

Cutting Edge: Our weekly analysis of marketing news

3 July 2019

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

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Marketing trends and issues

Advertising

Focusing on creativity

Greater creativity tends to lead to better business results: McKinsey's *Award Creativity Score* finds that 67% of companies in the top quartile exhibit above-average net enterprise value. Yet creativity in advertising seems to be in decline. A 2016 study revealed that the number of short-term campaigns had risen to 30% while investment in creativity had fallen by 12%. Although long-term campaigns are still effective, fewer of them are being made. The rise of digital marketing has placed the emphasis on performance and optimisation rather than creativity. Cheryl Calverley, CMO of Eve Sleep, believes that we have "reached peak performance optimisation" and that the only way to stand out is to be creative. This article looks at the new focus on creativity and how brands are measuring its effectiveness. There are case studies of Birds Eye and Diageo.

Marketing Week, June 2019, pp22-26 (Vizard)

Agencies

WPP to sell Chime and Kantar

WPP is to sell its 25% stake in Chime, the sports marketing agency. This is the latest move by Mark Read, who took over from Sir Martin Sorrell as chief executive, to simplify the company and reduce its around-£4 billion debt. The company has already raised £1.1 billion through the sale of fringe businesses. Separately, *The Times* reports that WPP is in talks with Bain Capital over the sale of its Kantar market research division.

The Sunday Times (Business & Money), 30 June 2019, p3; The Times, 2 July 2019, p41

FCB resigns Nivea account

FCB Inferno, an Interpublic agency, says it is to resign its Nivea account when the contract runs out at the end of this year following "rising tensions" including alleged homophobic behaviour. Nivea reportedly rejected an agency pitch in which an image for a skincare ad showed two men's hands touching. A senior Nivea account member had allegedly said that "we don't do gay at Nivea". Unfortunately, one of the FCB creatives on the conference call was gay! Neither company has commented. FCB has done significant work for Nivea, including April's "Mr Sun" campaign for Nivea Sun and Cancer Research UK.

adage.com, 26 June 2019 (Rittenhouse and Neff)

Brands and branding

Improving growth and market share

New research suggests that consumers will pay 14% more on average for brands that they see as being "meaningfully different", according to an analysis by Kantar. A wider study of its BrandZ database reveals that less than 6% of brands increased their market share during the first year of the study. Yet organisations could boost growth by improving brand clarity: the brand contributes 17% in sales for those with high brand clarity; 12% for those with medium clarity; and 10% for those with low brand clarity. The statistics suggest that demonstrating that the brand has a clear, meaningful difference, and making the customer experience seamless, is a good start. However, maintaining long-term brand growth can still be hard.

marketingweek.com, 28 June 2019

Brand safety

A new report from Ebiquty and zulu5 assesses brand safety in the UK digital ad market. The study,

which looked at over 4m internet domains, reveals that in the first quarter of the year ads from nearly two-thirds of the UK's top 100 advertisers appeared in "non-brand-safe" environments. Ebiquity says there are active steps that brands can take to address brand safety and ad fraud. The report offers recommendations and a three-stage approach for advertisers to improve brand safety.

<https://ebiquity.com/news-insights/research/brand-safety-in-the-uk-willing-to-risk-it-a-report-on-brand-safety-and-advertiser-preference/>, 26 June 2019 (McLean)

Children

Call for greater online child protection

Damian Hinds, the education secretary, says that tech companies must provide children with more protection online. In a speech he accused social media of not recognising the difference between the "digital age of consent" (when children reach 13) and their status as minors. Under last year's data protection laws, children aged 13 can consent to have their personal information processed when they go online. Hinds wants internet companies to safeguard children until the age of 18. Many social media platforms make few checks on people other than to ask for their date of birth. According to the NSPCC, half of children aged 12 say they have a social media account.

The Times, 26 June 2019, p20

Conferences and events

Over half of workers dislike all-day meetings

A new survey suggests that half of office workers dread all-day meetings. The research reveals that 59% of respondents would rather do their work than go to a training session, while 44% say that the feeling of "dread" comes from the knowledge that the meeting format would be the same as the last one they went to. However, 71% of respondents said they would feel more positive towards all-day meetings if they were held off-site. Melissa Penn of Drayton Manor Park, which conducted the research, says that businesses should ensure that they deliver effective meetings that people can look forward to and that no time is wasted.

mitmagazine.co.uk, 26 June 2019

Government's business events strategy

The UK's first ever tourism sector deal includes *The UK Government's International Business Events Action Plan 2019-2025*. It covers the Government's strategy for the sector, which is to create new international business events, attract more events to the UK, develop already successful events and retain those that might be thinking about leaving. It has also set out criteria for identifying existing business events which it could support and for attracting events to the UK, growing existing events and creating new ones.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/812894/2305-G_International_Business_Events_1_.pdf; **mitmagazine.com, 28 June 2019**

Customer relations

Loyalty in durable consumer goods

CRM, a major contributor to profits, involves building customer loyalty over a long period of time. While consumer goods have a relatively short lifetime, durable consumer goods have a long product life, which makes it hard to gauge repurchase intentions. Instead, recommendation intentions tend to be used as a factor in repurchase intention. However, this does not take into account the elapsed time since purchasing. In Japan, for example, customers replace their cars on average every ten years. This study of the Japanese automobile industry reinforces the hypothesis that the influence of recommendation intention on repurchase intention varies according to the time after purchase.

Journal of Marketing Analytics, Vol 7(2) June 2019, pp76-83 (Kato)

Reducing anxiety through human contact

The use of self-service technologies is increasing, particularly in areas that might give rise to customer anxiety, such as in financial services or healthcare. The researchers wanted to know what effect these technologies have on customer relations. Three experiments revealed that human interaction doesn't necessarily have an impact on customers' anxiety, but it does boost customer confidence in their own decision-making as well as improving trust in the company. The researchers add that human contact does not necessarily have to be in the form of other service personnel. Instead it could be provided by facilitating access to other customers. The results of the research come from a working paper called: *Mitigating the Negative Effects of Customer Anxiety Through Access to Human Contact* (Shell and Buell).

Harvard Business Review, Vol 97(4) July-August 2019, p28

Direct marketing

Customer retention

Following GDPR, many companies saw a significant reduction in their marketing lists due to customers being able to have their personal data deleted. Attempts to retain customers with re-permission campaigns were often ineffective and now businesses have the job of building up their databases again. However, there are a range of methods for maintaining customers post-GDPR. This article presents six trends in customer retention for 2019.

dmnews.com, 26 June 2019 (Matthews)

Law

ICO's initial adtech report

The ICO has been reviewing how personal data is used in real-time bidding (RTB) in programmatic advertising. It has just published its *Update report into adtech and real time bidding*. The report focuses on two areas: "the processing of special category data, and issues caused by relying solely on contracts for data sharing across the supply chain". Under data protection law, using people's personal data to serve adverts requires their explicit consent but this is not happening. The ICO wants people to have confidence in how their data is being used and is continuing to gather information and share knowledge on the subject.

<https://ico.org.uk/media/about-the-ico/documents/2615156/adtech-real-time-bidding-report-201906.pdf>; **ico.org.uk, 20 June 2019 (McDougall)**

US Court changes rules on trademarks

The US Supreme Court has thrown out a ban on using "immoral" or "scandalous" words or symbols in trademarks. The ruling is a victory for Los Angeles clothing brand FUCT (which stands for "Friends U Can't Trust"). However, the US Patent and Trademark Office has rejected the name "Madonna" for wine because it would offend Christians but approved "Praise The Lord" for a game, and "Jesus Died for You" for a clothing brand.

Financial Times, 25 June 2019, p14

Marketing

Social marketing partnerships

The benefits and success of social marketing partnerships mean that they have become an essential element of marketing which means that partnerships could be the fifth "P" of the social marketing mix. Yet little is known about the scope and substance of social marketing partnering. This article, which looks at over 50 years of social marketing literature, identifies three eras of social marketing partnerships: a period of transaction; one of formalisation; and one of integrated systems. Each has different characteristics. The study helps in the understanding of different forms of partnership with implications for the management of this type of marketing.

Marketing Theory, Vol 19(2) June 2019, pp169-193 (Duane)

Unifier CMOs drives growth

A new McKinsey study reveals that 83% of CEOs regard marketing as a major driver of growth, but 23% think that marketing is not delivering this. However, the study identifies one group of CMOs that has succeeded in delivering on the growth agenda. A marketing organisation's ability to drive growth depends on the strength of the partnerships it can create across the organisation. CMOs who achieve this are called "Unifiers". McKinsey's analysis

suggests that high-growth companies are seven times more likely to have a Unifier CMO (who fosters collaborative partnerships across the C-suite) than a "Loner" CMO. However, most marketers are in between the two and these are known as the "Friend" CMO. This article looks at the three CMO archetypes and the four areas in which Unifiers perform well.

mckinsey.com, June 2019 (Boudet et al)

Successful use of humour

Humour in marketing is an effective strategy for brands to ensure that their campaign is memorable. It can also create a better relationship between a brand and its audience, but humour can backfire and have the opposite effect from that desired. This article looks at five past campaigns that have successfully used humour to create a lasting impression: "Dumb Ways to Die" (Metro Trains); "Whopper Neutrality" (Burger King); FCK (KFC); "This ad can change your life as you know it" (Ikea); and "Weird listener habits" (Spotify).

thedrum.com, 27 June 2019 (Mulcahy)

Market research

Effective use of market research

The effective use of market research information is an important element in gaining competitive advantage and improving business performance. This paper seeks, firstly, to propose a new measurement instrument for the testing of knowledge on effective market research processes. Secondly, it examines the verification of that knowledge among managers and researchers in business organisations. It reveals that the two groups share slightly different views on the effective market research processes.

Journal of Marketing Analytics, Vol 7(2) June 2019, pp94-121 (Tarka)

Public relations

CSR focus and reputation harm

Corporate social responsibility, which can benefit both a company and society, can also leave a business open to potential harm. Using three studies, this research asks: What happens when a company that has a sound reputation in a particular area is involved in a scandal related to that area; whether things would be different if the scandal involved other areas of CSR; and what kind of post-response strategy would be best for reducing harm. The article introduces the concept of consumer perceived incongruence (CPI) between corporate reputation and crises.

Journal of Marketing Management, Vol 35(7-8) June 2019, pp605-633 (Gistri et al)

VW ignores conventional post-crisis behaviour

Surviving a brand crisis usually involves apologising, weathering the storm and then carrying on with

business. This is not the case with VW, which has launched a TV ad in the US, which references negative reports about VW's emissions scandal, before moving on to showcase the company's development of an electric version of its Microbus. It is unusual to remind consumers about a crisis, especially since VW has recently enjoyed a positive sales trend (sales rose by 6% in the first five months of the year) and consumers are beginning to forget about the negative news. However, some people think it is a brave move: "Marketing needs more people willing to step out of the safety of the what the crowd thinks and create a message that has teeth", says Jason DeLand, a partner at Anomaly.

Advertising Age, Vol 90(12) 10 June 2019, p4 (Scultz)

Sponsorship

Women's football in the mainstream

The 2019 FIFA Women's World Cup has enabled women's football to enter the mainstream. Visa says it will spend the same money sponsoring the Women's World Cup as it has with the men's game in Russia. Yet the remaining five FIFA sponsors are still investing less in women's football than in men's. The audience is of course smaller: 44% of the global population is interested in football but only 16% of it is interested in the women's game, according to Nielsen. This gives brands an opportunity to tap into the sport while it is still relatively cheap and those doing so might even be perceived as being progressive. Lucozade Sport, Boots and Head & Shoulders (Procter & Gamble) are stepping up to the mark. However, the challenge is to attract brands who are willing to commit to female football beyond just the major events.

Marketing Week, June 2019, pp14-15 (Lyons)

Brand winners in women's football

England's women's football team, the Lionesses, have reached the semi-finals in the World Cup. Here *Marketing Week* looks at the brand winners among the sponsors. Nike's "Dream Further" campaign, which features well-known women's footballers, comes out ahead of the others with a score of 4.6 out of five. It is way ahead of Twitter's "Women in football" campaign (3.9). This article also comments that ads for the Women's World Cup have performed better in the UK than those for the men's World Cup last year.

marketingweek.com, 28 June 2019 (Tesseras)

Olympic sponsorship

The Coca-Cola and China Mengniu Dairy Olympic sponsorship deal will provide a \$3 billion boost for the Games. Top-tier sponsors generate a fifth of the IOC's revenue. The deal also shows an Asian company entering a sponsorship arena that was once dominated by western companies. Last year, spending on corporate sponsorship reached \$66 billion globally, up 5% year-on-year, according to

Warc. Yet fewer than one in five companies say they can measure sponsorship RoI. There are other benefits of sponsorship: for example, Coca-Cola's brand grew by 9% following the Sochi Olympics, while Atos said the Olympics acted as an effective showcase for its work.

Financial Times, 25 June 2019, p12

Agriculture, fishing and forestry

Vertical farming

The Jones Food Company, based in Scunthorpe, runs the largest vertical farm in Europe and can supply 420 tonnes of fresh herbs to the food industry every year. There are vertical farms all around the world, ranging from Japanese entities that produce 12,000 heads of lettuce a day to small units in supermarkets. The benefits are the low environmental impact, greater efficiency and fresher food. Critics, such as environmentalist Dr Jonathan Foley, say that indoor farming is not a way to grow food sustainably and affordably. While indoor environments "might be able to grow high-end salads for rich people...they are not going to do much for feeding the world or addressing issues like climate change". However, farmers insist that they can price-match every product and that the scope of produce is broadening. Some believe that in ten years vertical farming will overtake greenhouse growing. Five vertical farms are profiled.

The Grocer, 29 June 2019, pp26-29 (Tatum)

Flowers – adapting to climate change

One of Kenya's main exports is cut flowers and it is also one of the country's main employers. However, the industry is increasingly being affected by climate change. Last year the International Trade Centre's Trade for Sustainable Development programme began to support micro, small and medium-sized (MSMEs) businesses in the floriculture sector as well as in the country's tea and coffee industry. The floriculture companies have benefited from six months of coaching to help them adapt to climate change and to raise awareness of green finance among them. The project showed that climate change adaptation can be better achieved through collaboration along value chains to tackle sustainability issues in trade.

International Trade Forum, Issue 1 2019, pp8-9

Building industry

House of plastic

The world's first house constructed from recycled plastic bottles has been built in Nova Scotia. It is made from 612,000 water and fizzy drink bottles which were made into building blocks by a company called Armacell, which is part-owned by Lego. Although the cost of the house was roughly the

same as a conventional house of its size, the foam blocks are resistant to rot and are twice as efficient for insulation than ordinary materials. The house was built by Joel German, joint founder of a bottle construction company called JD Composites.

The Times, 27 June 2019, p29

The challenge of digitisation

Last month *Construction News* got together a panel of experts to discuss progress in digitisation in the construction industry. The discussion covered the client's role, the productivity argument and the supply chain challenge. The panel was clear that multiple barriers are still to be overcome, and that the construction sector has a great deal of catching up to do compared with other sectors. However, digitisation is now firmly on the agenda and the industry is moving in the right direction.

Construction News, 28 June 2019, pp22-25 (Branson)

Businesses and strategy

Invented heritage

Companies sometimes create an invented corporate heritage based on tenuous links to the past. There is even a market in pasts whereby a business acquires an inactive company that has a suitable heritage. While a corporate heritage can be attractive to consumers because it conveys an impression of authenticity, such inventions carry the risk that they will be found out. For example, a start-up gold-trading house in Germany acquired the obsolete name of a 168-year-old brand (Degussa) in the gold sector which gave the impression that it was a heritage brand. However, the company was found guilty of conducting misleading marketing and had to change its use of the brand's heritage.

Marketing Theory, Vol 19(2) June 2019, pp229-234 (Brunning and Hartmann)

Digital but not necessarily disruptive

Managers are often uncertain as to what digital transformation means for them and which opportunities to follow. Many expect a radical disruption of their business, with large investments in technology and a shift from physical to virtual channels. In some cases, a major shift is required, but the authors' research suggests that largescale disruption is often not necessary. While some companies have made substantial changes to their manufacturing, distribution or business models, others have taken an incremental approach which leaves their central value proposition and supply chain intact.

Harvard Business Review, Vol 97(4) July-August 2019, pp94-103 (Furr and Shipilov)

Business models fundamentally changing

A new report, entitled *Changing Business and Opportunities for Employer and Business*

Organizations, identifies five trends that are radically changing global business models, whatever the size, sector or location of the business. These are: technological innovation; global economic integration; climate change and sustainability; demographic and generational changes; and the global shortage of skilled labour. It emphasises that businesses cannot deal with the challenges alone but should devise collective solutions through employer and business membership organisations. The report was compiled by the Bureau for Employers' Activities and the International Organisation of Employers.

International Trade Forum, Issue 1 2019, p7;
https://www.ilo.org/actemp/areas-of-work/WCMS_679582/lang--en/index.htm

High-growth businesses

Dynamic growth companies are continuing to flourish despite macroeconomic uncertainty, according to the London Stock Exchange. Its annual report refers to the diversity of these companies and their average revenue growth rates of 108%. SMEs, which make up 60% of private sector employment and 50% of all private sector turnover, drive growth, innovation and job creation in Britain. High-growth British businesses are represented across all sectors, with the top five industries – engineering and construction; retail; manufacturing; IT; and healthcare – accounting for 44% of the top 1000 high-growth companies. These five industries have generated £16.2 billion and created 25,000 jobs over the past two years. This article goes on to discuss access to finance for SMEs.

The Daily Telegraph (Business), 26 June 2019, p8

Charities and NGOs

GDPR affected giving but it is back on track

The new *Charity Direct Debit Tracking Report 2019* from Rapidata reveals that donor acquisition fell both before and after GDPR took effect in May 2018, although direct-debit cancellations reached an all-time low. Donor acquisition volumes for regular giving fell by 32% in 2018 probably due to reduced fundraising using traditional methods such as direct mail, face-to-face and telephone. Charities instead would have been focusing on achieving GDPR compliance. However, online direct debits grew by 55% in 2018. This year presents a more positive picture, with a 53% rise in acquisition of regular givers from January to April.

fundraising.co.uk, 1 July 2019 (May)

Durable consumer goods

Children's bikes a growth market

There has been significant growth in the sale of children's bikes and trikes over the last year, according to retailer Toy Galaxy. Bikes are becoming an increasingly important business, with one store

giving over two-thirds of its space to them. Licensing is also important, especially for pre-school products where the likes of Thomas the Tank Engine, Peppa Pig and Disney Princess are prominent.

TnP, Vol 38(9) June 2019, pp52-53

Do toys translate to the big screen?

MGA Entertainment has failed in its takeover bid for toymaker Mattel, maker of Thomas the Tank Engine and others. Mattel believes that the future of the industry is in media as children move away from dolls and action figures towards technology. However, founder of MGA Isaac Larian believes the idea of putting toys such as Barbie on screens is "stupid". Barbie is just one of six films currently being made by Mattel. Some analysts say that the move into media makes sense. However, MGA itself has had a film flop in the form of a Bratz musical comedy in 2007 which harmed the Bratz brand.

FT Weekend, 22-23 June 2019, p14

Economy

Revised Q1 GDP remains at 0.5%

The ONS's revised quarterly estimate states that UK GDP in volume terms rose by 0.5% in Q1 2019, which is unchanged from its original first quarter estimate. The services sector was responsible for the greatest growth while manufacturing output grew by 1.9%. Household expenditure, government consumption and investment also contributed to GDP growth, but net trade had a negative impact on it.

<https://www.ons.gov.uk/economy/grossdomesticproduct/gdp/bulletins/quarterlynationalaccounts/januarytomarch2019>, 28 June 2019

Education

Universities move to the capital

Since the early 2000s British universities have been setting up sites around the world. In Britain at least 15 regional universities have set up a base in London and more are expected to join them. Universities in remote or unfashionable areas have found that moving part of their establishment to the capital, "is a good way to get students who wouldn't normally consider you", according to PA Consulting. It is especially attractive to foreign students. For example, at Loughborough's London site, 85% of students come from outside the EU. However, there are concerns that the overall student experience may be affected by the more restricted facilities offered by a London operation.

The Economist, 29 June 2019, p24

Britain's first rap BA

Stormzy became the first British black solo artist to headline at the Glastonbury Festival. Now the Academy of Contemporary Music is to host Britain's

first rap degree course at the University of Birmingham, University of Guildford and Middlesex University. The course will include the study of the "four weapons of rap", namely lyricism, flow, delivery and originality. Students who complete the course will receive a BA.

The Daily Telegraph, 2 July 2019, p11

Energy and utilities

Southern Water fined for sewage

Southern Water has been fined £126m for breaching rules on sewage treatment. This includes "deliberate misreporting" of data and allowing untreated sewage onto beaches and into rivers. It follows a two-year investigation by Ofwat, which found that the water company had misrepresented water samples for the seven years up to 2017.

Financial Times, 26 June 2019, p2

Environment

Wrap lists "problematic" plastics

Wrap, which is overseeing the UK Plastics Pack, has published a list of eight single-use plastics that its members must remove from shelves by the end of 2020. These include disposable cutlery, plastic straws and polystyrene packaging. It has also published a list of 19 items that need to be acted on by 2025. This should give retailers and suppliers a better idea of what they must aim to get rid of.

The Grocer, 29 June 2019, p6

Fashion

H&M – eco and becoming agile...

H&M has started creating clothes from a fibre made from orange peel as it tackles the problem of cheap, throwaway garments. The good news for the company is that its share price has risen recently following some years of declining profits. It has expanded its stores by 58% over the past five years, which is not such a good idea at a time when physical stores are in decline. However, using customer data to tweak its collections seems to be working, especially the move to eco-friendly fabrics and a sustainable fashion label called Arket. H&M still needs to become more agile to keep up with its major competitor, Zara.

Financial Times, 28 June 2019, p12

...but can it catch up with Zara?

Inditex's (owner of Zara) speedy turnaround of fashion is what keeps it ahead of the competition, but increasingly other businesses are trying to replicate its success. One of its main rivals, H&M, has recently collaborated with two large Indian online players (Myntra and Jabong) which is allowing it to catch up with Inditex. One of H&M's biggest problems is excess inventory which reached 134 days compared with the industry goal of 91

days. By contrast, Inditex manages its inventory to avoid excess ordering. However, the two fashion chains have more to worry about in the shape of discounters (Primark and TK Maxx) and the Big Four supermarkets.

The Daily Telegraph (Business), 26 June 2019, p4

Financial services

India – huge potential for mobile payments

Digital payments in India are expected to rise by 20% over the next four years, from \$64.8 billion in 2019 to \$135.2 billion in 2023, according to PwC. However, by 2023 the country will still only account for 2% of global transactions which shows the huge opportunities in a country where just one in four people owns a smartphone.

Financial Times, 27 June 2019, p17

HSBC to be challenged by start-ups

Hong Kong has a wealthy customer base and high population density, which enables banks to be extremely profitable. HSBC enjoys 35% share of the retail loan market, but it is about to be challenged by eight new digital-only start-ups that have recently been granted “virtual banking” licences. Although the Hong Kong Monetary Authority does not expect the new entrants to take significant share from HSBC and other incumbents, their profits could be dented if they are forced to reduce fees or offer better interest rates in order to compete. HSBC may also have to raise spending on technology to keep up with the new rivals. Some of the virtual banks may be planning to launch services in mainland China while the Chinese Government is looking at a “Greater Bay Area” for financial services.

Financial Times, 25 June 2019, p15

GDPR – opportunities for digital banking

This article looks at the new data protection regime just over a year since GDPR was introduced and its effect on digital banking. So far, the regulation has mainly been well-integrated into the financial services sector. However, as the sector becomes more digitised, it will rely to a greater extent on consumer trust especially with the introduction of open banking. The author looks at the opportunities that have arisen in five areas following GDPR.

lexology.com, 25 June 2019 (Craig)

FMCG

Beverages

Beer drinking down but premium up

Beer drinking among Britons is in decline, according to a report from the British Beer and Pub Association. On-trade beer sales had fallen to 3.6 billion pints in the year to March 2019, from 5.7 billion in 2007. Meanwhile there has been a 30%

increase in alcohol-free or low-alcohol beer since 2016, according to Marston’s the brewers. Almost one in ten 18- to 24-year-olds say they don’t drink alcohol. However, people are spending more on premium products with the so-called “premiumisation” trend, where people are spending more on fewer pints.

The Daily Telegraph, 2 July 2019, p9

Food

Sugar makes up half content of baby snacks

Sugar accounts for almost half the content of fruit- and vegetable-based snacks for babies and infants, according to Public Health England (PHE). Dr Alison Tedstone, PHE’s chief nutritionist, says that food companies are breaching official guidelines on children’s food to the point that parents are losing trust in them. PHE is concerned about the content and marketing techniques used to promote so-called healthy snacks, some of which contain as much sugar as confectionery. It has conducted an analysis of the content of 1,120 baby food and drinks products for children up to the age of three but has not named the unhealthiest products.

The Guardian, 28 June 2019, p15

New rules for allergen labelling

New legislation means that food outlets must label all the ingredients in their food that is prepared onsite to protect people with allergies. Allergen labelling is not currently a legal requirement for food that is cooked on the premises. However, pre-packaged food must have full allergen labelling. Natasha’s Law is named after the teenager who died in 2016 after eating sesame seeds on board an aeroplane.

Financial Times, 25 June 2019, p2

Insect-based foods taking off

A new report suggests that sales of insect-based foods are growing at the rate of 24.4% a year. Analysts predict that falling prices and greater cultural acceptance will lead to the insect protein market reaching £6.3 billion in value by 2030. The report, from Barclays, mentions sushi as an example of a food that was once niche but has gone mainstream. It says that young people, with their focus on health and sustainability, are the “most likely” to overcome the “yuck factor” of eating insects. This article includes graphs comparing insects with chicken, pork and beef.

The Guardian, 26 June 2019, p4

Salads overtake soups in lunchboxes

Salads have become the second most popular choice after sandwiches for lunchboxes in Britain. They appeared in 155.1m lunchboxes over the past year, having overtaken soup which was in 101.2m boxes, according to Kantar data. Sandwiches are still the

most popular choice for lunchboxes, at 1.1 billion. The 28.1% rise in salads reflects the long-term trend for healthier eating, especially among women under the age of 45 says Kantar.

The Grocer, 29 June 2019, p38

Tobacco

San Francisco bans ecigarette sales

San Francisco's decision to ban sales of ecigarettes has been criticised by health experts who believe that it could encourage adults to return to conventional smoking. It becomes the first big US city to ban ecigarettes in its bid to tackle the rise in teenage vaping. Experts are perplexed by the ban, which includes neither conventional cigarettes nor ecigarettes containing cannabis. However, if this year's data from the National Youth Tobacco Survey (which is due shortly) shows that there has been another increase in teenage vaping, then there may be a wider move to control vaping.

The Times, 27 June 2019, p29

Belgium to introduce plain packaging

Belgium is to become the latest country to introduce plain packaging for tobacco products. The measure, which takes effect on 1 January 2020, forms part of the Ministry of Health's tobacco plan which aims to further reduce the number of smokers in the country.

lexology.com, 24 June 2019 (Verhoestraete and Haan)

Government and public sector

Political orientation can help segmentation

People's political orientation has increasingly become a salient part of their identity. Market researchers have found that election maps can help to predict consumer attitudes as well as traditional demographics. Research suggests that ideological values can help understand how consumers will respond to types of messaging. As the US becomes more polarised, political ideology could help marketers to segment their audiences. To win votes, politicians need to appeal to their constituents' values; marketers may have to use the same tactics to win customers. Some brands, such as Patagonia, have seen stronger sales after taking a political stance. However, it doesn't work in all cases.

ama.org, 13 June 2019 (Steimer)

Health and pharmaceuticals

Pharma cooperates using AI system

Ten top pharmaceutical companies have teamed up to collaborate on data sharing with the intention of improving the drug discovery process. The Machine Learning Ledger Orchestration for Drug Discovery (Melloddy) project will be the first time that the companies have shared data with each other. The

artificial intelligence, a blockchain-based system, has been developed by Owkin, a New York start-up. The algorithm will be programmed to analyse data input by companies without giving away their secrets to competitors.

European Pharmaceutical Review, Vol 24(3) June 2019, p10

US wants pharma to lower drug prices

America's health secretary, Alex Azar, has warned global pharma companies that they should lower the cost of their drugs. The US Government is trying to force drug makers to disclose the price of medicines in TV ads. Three companies – Amgen, Merck and Eli Lilly – are trying to block the move. It is not easy to assess how profitable drug companies are although one study puts margins at around 24%. Pharma companies argue that returns on R&D investment will not be as high as they used to be. Their other option is to acquire biotech firms which are already working on "blockbuster molecules". Although spending on drugs has barely risen over the past four years, PwC forecasts that expenditure is about to rise again, mainly due to higher prices.

The Economist, 22 June 2019, p57

Allergan to be bought by Abbvie

Abbvie, a US drug company is to acquire Allergan, maker of Botox which will create a company with revenues of \$48 billion. Allergan specialises in medical aesthetics and eye care, as well as treatments such as frown-line smoothing, eyelash lengthening and double-chin removal. Abbvie believes Allergan will give it a more diversified portfolio. Its best-selling prescription drug, Humira used for rheumatoid Arthritis, loses its patent protection in 2023.

The Guardian, 26 June 2019, p33

Generic drug prices may rise after Brexit

Generic drugs sold in Britain are significantly cheaper than those in the rest of Europe, but all this could change following Brexit. This is according to a report from the British Generic Manufacturers Association. The value of generic prescriptions dealt with by pharmacies in England rose from £415m to £824m between 2005 and 2017. In the UK prices for generic drugs tend to be set by competition, with companies bidding for a share of the market. This makes them cheaper than in Europe where other pricing mechanisms are used.

Financial Times, 26 June 2019, p2

Addressing the GP shortage

Coastal and rural areas of Britain are suffering from a shortage of local GP services, with patients having to travel at least five miles to see a doctor in some areas. There are claims that the shortage of GPs exceeds 5,000. Separately *The Daily Telegraph*,

which has analysed NHS data for England and Wales, looks at the issues and presents an infographic illustrating the extent of the problem. Professor Ian Cumming, head of Health Education England, says the NHS must adapt to the needs of Millennial doctors who prefer a good work-life balance to “having a nicer car every few years”. A record number of GPs are being trained but training takes ten years...

The Daily Telegraph, 26 June 2019, pp1,6, The Daily Telegraph, 26 June 2019, p6

IT and telecoms

Web-based email not subject to telecom rules

The ECJ has ruled that Gmail and other internet-based email services are not subject to European telecom regulation. This will irritate EU telecom regulators who have been trying to make OTT services comply with telecom rules. The latest ruling will have an impact on other internet-based services, such as webmail and messaging apps, which might only have to show compliance with the privacy requirements of GDPR rather than the stricter regime which telecom companies conform with. New EU telecom legislation, which takes effect in December 2020, may change the situation. This article looks at the Court’s analysis and the implications. It notes that the ECJ recently ruled against Skype, because it deemed that apps for making telephone calls are telecom services.

lexology.com, 18 June 2019 (Stankey)

Phone switching becomes easier

Ofcom has introduced new rules enabling people to switch phone providers by means of a simple text message. Telecoms operators will be battling it out to attract the 28m pay-monthly mobile customers. Those likely to be most affected by the new rules are the big four phone networks: EE, Three, Vodafone and O2, which have 75% market share in the UK. Smaller providers will have the opportunity to grab a chunk of the market. More customers may swap to networks that support 5G which launches this year. This article looks at the ramifications of the new rules.

The Daily Telegraph (Business), 2 July 2019, p5

Leisure and tourism

Pet trends

A global pet culture is emerging, but some countries like their animals more than others. In South Korea cat owners refer to themselves as “butlers” who take their masters (their cats) to expensive hotels for felines. In general, the richer a country, the more likely people are to have animals and regard them as part of the family. According to Euromonitor, the number of pet cats is expected to grow by 22% globally from 2018 to 2024 compared with 18% for dogs. There has even been some

suggestion that young people are substituting pets for children especially since Millennials are leaving it later to have kids. There is some debate over whether pets are good for you. A survey of users on Match.com shows that many women are attracted to men with dogs rather than cats!

The Economist, 22 June 2019, pp51-52

Festivals – hard to turn a profit

Ticket sales at Glastonbury, Britain’s biggest music festival event, amount to over £50m, yet the outgoings are such that Glastonbury Festival Events Ltd made just £1.4m in profit after tax in 2017. It is not always easy for music festivals to make a profit even though the festival industry is worth around £2.4 billion, according to Mintel. Every year some festivals close down or go bankrupt but others are constantly popping up. Professor Jennie Jordan of De Montfort University, an expert on UK festivals, says that festival organisers must have skills akin to that of a property developer. Festivals that build a strong brand that extends beyond music-only are the ones that will succeed.

The Daily Telegraph (Business), 27 June 2019, p8

Slowdown in room revenue growth

Despite the cyclical nature of the hotel industry – responding to changes in tourism and business travel – large hotel groups, such as Hilton and Marriott, have maintained their share prices. They are also creating a network of different brands to ensure a range of room prices. The greatest change for the sector over the last decade has been the move from property ownership to leasing or franchising. However, in all regions except the US it seems that average room occupancy rates may have peaked, culminating in a slowdown in revenue per room growth in Q1. The slowdown looks set to continue, with Asia and the Middle East showing particular weakness.

Financial Times, 27 June 2019, p12

Wimbledon to be livestreamed for first time

For the first time Wimbledon is being livestreamed on wi-fi-enabled screens at Westfield Stratford and Westfield White City. This follows a deal between Ocean Outdoor, the All England Lawn Tennis Club and BBC Sport. Jaguar will be the official sponsor of the coverage. The streaming will cover the men’s and women’s singles finals and the first-round matches of Jaguar brand ambassadors Johanna Konta, Kyle Edmund and Milos Raonic. Ocean has previously livestreamed fashion shows and continues to do so for Formula E.

mobilemarketingmagazine.com, 28 June 2019 (Stewart)

UK travel and tourism data

The ONS’s latest figures for travel and tourism reveal that there were 2.9m visits to the UK by

overseas residents in March 2019 (down by 2% on March 2018), and that tourists spent £1.6 billion on their visits to the UK (down by 8% on March 2018). UK residents made 4.8m trips overseas in March 2019 (4% more than in March 2018) and spent £3.0 billion on visits overseas in March 2019 (7% less than in March 2018).

<https://www.ons.gov.uk/releases/overseastravelandtourismmarch2019provisionalresults>, 26 June 2019

Materials and mining

European steel

Steel mills around the world are enjoying rising profits but not in Europe. On 26 June steel executives met in Brussels to discuss the challenges. The rise of 20% in the cost of coking coal, and the doubling of iron-ore prices, have led to very thin margins. Meanwhile, two-thirds of the steel that should have been exported to America is flooding the European market. Voestalpine, an Austrian steelmaker has managed to outperform ArcelorMittal, Thyssenkrupp and tata Steel Europe in terms of post-tax margins. It plans to open a plant in Linz to experiment with making steel using clean hydrogen instead of coal.

The Economist, 29 June 2019, p64

Media

Media alliance tackles brand safety

The Global Alliance for Responsible Media is a group of brands, advertisers and tech platforms set up to tackle, "dangerous, hateful, disruptive and fake content online [that] risks threatening our global community". This is probably the first initiative of its kind to have representatives across the industry. The 32 companies that have joined include 16 of the biggest global advertisers including Mars, Diageo, Unilever and P&G. Tech platforms, including Google and Facebook, are also involved. Initially there will be a working group that is tasked with developing ideas and next steps. The initial focus is understood to be brand safety which will be extended to ensuring that children won't be able to access unsafe content online.

The Grocer, 29 June 2019, p14

Time spent on media in Germany

This year German adults will spend nine hours, 56 minutes on average per day using media, with six hours and three minutes of that spent on traditional media (TV newspapers, magazines and radio). One reason for traditional media's continuing popularity is that the German population is older than in some other Western European countries. However, digital video has enjoyed a boom since 2016 and time spent viewing it is expected to rise by 13% this year to 46 minutes a day on average.

emarketer.com, 27 June 2019 (He)

Books

Physical stories no longer novel

Last year physical book sales in Britain fell by 9%, the steepest decline over the past few years. It seems that Britons are turning away from novels in favour of more compelling forms of storytelling such as that offered by Netflix and Amazon who invest heavily in original programming. Broadcasters such as the BBC and Sky are also ploughing money into drama. The UK publishing industry made revenues of £6 billion last year, down by 2% on 2017. Some 74.4m fiction books were sold in 2018, down from 79.2m in 2017. By contrast, digital fiction revenues rose by £4m to £149m while sales of physical children's books rose by 3% to £351m.

The Times, 26 June 2019, p1

Film

Franchise movies – Marvel's success factors

Film sequels rarely do as well as the original, which makes it hard to create a franchise. However, the Marvel Cinematic Universe is one of the most successful ever film franchises. It has achieved the right balance between creating innovative work and maintaining enough continuity to make the film recognisable. An extensive analysis of interviews with Marvel's directors and writers, its scripts, style and network of actors, has led the authors to come up with four principles for success: selecting for "experienced inexperience" (looking for experience in a domain where Marvel doesn't have expertise); maintaining a stable core of people to build continuity; challenging the status quo; and cultivating customer curiosity.

Harvard Business Review, Vol 97(4) July-August 2019, pp136-145 (Harrison et al)

Games

From video games to film

The latest research from Kids Insights shows that cinema going is still a popular activity, with 75% of kids saying they visited a cinema at least once in Q1 2019, up from 69% in Q1 2018. Yet merchandising sales have been declining so the industry might want to look to video games (the second most popular hobby for children aged four to 18 after football) for their licensing opportunity. Games have become more immersive and cinematic which makes the transition to the big screen easier. However, this hasn't always been successful as the 1993 Super Mario Bros movie demonstrates. As well as kids enjoying their favourite characters on the big screen, there is the nostalgia factor: films based on video games may appeal to new Millennial parents, or even Gen Z, as much as they do to kids.

TnP, Vol 38(9) June 2019, p16

Social media

The best times to post

Sprout Social has produced an analysis of the best times to post on Facebook, Instagram, Twitter and LinkedIn based on the activity of 25,000 Sprout users. However, it emphasises that successful marketing strategies on such platforms will be different depending on the type of brand. It offers recommendations for brand usage on each platform and is quite specific about the best times to post. For example, the best times to post on Twitter are Wednesdays at 9am and Friday at 9am!

ama.org, 28 June 2019 (Powers)

Television

How long should an ad be?

Thinkbox's "chart of the month" shows that when a long TV ad is shown, there is a 51% uplift in "explicit memory effects", while for a short ad the effect is just 9%. This includes a gap of several days between viewing the ad and testing. It suggests that longer ads have a stronger narrative or storytelling effect and act as "anchors" for the viewer's memory.

thinkbox.tv, 1 July 2019

Packaging

Smart packaging

Smart packaging still has a way to go: a recent Deloitte survey suggests that the value of global smart packaging applications could reach €36 billion by 2020, but this will still account for just 5% of the total value of packaging in circulation (€900 billion). So far most of the effort has focused on achieving greater efficiencies in terms of inventory control, management, etc. According to Mike Armstrong of Deloitte, smart packaging will create "greater supply chain efficiency, enhanced product integrity, and superior customer engagement". However, he identifies the most important aspect as the new revenue streams created by "the data spun off by smart packages". This article looks at some of the applications.

FlexoTech, Issue 183 June 2019, pp50-51 (King)

Retailing

VF creates testing space for technology

VF, parent company of brands such as Vans, Timberland and The North face, has launched a retail space in London (Axtell Soho) as a testing ground for how technology can be used to "reinvent" its brands and how it can change the customer in-store experience. It includes AR mannequins and product personalisation. VF is adapting its business model to a modern retail world in which so many stores have failed. Axtell Soho is an example of what the high street might look like if more retailers rose to the occasion!

marketingweek.com, 28 June 2019

Store artification

"Store artification" involves introducing art into stores. The link between art and creativity aims to create a more stimulating environment for consumers. A field study was used to test the effect of store artification on retail performance by comparing the presence and absence of artworks in retail stores in Paris. The study found that store artification boosts store differentiation; the perceived value of the offering; customer satisfaction; and store and product image. However, it does not impact the commercial performance of the store.

Journal of Marketing Management, Vol 35(7-8) June 2019, pp634-661 (Vukadin et al)

Boots launches flagship store

Boots launched its new flagship store in Covent Garden last week. The Long Acre store has over 300 beauty brands, including Rihanna's Fenty range which only Harvey Nichols has been allowed to sell on the high street. Sebastian James, the new chief executive who took control of the company last year, aims to bring the struggling business back to health. However, Boots' relationship with the NHS means that the latter gets to decide which pharmacies stay open. Boots is in better shape than some other high street stores such as Debenhams.

The Daily Telegraph (Business), 27 June 2019, p8

Services

Retirement for LGBTs – a tonic

Tonic Living, which creates LGBT retirement communities, is looking for a site where it can create Britain's first community for LGBT retirees. The around one million gay over-60s in Britain may find it harder to shift to assisted living since they are more likely than other pensioners to be living alone and fewer than half have children. London Older Lesbians Co-Housing is another group looking for a site for women over 50. Legally, groups with "protected characteristics" such as these, are allowed to discriminate when it comes to admissions although Tonic will accept anyone. Other social opportunities for older gay people are improving.

The Economist, 22 June 2019, p24

Services on Uber Eats not checked for hygiene

Uber Eats has been accused of allowing anyone to set up a takeaway service on its app. According to a BBC reporter, "Best Burger Grill Corp", listed on the app, consisted of no more than a BBQ grill and a waste bin in someone's front garden. An undercover investigator found that the Uber Eats driver was completely unphased by the outdoor kitchen and cold burger it produced. Uber Eats said that in future it would check that services joining its website were listed by the Food Safety Agency. This must be troublesome for Uber which has previously

been accused of not having vetted its taxi drivers properly.

The Times, 28 June 2019, p13

Airbnb launches luxury accommodation

Airbnb is expanding into luxury accommodation with the launch of its "Airbnb Luxe" sub-brand. The new brand offers around 2,000 rentals, some of which cost up to \$1m a week. The most expensive site listed is Nukutepipi, an atoll in French Polynesia that can sleep up to 52 people. Other pricy properties are beachfront villas in the Caribbean and French chateaux. Airbnb reports a rising demand for upmarket properties with rentals priced at over \$1,000 a night rising by more than 60% last year.

Financial Times, 26 June 2019, p15

Transport and travel

Southern trains improves rating

Southern Rail has a reputation for being the worst train company in Britain but now it has just been named the most improved operator. Some 81% of passengers said it had provided an acceptable level of service overall, a rise of 12 points in a year. Nevertheless, there are still problems for the operator's parent company, Govia Thameslink Railway, according to Transport Focus, which published the research. Great Northern, one of the routes operated by the company, has fallen to 25th place in the league table (Southern Rail is currently at number 20). The best-ranking company is Heathrow Express, which has a satisfaction rating of 95%, followed by Virgin and Hull Trains.

The Times, 28 June 2019, p17

BMW to double electric and hybrid cars

BMW plans to double the number of electric and hybrid cars it makes over the next two years. By 2023 it aims to have 25 electric models available to buy, with over half being fully electric. EU rules dictate that by 2021 manufacturers must ensure that average new car emissions are below 95g of CO₂ per kilometre.

The Guardian, 26 June 2019, p33

Diesel cars in decline

The latest ONS data reveal just how much the UK is moving away from diesel vehicles towards greener forms of motoring. UK sales of mid-range diesel cars declined sharply in 2018. Sales – for home use or export – were £6.444 billion in 2018, down from 2017's figure of £9.758 billion. Sales of mid-range diesel cars, with engines between 1.5 litres and 2.5 litres, reached a high in 2016 (630,000 vehicles) but declined to just 352,000 cars sold in 2018. By contrast, sales of petrol cars rose by 22.3% from 2016 to 2018.

ons.gov.uk, 1 July 2019

Written by CIM's Knowledge Services Team

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