

Cutting Edge: Our weekly analysis of marketing news

4 March 2020

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

Quick [links](#) to sections

Marketing trends and issues

Advertising

New ad body for post-Brexit Britain

A new body called the UK Advertising Export Group (UKAEG), funded by the Department for International Trade, will bring together advertising and trade bodies to capitalise on global growth opportunities. Among its first activities will be a marketing campaign to showcase UK advertising to global audiences. Janet Hull, director of marketing strategy at the IPA, will chair the new body whose aim is "to support our members to deliver 50% revenue growth by 2023", she says.

thedrum.com, 2 March 2020 (Glenday)

History of advertising – art and attitudes

The Art of Advertising, a new exhibition at the Bodleian Library in Oxford, will chart the story of British advertising from the mid-18th century to the 1930s. It shows how advertisements reflect social and political attitudes over the period and presents "some of the finest examples of advertising illustration and commercial art" in the form of handbills, trade cards, posters and so on. The exhibition opens on 5 March.

FT Weekend, 29 February-1 March 2020, p2;

<https://visit.bodleian.ox.ac.uk/event/art-of-advertising>

Agencies

The agency marketplace

B2B Marketing's annual benchmarking report reveals how B2B agencies regard the marketplace. It indicates that 2019 was reasonably upbeat for B2B, with like-for-like gross income on the rise. Some 78% of agencies surveyed said the current industry was "strong" or "good" and 91% expect their own company to grow this year. The top three challenges facing agencies were considered to be: the "ability

to attract/retain quality staff" (24%); "pressure on clients' budgets" (18%); and "Brexit-related concerns" (12%). Most new business derives from direct client referral (73%) or referral from another individual (38%), while 33% of new business wins come from pitching. The challenge of clients moving their agency activity in-house (in-sourcing) is also discussed.

B2B Marketing, Winter 2020, pp24-31 (Baldwin)

WPP shares at lowest since 2012

WPP's shares have fallen to their lowest value since 2012 following the news that net sales fell by 1.9% in the last quarter of 2019. Despite a slowdown in some of WPP's key markets, CEO Mark Read insists that last year was "foundational" in his turnaround plan and he is "optimistic about the future of our industry and WPP's position in it". Overall net sales fell by 1.6% last year, which made WPP one of the poorest performers among the Big Six ad groups.

prolificlondon.co.uk, 27 February 2020

Brands and branding

Brands going global – it's all in the translation

Here are some tips for those who want to develop a global brand. The idea of a brand or trademark is to enable customers to be certain that they are buying the same product each time: to repeat the experience (or avoid it) should they wish to do so. An unfortunate linguistic gaffe could damage the brand's image. For example, the Japanese sports drink which translates as "SWEAT", the Iranian detergent "BARF" and Swedish sweet brand "PLOPP" will not endear themselves to English-speaking audiences. As well as getting the translation right, ensure that the brand doesn't infringe existing rights; make sure you have strong IP rights to deter infringement; and safeguard unregistered brand elements, such as packaging.

lexology.com, 25 February 2020 (Cole)



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www.cim.co.uk/membership/cpd/

Global brand building – digital trends

The rise of internet and internet-based technologies is changing the way in which companies build and manage global brands. However, while platforms and technologies are changing rapidly, the underlying trends are not. This article examines the implications of five underlying digital trends for global brand building and management: the rise of digital global sales channels; cocreation of global brand strategy; global transparency of brand activities; global connectivity among the brand's consumers; and the Internet of Things. Key changes taking place in the marketplace are discussed for each trend.

Journal of International Marketing, Vol 28(1) March 2020, pp13-27 (Steencamp)

Conferences and events

Sustainable venues

Holding an annual conference for 1,000 delegates will have an impact on the environment in terms of local resources, waste and the cost of delegates flying in from various destinations. So how can one demonstrate that sustainability is being taken seriously? One way is to choose a host venue that focuses on green initiatives such as minimising food waste and using green energy. *C&IT's* panel of event planners has scored and compared three venues on their sustainability. Marina Sands Expo and Convention Centre in Singapore has a heat-absorbing roof; Gothia Towers in Sweden recycles over 80% of its waste or turns it into biogas, it also has a beekeeping space; Melbourne Convention and Exhibition Centre in Australia supports a local windfarm to offset its own electricity use and has an organic dehydrator which reduces the volume of organic waste by 80%.

Conference & Incentive Travel, Spring 2020, pp68-79 (Kahn)

Events not insured against coronavirus

Most standard insurance policies do not cover the cancellation of an event due to coronavirus, according to advice from Romero Insurance. This follows a raft of cancellations of large-scale events due to the spread of the virus. It says that in the UK (but not Scotland) coronavirus is not currently classed as a "notifiable" disease and therefore businesses will not be covered. Even if the disease does become notifiable, claims are only covered from the day it takes effect. *C&IT* is holding a breakfast briefing entitled *Coronavirus: How to manage a crisis* on 22 April.

citmagazine.com, 27 February 2020 (Kahn)

Consumer behaviour

Facial expressions may not convey feelings

Facial expressions are widely accepted as a way of judging someone's feelings. But now an analysis of research papers on the topic has reached the

conclusion that there is "no good scientific evidence to suggest that there are such things as recognisable facial expressions for basic emotions which are universal across cultures". This is according to Dr Feldman Barrett at Northeastern University in Boston and colleagues. They found, for example, that a scowl may be an expression of anger, but that it is used to express other feelings as well. This calls into question the use of AI algorithms to recognise facial expressions and judge people's emotions. Aleix Martinez, a co-author of the report, says that companies using technology to extract emotions from facial images are failing to understand the importance of context. He finds this alarming given that some companies use machine-learning to analyse video CVs when recruiting.

The Economist, 22 February 2020, p69

Direct marketing

Is your buyer serious?

What do you do when a promising prospect "slips through the net" after your sales team has devoted much time and effort to it? Is it possible to differentiate a serious from a non-serious buyer and ensure that they are qualified fast enough to prevent valuable sales time being wasted? To distinguish between the two types of buyer, The Telemarketing Company has drawn up a list of behaviours that might be indicative of a buyer's commitment. They are presented in the form of an infographic.

dma.org.uk, 10 February 2020 (Fox)

Law

Corona virus – a force majeure?

The Corona virus could potentially have serious legal and business consequences for some time to come. Chinese companies have started to cite "force majeure" (FM) as a way of getting out of legal contracts. Because of the lockdown in the country, production levels could reach just 60% to 80% of normal levels, according to Morgan Stanley. Global firms that rely on "just in time" deliveries are being disrupted and Chinese firms are invoking FM as a way of avoiding penalties for not delivering on contracts. Legal opinion is divided as to whether using this clause will work. The other danger, according to American law firm Mayer Brown, is that the use of FM and other tactics could be "passed along supply chains around the world". However, many companies rely heavily on their Chinese suppliers and may be less likely to launch a legal challenge for fear of losing them altogether.

The Economist, 22 February 2020, pp58-59

Gambling regulation

The UK National Audit Office has just published a report entitled *Gambling regulation: problem gambling and protecting vulnerable people*. It examines the extent to which gambling regulation

protects people and identifies emerging risks such as mobile gambling and technological developments. It also focuses on the role of the Gambling Commission and the wider regulatory framework in which it operates. Separately the ASA is calling on the gambling sector to target people more responsibly. ASA CEO Guy Parker says that technology is being used, “to target gambling ads and marketing at people that might be at risk of developing gambling behaviours”, including children. He is also concerned that this could increase mistrust in advertising generally.

<https://www.nao.org.uk/report/gambling-regulation-problem-gambling-and-protecting-the-vulnerable/>, 28 February 2020; prolificlondon.co.uk, 28 February 2020 (Peachey)

Marketing

The politics of data

Data makes marketing possible, but data isn't neutral. There is both macro-politics, which “validate, motivate and justify” the use of some forms of data; and micro-politics, which exists between consumers, marketing organisations and other cultural institutions who want control over it. This study investigates the politics of data by examining efforts to restrict marketers in their access to digital consumer data for targeted advertising. It concludes that caring for consumer data as a “common” resource is an important part of today's marketing.

Marketing Theory, Vol 20(1) March 2020, pp45-63 (Cluley)

B2B trends for 2020

B2B Marketing's 2020 Trend Tracker takes feedback from B2B marketers to look at the key marketing trends for this year, which ones are rising and falling and whether agencies have the same priorities as their clients. The top three areas of interest for this year were found to be: marketing automation, growth marketing and customer experience. The top three for 2021 are expected to be: customer experience, growth marketing and account-based marketing. The findings are presented in the form of infographics.

B2B Marketing, Winter 2020, pp10-15 (Baldwin)

Market research

The disadvantages of A/B testing

Online experiments, which seek to ascertain whether “A” (the current option) is inferior to “B” (a proposed option), are a key part of the product development cycle. Yet businesses often make fundamental mistakes with the research because they tend to focus on the average instead of factoring in how a change could affect different customer segments. They also fail to consider the fact that customers are connected and that their interactions could have an impact on the outcome. The tests tend to be run for too short a time span, without considering that

customers' reactions can change over time. The authors look at how to avoid the downside of A/B testing by employing techniques that LinkedIn and Netflix have used to obtain insights.

Harvard Business Review, Vol 98(2) March-April 2020, pp48-53 (Bojinov et al)

New customers – old product

How do you create new excitement around a legacy product and attract new customers to it while continuing to satisfy existing customers? Robert Sapolsky, a Stanford University neuroscientist, found that people in their 20s are open to ideas but that, as they move through their 30s, they start to want familiarity rather than novelty. This is a reminder that understanding the customer helps to create opportunity. Telling the company's story will also help to keep it at the top of people's minds. Asking the right questions of both old and new customers can provide the insight for deciding how and where to tell the story.

Entrepreneur, Vol 48(2) March 2020, p30 (Bornstein)

Public relations

Diversity is key to your crisis plan

To mark Black History Month, this issue of *PR News* focuses on diversity and inclusion. The editor's note asks whether you can “truly excel” at corporate reputation management and crisis comms without diversity or inclusion. These are a “must-have” in an environment in which there is two-way communication between brands and consumers. Problems can escalate in a matter of minutes thanks to social media and digital platforms. The advice is to invest properly in diverse teams that can “set up the company to succeed and grow in today's dynamic and unforgiving marketplace”.

PR News, 4 February 2020, p1

Corona beer – the wrong sort of viral

The spread of the coronavirus has been affecting businesses and brands but none as much as the Corona beer brand. A survey of American beer-drinkers from PR firm 5WPR reveals that 38% of respondents would not buy the beer in any circumstances because of the virus. Among Corona drinkers, only 4% said they would stop drinking it but 16% of respondents expressed confusion about whether Corona beer was related to the virus. 5WPR says that online searches for “Corona beer virus” and “beer Coronavirus” have risen.

mediapost.com. 28 February 2020 (Mandese)

Sponsorship

Parkrun takes on first sports brand

Parkrun, the community running organisation, has just signed up its first sponsorship with a sports brand. It had previously been reluctant to partner with the sports sector because of its tendency to focus on elite athletes rather than grassroots

organisations. Brooks Running is to become official shoe sponsor in a three-year deal which will see it set up activation zones on some Parkruns; runners will be able to test out shoes and receive advice. Brands already sponsoring Parkrun are: Persil, The Happy Egg Co and Alzheimer's Research UK.

marketingweek.com, 26 February 2020 (Vizard)

Agriculture, fishing and forestry

The rise of the smart vineyard

Oli Madgett, developer of the interactive voting system for TV shows including *The X-Factor*, has created Platfarm, a mobile phone app that helps to map areas of his Australian vineyard. The app enables farmers to integrate soil maps and sensor data to create diagrams of the vineyard that require attention. Winemakers have traditionally used relatively small amounts of technology which is reflected in the less than \$1 billion of venture capital funding in wine tech since 2000. By contrast, investment in food and agritech reached \$20 billion last year. But climate change and smaller workforces is affecting harvests and many vineyards are becoming more open to innovation. As younger consumers turn to craft beer and spirits, the wine industry may have little choice but to turn to technology. A group of growers is working with Adelaide University and Wine Australia to create a fully automated vineyard using AI.

Financial Times, 27 February 2020, p18

Decomposable electronics

The Institute of Scientific and Industrial Research at Osaka University in Japan has invented an electronic data-transmitting device that decomposes in soil. It hopes the device, which can connect to the Internet of Things to transmit data, will be an eco-friendly alternative to the plastic contained in electrical appliances. The device could be used for data collection in areas such as the rims of volcanoes where they can be left to decompose safely. The concept has been tested in a hydrometer which can transmit data about soil humidity wirelessly to farmers. It has been found to decompose in the soil in around 40 days.

The Daily Telegraph, 25 February 2020, p12

Building industry

Heathrow ruling has wider implications

Last week the Court of Appeal ruled that Heathrow's third runway was unlawful because the Government's Airports National Policy Statement had failed to consider climate change impact, which is a legal requirement. Julian Francis, director of external affairs at the Consultancy Association for Consultancy and Engineering (ACE), believes that the ruling has huge implications: "From now on,

every infrastructure spending decision in the UK could face a legal challenge if it doesn't comply with the Climate Change Act, which mandates zero emissions by 2050".

theconstructionindex.co.uk, 28 February 2020

First growth since April 2019

It looks as if the UK construction sector has turned a corner after the downturn last year. The IHS Markit/CIPS *UK Construction Total Activity Index* reached 52.6 in February, up from 48.4 in January and exceeding the 50 mark for the first time since April 2019. Construction output also grew at its fastest rate for 14 months. The industry is enjoying the steepest rise in new orders since December 2015, thanks to residential and commercial work. The recovery is in part attributed to "pent-up" demand leading up to the general election. Now the main concern is the effect of the coronavirus.

constructionenquirer.com, 3 March 2020 (Prior)

Businesses and strategy

Creating a culture of experimentation

Online experiments aimed at improving online experiences have become a gamechanger for marketing and innovation. Booking.com, for example, runs 25,000 tests a year, which has helped it to become the largest accommodation platform in the world. It is important for organisations to scale up their experimentation capabilities, but many fail to do so mainly because of their culture. There are various ways in which companies can break down cultural barriers. These include creating an environment with a more democratic leadership where executives can admit the possibility of being wrong and give their employees greater autonomy.

Harvard Business Review, Vol 98(2) March-April 2020, pp40-48 (Thomke)

Coronavirus – a response strategy

This article aims to give business leaders a view on the coronavirus (COVID-19) and the implications for companies, as of 1 March. It points out that the most affected countries represent 40% of the global economy and reviews the two most likely scenarios for economic impact and recovery, including insights and best practices for business leaders to work through. It sets out seven sets of immediate actions that can help businesses of all kinds, which are to: protect employees; set up a cross-functional response team; undertake financial stress-testing and contingency planning; stabilise the supply chain; stay close to customers (marketing and sales); practice the plan with the top team; and demonstrate purpose.

mckinsey.com, March 2020 (Craven et al)

Small Business Britain – a positive approach

Small Business Britain, founded by entrepreneur and small business advisor Michelle Ovens, wants to promote the UK's 5.8m small businesses to help counter "the narrative of doom and gloom around small businesses" especially regarding Brexit. She plans to adopt a different approach from that of lobby groups such as the Federation of Small Businesses. Small Business Britain has published a report about small business after Brexit which sets out challenges such as access to finance.

Financial Times, 26 February 2020, p2

Cake culture

Having cake freely available in the office could be undermining the company's investment in health and wellbeing, according to new research. The first peer-reviewed "cake culture" study conducted by Lou Walker at the University of Chester, reveals that 86% of those surveyed said that cake was available in the office at least once a week; 36% said they never refuse cake; and 42% said they ate cake often. Although sharing is considered good for morale and team bonding, it can have negative effects, with 31% saying they had gained weight as a result of office cake. Lou Walker says that cake culture offers "the worst of both worlds".

People Management, March 2020, p57

Charities and NGOs

Competitive behaviour can be harmful

An interim report concludes that competitive behaviour between charities has a negative effect on communities since it undermines sustainability and reduces trust. *Rebalancing the relationship: Emerging findings and draft recommendation*, part of a project between NCVO, ACEVO and Lloyds Bank Foundation for England and Wales, examines competition and collaboration between larger and smaller charities. Some charities have been concerned that others are motivated by market growth and suffer from "mission drift" while failing to consider the impact of their strategies on the sustainability of other organisations. The report sets out some draft recommendations.

civilsociety.co.uk, 28 February 2020 (Whitehead);
<https://publications.ncvo.org.uk/rebalancing-the-relationship/>

Ethical accreditation for food supply

Better Food Trader, an initiative that aims to set a "gold standard" for food retail, has just been launched by the food charity, Growing Communities. The accreditation scheme will recognise retailers with ethical supply chains that support British farmers. It recognises models that involve low waste, better returns for farms and "nature-friendly" farming.

The Grocer, 29 February 2020, p6

Durable consumer goods

Toymakers search for the elusive "must-have"

Toy sales across the 13 largest markets have fallen for a second year (down by \$1.5 billion to \$50 billion), according to research firm NPD. Retailers generally agree that Christmas toy sales were poor although some retailers blame this on the lack of compelling products. Toymakers have been showcasing their latest releases for this Christmas at the recent annual Toy Fair in New York. Products include Mattel's version of Tesla's Cybertruck and Hasbro's "animatronic" Baby Yoda, but critics says the range is "uninspiring". While the sector is still dealing with the aftermath of Toys "R" Us' demise, remaining retailers still face the problem of a lack of "must-have" toys because they are what drives footfall. Toymakers also have to compete with smartphones and tablets. Meanwhile, TV advertising just doesn't do it any more since kids aren't watching television!

FT Weekend, 29 February-1 March 2020, p15

Economy

Consumer confidence rises for third time

GfK's consumer confidence index rose by two points in February to -7, its third consecutive monthly increase. The optimism is attributed to a positive view of the UK economy over both the past and coming 12 months. Expectations for the general economic situation for the coming 12 months has risen by three points to -21 (17 points higher than February 2019). However, the measure for personal finances has fallen by two points to -1. The main unknown is the effect that the coronavirus will have on business and economic performance.

marketingweek.com, 28 February 2020 (Hammett)

African youth – entrepreneurial

Africa's youth is both tech savvy and entrepreneurial, according to new research. A survey of 18- to 24-year-olds in sub-Saharan Africa (by PSB Research) finds two-thirds of young people have access to the internet; that half would start a business were they to be given \$100; and 82% believe they will be better off in two years' time. Smartphone penetration among this age group is 90% compared with 40% of the population as a whole and almost four out of five young people believe that WiFi is a human right. However, they also say that reducing government corruption is the most important thing for Africa's progress over the next five years, followed by creating new jobs and achieving peace and stability. There appears to be a strong link between the lack of formal employment on the continent and entrepreneurship.

FT Weekend, 29 February-1 March 2020, p8

Education

MBA apprenticeship funding should be curbed

There is to be a review of the use of apprenticeship funding for MBA courses which are taken up by people who are already, "highly qualified and well-paid". Gavin Williamson, education secretary, says he is determined to ensure that apprenticeship levy funds are used to "kick-start people's careers or level up skills and opportunities". He has written a letter to this effect to the chief executive of the Institute of Apprenticeships, Jennifer Copeland, and training standards body Technical Education.

Financial Times, 27 February 2020, p3

University degree leads to £100,000 income

Additional lifetime earnings as a result of going to university are at least £100,000 for women and £130,000 for men, according to an analysis from the Institute of Fiscal Studies. This is estimated to be around a fifth higher than it would be if they hadn't gone to university. The top 10% earn an extra £500,000 over their lifetime. The gains are the greatest for people studying economics, medicine and law or for those attending selective universities. Ironically many STEM courses don't do so well despite the drive for more people to study those subjects.

FT Weekend, 29 February-1 March 2020, p2

Environment

UK boards feel little climate responsibility

New research suggests that the boards of UK businesses feel little responsibility for environmental impact. Some 32% of UK board members surveyed in the London Business School/Harvey Nash study said they had little or no responsibility for the company's effect on climate. This is higher than respondents in both Nordic (14%) and Asian (28%) countries. The report also reveals that nearly half of UK boards allocated no time to discussing climate change last year, down from 61% in 2019. Simon Osborne of London Business School says a, "marked change in outlook is needed".

People Management, March 2020, p57

UK woodlands

The ONS's *Woodland natural capital accounts, UK 2020* contains information on ecosystem services for woodlands in the UK. The release, which relates to 2017, estimates that there were 475m visits to woodlands and that the public spent £515.5m. Timber represented £275.4m out of the £5.3 billion total value of woodlands in 2017. The removal of air pollution by Britain's woodlands saved £938m in health costs and removed 4% of the UK's greenhouse gas emissions. The report describes the extent and condition of the UK's woodlands.

ons.gov.uk, 28 February 2020 (Trenbith and Dutton)

Fashion

We haven't reached "peak beard" yet

The fashion for beards has been bad news for razor makers but good for barbers. Last year barber shops were the fastest-growing retail category in Britain for a third year in a row. Barriers to entry to the sector are low and there are plenty of vacant high street premises. Business is also good in the US although licensing rules are stricter there. By contrast, there has been a fall in the number of women's hairdressers which might be explained by the trend for more diversified beauty salons, according to a British Beauty Council report. The fashion for long hair might also be a factor. Forecasters say there is a slight recovery in demand for shaving products, while some trendsetters are moving from beards to the "standalone moustache"!

Financial Times, 24 February 2020, p24

Comedian becomes Hugo Boss in protest

Hugo Boss, the German designer, has a habit of going after small businesses who dare to incorporate the word "boss" in their name. In protest against the company's behaviour, comedian and panel show presenter Joe Lycett has changed his name by deed poll to Hugo Boss. Previously the company had forced Boss Brewing of Swansea, an independent brewery, to rebrand and pay £10,000 in legal fees. In 2018 it targeted the charity GarkGirlBoss when it tried to trademark its name. Hugo Boss's turnover is approximately \$2.7 billion a year!

news.sky.com, 2 March 2020

Financial services

The CMO – good insurance for the future

Graduates are not generally drawn to a career in the insurance industry because it is often viewed as unexciting and lacking in innovation. But things have started to change as customers become less loyal and are more likely to shop around using price comparison websites. Insurers, who are also competing with the "insurtechs", must be more customer focused which means using technology and data. This article identifies five key roles that are shaping the future of the industry. They include chief marketing officer, which is becoming more important, not only to build the brand, but to be the "voice of the customer", says Claire Sadler, marketing director at Direct Line. Many established CMOs will have the challenge of adapting to a fast-changing customer landscape which will require cutting-edge marketing technology. This could also result in an increasing number of chief customer officer roles.

The Times (Raconteur: Future of Insurance), 27 February 2020, pp6-7 (Everett)

HSBC can't bank on Asia...

HSBC's interim chief executive, Noel Quinn, has

announced job losses and one of the “deepest restructuring and simplification programmes in our history” (See also Cutting Edge 26 February) with the loss of 30% of branches. Its thriving Asian markets may not be enough to offset the decline while the bank estimates that the coronavirus will cost it \$200m to \$500m in the first quarter alone. Size matters in banking and downsizing could be costly in terms of maintaining an edge. With such an uncertain future, having an interim boss might not be the best way forward, says *The Economist*.

The Economist, 22 February 2020, p63

...Metro curbs expansion after loss...

Metro Bank is curtailing its expansion plans following a loss of over £130m. Metro is currently being investigated after it classified £900m-worth of loans as less risky than they actually were. It has also given back almost half of a £120m award received from a Government-supported scheme aimed at promoting competition; the bank says it will no longer be able to deliver on commitments. New chief executive Dan Frumkin is looking to cut costs and has already halved the number of new branches planned for the north of England to just 15.

The Guardian, 27 February 2020, p35

...and Virgin and Lloyds lose jobs

It is a bad time for retail banking. Now Virgin Money is to lose a quarter (52) of its branches with the loss of 500 jobs. The announcement came on the same day as Lloyds Banking Group said it would axe a further 780 jobs from its branches. Virgin is to rebrand Clydesdale Bank and Yorkshire Bank: their names will disappear from the high street at the end of October. Banks have been closing branches because of the move online but some towns are being left with no banks at all which has left vulnerable people and small businesses with no cash-handling facilities. Consumer group Which? says around 55 branches are closing every month in the UK.

The Times, 27 February 2020, p37

FMCG

Beverages

Food and drink – the B Corps

The B Corp movement (businesses that balance purpose with profit) came to the UK in 2015 and the country now has around 270 B Corp businesses. A third of these have been certified by B Lab, the certification company, in the past seven months and a growing number are from the food and drink sector. This article looks at what constitutes a B Corp company; what the benefits are; the costs; and how this translates into food and drink. It profiles ten of the companies that have been or are going

through the process, including Abel & Cole, Cook, Innocent and Lily’s Kitchen.

The Grocer, 29 February 2020, pp45-47

Diageo hit by virus as bars close

Drinks company Diageo has joined the list of companies warning about the effect of the coronavirus on their business, predicting that its profits could be hit by up to £200m. Diageo sells to around 180 countries with Greater China accounting for 4% of sales. The problem in China is that most consumption is outside the home, but bars and restaurants have been closed. Meanwhile South Korea and Japan generate 2% of Diageo’s sales and its travel retail unit 3%-4% of global sales. The company says it remains “confident in the growth opportunities in our greater China and Asia-Pacific business”.

The Times, 27 February 2020, p42

Larger wine glasses lead to more imbibing

Wine glasses have doubled in size over the past 30 years while the amount of wine drunk in England has quadrupled. Researchers at the University of Cambridge found that when restaurants put 370ml glasses on the table instead of 250ml, customers drank up to 17% more wine. Larger glasses cloud people’s judgement of how much they are drinking, say the researchers. One of the co-authors of the report suggests that regulating wine glass size could be included in local licensing regulations.

The Times, 28 February 2020, p11

Cosmetics and toiletries

Lush – ethical stance,

Lush co-founder Mark Constantine has been commenting on the string of misfortunes faced by his beauty business, from riots in Barcelona to fires in California and Australia and now shops shutting in Hong Kong, Milan and Venice because of the coronavirus. Lush’s stores have just started to allow passers-by to wash their hands for free using its soap in response to Government advice. The company, which is based in Poole, Dorset and has 446 stores around the world, has suffered declining profits. This is despite stand-out ad campaigns with subjects ranging from the targeting of activists by undercover policemen to preventing the extinction of hen harriers. Constantine has been an “ethical retail crusader” for years and feels that the company is finally in tune with the times and the need to tackle climate change.

The Guardian, 29 February 2020, p37

Food

Tesco to lose hundreds of bakery jobs

Traditional loaves of bread are out, and bagels, wraps and flatbread are in, according to Tesco. It plans to lose over 1,800 jobs from its bakeries and will reduce the number of products made from

scratch. Only a third of its 730 larger stores will continue to make a full range of bakery products. It blames the move on “a big shift in customer tastes and preferences”.

The Times, 26 February 2020, p37

Marmite reaches top menus – love it or hate it

Marmite’s slogan, “you either love it or hate it”, created in the 90s, is a good fit for today’s public mood. Marmite is also having success as a “headline” ingredient in top-tier menus and is causing consternation with its Marmite brussels sprouts, Marmite pot noodles and Marmite crunchy peanut butter. Last month’s Twitter “Nuterendum” pitted the new Marmite smooth peanut butter against its crunchy alternative. The result was 52% for crunchy and 48% for smooth: where have we seen that result before?

The Guardian, 27 February 2020, pp6-7

Household

Dettol and Lysol sales rocket

The Coronavirus has, not surprisingly, boosted sales of Dettol and Lysol, both leading global disinfectant brands. Governments are advocating hand washing with soap as one of their key messages. Reckitt-Benckiser reports that sales of Dettol-branded hand gels have exceeded demand and that it is “working to support the relevant healthcare authorities and agencies, including through donations, information and education”. Other businesses are not doing so well: Aston Martin and AB InBev have become the latest to warn that the virus is impacting their business.

bbc.co.uk/news, 27 February 2020

Health and pharmaceuticals

Pharma conferences

It is hard to attract doctors to pharmaceutical conferences. “Professional development and continual learning is part of a professional’s job”, says Liz Zutshi, MD of events company TTA, so doctors will expect to emerge from events with greater knowledge, having had time to network with others in their fields of expertise. Yet research from Ashfield Meetings and Events suggests that 26% of healthcare professionals have not had a very positive experience of meetings, probably because their expectations are set so high. There is a need for more personalised agendas, tailored content, engagement and interaction. This article discusses the legal implications of promoting an event; proximity vs luxury; putting experience at the heart of the event; and nurturing a sense of belonging.

Conference & Incentive Travel, Spring 2020, pp14-16

Contract development and manufacturing

The pharma industry has seen rapid growth in outsourcing services over the past decade as large

companies try to reduce R&D costs and increase the speed-to-market of their drugs. Increasingly speciality and biotech firms are relying on service providers to reduce the high costs of in-house development and manufacturing. Here the author looks at some key trends in the contract development and manufacturing organisation (CDMO) sector for the coming decade. He concludes that outsourcing has shifted “from being a transactional need to a strategic function”. By working with a limited number of supplier partners, companies can control costs, speed up products to market, reduce internal complexity and improve agility.

European Pharmaceutical Review, Vol 25(1) February 2020, pp38-40 (DeYoung)

Food ads still focus on HFSS products

New analysis suggests that nearly half (47.6%) of all food ads shown during September 2019 on four major TV channels were for HFSS products. The percentage reached 60% during the 6pm to 9pm slot, up from 49% in May 2018. Ads for fruit and veg accounted for just 6% of this time slot. This is despite campaigns such as Eat Them to Defeat Them, backed by the Food Foundation and Jamie Oliver, in which food companies donated over £5m towards advertising fruit and veg. the research was carried out by Nielsen for Cancer Research.

The Grocer, 29 February 2020, p6

IT and telecoms

Top 50 telcos – this year’s trends

The *Brand Finance Telecoms 50*, the 50 most valuable telecoms brands in the world, shows that over the past year the total value of the top 50 has declined by 12% to \$589 billion. This compares with other major sectors which all saw increases in value. Big telcos are being attacked from all sides with competition from messaging apps and SMS, while challenger brands are creating price competition leading to smaller profits. Lorenzo Coruzzi of Brand Finance looks at some of the trends. In contrast to the telcos, telecoms equipment manufacturers have seen an expansion in brand value with the likes of Nokia, Ericsson and Huawei increasing their capabilities.

Mobile Europe, Q1 2020, pp26-29 (Coruzzi)

The Brussels effect – setting tech rules

In February the EU outlined its ideas for regulating the tech world. Although the EU has plenty of leading-edge technologies, it has no substantial tech platform and accounts for less than 4% of the 70 largest platforms. Yet Europe is a huge market, contributing around a quarter of Facebook and Google’s revenues so it can’t be ignored. Most big tech firms have adopted the GDPR because it would be too expensive not to do so. Now the EU is flexing

its muscles in other areas with the issue of two papers, one on AI and the other a “strategy” to promote the use of data, as part of its overall “digital strategy”. EU influence, often known as the “Brussels effect”, seems to be working on the big tech companies such as Facebook and Alphabet. Tech firms could turn protectionist, which would limit the EU’s ability to set the rules, but it might also give a boost to its own tech sector.

The Economist, 22 February 2020, pp56-57

Leisure and tourism

Olympics may not go ahead

The coronavirus could potentially result in the cancellation of this summer’s Olympic Games in Tokyo. Football, rugby, golf tournaments and motor racing in Asia and Europe have already been postponed. Dick Pound, a member of the International Olympic Committee, says that the event was, “more likely to be cancelled than postponed” if health authorities thought it too dangerous to go ahead. It is estimated that the Games have already cost Japan \$25 billion. It has exceeded records for corporate sponsorship with 15 “Gold” sponsors, including Canon, Mizuho and Nomura paying \$100m.

Financial Times, 27 February 2020, p16

UK overseas travel and tourism

The ONS’s latest report, *Overseas travel and tourism: November and December 2019*, reveals that overseas visitors made 2.9m trips to the UK in November 2019 (down by 1% year-on-year) and 3.2m visits in December (up by 12% on 2018). However, they spent 21% more than in 2018 (£1.9 billion) in November and 38% more in December (£2.3 billion) than the year before. Meanwhile, UK residents made 4.4m trips overseas in November 2019 (5% more than in November 2018) and 3.9m in December (4% more than in 2018). They spent £3.1 billion in November 2019 (up by 21% on November 2018) and £2.4 billion in December (up by 4% year-on-year). It will be interesting to see what the next set of figures looks like!

ons.gov.uk, 28 February 2020 (Horsfield)

Materials and mining

Rio to focus on own emissions targets

Rio Tinto says it will not take action to reduce the carbon emissions of its customers because it is focusing on its own emissions. Rio has just set a target of reducing emissions to net zero by 2050 and to invest \$1 billion in climate-related projects over the next five years. However, the company said it would work with some of its clients, which include large steelmakers, such as Baowu, China’s largest steelmaker and Tsinghua University, to reduce CO₂ emissions. Mining companies have been under pressure to reduce their carbon footprint, but the

focus has shifted from the companies themselves to “scope 3” emissions: those generated by their customers.

Financial Times, 27 February 2020, p16

Media

Film

Apple to be used by good guys only

Apple will only allow iPhones to appear in movies if they are being used by a goodie and not a villain, according to Rian Johnson, director of the film *Knives Out*, who revealed this during an interview. It reflects the tight control Apple exerts over the way in which its products are depicted in films. It wants the devices to be shown “in the best light, in a manner that reflects favourably on the Apple products”. This revelation could spoil the plot of future movies!

The Times, 27 February 2020, p1

Music

Concerts – the show may not go on

The live music industry could be in trouble as the coronavirus spreads. The Mercedes-Benz Arena in Shanghai has been closed and promoters in China have cancelled 20,000 concerts. To put this in context, Live Nation, the largest concert promoter in the world, made most of its money out of 26,000 concerts in the first nine months of 2019. Its revenues have become increasingly global with ticket sales outside America now accounting for 36% of sales. Apart from concerts and ticketing, its sales come from advertising and sponsorship, which also depend on live events. Winter is a slow time for the live music industry, but the coronavirus has not yet peaked, and concerts are planned months in advance.

Financial Times, 27 February 2020, p14

Newspapers

New opportunities in print

Over the past decade print media has seen falling circulation and advertising, with some titles closing or moving to the internet. But now two individuals from major marketing agencies, Steve Goodman and Peter Thomson, have set up The Press Business, a boutique firm whose aim is to attract advertising to print newspapers. Print advertising has nosedived from \$6 billion a year before the financial crisis to less than £2.5 billion last year. Yet Goodman and Thomson insist that the demand is there, and that print is still an effective medium. Major marketing agencies have been merging their print and digital teams, leaving them with a strong digital offering but a lack of expertise in print advertising. The Press Business hopes to capitalise on this gap in the market.

cityam.com, 24 February 2020 (Daniel)

National newspaper sales down by two-thirds

UK national newspaper sales have fallen by almost two-thirds since 2000, according to an analysis of ABC data from the *Press Gazette*. The rise of mobile technology and social media is considered to be the main reason for falling print sales. *The Sunday People* has had the worst losses, with circulation down by 91% over the past 20 years, 74% of that occurring over the past decade.

prolificlondon.co.uk, 26 February 2020 (Peachey)

Social media

Influencer fraud

Influencer marketing was worth around £6 billion last year and is expected to reach £12 billion by 2022 largely thanks to the rise of Instagram which hosts most of the world's influencers. An influencer's value to a brand is usually based on their ability to attract followers and the number of likes; but some influencers exaggerate the size of their audience and use fake followers which means that brands are paying for audiences that don't exist. There is a rising industry for fake followers and likes which are estimated to be in their hundreds of thousands. Yet Facebook, which owns Instagram, is failing to take action probably because influencers attract people and the longer they remain on the platform, the more ads can be shown...

cityam.com, 24 February 2020 (Dunn)

Television

BAME audiences better represented in the US?

Sir Lenny Henry has for years been calling for the British TV industry to improve diversity, claiming that diverse audiences are shifting to Netflix and streaming services where they feel better represented. WPP research, commissioned by Kantar, analysed Twitter activity in the UK and US to reveal that "entertainment preferences amongst the black community differ from the general population in both markets". A key finding is that there is "more mainstream consumption" of TV by US black audiences and "more niche consumption" by UK black audiences. This suggests that the US offers a better selection across TV and film than in the UK. This article looks at how UK TV compares with the US for BAME representation.

Campaign, February 2020, pp16-19 (Spanier)

Video

Leisure TV in decline among young

Gardening, cooking, DIY and other such shows have long been prime-time TV viewing. But now younger people are abandoning so-called "leisure impact" shows (youth audience numbers have fallen by 46% since 2014) and turning instead to YouTube for tips on home- and self-improvement. Tutorials are in the top five most popular videos watched by teenagers on YouTube. However, "how-to" guides are even more popular among adults who favour them over

humour, sport and news. Celebrity chefs, such as Jamie Oliver, have responded by launching YouTube channels.

The Times, 28 February 2020, p19

Packaging

Digital printing – responding to trends

The competitive landscape for labels and packaging is changing rapidly. Several trends have boosted the demand for digitally printed packaging and labels. Sustainability and product safety are increasingly important, but these are accompanied by economic pressures associated with shorter runs and reduced deadlines. The rise of organic and craft products has changed consumer expectations; Millennials and Gen Z expect the same speed and convenience that they get with Netflix and Amazon; and changing demographics have led to smaller households who want smaller pack sizes. Packaging converters must also innovate to reduce the environmental impact of packaging while at the same time offering new experiences for consumers.

Digital Labels & Packaging, January-February 2020, pp15-16 (Smyth)

Retailing

Tesco launches first cashless outlet...

Tesco has opened its first cashless store which is located in High Holborn, London. The self-service tills accept a variety of electronic payment methods but no notes or coins. The store is aimed at those wanting take-out food and convenience meal options. Till-free stores could become more common in Britain. Amazon launched its first "shop and walk out" Amazon Go store in Seattle in January 2018.

The Guardian, 27 February 2020, p15

...while Amazon expands cashless stores

Amazon is expanding its presence in physical retailing by opening a 10,000 sq ft Amazon Go Grocery store in Seattle, not far from the company's HQ. At five times the size of its usual Amazon Go stores, this will be the first Amazon-branded shop to sell fresh produce. Customers can only enter the store after they have checked in with the Amazon smartphone app. Sensors log the items they have bought, and they are automatically charged before leaving the shop. Walmart and 7-Eleven have also been experimenting with cashless stores.

Financial Times, 26 February 2020, p13

Amazon sales rocket on one-day shipping

Since Amazon launched its one-day delivery service last year, its retail e-commerce sales have been accelerating. eMarketer predicts that Amazon's e-commerce sales will reach \$404 billion by the end of 2020, up from \$292.97 billion in 2018 which was before one-day shipping was introduced. It also

predicts that over half of US households will sign up for a Prime subscription this year.

emarketer.com, 1 March 2020 (Kats)

Services

Services and the AfCFTA

In sub-Saharan Africa trade in services make up almost half of GDP and 10% of trade. Foreign direct investment (FDI) tends to be concentrated on services. Africa is moving rapidly towards trade in services and the African Continental Free Trade Area (AfCFTA) presents an opportunity for greater intra-African trade. Businesses that stand to benefit most from these trade gains are the ones that are responsive to regulation; are low skill-intensive; and have stable income. Fintech is a growing industry in Africa with its opportunity to target the 60% of the population that are "un-banked".

International Trade Forum, Issue 3-4 2019, pp19-22

Celebrity shout-outs

Cameo, A US website, features 25,000 celebrities, who, for a fee, will pose in front of their phones and send you a message. The US market has taken off and now Cameo has its eye on the UK. Top of their wishlist are stars such as Daniel Craig, Lennox Lewis and John Cleese. Website users simply choose a celebrity from Cameo's "marketplace" before filling out a form stating what they want the star to say. Celebrities set a price, at an average of \$50. Caitlyn Jenner is the most expensive, at \$2,500 for a 30-second clip while Dick van Dyke, at \$500 a pop, has stopped taking orders due to high demand.

The Guardian, 29 February 2020, p3

Transport and travel

Australia – not Holden on to car making

The Holden FX, the first car to be built entirely in Australia, was produced in 1948. General Motors bought the factory back in 1931 but kept the brand and its slogan, "People Trust Holden". Last year Holden sold just 43,000 vehicles, a third the amount of a decade ago. GM has announced that it is to axe the brand as Australians increasingly turn to smaller runabouts or SUVs. The country has no remaining carmakers (Holden closed its last factory in 2017 as did Ford and Toyota). KPMG calculated that in 2012 Australia was the second most expensive place to make car components after Japan.

The Economist, 22 February 2020, p46

ANZ may have sleep pods for economy class

Air New Zealand may introduce flat beds for economy passengers on some of its flights. It has filed a patent and trademark application for the "Economy Skynest" which contains six sleep pods. Apart from pillow, sheets, blankets and a curtain, the pods may include a USB port and reading light.

Mike Tod, head of marketing, says the pods will target long haul flights, such as the Auckland-New York service which launches next year and will take 17 hours and 40 minutes.

The Guardian, 27 February 2020, p3

Airlines badly affected...

Airlines have been particularly hard hit as the coronavirus spreads across Europe. Multinationals, such as BP, BMW and Estée Lauder have suspended all travel to countries with the virus while big conferences and events are being cancelled. The Swiss Government has banned all events with more than 1,000 attendees, including the Geneva Motor Show and Basel watch fair. Shares in videoconferencing company Zoom have risen by 45% over the past month. Although British Airways owner IAG will probably come through the crisis relatively unscathed, chief executive Willie Walsh believes some of its smaller competitors may not survive. The article looks at the main routes of six European airlines and how they could be affected.

FT Weekend, 29 February-1 March 2020, p17

...as BA and Ryanair cancel flights...

BA has said it will cancel over 200 flights to countries such as Italy, Germany and the US while Ryanair is cutting flights to Italy by 25%. Lufthansa and easyJet have already taken similar action. The International Air Transport Association (Iata) said that there had been "serious declines in demand" with one airline reporting that bookings for Italy had dropped to zero. Iata is calling on regulators to suspend rules which say that carriers lose their airport slots if they don't use them for 80% of the time. Cancellations would mean airlines flying empty planes to maintain their allocations.

Financial Times, 3 March 2020, p13

...and curbs placed on business travel

The coronavirus virus is taking its toll on all sorts of business activities. Now Nestlé, and L'Oréal are among big consumer groups that have told employees to avoid travelling for business purposes. Nestlé has stopped all international travel until 15 March while L'Oréal has suspended its business travel until the end of March. Grains processor Cargill, America's largest company, has banned all non-essential travel for a fortnight.

The Times, 28 February 2020, p39

Written by CIM's Knowledge Services Team

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Cutting Edge: Our weekly analysis of marketing news

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Contents

To fast forward click on the following links:

[Agriculture, fishing and forestry](#)

[Building industry](#)

[Businesses and strategy](#)

[Charities and NGOs](#)

[Durable goods](#)

[Economy](#)

[Education](#)

[Environment](#)

[Fashion](#)

[Financial services](#)

[FMCG](#)

[Beverages](#)

[Cosmetics and toiletries](#)

[Food](#)

[Household](#)

[Health and pharmaceuticals](#)

[IT and telecoms](#)

[Leisure and tourism](#)

[Marketing trends and issues](#)

[Advertising](#)

[Agencies](#)

[Brands and branding](#)

[Conferences and events](#)

[Consumer behaviour](#)

[Direct marketing](#)

[Law](#)

[Marketing](#)

[Market research](#)

[Public relations](#)

[Sponsorship](#)

[Materials and mining](#)

[Media](#)

[Film](#)

[Music](#)

[Newspapers](#)

[Social media](#)

[Television](#)

[Video](#)

[Packaging](#)

[Retailing](#)

[Services](#)

[Transport and travel](#)