the past year as some people have come to realise that it is quicker to go to a local shop than to order online. Mobile searches have also exceeded those performed on desktops for the first time in the UK. This article looks at what local retailers are doing to take advantage of these trends through mobile, beacon technology, social media and click-and-collect. For example, Better Food, which has three stores in Bristol, uses Wriggle, a website promoting exclusive food and drink.

The Grocer, 10 December 2016, pp22-25

Sports Direct – a crisis of reputation

Sports Direct saw profits plummet by 25% in the six months to 23 October following a series of scandals which have damaged the reputation of both its business and brand. Over the past 12 months, the company's index score for consumer perceptions of quality, value, reputation, satisfaction and other metrics, has fallen by 13% to -13.4; this places it at the bottom of a ranking of 44 British high street retailers. Meanwhile its reputation score has fallen by 19% to -34. Despite all this, Chief Executive, Mike Ashley, has gone ahead with the purchase of a £40.4m corporate plane for the business!

marketingweek.com, 8 December 2016

Services

Outsourcing – time for a change?

Outsourcers, who in the past have bid for contracts worth millions of pounds, have often found themselves in trouble after contracts have overran, leaving them seriously out of pocket. Since 2013, outsourcers Mitie, G4S and Serco have all issued profit warnings. Now Capita is the latest casualty – its shares have just fallen to their lowest level, at 522p, in over a decade. This article asks what has

gone wrong with outsourcing and questions whether it is time to change the business model.

The Daily Telegraph, 7 December 2016, p8

Pub company fees make it hard to cut beer tie

The newly-introduced Pubs Code tackles the problem of the "beer tie", which forces tenants to buy beer from their pub company at high prices. Instead the code allows tenants to buy beer on the open market. Pub companies have responded by restructuring their businesses, reducing their tenanted pubs and increasing the number they manage directly. However, tenants claim that the companies are making it too expensive to sever the beer tie, with some charging tens of thousands of pounds for the privilege.

Financial Times, 9 December 2016, p2

A Grab for market share

Singapore-based Grab claims to have 95% of the third-party taxi-hailing market in south-east Asia. Grab has managed to address some of the trust and safety issues which have blighted Uber, including imposing police record checks on drivers. Co-founder, Hooi Ling Tan, claims that Grab's route-planning is better than Google maps: the company's GrabBike business, which offers motorcycle rides, helps Grab to gain knowledge of back roads not used by drivers.

Wired, January-February 2017, p35

Transport and travel

EasyJet slows down

EasyJet has reported slowing passenger growth and aircraft carrying fewer passengers. In November the company carried 4.9m passengers, a rise of less than 3% year-on-year. Other discount airlines are doing better: Ryanair reported 15% passenger growth, having carried 8.8m passengers in November, while Norwegian achieved 16% growth. EasyJet's earnings fell by 28% in the year to the end of September and are expected to fall by a further 20% for this financial year.

The Times, 7 December 2016, p41

In the Vanguard of digital design

The Vanguard Roadster, a new motorbike model, is also a completely new brand. US maker, Vanguard, is a start-up which believes that it can use digitisation to help it compete in the market. To date it has produced just one machine, but aims to be

selling several thousand within a few years. Digital technologies are lowering the cost of entry to manufacturing businesses that might once have only been open to big companies with vast resources.

The Economist, 10 December 2016, pp61-62

Self-sailing

We've all heard of self-driving cars but what about self-sailing boats? Commander Peter Pipkin, Fleet Robotics Officer for the Royal Navy, says that autonomous systems can "take on dangerous or dull tasks" while freeing up personnel to do more useful jobs. Two examples of self-sailing craft are: the Saildrone, a trimaran; and the Roboat, which provides transport and can potentially build self-assembling bridges.

Wired, January-February 2017, p42

Buzz phrases

Shopcationing

London shops have been benefiting from Italian and Spanish "shopcationers" who have come over to do their Christmas shopping, attracted by the weak Pound. Booking data from lastminute.com show that 11% of Spaniards and 10% of Italians, who booked through the site, were visiting London last weekend. During "shopcation" peaks such as this, it is important that retailers should engage with consumers before they even start to travel. These are the businesses that will benefit the most, according to lastminute.com group chief commercial officer of advertising and partnerships, Alessandra Di Lorenzo.

retail-week.com, 9 December 2016

Written by CIM's Knowledge Services Team

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Cutting Edge is taking a break over Christmas and New Year. The next edition should be published on Wednesday 11 January 2017.

On the Move

Name	From	To	New title	Source
Marco Bertozzi	Publicis Groupe, Performics division	Spotify	VP of Europe and Head of Sales	Campaign
Steve Chantry	Birds Eye UK	Kraft Heinz	Chief Marketing Officer, UK and Ireland	The Grocer
Nikki Green	Steelite	Royal Crown Derby	Head of Global Hospitality	Tableware International
Dave Henderson	MullenLowe London	Atomic London	Creative Partner	Campaign
Mark Hextall	Smurfit Kappa	Cepac	Head of Marketing	packagingnews.co.uk
Natasha Murray	Havas Media	Guardian News & Media	Director of Client Partnership	campaignlive.com
Tony Watson	Carlsberg	Orchard Pig	Sales Director	The Grocer
Ian West	n/a	Turnaround Publisher Services	Sales Director	The Bookseller

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The Grocer

[The Guardian](#)

Harvard Business Review**

Industrial Marketing Management

International Journal of Market Research**

Journal of Brand Strategy

Journal of Interactive Marketing

Journal of Marketing**

www.lexology.com

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Marketing Africa

The Marketing Review**

www.marketingweek.com

www.mckinsey.com

www.retail-week.com

New Scientist** (1 month embargo)

www.smeinsider.com

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www.packagingnews.co.uk

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