

# Cutting Edge: Our weekly analysis of marketing news

15 February 2017

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

#### Confidence at four-year low

A survey of senior ad executives, agencies and media owners reveals that confidence among leaders has fallen to a four-year low, with only 41% feeling confident, down from 53% in 2016 and 60% in 2014. The *New World Talent Survey* by The Lighthouse Company, warns that confidence could fall to as low as that seen during the 2008 recession. Nearly 70% of respondents said there was a shortage of leaders who can drive “transformational” change.

**Campaign, 10 February 2017, p5**

### Agencies

#### B2B agency report

In its 12<sup>th</sup> edition the *B2B Agencies Benchmarking Report 2016-17* reveals that a number of agencies have already felt the results of the Brexit referendum in terms of growth. However, in general agencies are feeling positive: average agency growth is 24%, up by 6% on last year; more than a quarter of agencies believe the market is “strong”; and two-thirds think it is “in good shape”. This report seeks to provide insight into the industry for both client-side marketers and agencies. It includes rankings of the top 75 UK B2B marcomms agencies, the top global agencies, the fastest-growing agencies and the leading PR agencies.

**B2B Marketing, B2B Agencies Benchmarking Report 2016-2017, pp1-99**

### Brands and branding

#### New product design should support the brand

It is important to create a product that is not only successful, but also has a positive effect on your brand. If a product fails, the company’s brand image

can be weakened – in fact one product failure can be enough to offset the benefits of five good launches. In this article La Racine, a creative studio, offers a nine-point guide for helping to make a successful product. It includes the warning that one should never separate design from marketing. The designer should work closely with the marketing team to understand the brand vision.

**Tableware International, Vol 138(6), January-February 2017, p94**

#### Beware personal brands

Ivanka Trump’s clothing range has been disappearing from US stores recently, probably due to a boycott campaign led by liberal shoppers. This led Donald Trump to use Twitter to direct his anger at Nordstrom, the department store, for not treating his daughter fairly. This would be the equivalent of Theresa May criticising M&S for not stocking ties designed by Philip May. Both Ivanka and Melania Trump wore and advertised their products during the presidential campaign. The Trump family has become a brand, just as David Beckham and his family are a brand. People aren’t simply buying their products, they are also buying the celebrity image: but what happens when people start to reject it!

**The Guardian, 10 February 2017, p33**

#### Future-fit brands

Futurists help to prepare brands and businesses for the future. This usually involves understanding how prepared they are right now. The Future Laboratory has identified six key behaviours that businesses need to demonstrate in order to prepare for the best possible future. They then analysed and ranked brands in order of fitness to produce a list of the top 100 most future-fit brands in the UK. The six behaviours which are measured by the *Future Fit Index* are: long-term planning, brand stretch, innovation, conscious business, thriving employees



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and agility. Nike is the top-scoring brand, having scored well across nearly all the attributes measured. Tech brands, such as Google, Microsoft and Intel, are in the top 20 as are Jaguar Land Rover, Vodafone and Gillette.

**Campaign, 10 February 2017, p19**

### **British brand and Brexit**

With Brexit looming, *Marketing Week* examines the potential impact on brands which trade on their "Made in Britain" label. A new report by The Partners says that: "British brands are experiencing an identity crisis" in the wake of the Brexit vote. A survey of UK adults reveals that only 25% of people regard a brand's British heritage as the most important factor when making a purchase decision; 54% said quality of the product was the most important factor; 36% valued customer service; and 29% were concerned about the brand's culture and values.

**marketingweek.com, 7 February 2017**

### **Conferences and events**

#### **Aboard the e-commerce caravan**

Last year the International Trade Centre, in collaboration with DHL and eBay, organised The Swiss Summer Route. This was an "e-commerce caravan" which travelled from Geneva to Zurich in the form of a pop-up store. The aim was to focus on e-commerce and to address the fact that it can still be a big barrier to exports for producers in developing countries. Companies from Morocco, Cote d'Ivoire, Rwanda, Ethiopia, Senegal and Syria joined the caravan to showcase and sell their products to buyers in Europe. Some of the vendors talk about the challenges.

**International Trade Forum, Issue 3 2016, pp27-29 (Chen et al)**

### **Consumer behaviour**

#### **Competence, morality and the underdog**

Consumers often make a trade-off between competence- and morality-related factors when choosing a service provider, such as an estate agent or accountant. The authors show that, when choosing between service providers, consumers seem to value competence more than morality, although "underdog" positioning can influence this choice. When a moral service provider is positioned as an underdog, consumers feel empathy. Although the position of underdog can help a moral provider to overcome a lack of competence, it does not help a competent service provider from overcoming a lack of morality. Underdog positioning is therefore beneficial to less competent service providers who are perceived to be highly moral.

**Journal of Marketing, Vol 81(1) 2017, pp103-117 (Kirmani et al)**

### **Customer relations**

#### **Customer lifetime value in CPG industry**

Customer lifetime value (CLV) has emerged as an effective metric for customer relationship management. The authors propose a flexible framework for assessing the customer lifetime value in the consumer packaged goods (CPG) context. The framework enables CPG manufacturers to assess CLV at both the brand level and the category level, unlike the usual CLV literature which tends to focus on the company level. The authors apply the framework to panel data in the carbonated beverages category and demonstrate its benefits over more conventional approaches.

**Journal of Marketing Research, Vol 53 December 2016, pp901-921 (Kumar and Zhao)**

#### **Cross-cultural measurement of satisfaction**

Services firms are increasingly expanding into international markets. For many countries around the world, services is an expanding sector as a percentage of GDP. The airline industry, which is characterised by a small number of high-value customer transactions, is part of the service sector. This study, which is based on the Skytrax airline rating system, examines whether industry standard customer satisfaction measures can be used to capture the satisfaction of customers coming from different cultural contexts.

**Journal of Customer Behaviour, Vol 15(4) 2016, pp369-393 (Messner)**

#### **Recommendation algorithms**

Algorithms, which make product suggestions, are used by companies like Netflix and Amazon. Recommendation software is not so good for independent producers of music, film or literature, who struggle to get noticed. Typical suggestion algorithms nudge consumers towards known preferences; although some are more adventurous. Spotify's *Discover Weekly* playlist analyses users' playlists to find songs that people with similar tastes have liked, mixing the familiar with the unfamiliar, an approach that seems to work.

**The Economist (Special Report: Mass Entertainment), 11 February 2017, p5**

### **Direct marketing**

#### **Cashback promotions**

Cashback promotions offer a good way of driving sales and countering the negative impact of Brexit and the falling value of the Pound. Higher costs cannot simply be translated into putting prices up, especially at a time when customers are price-sensitive. Promotions are becoming increasingly important for brands that are balancing increased costs with pricing pressures from retailers and consumers. The author briefly outlines the benefits and operation of cashback promotions.

**dma.org.uk, 13 February 2017 (Thompson)**

## **Law**

### **Cloud litigation**

The next round of lawsuits to hit the technology sector is likely to involve patent litigation. Microsoft is offering legal indemnity and patent protection to its cloud computing customers. There have been major patent battles in the smartphone sector, but now cloud lawsuits look set to take off. Offering patents as a way of protection against litigation could give Microsoft a competitive advantage over other internet companies. However, its cloud revenues were just 25% of Amazon's for the last quarter of 2016.

**Financial Times, 9 February 2017, p17**

### **Vlogging – how to stay within the law**

Vlogging can lead to a successful career – 24 year-old lifestyle vlogger, Zoella, now has 10.5m subscribers – and brands find vloggers useful for showcasing their products, especially to a younger audience. However, they have to stay within the law, which includes being upfront and transparent in their messaging. This article focuses on advertising on vlogs and specifically, "the use of editorial content to promote a brand where that business has paid for the promotion without making that clear". Other topics covered are: contracts, data protection, substantiation and minors.

**lexology.com, 25 January 2017**

### **A bull fight**

Two brands which use bulls in their advertising have clashed in the Spanish courts. Osborne Group, a sherry maker, is in battle with Nogués, maker of BadToro merchandising, over the right to use the word "toro" or "bull". The Spanish Supreme Court has ruled that toro is a brand name owned by Osborne which has the right to use it across its product range. Nogués had argued that toro is a generic word, not a brand name, and therefore could be used by anybody.

**The Times, 14 February 2017, p43**

### **Digital exceptionalism won't last forever**

One of the factors in the success of online companies, such as Google and Facebook, is that they are "inhabiting a parallel legal universe" in which they are not legally responsible for what users do or for the harm their services might do in the real world. Increasingly governments and courts are chipping away at this online immunity and public opinion suggests that they should be policing themselves better. This article looks at the growing encroachment of the law into the world of "digital exceptionalism".

**The Economist, 11 February 2017, pp53-54**

## **Marketing**

### **Product aesthetic design and marketing mix**

It is difficult to quantify a product's physical appearance and there has been little research on the impact of product appearance on demand. The authors use a "morphing" technique to measure a product's aesthetic design and explore its effect on consumers. They look at the effect of three aspects of aesthetic design (segment prototypicality; brand consistency; and cross-segment mimicry) and the effects of these on marketing mix effectiveness. The study encompasses data from 33 car brands sold in the US over a period of years.

**Journal of Marketing, Vol 81(1) 2017, pp83-102 (Krista et al)**

### **Social marketing and pester power**

Social marketing helps to popularise ideas and to prompt changes in attitude. Children use reverse socialisation strategies to persuade their parents to buy them something, through pester power. Pester power is generally regarded as a negative concept, its role as a positive marketing tool has not been properly explored. The authors provide new insight into the idea by examining a case of social marketing in which pester power is used constructively to create awareness in mothers with breast cancer.

**The Marketing Review, Vol 16(4) 2016, pp433-449 (Vel et al)**

### **The B2B podcast**

Recent research by LinkedIn reveals that over a third of members listen to podcasts and that 44% of these are senior figures. Podcasts are yet another way for content marketers to engage with people who may be doing other things while listening. But no one is going to tune into a podcast on a regular basis without good reason. This article looks at what makes a good podcast, how it should be delivered and how to measure it meaningfully. Seven ways of avoiding faux pas and five podcasting "must haves" are included.

**B2B Marketing, Q4 2016-2017, pp38-41 (Matejka)**

### **Using data for a global marketing strategy**

Government regulations and cultural differences around the world affect how data can be used and stored. Yet global brands rely on digital channels which are driven by data. The kind of data available varies enormously between countries; marketers have the job of "normalising" the different sources and values of customer data to create a consistent approach across regions. Social channels can be used to generate mass appeal, but a mix of online and offline data helps with targeting consumers at a more personal level. Data is a powerful tool but should be used carefully when informing a global marketing strategy.

**Catalyst, Issue 6 January 2017, pp26-30(Benady)**

## Market research

### Laughter – a new tool in qualitative research

Laughter reduces anxiety and helps people to open up which makes it an effective research tool. Steve Hales, head of Firefly Kantar Millward Brown, explains how the agency looked at ways of eliciting instinctive responses from people by developing the Consumer Theatre approach. The technique works by stimulating laughter from research participants, while using the “creative influence of improvisational comedy”, as Hales explains.

**research-live.com, 6 February 2017**

### Does representativity depend on devices?

This study examines whether representativity is affected if PC, tablet and smartphone respondents have different socio-demographic characteristics and display different survey completion rates. An analysis of over ten million survey invitations and device preference data, suggests that web survey respondents who are members of online panels mostly use their PCs but are increasingly interested in using smartphones and tablets. Survey completion rates were found to vary across devices, while device use was found to be associated with socio-demographic characteristics and length of time as a member of a panel. Researchers should not limit respondents to a specific device for completing a survey as this could compromise the quality of the survey, increase non-response error and damage representativity.

**International Journal of Market Research, Vol 59(1) 2017, pp35-55 (Kylie et al)**

## Public relations

### B2B content marketing trends

B2B marketing used to lag behind B2C in terms of innovation, but this isn't necessarily still the case since social media and content marketing have helped to level the playing field. This extensive infographic, which is full of facts and figures on B2B content marketing, acts as a guide for effectively creating and sharing engaging content.

**prdaily.com, 13 February 2017**

### PR skills – writing

This article discusses the importance of having good writing skills, which can set you apart from the competition when pursuing a career in public relations. In particular it identifies the areas of PR which require good writing skills, namely media relations, digital marketing and client communications. The author also stresses the importance of being a reader and reading from a variety of publications.

**Public Relations Tactics, Vol 24(2) 2017, p6 (Porterfield)**

## Agriculture, fishing and forestry

### Olive oil harvest could lead to price hikes

Olive oil producers have suffered two consecutive years of bad harvests. Spain has had the worst harvest in almost 20 years while Italian olive groves have suffered from a bacterium which has infected over a million trees. Tuscany will produce just 50% of its usual volume this year and there has already been a 40% rise in wholesale olive oil prices. In Britain consumers may end up paying a third more for their extra virgin olive oil.

**The Daily Telegraph, 13 February 2017, p4**

### Australian wool – a warm future

The Australian wool industry is booming thanks to demand from China, changing consumer habits and a limited supply. Wool prices reached a record A\$14.39 per kilo in January and analysts expected the price trend to continue. People increasingly want high quality wool and Australia produces 70% of the world's merino wool. Australian Wool Innovation, a not-for-profit owned by 24,000 wool growers, is ramping up its marketing in North America, Europe and China. It works closely with fashion labels and sportswear companies.

**Financial Times, 11-12 February 2017, p5**

## Building industry

### The WELL building

The construction industry has become good at ensuring that buildings are environmentally sustainable. The latest trend in sustainable building is the construction of buildings that actually promote the health of the people inside them. The WELL Building Standard is based on the premise that most employers spend 90% of their operating costs on people, so if productivity or health could be improved even slightly, it could have a big impact on ROI. The London office of Cundall, an engineering consultant, has become the first building in Europe to achieve the WELL standard, as this article explains.

**Construction News, 10 February 2017, pp28-29**

### Built assets as contributors to GDP

Last year 39.6% of GDP came from built assets globally, according to the *Global Built Asset Performance Index* from Arcadis. In the UK built asset returns as a share of UK GDP have fallen from 27.2% to 26.3% over two years, placing the country below large economies such as China, where 52.9% of GDP is attributable to built assets. This article looks at how the UK's built environment can become more productive. Case studies of China and Germany are included.

**Construction News, 10 February 2017, pp30-31**

## Businesses and strategy

### Tapping into individual innovators

Individual innovators within organisations often play an important part in generating or championing new technology and product concepts. The authors develop a model which suggests that the right individual abilities can enhance commitment to technical innovation and innovation performance. They test their hypothesis using a sample of R&D professionals from a Fortune 100 industrial firm. One of the “practitioner” points to come out of the research is that employers should measure the predisposition towards innovativeness of individuals during their R&D employment screening. Tailored training or education could help to enhance creative thinking and technical skills for R&D specialists.

**Journal of Product Innovation Management, Vol 34(2) 2017, pp159-180 (Bettencourt et al)**

### Best place to start a business

A new study of 65 cities around the UK reveals that Brighton is the best place in which to start a business because of its superfast broadband coverage, low pollution levels and high number of start-ups. London only made it to eighth place; despite its high number of start-ups and density of SMEs, it is penalised for its high property prices, the high number of SME closures and its moderate broadband speeds. Liverpool moved up 26 places to 22<sup>nd</sup> spot while Worthing was the biggest faller, dropping 28 places to 32<sup>nd</sup> spot. Darren Nichols of Informi, which conducted the research, said that 2016 is on track for a record number of start-ups in the UK.

**London Business Matters, February 2017, p33**

### Stereotyping

Whatever your gender or race, it appears that everyone is open to a phenomenon called the “stereotype threat”. This is when someone’s social identity causes them to be treated in a manner consistent with that identity, whether race, religion, colour or gender. According to social psychologist, Claude Steele, if a person’s social identity is attached to a negative stereotype, then that person will underperform in a way that is associated with it. This might be because people are anxious about others perceiving them in this way and judging them accordingly. Research by Aneeta Rattan and colleagues at London Business School reveals three mindsets and beliefs that anyone can use to help maximise their potential and remove the bias.

**London Business School Review, Special Edition: Leadership 2016, pp16-17 (Falconer)**

### Women board hires loses momentum

There has been a slowdown in the rate at which women are being promoted to boards of large companies in the UK. Last year women accounted

for 29% of board recruits, down from 32.1% in 2014. In Western Europe as a whole women represented 35.4% of hires to boards while in France the figure was 57%. The global ratio of male to female new director appointments remains three to one, but in Russia it is nearly eight to one and in China it is 18 to one! The research was conducted by Egon Zehnder, a head-hunter.

**Financial Times, 8 February 2017, p14**

### Dyson – innovation beyond the domestic

James Dyson is banking on the company’s innovation culture to take it beyond the world of domestic products, such as vacuum cleaners and hairdryers, into areas including battery storage, robotics, AI and even cars. Steve Carden, a technology expert at PA, believes that Dyson may have to change its culture in order to achieve its goals. Some of Dyson’s products have taken years to come to market, which he believes is “out of step with the fast pace of many high-tech industries”.

**Financial Times, 9 February 2017, p15**

## Charities and NGOs

### Communicating a legacy message

Breast Cancer Now (BCN) wanted to increase the amount of income raised from people’s legacies but wasn’t sure how to talk to people about the topic. It felt they might be put off by its mission to make 2050 the last year in which a woman dies of the disease. In August 2015 it initiated a new strategy involving research among the charity’s workers and supporters. Based on the findings, the charity composed five legacy marketing messages which were then tested via an online survey. In July 2016 the selected message was used in a legacy-related direct marketing campaign. The charity has since experienced a 24% increase in the number of legacy-related enquiries.

**Third Sector, February 2017, pp38-39**

## Durable consumer goods

### Hornby - not full steam ahead

Hornby, the model train maker, has reported a more “robust” performance even though its revenues fell by 25% year-on-year over the Christmas period. Chief Executive, Steve Cooke, is restructuring the business by bringing back operations to the UK from continental Europe and reducing the product range by 40%. He warns that sales would be “significantly” lower this year and that the company would continue to be loss-making. Hornby owns the Airfix and Scalextric brands.

**The Daily Telegraph (Business), 8 February 2017, p3**

### Buying gems on the internet

Buying jewellery used to involve a visit to the jeweller but now an increasing number of people,

mainly men, are prepared to buy an engagement ring online. 77 Diamonds is making the most of the trend by undercutting its larger competitors online. Founder, Tobias Kormind, reports that one customer spent £120,000 on a ring without even seeing it in person.

**The Guardian, 14 February 2017, p24**

### **Coding for kids**

A new generation of toys aims to give young children an interest in coding. *Wired* enlisted the help of five children, aged four to eight, to help it test out three coding toys – Osmo Coding (virtual iPad app world), Cubetto (a cube-shaped droid) and Curious Kit (constructing various items out of a kit). It tested them on how well they engaged the children, how long they managed to keep them occupied and whether they would want to play with them again.

**Wired, March 2017, p53**

## **Economy**

### **Mexico – opportunities for trade**

Mexico, the second-largest country in Latin America, is also part of a trading block containing Chile, Columbia and Peru. Due to President Trump's protectionist policies, consumers in Mexico are being encouraged to look beyond America. Mexico already has 12 Free Trade Agreements with 46 countries and is currently undergoing a reform agenda covering education, telecoms and energy, including renewables. The British Government is looking at ramping up trade with Mexico since only 0.7% of Mexico's exports currently go to the UK. The author looks at areas of opportunity for British business in Mexico.

**London Business Matters, February 2017, p20 (Atkinson)**

### **Businesses to increase investment**

A Bank of England survey of 700 companies has suggested that business investment will rise in 2017. The report said that companies would expand their capacity to cope with higher than expected spending from domestic and overseas consumers. The report contrasts with other recent data suggesting that both consumer confidence and spending growth are falling. The report revealed that growth in purchases of new cars had slowed, but that spending on leisure activities is growing strongly.

**Financial Times, 9 February 2017, p2**

### **Gender pay gap closing for under-30s**

Men under the age of 30 tend to be working in low paid or part-time jobs which would previously have been done by women. In fact the proportion of low paid work done by young men has increased by 45% from 1992 to 2016 which means that the gender pay gap for younger people is shrinking. This is among the findings of the Resolution Foundation's

Intergenerational Commission, which supports a number of studies indicating that those reaching adulthood at the start of the 21<sup>st</sup> Century will be poorer than previous generations.

**Financial Times, 9 February 2017, p3**

## **Energy and utilities**

### **Wind power overtakes coal**

Europe is moving away from fossil fuels – 86% of the power added to the continent's electricity grids in 2016 came from wind, solar, biomass and hydro energy, up from 79% in 2014. Wind power has overtaken coal as the EU's second-largest form of power after gas. Germany, which already has three times as much wind power as any other EU country, installed the most new wind capacity last year while Britain's installation of offshore wind farms led to European investment reaching a record €27.5 billion. WindEurope's report, *2016 European Statistics*, shows a trend for an increasing concentration of wind power in a small number of countries.

**The Guardian, 9 February 2017, p25**

### **Committee chair says reward loyal customers**

Energy companies should give loyal customers a 10% discount, according to energy select committee chair, Iain Wright. He believes that those who have stayed with a company for three years and have always paid on time, should be rewarded. Both EDF and Npower have said that they are examining the idea of loyalty bonuses.

**utilityweek.co.uk, 10 February 2017**

## **Environment**

### **Tackling Britain's air pollution**

On 17 February Sadiq Khan, the London mayor, will introduce a £10 "toxic charge" aimed at the most polluting vehicles. On some days in January London's pollution levels were worse than those in Beijing. The British government has until the end of July to formulate a plan to tackle air pollution. It is likely that it will focus on cars, an area that is addressable, rather than factories or airports, which are more localised.

**The Economist, 11 February 2017, p23**

### **J&J axes plastic cotton wool**

Johnson & Johnson has replaced its cotton wool buds with plastic handles with buds that have paper handles. According to the Marine Conservation Society's last *Great British Clean* campaign, plastic cotton wool buds were the "number one" item of plastic found on UK beaches and in rivers.

**The Daily Telegraph, 14 February 2017, p3**

## Fashion

### **Athleisure – a way of life**

There are signs that the fitness market is still growing, with an expansion in the number and diversity of gyms. This has benefited companies like Under Armour, whose growth has been slowing. The increase in fitness-related spending includes the new fashion segment, athleisure, which involves wearing fitness clothing as casual wear. Laurent Potdevin, chief executive of Lululemon which claims to have created athleisure, believes that it is not so much a trend as “a transformation in how people want to live their life”.

**The Guardian, 9 February 2017, p24**

### **Recommendation data for clothing**

Le Tote, a fashion rental service, offers its customers a customised selection of clothing and accessories from suppliers such as French Connection, for as little as \$39 a month. It has gathered a large amount of data on customer preferences, including the quality and fit of items, which it is prepared to share with its suppliers for free. Suppliers like French Connection are able to modify their clothes according to the feedback received from Le Tote. French Connection is also working with Stitch Fix, a personal styling service, whose aim is to only send customers clothing that they will want to buy.

**Bloomberg Businessweek, 13-19 February 2017, pp31-32**

### **Buy it now – Hillfiger takes to the beach**

Instead of launching his Spring-Summer collection alongside others at the New York Fashion Show, Tommy Hilfiger has transformed a piece of Venice Beach into “Tommyland”, complete with stage, fairground rides and food stands. Even the lollypops are stamped with the Hillfiger brand. Hillfiger’s thinking is in line with the latest “see-now-buy-now” model, which recognises that people don’t want to wait months to buy the clothes. All Hillfiger’s clothes are available to buy straight after the show.

**The Times, 10 February 2017, p9**

## Financial services

### **RBS focuses on customer experience**

This case study describes how SapientRazorfish helped Royal Bank of Scotland (RBS) to address its customer “pain points” and undergo a programme of internal change to help it remain competitive. RBS has transformed the organisation by focusing on the customer experience. During the process it created the position of “journey manager” and by 2015 had 60 people in this role. It also increased the “digital IQ” of the business through two major initiatives. This article describes six services launched by the bank which were used to transform its business.

**Campaign Intelligent Quarterly, Q1 2017, pp36-38**

### **Indian banking – an overhaul**

Two years ago India’s central bank decided to permit non-banks to offer savings accounts. In January Bharti Airtel became the country’s first telecoms group to launch banking services. Some of India’s big businesses are awaiting licences to operate these new payments banks. Over two-thirds of financial transactions in India are still undertaken using cash but the new banks will encourage the shift to mobile banking. Yet smartphone take-up is comparatively low in India, at 25% – growth in this sector is inextricably linked to the rise of financial services.

**Financial Times, 9 February 2017, p16**

### **Data privacy**

Banks and insurers are increasingly using big data from websites and mobile-banking apps to get closer to customers. They are also using social media profiles, web browsers, phone location trackers and loyalty cards to give them an idea of someone’s creditworthiness or insurance risk. Regulators, such as the Financial Conduct Authority and the European Banking Authority, are concerned over matters of trust, data privacy and ethical issues as well as the risk of financial exclusion for the riskiest customers. Financial firms should perhaps start talking to their customers more...

**The Economist, 11 February 2017, p64**

## FMCG

### **Beverages**

#### **Heineken buys Brazilian brewer**

Heineken is to acquire Brasil Kirin, one of Brazil’s largest brewers and soft drinks makers, which will make Heineken into Brazil’s second-biggest beer group. Its market share will be doubled to around 19% although it still lags far behind Anheuser-InBev which has 70% share. Brazil is in its third year of recession, but Heineken believes that the prospects for the country’s beer market are good.

**The Times, 14 February 2017, p43**

### **Cosmetics and toiletries**

#### **The Body Shop – ethical competition**

L’Oréal is considering selling The Body Shop, whose operating profit fell by 38% last year. The Body Shop, which has over 3,000 stores in 66 countries, was sold to L’Oréal in 2006 amid fears that its ethical principles would be compromised. The Body Shop has 14 targets to achieve by 2020, including ensuring that all natural ingredients are traceable and that 70% of packaging doesn’t originate from fossil fuels. The group faces far more competition from ethical brands than it did when it was first set up by Anita Roddick in 1976.

**The Guardian, 10 February 2017, p27**

### **Advances in the beauty sector**

Facial mapping has been used by retailers to discover which displays are working and to assist with tailored advertising and personalised deals. The beauty industry is on the cusp of capitalising on the trend, allowing shoppers to sample beauty products without having to physically touch them. L'Oréal's app, Makeup Genius, which has been downloaded over eleven million times, works like a mirror by applying makeup to the reflection of the person. This article speculates that advances in 3D technology could ultimately lead to customers handling the raw materials themselves and creating their own cosmetics.

**lexology.com, 8 February 2017**

### **Food**

#### **Vegetable shortages**

A shortage of vegetables across Britain has been blamed on the bad weather in southern Europe. It has resulted in some grocers rationing their wares but they have been reluctant to raise prices. Convenience store, Supersave, is stocking lettuces from South America, which it is selling at a loss. Supermarkets seem willing to absorb costs for a "one-off shock", such as bad weather, to avoid angering customers. However, if the Pound were to continue to fall then there could be permanent price repercussions.

**Financial Times, 8 February 2017, pp1,3**

## **Government and public sector**

### **Publicly-funded ads next to fake news**

Ads for Government programmes, such as the International Citizen Service, are appearing on fake news sites, according to an investigation by *The Times*. Other publicly-funded bodies, such as Save the Children, the National Theatre and Liverpool University have also been found advertising next to fake news. Many people blame the complexities of programmatic advertising for the fact that ads end up on unsuitable websites (See also under Internet). Others say there is a lack of transparency in the "marketer-agency-publisher" relationship.

**The Times, 10 February 2017, pp1,10-11**

### **The politicisation of brands**

The election of Trump has led to a rethinking of brand values in the US. Consumers have for some time been pushing brands towards greater transparency, but now the "politics of products" is coming to the fore. Coca-Cola has supported diversity in its advertising while Budweiser's ad depicting an immigrant chasing the American dream has been seen as a criticism of Trump. Combining brand power and politics is difficult but may be unavoidable in the current climate. Richard Edelman, chief executive of PR firm Edelman, believes that

this is a chance for brands to "stand up and lead".

**Financial Times, 11-12 February 2017, p14**

## **Health and pharmaceuticals**

### **PHE to publish sugar targets**

By April Public Health England will publish sugar targets for single servings in nine product categories which it says contain the most sugar. It plans to identify categories that aren't meeting targets. Ian Twinn, Director of Public Affairs at ISBA, believes that "naming and shaming" is "hardly conducive to a good working relationship between brands, pressure groups and parents". He says that instead it would be better to use the "power of advertising to reinforce a very positive message" so that people can understand what they are eating.

**Campaign, 10 February 2017, 10 February 2017, p5**

## **IT and telecoms**

### **Wearables**

The wearables tech industry may not be doing as well as everyone predicted – Fitbit and Jawbone are struggling while Motorola and Pebble have exited the market. In contrast, Apple is reporting record sales of its Watch, with chief executive Tim Cook claiming that there is, "huge potential for wearables going forward". Analysts are not so optimistic: Strategy Analytics says that global smartwatch shipments grew by just 1% last year, giving Apple Watch 55% of the market, followed by Samsung at 11%. Collaboration with fashion and jewellery brands may help to enhance the appeal of wearables.

**Financial Times, 10 February 2017, p14**

## **Leisure and tourism**

### **Snowmaking – a slippery slope**

The warming climate is making the supply of snow less predictable for skiers and seasons are becoming much shorter in areas such as the Alps. But help is at hand for ski resorts in the form of snow-making companies. A small number of European companies dominate the €275m market for snowmaking systems. Snowmakers, such as market leader TechnoAlpin, have to keep pace with rising temperatures. Some companies are putting back around 5% of revenues into researching how to make snow even when temperatures reach 0°C!

**The Economist, 11 February 2017, p55**

### **UK parks in decline**

The UK's Communities and Local Government (CLG) Committee has produced a report on public parks which warns that parks have reached a tipping point. They could be going into a period of decline with "potentially severe consequences" unless their contribution in areas such as public health, community integration and climate change

mitigation is recognised. The full report is available for download.

**parliament.uk, 11 February 2017**

### **Valentine's Day treats?**

Worldpay predicts that £128m will be spent on Valentine's Day this year in the UK, with florists' business up by 295% and restaurants up by 42%. *Marketing Week* gives a brief roundup of what some brands are doing to make the most of the occasion. Poundland is offering a three course meal for two for just £7, Sainsbury's is appealing to the LGBT community with same-sex Valentine's cards while Domino's has launched a wedding registry, suggesting that you might like to give a pizza to the happy couple!

**marketingweek.com, 14 February 2017**

## Media

### **Books**

#### **UK e-book readers – still growing**

The number of e-book readers is still growing in the UK and e-reader users now account for around a quarter of the UK population. eMarketer estimates that the number of e-reader users in the UK rose by almost 8% in 2014 and 2015, slowing to 5% last year, with similar growth expected this year. UK revenues from digital books fell by 7% in the first half of 2016 to £182m while physical book sales increased by 1% to £898m.

**emarketer.com, 9 February 2017**

#### **Pearson addresses digital future**

Education publisher Pearson has just issued its fifth profit warning in four years. In the UK Pearson's 2016 sales through bookshops amounted to £23.3m, a fall of 5.8% in a sector that grew by 3%. Pearson has a strong UK schools business with growing numbers of subscribers to its digital services. Its problems in the US stem, not so much from the transition to digital services, but about students choosing cheaper materials such as second-hand textbooks. The size of US school districts is enough to encourage publishers to digitise their content. In most UK classrooms there is now a mix of print and digital tools but there is a "digital lag" in the UK.

**The Bookseller, 10 February 2017, pp18-19**

### **Film**

#### **Will Chinese film quota be Trumped?**

China accounted for around 19% of the film industry's worldwide box office sales in 2016, but there is a quota on the number of US films that can enter the country. This year China was supposed to be opening up its market further to US movie makers but President Trump's rhetoric about Chinese trade practices may damage this prospect. The major film companies all have deals with

Chinese organisations to fund their films or make movies in China, and the country has become an essential contributor to the success of the Hollywood blockbuster.

**Bloomberg Businessweek, 13-19 February 2017, pp18-19**

### **Games**

#### **Unilever snatches a piece of Snatch**

Unilever is to acquire a stake in Snatch, a brand-supported gaming platform. Snatch, which launched just two weeks ago, has signed up Topshop, Now TV and Just Eat. The game, which aims to attract 100,000 users by the end of March, allows players to travel around looking for parcels containing prizes supplied by its brand partners. It has already signed contracts worth £15m in prizes.

**Campaign, 10 February 2017, p6**

### **Internet**

#### **Search listings, design and consumer choice**

This study investigates the prominent placement of search engines' own services and its effect on consumer choices. It found that Google's prominent placement of its Flight Search service increased clicks on organic search listings by around the same amount. This finding appears to relate to the design of the search results. For example, users who clicked on results because of their relevance were more likely to choose paid listings, whereas those who were influenced by visual presentation and page position were more likely to click on Google's own Flight Search listing. The authors discuss the implications for competition and online marketing strategies.

**Journal of Marketing Research, Vol 53 December 2016, pp881-990 (Edelman and Lai)**

#### **Brands unknowingly funding terrorists**

Legitimate ads for big advertisers, such as Mercedes, Waitrose and Marie Curie, are unwittingly appearing on websites of Islamic extremists, white supremacists and pornographers. This practice could provide thousands of pounds for extremists and hate groups. *The Times* claims that black lists, which are meant to prevent digital ads from appearing next to dodgy content, are not fit for purpose. This means that big brands could end up alongside porn, as befell Argos, or next to an Isis promotion, as in the case of Mercedes, Netflix and Jaguar. This article explains how easily this can happen. In a later article *The Times* reported that some major brands had responded by suspending their digital advertising.

**The Times, 9 February 2017, pp1,6-7; The Times, 14 February 2017, p3**

### **Newspapers**

#### **Facebook credited as the source of news**

A survey on digital news habits from Pew Research Center has found that one in ten respondents in the

US, when asked to click on a link to a news story, said Facebook was the source of that story. This places Facebook on a par with CNN (14%), and Fox News, (12%). It has led to confusion between Facebook, which acts as the news distributor, and the actual news organisations which rely on Facebook to distribute their stories. Publishers use the social network's Instant Articles to publish their news directly on the site. Respondents said they obtained their news from a news organisation's website or app 36% of the time and through social media 35% of the time. (See also Social media)

**Financial Times, 10 February 2017, p18**

## Social media

### The world according to social media

When Trump won the US election, many people blamed the major social networks for enabling fake news to take hold. On Facebook the top 20 false stories attracted more engagement than the real stories from news sources that reported factual news. Social media increasingly influence how people get their information about the world: according to Pew Research, 44% of Americans cite Facebook as a news source. This article asks how social networks should handle the impact they are having on society in the age of disinformation. (See also Newspapers)

**Wired, March 2017, pp112-115 (Thompson)**

### Twitter ad revenue falls despite 2m new users

Twitter has reported an annual fall in advertising income, despite a two million rise in the number of users for the final quarter of the year – Donald Trump's use of the platform may have helped to promote the service. The company made losses of \$475m in 2016 even though it reduced its workforce by 350 people. A key concern for investors will be advertising revenue, which fell from \$641m in Q4 2015 to \$638m in Q4 2016. Twitter warns that revenue growth will continue to lag behind audience growth in 2017 and could be "further impacted by escalating competition for digital ad spending".

**Financial Times, 10 February 2017, p13; The Guardian, 10 February 2017, p25**

### Snapchat needs more users ahead of IPO

Ahead of its expected IPO, Snapchat has the job of attracting more users to convince advertisers and investors that they will see a return on investment. Snapchat's core audience is the 15- to 24-year-olds. The teen audience is useful to advertisers but, by widening its user base, Snapchat risks alienating younger people as Facebook appears to have done – it has slipped from 42% of teens who said it was "the most important platform" for them in 2012 to 14% in 2015. To be credible to brands, Snapchat will have to offer some solid metrics about its users and their reactions to content.

**Campaign, 10 February 2017, p2**

## Television

### Viacom to focus on six channels

Viacom, owner of Nickelodeon, MTV and Paramount Pictures, is downsizing to six "flagship brands" in an attempt to boost its declining audiences and advertising sales. The company plans to consolidate into six channels which will be rebranded as The Paramount Network. These channels are currently responsible for 80% of Viacom's ad revenue and affiliate fees in the US.

**Financial Times, 10 February 2017, p16**

## Video

### In-feed videos

According to a new study by Twitter and Omnicom Media Group, the best-performing videos on social media tend to sit within a user's feed, are in silent mode and are shorter than 15 seconds. In-feed videos result in 14% more memory encoding than when watched full screen. Seven tips for better in-feed videos are offered.

**Campaign, 10 February 2017, p7**

### HBO exceeds 2m subscribers

HBO, the video streaming network responsible for *Game of Thrones* and *Westworld*, has passed the two million-subscriber mark. Sales for the fourth quarter rose by 6% to \$1.5 billion as the service launched in Spain, Brazil and Argentina. HBO has also benefited from being added to Amazon Prime and Samsung smart TVs.

**Financial Times, 9 February 2017, p15**

## Packaging

### Packaging moves up the marketing agenda

There are positive vibes in the European packaging industry as consumer goods companies start to realise how important it is to have "appealing packaging", according to Gerard Moore, an analyst. Tony Smurfit, chief executive of Smurfit Kappa, a leading packaging group in Europe, says that "A cardboard box...is now an essential part of a company's marketing". Online retailing accounts for just 3% of the packaging market but contributes to around a fifth of its growth, according to an estimate from DS Smith, another large packaging company.

**Financial Times, 8 February 2017, p17**

## Retailing

### Cross-border strategies

Customer expectations are much higher in the digital age than they have ever been. It is not possible to achieve a successful customer experience that generates sales using "yesterday's" methods. Customer immersion in an online lifestyle means that cross-border expansion is essential to a successful sales strategy. Retailers need to be

present across Europe, where brands with an “everywhere” strategy in online business can often achieve double-digit growth. The author outlines what is required of an effective cross-border e-commerce strategy.

**London Business Matters, February 2017, p32 (Görtz)**

### **Waitrose – store closures amid falling profits**

Waitrose plans to close up to six of its stores, lose 180 store management jobs and introduce a “flexible working model” to allow it to offer “better service to our customers and to operate more efficiently”. Profits at Waitrose and John Lewis fell by 58.3% to £113.7m in the six months to the end of July.

**retail-week.com, 9 February 2017**

## Services

### **Chinese budget hotels hit the spot for tourists**

China’s budget hotel chains are venturing overseas to help support the increasing numbers of Chinese travellers. The 7 Days Inn, which has 2,500 budget hotels in China, opened up in Austria last year. Some Chinese hotels are leaders in online bookings: European 7 Days branches can be booked on Chinese websites and paid for via WeChat, which has 700m Chinese users. “Western hotels have always had problems attracting Chinese clientele” says Roland Paar, a director at Plateno, owner of 7 Days.

**Financial Times, 8 February 2017, p14**

### **Beauty at home – the latest disruption?**

New beauty apps, such as US-based Glamsquad, and UK-based Ruuby, offer a range of beauty treatments at home. Like Deliveroo and Uber, these new apps are disrupting their respective markets. Pedicures, yoga classes, bikini waxes and so on can be delivered straight to the home. The advantage for beauty therapists is that they can work when they want to and the pay is higher than if they were at a salon. Blow, which offers a range of services, enables brands, such as Coty and L’Oréal, to trial new products with consumers.

**Financial Times, 11-12 February 2017, p4**

## Transport and travel

### **Grabbing a slice of South-East Asia**

Grab, a South-East Asian ride-hailing firm, connects travellers with taxis, private cars and motorbikes in six countries. It will have to compete with local rivals as well as Uber, which is offering the same services in the same countries as Grab. Some of the \$1 billion being invested in Grab will go to its digital-payments system, GrabPay, which will provide a digital wallet that people can top up using cash. Indonesia’s population of 257m accounts for more than a third of the region’s people. Grab plans to

invest \$700m here over the next four years.

**The Economist, 11 February 2017, p56**

### **From chemicals to cars**

Ineos, the chemicals group, plans to build an off-road vehicle to fill the gap left by the Land Rover Defender which Jaguar Land Rover has stopped producing. The company says it expects to spend “many hundreds of millions” on the development of a 4x4 vehicle which will target farmers, foresters, explorers and enthusiasts. Analysts warn that there is huge competition in the 4x4 market.

**The Guardian, 14 February 2017, p25**

### **South Korea accelerates with electric vehicles**

Despite being one of the most technologically-advanced countries in the world, South Korea has lagged behind when it comes to adoption of electric vehicles. Now the country’s Government and carmakers are trying to change all this through infrastructure development, subsidies and new battery technology. Last year electric car sales in the country doubled to almost 6,000 and the figure is expected to reach 14,000 this year, with a target of 250,000 by 2020.

**Financial Times, 13 February 2017, p16**

Written by CIM’s Knowledge Services Team

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## On the Move

Name	From	To	New title	Source
Polly Curtis	The Guardian	British Red Cross	Director of Media	thirdsector.co.uk
Roisin Donnelly	Procter & Gamble	Internet Advertising Bureau	Chair of Advertiser Steering Group	Campaign
James Joice	Leo Burnett	Fold7	Managing Partner	Campaign

## Promotions

Name	Company	Previous title	New title	Source
Harriet French	Soap & Glory	Assistant PR Manager	Global PR Manager	fashioninsight.co.uk
Sam Hawkey	Saatchi & Saatchi London	Managing Partner	Managing Director	Campaign
Alex Hunt	BrainJuicer	Co-Head of US Business	Head of Market Research Business, Worldwide	research-live.com
Richard Huntingdon	Saatchi & Saatchi London	Chief Strategy Officer	Chief Strategy Officer and Chairman	Campaign

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