

Cutting Edge: Our weekly analysis of marketing news

24 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

Big tech advertising

For the first time all the FANGs (Facebook, Amazon, Netflix and Google's parent, Alphabet) feature among the top ad spenders in the *Ad Age Leading National Advertisers 2019* report. Last year 65 out of the 100 biggest advertisers increased their US ad spending, with the FANGs accounting for 30% of this growth. The FANGs' US TV adspend rose by a colossal 70% to \$1.6 billion last year. Facebook's TV spending rose to \$277m from \$13m. This article examines where the tech giants are spending their ad budgets.

Advertising Age, Vol 90(13) 24 June 2019, p9 (Johnson)

Reversing the negative effect of ad repetition

This study reveals that a frequently-advertised brand causes greater annoyance at the time of advertising, but that there is greater preference for the same brand several weeks later. An online experiment shows that initial annoyance with frequent ad repetition tails off over time, whereas brand memory remains relatively stable. Through these processes, brands with heavier advertising exposure move from lower preference to higher preference over time. However, another experiment demonstrates that this reversal occurs only if at the later time the product category is relevant.

International Journal of Research in Marketing, Vol 36(2) June 2019, pp306-324 (Kronrod)

Agencies

Ad agencies get in on influencer act

Big ad agencies, such as WPP, Publicis and Omnicom, are increasing their investment in

influencers and developing platforms to link brands with the social media stars. The global spend on influencer marketing is expected to reach \$6.5 billion this year, up from \$1.7 billion in 2016, according to Influencer Marketing Hub. The number of new platforms and agencies in the market has almost doubled, from 335 in 2016 to 740 at the end of last year. As advertisers shift their focus from print and TV to social media celebrities, agencies face challenges such as the lack of standardisation of metrics and influencer fraud. Agencies say they are creating systems for verifying whether an influencer has the following they claim to have.

FT Weekend, 13-14 July 2019, p17

Hill+Knowlton 50 years on

Hill+Knowlton Strategies (so-called after its merger with Public Strategies in 2011) has been in the UK for 50 years. To mark the occasion, it has commissioned 12 female artists to paint the doors of its London HQ's meeting rooms. The theme is based on the 12 authors after which each meeting room was named. The initiative forms part of H+K's Doors of Opportunities programme to promote equal opportunities. Simon Whitehead, UK chief executive, also sees it as an opportunity to tell the story of H+K. Despite being the eighth biggest PR agency in the UK by revenue, people do not always know what it is about. This could be because it is split into eight vertical sectors, rather than the usual disciplines. In this interview Simon Whitehead explains more.

PR Week, July-August 2019, pp44-45

Kantar sale – last piece of WPP restructure?

Mark Read, WPP's chief executive says that selling 60% of its stake in Kantar was "the last major structural piece in the puzzle to set WPP up for success". He says that now the company needs to



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focus on making investments in creativity and technology. WPP has been struggling to return to growth due to the loss of clients and competition from digital companies, such as Facebook, and the big consultancies. WPP will retain 40% of Kantar; this article also considers what the latter will look like under its new owner, Bain.

thedrum.com, 12 July 2019 (Stewart)

Brands and branding

Managing the new customer journey

The author looks at changing buyer behaviour which is leading brands to miss their revenue targets. To address this problem, brands often carry out "random acts of marketing" or recruit more sales people. Neither of these solutions will lead to "sustainable, predictable and repeatable" revenue generation. Instead of the usual marketing, sales and customer service funnel, brands might consider the Cyclone and the Cyclonic Buyer Journey. It provides a methodology creating a strategy for the eight stages of a new prospect's buying journey. It gives leaders a map showing how to apply the strategy; the tactics to use; metrics to track; and the technology to get the buyers through their journeys more effectively. This will result in more leads; better quality leads; sales opportunities; a higher close rate; shorter sales cycle; and more consistent revenue.

Journal of Brand Strategy, Vol 8(1) Summer 2019, pp76-85 (Lieberman)

Repositioning a brand

This article looks at the impact of tech players, such as Amazon, on middle-market brands that may not have invested sufficiently to understand their customers. The author begins by looking at value and luxury brands. To be a successful value brand requires being outstanding at operational efficiency; maintaining low costs; and passing savings onto consumers. Luxury brands are more difficult to emulate because they require quality dimensions such as: rarity, authenticity, provenance, craftsmanship and transparency, and values that promote a stronger emotional connection. Middle-tier brands are the ones most likely in need of repositioning; acquiring competitors to gain scale; or failing when they get it wrong. They have a choice of "moving up" or "moving down". To move down they will need to compete on price. To move up, they must get to know their customers better and find ways of differentiating the brand so that customers will pay the premium.

warc.com/admap, July 2019 (Matthews)

Conferences and events

Exhibitions – maximising leads

Organisations allocate a proportion of their marketing budgets to exhibitions because they expect to drive sales. Yet, according to Jamie

Vaughan, head of European sales at Cvent, exhibitors could be reducing their sales pipeline before the event has even finished. Here he offers some advice on what action to take before, during and after the event for maximising sales leads.

exhibitionnews.uk, 11 July 2019 (Wood)

Apprenticeships

Employers are increasingly looking for skilled event professionals yet the number joining degree courses is falling. Apprenticeship is one option for a career in events. Realise, headed up by David Preston and Richard John, is running an apprenticeship programme for the events sector, which John discusses here. Meanwhile, Emma Cartmell, CEO of the Conference & Hospitality Show, believes that apprenticeships will gain in popularity as student numbers drop, but that young people will still want to do degrees.

conference-news.co.uk, 8 July 2019 (Fullard)

Consumer behaviour

Consumers believe online privacy impossible

A survey of adults in the US and UK reveals that people increasingly accept that online privacy is "impossible". The research, conducted by FigLeaf, found that the proportion who believe that "online privacy is possible" has declined from 61% in 2018 to 32% in 2019. It also reveals that 74% of people are sharing less information online. Rising cynicism and loss of confidence is bad news for marketers and brands. It could result in consumers refusing to sign up to newsletters, loyalty programmes or offers. It could also increase scepticism towards advertising, reducing the effectiveness of channels. The findings are in line with UK survey data which found GDPR has not greatly improved consumer trust in online privacy.

marketingland.com, 10 July 2019 (Sterling)

5Cs rule

Do you worry where your diamonds have come from? There is a new interest by consumers to know where their diamonds have come from. There have been attempts to 'hall mark' stones before but these marks can be removed. Alrosa, based in Siberia is the world's second largest producer, is launching a trial service to provide stones with an 'electronic passport'. In line with this the GIA (Gemological Institute of America) strives to create trust in the world of gems – up to now it has used the 4C scheme – Colour, clarity, cut and carat weight. It is now adding country of origin.

The Daily Telegraph (Business), 12 July 2019, p8

Customer relations

Two-way communication

The most loyal customers tend to use language such as "love" or "happy" for their favourite brands,

according to research from Deloitte Digital. Deloitte's report argues that to build meaningful relationships involves two-way communication. Companies tend to falter when it comes to listening and interacting with the customer. Yet, if the two-way relationship is not addressed, customers may leave or switch brands. The report also states that 75% of customers expect companies to be aware of their purchase histories and to use this knowledge to personalise interactions. But it takes time to develop emotional relationships and 76% of people who regard themselves as loyal to a brand have been buying its products for over four years. The report also warns about striking a careful balance between responsiveness and invasiveness. Customer service, an essential part of loyalty according to 70% of consumers, can lead to brand differentiation.

CRM Magazine, July-August 2019, p8 (Del Rowe)

Direct marketing

Is it marketing or a service message?

Last month the ICO fined EE, the telecoms company, £100,000 for sending more than 2.5m direct marketing messages without having first obtained the consent of its customers. The decision was based on PECR rather than GDPR because the incident occurred in March 2018. EE argued that it was a service message and therefore "outside of the remit of the rules regarding direct marketing". The DMA's view is that EE's message was in part designed to promote a new service to customers and, under ICO guidance, this constitutes marketing. The messages were even sent to people who had previously opted out. It is no surprise, therefore, that EE was found to be in breach of PECR. Yet, the damage goes beyond a financial penalty and there is the longer-term damage to the brand to be considered. The case does, however, raise certain questions as to what really constitutes a service message...

dma.org.uk, 12 July 2019 (Yildiz)

Law

A review of the CMA's market study

This article looks at the CMA's market study (part of its Digital Markets Strategy launched earlier this month) into online platforms and digital marketing. The study will look at competition law and the perceived market power of online platforms and the monetisation of consumer data. The author examines the background to the study; anti-competitive concerns; the scope of the review and possible outcomes. He concludes that there could be a "confrontation between governments and competition authorities on the one side and large online platforms and digital advertisers on the other".

lexology.com, 9 July 2019 (Israel)

China boosts patent numbers but still lagging

In 2008 just 204,268 patent applications were received by China's State Intellectual Property Office, but by 2017 the number had risen to 1.3m. China also accounted for 473 out of 608 AI patents filed with the WIPO in 2017. The UK filed just two. Yet China is still behind its main trading competitors when it comes to filing patents in overseas patent offices. US business accounts for the largest number of international patent applications but Switzerland is out ahead in terms of applications per million of the population. Although Europe isn't falling behind China, Nick Finnie, an attorney at Pinsent Masons, warns that small businesses are often slow to use patent protection. Small businesses could make more of their IP and there is a move by the EPO to encourage them to protect their innovation.

Financial Times (Special Report: Europe's Leading Patent Law Firms), 9 July 2019, p5

Marketing

Three principles for today's marketplace

The author considers how the role of marketing leaders is changing because of pressure from an ever-increasing number of marketing channels and technologies, fragmented audiences and the rising demand for content. The CMO has always acted as an important change agent for the business by acting as a link between the company, the customers and marketing tools. To meet the demand for greater RoI and more creativity, marketing leaders should draw on three "tried and true" marketing principles which have been updated for today's environment: stay ahead of the company; manage the available marketing tools using a consistent process; and enable and empower creatives and analysts to work together.

Journal of Brand Strategy, Vol 8(1) Summer 2019, pp42-47 (Linton)

Influencer marketing spend continues to grow

Influencer marketing spend in the US and Canada has risen by 83% year-on-year, according to Instascreener, an influencer marketing measurement company. It found that Q2 2019 was the largest quarter to date for influencer marketing, with spend of \$442m. However, although \$314m was spent on Instagram, \$58m of this reached fake followers. This reflects criticism from Keith Weed, former CMO of Unilever, regarding ineffective measurement, fake followers and influencer fraud. The Advertising Standards Authority is trying to clamp down on malpractice among social media influencers. The Instascreener study claims that influencers ads are 277% more "emotionally intense" than TV ads.

thedrum.com, 15 July 2019 (Watson)

Market research

Millennial survey participation

Hard-to-reach Millennials are considered to be a difficult population target for surveys. To date little research has been done into the levels and types of survey participation of Millennials compared to older generations. The authors analysed data from 1,570,301 panellists of an opt-in online panel in eight countries across Europe, Latin America and North America. They found that Millennials showed lower participation rates than older generations. Millennials also answered significantly higher proportions of surveys using smartphones. However, differences across age groups in terms of break-offs and survey evaluation were found to be largely insignificant.

International Journal of Market Research, Vol 61(4) July 2019, pp359-365 (Bosch et al)

Public relations

Mismanaging crises – six elements to consider

These days bad news can spread within a matter of seconds, hence the need for companies to have a crisis plan in place and for everyone in the team to know what action to take. Although crisis management is top of the agenda in the comms industry, it seems that there is still no shortage of big brands (Deutsche Bank, Facebook, Nike and Phillip Morris for example) that are embroiled in some kind of scandal. So why do such big companies mismanage their crises? One answer is that some important elements could be missing from their crisis plans. The author presents six essential elements for a "top-notch crisis plan".

prnewsonline.com, 11 July 2019 (Haj)

Sponsorship

The Murray effect on a new sportswear brand

Last year Castore, the premium sportswear start-up, agreed to an £8m, eight-year sponsorship deal with Andy Murray, which was quite a risk considering Murray's health problems. Tom Beahon, Castore co-founder, talks about the sponsorship and Murray's impact on his company which produces lighter garments designed for elite athletes. During just two Murray matches at Wimbledon, Castore generated as much website traffic as in the whole of April. The company is also enjoying a "significant increase" in revenue from South Korea, Singapore and Japan. Andy Murray has himself taken a stake in the company and there is currently an Andy Murray tennis line. Instead of advertising above-the-line, Beahon plans to use Murray to "build the grassroots game in the UK". Castore is also keen to build a British sportswear brand in keeping with Britain's sporting heritage.

thedrum.com, 12 July 2019 (McCarthy)

Protecting the brand – ending a sponsorship

If a sponsor or brand ambassador behaves in a way

contrary to your company's values which could endanger its reputation, do you end the sponsorship? Last year Diageo dropped its 30-year relationship with controversial rugby player Paddy Jackson just after he had signed up with London Irish. Diageo decided that Jackson no longer aligned with its values. Businesses terminate their sponsorships with individuals for a variety of reasons. However, in some cases, it is the ambassador that may end the relationship. Mark Rylance, the actor, recently resigned from the Royal Shakespeare Company because of its sponsorship deal with BP, the oil company. To mitigate the risk, it is vital to have a sponsorship deal that allows the termination of the agreement if one or other party damages the name or reputation of the other.

lexology.com, 12 July 2019 (Honeyands)

Industries

Protecting the soul of start-ups

Start-ups have a certain energy and soul which inspires enthusiasm and a sense of connection and purpose. While this energy persists, there is a high level of engagement and companies retain their edge. However, they often lose their soul as they get bigger and more mature. As firms add new structures and recruit experienced professionals, they lose their original essence. An analysis of fast-growth enterprises reveals that there are three key elements to a start-up's soul: business intent; "unusually" close customer connections; and employee experience in terms of autonomy and creativity. The author cites Netflix, Warby Parker and others to illustrate how growing companies can protect the three elements.

Harvard Business Review, Vol 97(4) July-August 2019, pp84-91 (Gulati)

Digital-first

Pearson publishing are moving away from the traditional cycle of refreshing a textbook every three years. It will instead be concentrating on refreshing the material online to keep up-to-date. The students will then be able to 'rent' the titles, in a move likened to Netflix or Spotify, and gain access to the most recent material. There is mounting concern however on the time that students spend staring at a screen. [CIM members should be reminded that they have access to over 130 titles electronically via MyCIM.]

The Guardian, 17 July 2019, p13

More spaces available

There are allegedly 241 theatres in London with over 110,000 seats between them. But there are ten more spaces on the horizon across the capital. Directors want more mechanised stage areas, digital effects and space to accommodate – well – anything. Audiences may not actually have seats instead it may be performed as a promenade. The

rise in live entertainment in London is at odds with New York where there has been a rash of closures of shows.

Financial Times, 10 July 2019, p8

Legal highs

More synonymous with cocaine, Colombia is positioning itself as a supplier of cannabis. With good weather and a workforce who are used to the cut flower market they are set to produce a gramme of dry flower for under \$1 – about half the price of Canada. There are a cluster of Canadian companies that are importing into the UK where the cannabis market is set to grow to the region of £16.5 billion in the next ten years. The UK market is currently restricted to Cannabidiol (CBD) and at strengths under 0.2% of THC, the active ingredient.

FT Weekend, 20-21 July 2019, p4; Financial Times, 15 July 2019, p11

Elderly care

The care home market is in a debt crisis. The four leading suppliers have between them a debt mountain of £2.2 billion. Research by Opus Restructuring shows a decline in investment in the sector and they are not keeping pace with general maintenance. The top four – HC-One, Four Seasons Health Care, Barchester Healthcare and Care UK – have 900 homes between them and care for over 55,000 residents. In another article Australia's Landlease talks of its expansion into the growing Chinese elderly care service market where there are 30,000 institutions.

Financial Times, 15 July 2019, p11; Financial Times, 16 July 2019, p14

Wage growth fastest since 2008

According to the latest ONS data, UK wages grew at 3.6% in the year to May 2019, their fastest rate since 2008. A record 32.75m people were employed in the year, with unemployment – just 1.29m people were out of work – at its lowest level since 1992. However, some surveys suggest that employers are becoming more cautious when it comes to hiring in the lead up to Brexit. Ian Stewart, chief economist at Deloitte, questions for how long wages can rise and unemployment fall while growth is slowing.

bbc.co.uk/news, 16 July 2019

Top cities – a good outlook despite Brexit

London has jumped from third to first place in A.T. Kearney's *Global Cities Outlook* for 2019, an index of the best places for businesses to invest. The index also looks at which cities are likely to be the next generation of global hubs based on four metrics: personal wellbeing, economics, innovation and governance. London's ranking was boosted by its investment in cultural experiences, governance and personal wellbeing. The impact of Brexit is still to come but London has shown a strong performance in recent years which puts it on a firm footing.

Meanwhile San Francisco has fallen from number one spot to third place. Other top cities include Singapore, Amsterdam, Paris, Tokyo and Boston.

London Business Matters, Issue 157 July-August 2019, p3

Environment

Innovation in plastic waste

In this sponsored post, Haley Lowry, director of global sustainability and end use marketing at Dow, explains how the company is converting plastic into next-generation building materials. It is partnering with Concepton Plásticos, a non-profit, to build schools in Columbia using bricks made from plastic waste. She also mentions three other businesses that are repurposing plastic: Terracycle's Loop platform; Circulate Capital, an investment management firm; and Empower, a Norwegian start-up. She highlights how "innovative solutions to reduce the use of plastic waste come in all shapes and sizes" but they all have one goal.

sustainablebrands.com, 16 July 2019 (Lowry)

M&S plastic handouts criticised

Marks & Spencer has suffered a backlash after launching a campaign that involved giving out plastic toys at the checkout. An Instagram post went viral after the blogger referred to the plastic products as "cheap tat". The retailer is giving away miniatures of iconic food, such as Percy Pigs, to customers who spend £20 in store with the aim of children collecting and swapping the items. M&S apparently paid dozens of influencers to post for the campaign, one of whom, Kate Starkey, refused to participate after she saw the plastic pieces. She said M&S should be more responsible and not create "unnecessary plastic rubbish that will inevitably end in landfill". Lucy Siegle, author of *Turning the Tide on Plastic*, says she wishes more influencers would take a stand.

The Times, 11 July 2019, p11

Growth in alternatives

There has been a 50% decline in the average consumption of cow's milk since the 1950s. The market for traditional milk still stands at £3 billion although the rise in 'alt-milk' made from plants (oats, almonds, coconut, etc) has risen over 10% in the last two years. The biggest rise was seen in the oat sector with £36m being bought last year, the biggest player being Oatly which had UK sales of £18m in 2018.

The Guardian, 19 July 2019, p7

Grown in a warehouse near you

Vertical farms are where plants are grown inside under artificial light with no pesticides. Whilst the energy costs are higher the water usage is minimal and yields high. Ocado announced recently that it was investing £17m in a Scunthorpe based company and a Scottish start-up has raised £5.4m. Crops tend

to be leafy green plants such as kale, rocket and watercress although AeroFarms are planning to start growing berries. Whilst investment is high so are the bankruptcies.

Financial Times, 10 July 2019, p16

Cook launched recyclable trays

Cook, the frozen food manufacturer, has produced a 100% recyclable plastic food tray which is to be trialled in stores. The trays are made from 85% recycled plastic which comes from water bottles, food packaging and other consumer plastics. Virgin plastic makes up the remaining 15% due to food safety requirements. Cook claims to be the first manufacturer to trial the material, getting as close to a "closed loop" as possible. The colours of the trays vary according to the original plastic; the current trays reflect the green bottle tops they were made from. The initiative follows a survey of customers by Cook which found that 96% said that using less plastic always or sometimes influenced their food purchase decisions.

The Grocer, 13 July 2019, p7

SMEs – international sustainability

SMEs are increasingly aware of the importance of stakeholders and may use a triple measure of success covering economic, environmental and social factors. SMEs that operate in an international environment must be even more aware of the issues and need to comply with international CSR guidelines in addition to industry-wide or national frameworks. However, they often have limited resources for tackling the challenges posed by the numerous national and international stakeholders. Here are some ideas to help SMEs boost their international CSR activities.

London Business Matters, Issue 157 July-August 2019, p16 (Stolan)

Sustainable entrepreneurs – barriers and risk

Entrepreneurs who launch a business to serve their own interests as well as social and environmental needs are usually called "sustainable entrepreneurs". However, they face particular challenges when setting up their businesses due to the difference between private and social value. A study reveals that sustainable entrepreneurs perceive institutional barriers in the form of a lack of financial, administrative and information support during a business start-up than regular entrepreneurs do. Although no significant differences are found between sustainable and regular entrepreneurs in terms of their attitudes to risk, sustainable entrepreneurs are more likely to fear personal failure.

Journal of Business Ethics, Vol 157(4) July 2019, pp1133-1154 (Hoogendoorn et al)

Carbon neutrality a challenge

Mile Roberts, chief executive of DS Smith has said that the Government's target of carbon neutrality by 2050 is going to be hard. Speaking at the Conference of Paper Industries (CPI) he said, "We believe we can get to 80% but it's all about closing that 20%". He called on the industry to show "leadership and responsibility on the sustainability debate" because there would be more legislation coming down the line. He also warned of the dangers to the industry of a no-deal Brexit.

packagingnews.co.uk, 11 July 2019

Written by CIM's Knowledge Services Team

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Harvard Business Review**

International Journal of Market Research**

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Journal of Brand Strategy

Journal of Business Ethics**

www.lexology.com

London Business Matters

<https://marketingland.com/>

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PR Week

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The Times

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