

Cutting Edge: Our weekly analysis of marketing news

25 September 2019

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

Quick [links](#) to sections

Marketing trends and issues

Advertising

Material objects and advertising

Adverts are not simply messages but are presented to audiences via screens, street furniture, paper and speakers. These objects influence advertisers and consumers in different ways. The challenge for marketers is to use these material objects for advertising without turning the object itself into an ad. This article proposes a sociological theory of objects in advertising. It analyses a single marketing medium to show that marketing objects can exist simultaneously as physical artefacts, political decisions, legal entities and economic values. It investigates how a public space (a telephone kiosk) on a UK city street can be turned into an advertising object. Using John Law's concept of fractional objects, it proposes an analytic framework for new objects.

Marketing Theory, Vol 19(4) December 2019, pp405-423 (Cluley and Nixon)

Humour across borders

Humour has been long used in advertising, but it is uncertain whether its travels across cultures. Two studies examined the impact of country and individual-level cultural differences on the use and effectiveness of humorous advertising in the US and China. The first study examined current practice and replicated previous research showing that certain humour mechanisms are universal across cultures. The second study examined the effect of aggressive humour (put-downs or insults) on the audience. It found (somewhat surprisingly) that the Chinese show higher perceived humour in the case of aggressive themes than does a US audience. At the individual level, aggressive humour varies in

effectiveness, probably due to cultural values. However, both studies show that what advertisers practice is not always in line with audience expectations. Implications for how humour can transfer successfully across cultures are discussed.

International Journal of Advertising, Vol 38(7) October 2019, pp957-978 (Gregory et al)

Agencies

Ex-Unilever CMO joins WPP

WPP has recruited Keith Weed, Unilever's former head of marketing, as a non-executive director. Weed, who oversaw campaigns for brands such as Dove, Lipton and Knorr, retired from Unilever in May after 35 years. WPP used to rely on large consumer goods companies, such as Unilever, for its basic revenue but, increasingly, big brands including Unilever have reduced their marketing budgets.

Financial Times, 20 September 2019, p16

Brands and branding

Trust an essential element of branding

Edelman's 2019 Trust Barometer Special Report found that brands that earned consumer trust benefitted from increased purchases, customer advocacy and loyalty. Of the 16,000 people surveyed across eight countries, 81% said that trust in a brand was a "deal breaker or deciding factor" in making purchase decisions. The respondents who said they trusted brands were 28 points more likely to pay attention to its advertising, although 74% said they used ad-avoidance tactics such as ad blocking. Meanwhile 53% thought that every brand should be involved in at least one societal issue. Nearly half of respondents said they were likely to trust a socially-responsible brand more than government to solve the country's problems.

ama.org, 17 September 2019 (Heisler)



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

How brands are responding to digital

Digital disruption is forcing brands to rethink their approach. Some established brands have made commitments to causes while others are partnering with start-ups or launching sub-brands. The lifestyle sector has much to lose if it doesn't embrace this new thinking. This article looks at how US lifestyle brands are changing to fit the digital landscape. It features Foot Locker, Reebok, Adidas, Columbia Sportswear, Rent the Runway and 42 Birds.

Campaign, September 2019, pp70-72 (McAteer)

Nostalgia and "newstalgia" marketing

Hendrick's gin has a bottle and label that could have come from a Victorian apothecary, reinforced by the "Est. 1886" message on the bottle. In fact, it was not the brand but the maker, William Grant & Sons, that was founded in the 19th century. Hendrick's is an example of nostalgia marketing, where a brand uses its history to appeal to consumers. If a brand has no history, it might instead turn to "newstalgia" by using bits of history to inspire feelings for a new product. There are two reasons for this: one is to inspire a sense of "enchantment" in consumers and the second is to create a feeling of authenticity in goods that have been "mechanically reproduced". Hendrick's has done this well, making it hard for consumers to doubt its story...

1843 (The Economist), October-November 2019, p44 (Vanderbilt)

Children

Gen Alpha buy what influencers wear

A new report on Generation Alpha from Wunderman Thompson Commerce finds that 55% of children (aged six to 16) would purchase a product if their favourite influencer on YouTube or Instagram was wearing it. However, the survey also reveals that kids' peers are their most important buying influence: 28% said that friends were their top influencers for buying decisions while only 25% said the same of social influencers. Videos were the most effective format on Instagram, with 24% saying they wanted to buy from videos vs 19% who would buy through other posts. The report suggests how influencers might change as Gen Alpha increases its purchasing power and starts to have an impact on marketing strategies.

marketingdive.com, 18 September 2019 (Christie)

Conferences and events

The natural environment – attendee wellbeing

International Convention Centre Wales (ICC Wales) marked the beginning of the recent Event Wellbeing Week (16 to 20 September) by sharing tips on how event professionals can use the natural environment to enhance attendees' wellbeing. The tips were taken from its report entitled, *The Great Outdoors: How The Natural World Can Enhance A Business*

Events Experience, which was published back in June.

<https://www.iccwales.com/news/2019/06/25/iccwales-introduces-wellness-report-the-great-outdoors/>;
eventindustrynews.com, 18 September 2019

Consumer behaviour

Play theory

Play is a type of behaviour associated with children, but less attention has been paid to the role of adult play. Here the authors examine play theory by looking at how consumers respond to "macrostructural" influences. They develop an analytical framework derived from play theory to interpret the context of marketplace culture. They also discuss how consumer culture theory (CCT) has helped the marketer to "gain control" of the "playground" and suggest that CCT adopts a more critical attitude to the commercialisation of play.

Marketing Theory, Vol 19(4) December 2019, pp509-531 (O'Sullivan and Shankar)

Customer relations

Net promoter – more about PR?

Businesses are constantly demanding feedback from customers, but this can be self-defeating. The idea has its roots back in 2003 when Bain consultant Frederick Reichheld introduced the "Net Promoter Score". Many companies use NPS as a management tool and as a way of benchmarking competitors. UK regulators require banks to publish their scores. But NPS is a less forgiving measure than customer satisfaction and some academics think it is overrated. Sometimes it appears to be more about PR than anything else because companies only ever use it to their advantage.

Financial Times, 23 September 2019, p24

Direct marketing

Email still important but needs fine-tuning

Adobe's 2019 *E-mail Usage Study* finds that email is still a major channel for reaching the consumer but that use of email has been falling: 256 mins a day was spent checking work email and 209 mins a day personal email in 2016, compared with 209 mins and 143 mins a day respectively now. Email usage has also narrowed which means that brands need to be more precise about how they target the consumer. Only around a quarter of emails are sufficiently interesting to be opened. This is due to a lack of personalisation and alignment between the interest of the recipient and the offer. Bruce Swann, Adobe group product marketing manager, says that marketers need to understand the right time to send an offer and when it will be opened. They also need to combine analytics and testing to find out why their messages are not resonating.

dmnews.com, 18 September 2019 (Terdoslavich)

The future of the contact centre

The DMA has published a white paper entitled *Future of the Contact Centre*, based on a roundtable discussion held earlier in the year. The contact centre is regarded as central to long-term customer engagement. It can engender loyalty, increase customer retention and provide a valuable sales tool. The paper includes insights from leading experts on topics such as: the omnichannel world; the evolving customer journey; automation and the contact centre environment; the rise of “me” economy; and creating a new and improved customer experience.

<https://dma.org.uk/article/the-future-of-the-contact-centre>; dma.org.uk, 19 September 2019

Law

Copyright success – lessons for other brands

Charlotte Tilbury, which sells high-end makeup, has won a copyright case against Aldi. Aldi had been selling makeup for just £6.99 which Charlotte Tilbury (Islestarr Holdings Ltd) claimed infringed the copyright on its makeup which retails at £49. The judge likened the “Powder Design” (which disappears once the product is used) to the creation of sand sculptures or a bespoke wedding cake, both of which can be protected by copyright. Aldi’s argument that the designs were generic, art-deco patterns, also failed to impress the judge. The case is a positive development for brands that suffer from cheap, lookalike versions of their products. The key to success is to identify the strongest IP right that a brand has: in this case it was copyright. Brand owners are advised to retain evidence of the design process to prove originality.

lexology.com, 18 September 2019 (Dickerson)

Design and trade mark law – no-deal scenario

The UK Government has issued updated guidance for businesses entitled: *Changes to registered design, design right and international design and trade mark law if the UK leave the EU without a deal*. It explains how UK design and international design and trade mark law currently work and how it will change if there is no Brexit withdrawal agreement. The extensive guidance covers the impact on UK rights holders, businesses and other organisations.

gov.uk, 19 September 2019

Marketing

Heavy DTC consumers are key

An IAB survey of direct-to-consumer (DTC) reveals that 97% of consumers are aware of at least one of the top 50 DTC brands. It also finds that DTC influencers tend to be family and friends, with 74% of “heavy” DTC consumers claiming that people come to them for advice, compared with 29% of online shoppers generally. Gaining brand love is essential since 80% of heavy DTC shoppers say they

will tell everyone about a brand they love, compared with 52% of the population generally.

marketingweek.com, 20 September 2019

B2B pricing: a more holistic approach

It is a mistake to reduce the price paid by the customer for a B2B offering instead of improving the core product or service on offer. A better way to price B2B offerings is to include the whole customer experience. A survey of B2B customers suggested that customers see price as a small part (9%) of the total value proposition, compared with ongoing service and support (34%), product or service quality (17%) and communication (15%). When asked about price, savvy salespeople will start by setting out the total value provided by their offering before discussing the price. The survey found that getting a fair price is three times more important to respondents than getting the lowest price. The advice is for suppliers to manage pricing holistically for B2B customers.

Marketing News, Vol 53(8) September 2019, pp32-34 (Mittal)

Market research

Art and technology

Market research is evolving rapidly as reflected in changing job titles, such as “data scientist” which embodies the “skill of unlocking sources of data” rather than just generating it. The author argues that we should be defending the “art” of insight development. To leave behind the dated image of research, insight professionals are adopting new techniques and technologies which offer innovative ways of engaging stakeholders with data. The author looks at how data can be communicated in a more accessible and meaningful way by blending artistic and technical skills. (Promoted content)

research-live.com, 18 September 2019 (Twigge)

Public relations

Start-ups in Africa but where’s the PR?

Africa is seeing a boom in start-ups, with research suggesting that up to 67% of Millennials aim to start a business rather than simply join an organisation. Innovation hubs are appearing in major cities like Nairobi, Cape Town and Lagos. However, start-ups often fail to recognise the role of public relations until they really need it. Yet, like established companies, start-ups need to influence their prospective customers and other stakeholders. With a limited budget, they need to find the most effective way of communicating. Although it is challenging for a new business to get a media placement, starting from scratch can provide a unique opportunity to create a brand’s reputation. Here are some general considerations for start-ups to use the power of PR.

Marketing Africa, Issue 21 2019, pp22-25 (Mbonge)

Sponsorship

YouGov sponsors MRSpride

YouGov is to become the principle sponsor of MRSpride during 2020. This follows the launch event for MRSpride, which brings together LGBTQ+ skills and talent from across the research sector. Jane Frost, CEO of MRS, explains the alignment between MRSpride and YouGov, which is committed “to making a sector that provides insight and evidence representative of the world it serves”.

mrs.org.uk, 18 September 2019

Agriculture, fishing and forestry

China's pork problem

China consumes 55m tonnes of pork a year (as much as the total for the rest of the world) but African swine fever, which has wiped out at least a third of the pig population, has led to a 23% hike in prices between July and August. Meanwhile farmers have been unable to breed more pigs because of the shortage of breeding sows. The word “meat” is almost synonymous with pork in China, but over the past decade the popularity of pork has diminished while beef and fish are growing in popularity. People are adjusting to the pork shortage in other ways and it is hoped that China will emerge with bigger, better-managed pig farms.

The Economist, 14 September 2019, pp74-75

Fuelling bees for more work

Beekeepers help pollinate around 70% of the world's crops. BeeFlow, an Argentine start-up, claims to have more than doubled the pollen-carrying capacity of its bees by feeding them customised nutrients. These help to increase the bees' attraction to the particular flower that the farmer wants pollinated and enables the bees to perform up to seven times as many flights. A pilot scheme on a blueberry farm in Oregon led to a 25% increase in yields and 22% larger berries.

Bloomberg Businessweek, 23 September 2019, pp24-25

Building industry

Report calls for cut in CO₂ emissions

Bringing Embodied Carbon Upfront, a new report from the World Green Building Council, calls for action to eliminate construction's carbon emissions. It aims for buildings and infrastructure to have 40% less embodied carbon emissions by 2030 and 100% net-zero emissions buildings by 2050. The report is supported by case studies of existing best practice across the industry.

<https://www.worldgbc.org/news-media/WorldGBC-embodied-carbon-report-published>;

theconstructionindex.co.uk, 24 September 2019

Businesses and strategy

Big data and internationalisation

Today's businesses are under huge pressure to gain a foothold in foreign markets which means that they must have a good understanding of those markets. Big data as a source of knowledge enables organisations to convert business information into competitive advantages in the global market. The role of big data in internationalisation is still an emerging field, especially for small- and medium-sized enterprises (SMEs). This paper provides a literature review of recent studies to examine the current state and future research direction of big data adaptation in the internationalisation process. It reveals that the adoption of big data in international marketing is still in its early stages of maturity.

Journal of Marketing Analytics, Vol 7(3) September 2019, pp182-195 (Dam et al)

Innovation vs imitation

Theodore Levitt defined innovation as newness that has never been done before, or newness that has been done before but is new to the industry or company in question. So, does this constitute imitation or innovation? Innovators tend to be first movers or pioneers who have original ideas while imitators are followers who copy their competitor's innovation. Many companies use imitation as a means of lowering the costs and risks associated with innovation. It is often regarded as an agent of change and as a process that runs alongside innovation. According to the *Harvard Business Review*, 98% of the value of innovators goes to imitators and the rate of imitation is accelerating. But to be successful, companies must look for ideas worth copying, not just within their own industry but beyond.

Marketing Africa, Issue 21 2019, pp16-17 (Wasike)

Going on appearances

Messengers: Who We Listen To, Who We Don't and Why, a book by psychologists Stephen Martin and Joseph Marks, tells how people respond to visual status signals. It confirms that people's assessments of others are subjective and easily influenced by appearances. Study participants who were shown pictures of male employees with similar clothes but masked faces, perceived the taller men more positively in terms of team leadership skills. Another study showed how square-jawed men negotiated better bonuses than those with other shaped faces. Since people can so easily be led astray by appearances, perhaps AI could be helpful in making hiring and promoting decisions. After all, a computer can't spot an attractive face!

The Economist, 14 September 2019, p64

Older entrepreneurs on the rise

The number of people starting a business during traditional retirement years is on the rise: the 55- to 64-year-old age group made up 26% of all new entrepreneurs in 2017, up from 15% in 1996. One way of creating a successful start-up is to partner with the younger generation, something referred to as “intergenerational potluck” by Chip Conley, author of the book: *Wisdom@ Work: The Making of a Modern Elder*. While older partners contribute experience, connections, customers or capital, younger partners are usually digital natives with ambition. The two need each other!

Bloomberg Businessweek, 23 September 2019, p41

Charities and NGOs

Start-ups tackle falling donations

Three years ago, the Good Innovation consultancy looked at ways of raising money for small charities after realising that donation levels were falling across the sector and consumer habits were changing. The project, named Good Lab, was based on the idea that radical innovation can't be achieved by just one organisation, so it brought together 12 large UK charities, including British Red Cross, the NSPCC and Oxfam. The project shifted from creating ideas for new income streams to prototyping them. Now it has three spin-off ventures and a jointly-owned fundraising agency. This article explores the lessons for other charities and includes a case study of OneHand, a Good Lab start-up.

Third Sector, September-October 2019, pp30-31 (Cooney)

Heritage in the digital era

Heritage organisations, including museums, historic sites and conservation charities, recently took part in the online launch of National Trust's Heritage Open Days; some 40,000 volunteers across 5,000 events used social media and the internet to celebrate cultural heritage under the hashtag #HODs. Initiatives like this show the value that heritage organisations can gain from social media. This can range from 3D modelling of archaeological sites to large scale digitisation projects. This article comments on the contributions made by the DCMS, Arts Council and National Lottery towards digital skills. It concludes that being better equipped with digital can help heritage organisations to “respond to changes, stay relevant and remain sustainable over the long term”.

charitydigitalnews.co.uk, 17 September 2019 (Green)

Durable consumer goods

Games and puzzles – sector expansion

The games and puzzles market used to be regarded as seasonal, with sales typically ramping up in the lead-up to Christmas, but now sales are more consistent all year round. According to Nick

Richardson, insights director at Kids Insight, the sector is set to expand further. Innovation over the next 12 months will embrace the use of AR and voice technology which will create increasingly immersive experiences. This article looks at the trends taking place in board games and how manufacturers are responding. The top ten board games for the first half of 2019 are ranked, with the top three being: Dobble (Asmodee), Monopoly Classic (Hasbro) and Uno Original (Mattel).

TnP, Vol 38(11) September 2019, pp30-34

Economy

Can China maintain momentum?

Last year *Fortune* magazine's Global 500 included 111 companies headquartered in China (up from just three in 1995). China is catching up with the US which had 126 companies in the ranking. But will this growth continue? In the 1990s Japan came close to outnumbering the US on the list but since then, an ageing workforce and declining productivity has knocked Japan back, illustrating what can happen when domestic growth slows. To maintain their position in the global rankings, Chinese companies will need to develop a global mindset which reflects the thinking of small countries like Switzerland.

Harvard Business Review, Vol 97(5) September-October 2019, pp94-103 (Back and Morrison)

Declining export sales in face of uncertainty

Slowing global trade, currency fluctuations and uncertainty over Brexit is having a negative impact on UK export sales, according to the *Quarterly International Trade Outlook* from the British Chambers of Commerce and DHL. In Q2 2019 the balance of manufacturers reporting export sales was +14, down from +24 in Q2 2018; while the services sector reported +8, down from +17. The balance reporting increased manufacturing export orders fell to +9 from +21 year-on-year, while services fell from +14 to +5. Firms that trade with the EU will require an EORI (Economic Operator Registration and Identification) number if there is a no-deal Brexit, yet many firms have not yet registered. The BCC wants the Government to automatically register all VAT-registered firms.

London Business Matters, Issue 158 September 2019, p16

Low inflation, wages up, spending power

The Consumer Price Inflation Index slowed to 1.7 in August, its weakest since December 2016. Low inflation has helped to strengthen consumer spending power while wages rose by 4% in the 12 months to July. This has been accompanied by a 0.9% year-on-year fall in the price of clothes and a 0.5% fall in the price of games, toys and hobbies between July and August. By contrast, food inflation has reached its highest level this year (1.5%), and

air fares have risen by more than 10%. Average UK house prices rose by just 0.7% in the year to July, their weakest growth since September 2012, although there are huge regional differences.

The Daily Telegraph (Business), 19 September 2019, p3

Globalisation and the rise of Asian networks

By 2040 Asia could account for over half of global GDP and around 40% of consumption. Despite being a diverse region, networks are developing within the continent and shifts in globalisation are occurring faster in Asia than anywhere else, which suggests it could shape the progress of globalisation in the future. This discussion paper, *The future of Asia: Asian flows and networks are defining the next phase of globalization*, looks at Asia's rise across eight dimensions and highlights the development of three new Asian networks: industrialisation; innovation; and culture and mobility. It also looks at the rise of cities that form a key part of these networks.

mckinsey.com, September 2019

Education

Good university guide

The Times' and *The Sunday Times' Good University Guide 2020* ranks 131 UK universities according to the total mark each receives across nine indicators. As usual, Cambridge and Oxford lead the pack, followed by St Andrews, which is named UK University of the Year for the second time. Interestingly, when the universities are considered in terms of social inclusion, the usual frontrunners are well down the ranking, with Oxford at 113 and Cambridge at 115. Other topics covered in *The Sunday Times* supplement are: the drugs epidemic on UK campuses and the prospect of attaining cheaper degree by going to an overseas university, such as Maastricht.

The Sunday Times (Good University Guide 2020), 22 September 2019, pp1-94; The Times (Good University Guide 2020), 23 September 2019, pp1-8

Energy and utilities

Smart meter rollout – suppliers warned

The UK Government is determined to meet its target of installing 30m smart meters by the end of next year. The rollout has already been delayed but this time the Government has warned suppliers of hefty fines should they not meet the target. The smart devices, which were the idea of Ed Miliband back in 2008, were supposed to help consumers reduce energy usage by telling them how much they had used. Smart Energy GB, the body tasked with promoting the rollout, claims that nearly a third of people already have a smart meter.

The Daily Telegraph (Business), 18 September 2019, p4

Thames Water – rise in complaints

Thames Water, Britain's biggest water supplier, has experienced a 24% rise in written complaints and a 10% rise in phone complaints over a year. The Consumer Council for Water (CCWater) said it was especially concerned about the level of repeat complaints. Thames Water said it had experienced a "perfect storm" of factors that had left it overwhelmed. As well as Thames Water, CCWater is demanding improvements from Northumbrian Water and Hafren Dyfrdwy.

<https://www.ccwater.org.uk/blog/2019/09/18/four-companies-in-hot-water-over-spike-in-complaints-about-bills-and-service/>; **The Times, 18 September 2019, p16**

Environment

Morrisons' new labels and in-store recycling

Morrisons has launched a new labelling system in which products will carry a front-of-pack recycling icon making it easier for consumers to understand what can be recycled. The scheme will enable customers to bring recyclable plastic packaging, such as polythene and film, back to stores to be recycled. These products will carry a "Recycle Me In Store" logo, while a "Please Recycle Me" icon will indicate packaging that can be recycled at home, such as plastic drinks bottles. The scheme initially extends to 400 lines covering 500m items sold each year. The move follows research in which two thirds of customers said they were not sure whether they could recycle some plastics.

The Grocer, 21 September 2019, p5

Fashion

Fashionable protests

Brands often make political statements through their clothing. In the 19th century, the suffrage movement used dresses to popularise the cause (white for purity, purple for dignity and green for hope), but it wasn't until the 20th century that brands became involved. In 1992, Donna Karan's "In women we trust" campaign showed a woman becoming US president. Many brands launch so-called "activism for a season" campaigns which run for just one season. Some brands don't even pretend to support a cause but take on the appearance of a protest as a creative concept, such as the 2018 "Gucci in the streets campaign", which recalled the 1968 French student riots. But some brands have activism ingrained in them, such as Vivienne Westwood and Benetton. Nike has recently made a strong political statement with its "Believe in something. Even if it means sacrificing everything" campaign. Fashion is associated with aspiration, desire and emotion that can take on a meaning or message, making it a suitable platform for protest.

Campaign, September 2019, pp64-67 (Parker)

High heels coming down to earth

High heels were originally designed for men but from the mid-17th century onwards they became associated with women's wear. After the Second World War, the techniques used in aircraft engineering led to the creation of the stiletto heel. Shoemakers have long searched for a heel that is at the same time high and comfortable. Sandra Gault has created an app which will form 3D images of the feet, allowing perfectly fitting shoes to be created. An increasing number of companies make shoes with adjustable heels. However, many women are eschewing heels altogether: in 2016 more British women bought trainers than heels for the first time.

1843 (The Economist), October-November 2019, p54 (Delap)

Financial services

Credit cards overtake cash

Cash was the third-most popular form of payment last year, with credit card payments overtaking cash for the first time, according to the British Retail Consortium. Just £1 out of every £5 spent in shops or online was done in cash while debit cards accounted for over half of all transactions by value. Credit cards were used for 12.8% of transactions, worth £82 billion. UK Finance estimates that fewer than one in ten transactions will be performed using cash within ten years.

The Times, 19 September 2019, p15

Digital fraud, new authentication rules

In Europe digital fraud is on the rise, with "card-not-present" scams accounted for 73% of all fraud in the eurozone in 2016. A key problem is the centralised storage of customer identity and card data in online databases which hackers can take advantage of. This month new strong customer authentication (SCA) rules take effect in the EU. They add a second identity check (two-factor authentication) to reinforce online shopping security. However, there are concerns about their effect on online commerce. Some consumers have been abandoning their shopping carts because the new checkout processes are too complex. However, those handling payments can choose their own verification mechanism, so it needn't impact sales as long as the process is seamless. Either way, there should be big opportunities for mobile-based authenticators. Some challenger banks may also be well positioned to gain market share.

The Times (Raconteur: Future of Payments), 19 September 2019, p10

A third of bank branches closed in five years

A third of the UK's bank branches have closed over the past five years, according to a Which? report. Numbers have fallen from 9,803 to 6,549. The South Yorkshire constituency of Wentworth and Dearne has lost its last branch leaving 98,000 people

without physical banking services. The "Big Four" banks have been responsible for 79% of the closures. RBS Group has closed 56% of its branch network.

The Daily Telegraph, 24 September 2019, p2

FMCG

Beverages

Japanese whisky not all as it seems

Japanese whisky has become one of the most desirable beverages in the world, with much of the demand coming from Europe and the US. Yet Japanese whisky does not have to be made in Japan in the same way that Bourbon must come from the US and Scotch from Scotland. Because of the value of Japanese whisky, opportunists are acquiring the spirit from elsewhere (mostly Scotland and Canada) and bottling it in Japan. Kurayoshi Distillery sells an 18-year-old pure malt even though it only opened in 2017. Even the largest producers, Suntory and Nikka, which control 80% of the market, are finding it hard to keep up with demand and are resorting to blends.

Bloomberg Businessweek, 23 September 2019, p67

Good harvest boosts wine production

English wine is expecting an "exceptional" year, according to Chapel Down, the largest maker of English wine, although perhaps not as good as 2018 when the harvest produced the equivalent of 15.6m bottles. Sales and consumer interest in English wine is growing and suppliers are increasing their production capacity. Ridgeview expects to double its production to 500,000 bottles by 2023. Its new winery features a cellar that can store 1.3m bottles.

The Grocer, 21 September 2019, p40

Cosmetics and toiletries

First 100% natural skincare

Skin Academy, the "affordable" beauty brand, has unveiled its first premium product which it claims is the first mass-market sustainable, 100% natural skincare range in the UK. The Skin Academy Zero range is made from only natural, plant-based products such as coconut oil and shea butter. The problem for beauty products is finding a preservative that is natural, but Skin Academy is using preservatives made from basil, star anise, sugarcane and rapeseed. The packaging is recycled.

The Grocer, 21 September 2019, p39

Food

Post-Brexit dairy markets

Demand for fresh and processed dairy products is expected to grow by 2.1% and 1.7% a year respectively over the next decade. This growth is being seen in Africa, Asia and the Middle East where, in some areas, demand exceeds production.

This is due to large populations and the rising number of consumers entering the middle classes, according to John Giles, CIM's food, drink and agriculture group president. After Brexit, the UK will be able to form trade deals with emerging markets and established markets such as the US and Canada, presenting new opportunities for dairy exporters. On the other hand, a no-deal Brexit could mean that Britain loses preferential access to countries where there is an existing trade deal with the EU. This article explores the situation in five markets.

The Grocer (The Dairymen), 14 September 2019, pp24-27

Create your own bagel

If you think that cream cheese should only be served on a bagel, then you could turn to "Bagel That", an invention from agency Gut for Philadelphia Cream Cheese. Megan Magnuson, associate director of marketing for Philadelphia, explains how it "created a device to transform other food into bagels" by punching a hole in the food. While it is a good stunt, it turns out that Philadelphia has actually created the device which is selling on Amazon for \$9.99 (but currently listed as "unavailable").

adweek.com, 18 September 2019

Germany bemoans peanut butter shortage

German supermarkets are suffering from a peanut butter shortage which has been blamed on the EU tariffs set up in response to President Trump's levies on steel and aluminium. Shoppers have been searching the shops and online for supplies. In June last year Germany imported 1,078 tonnes of American peanut butter but this year the number was down to just eight tonnes. Last year the EU imposed duties on a range of American goods including bourbon, orange juice, ketchup and peanut butter. However, all this does not explain why Germany has been so badly affected...

The Times, 24 September 2019, p33

Tobacco

Ecigarette producers can't bank on Asia

Asia has been a key growth market for vaping but now some countries are banning ecigarettes. Both China and India with their many tobacco smokers (300m and 266m respectively) could have been lucrative markets for ecigarette producers but now India's Government has announced a ban aimed at tackling the rise of vaping among young people. Meanwhile China, the largest producer and consumer of tobacco, has banned Juul's vaping products. The US Centers for Disease Control and Prevention has already recommended that consumers should avoid using ecigarettes following a rise of illnesses among users.

Financial Times, 20 September 2019, p18

Government and public sector

Short term letting ads banned

Transport for London (TfL) has banned ads for short-term lettings because they might encourage landlords to get rid of long-term tenants in favour of more lucrative short-term lets. In future any ad referring to "unlimited holiday lettings" or suggesting that landlords could make money from non-standard lettings, will not be allowed. Sadiq Khan, London Mayor, says he is doing "everything in my power" to improve housing affordability in the Capital.

marketingweek.com, 19 September 2019

Health and pharmaceuticals

Tech solutions to helping those with dementia

£100 billion could be saved in the UK over the next 15 years with better dementia diagnosis and the use of technology, according to the International Longevity Centre. The UK is encouraging innovation in the field and the Healthy Ageing Programme has opened its first phase of competitions to stimulate new ideas. Unforgettable, a start-up, makes products aimed at helping people with dementia to live independently. The Alzheimer's Society has joined forces with McCann Worldgroup to launch MyCarer software for the Alexa personal assistant which adapts to a person's daily routine. Meanwhile, AI and neuroscience are being used to boost support for those with dementia and their families.

Financial Times (Special Report: Business & Dementia), 18 September 2019, p3

Drug shortages – a problem of generics

There is a worldwide shortage of drugs and the situation is worsening due to manufacturing problems. Over the past three years the number of medicines in short supply in the US has risen by a half while shortages in France have risen 20-fold from 2008 to 2018. The worst affected areas are generic drugs which account for 90% of prescriptions in America and 70% in Europe. They suffer from intense price competition which drives down prices, reduces profits and leaves fewer manufacturers in the market. This in turn leads to higher prices and new competitors, which starts the cycle all over again. To address the problem, a group of American hospitals aims to secure a supply of essential drugs through five- or ten-year contracts. Innovations in drug manufacturing, such as Novartis' continuous-manufacturing drug facilities, may also improve the situation.

The Economist, 14 September 2019, pp61-62

Sugar consumption up despite tax success

A report from Public Health England (PHE) has revealed a 29% fall in the sugar content of soft

drinks that are covered by the sugar tax. This compares to just a 3% fall in the amount of sugar in food and drink not covered by the tax. Although the sugar content has fallen in products such as yoghurts and breakfast cereals, many manufacturers are ignoring the Government's voluntary "challenge" of reducing sugar in products by 20% over five years. PHE found that many common food treats had only seen very small reductions in sugar content. Overall consumption of sugar rose by 2.6% between 2015 and 2018, according to PHE.

marketingweek.com, 20 September 2019; The Guardian, 21 September 2019, p11

Leisure and tourism

Big sport and destination country image

This study investigated the change in the host country image before and after big sporting events. Focusing on the 2015 International Association of Athletics Federations Championships and the 2014 Winter Olympic Games, it used information from 572 US research participants. The results of structural equation modelling tests found a positive change in both safety and urban image perceptions before and after both events. It also found that the shift in destination image varies across sporting events. The findings suggest the need for more holistic and integrated event marketing strategies to attract tourists from foreign countries.

Sport Marketing Quarterly, Vol 28(3) September 2019, pp148-162 (Kim et al)

O2 uses Japanese culture amid criticism

The Rugby World Cup in Japan is under way and England sponsor O2 has launched the next part of its #Weartherose campaign with the "Be their armour" spot. It depicts masked warriors on horseback and England-themed Samurai armour. Some viewers have accused the campaign of cultural appropriation while others are just confused. O2 says that England team coach Eddie Jones, who is himself half Japanese, helped to devise the concept. It claims that respect is at the core of everything it does. But will other team sponsors have the same problems?

marketingweek.com, 20 September 2019

The demise of Thomas Cook

Thomas Cook was the oldest tour operator in the world, starting life in 1841 as a provider of one-day excursions. Yet, like other household names including Woolworths, it has ceased trading. The business was vulnerable to competition from internet bookings and a range of other factors including the weather. *The Telegraph* looks at the contributors to Thomas Cook's demise and provides an infographic showing the scope of its business which it refers to as a "Thomas Cook-shaped hole left behind in the European travel industry".

The Daily Telegraph, 24 September 2019, p3

Materials and mining

Helium supply deflated

It is bad news for party balloon specialists as a helium shortage threatens disruption in the lead up to one of the busiest party seasons. Helium is also needed for the operation of some machines, such as MRI scanners, as well as being used in the manufacturer of semiconductors. Supplies have traditionally come from the US, but its reserves are coming to an end. Some companies have spotted an opportunity: Helium One hopes to develop a new resource in Tanzania where there are high concentrations of the gas. The shortage is expected to recede in 2020 as new supplies come to the market from Algeria and Qatar.

The Times, 16 September 2019, p41

Russian diamonds – banking on provenance

Nakyn, a Russian diamond mine, has one of the richest diamond deposits in the world. Alrosa, the mine's owner, focuses on provenance (these are not conflict diamonds) because young buyers are concerned about where the stones come from. In fact, the Gemological Institute of America has added "country of origin" to its "4C" grading system. Alrosa is trying to sell more of its stones directly (instead of through intermediaries) as well as embracing financial and environmental transparency. It rejects the idea of lab-grown diamonds, hoping instead that Russia's diamonds will in time be perceived in the same way as its caviar or vodka!

FT Weekend, 14 September 2019, pp66-67

Media

Games

Mobile gaming

Disney, Unilever, Starbucks, Home Depot and Toyota are investing heavily in mobile games, a channel that many brands are still ignoring. Gaming has become the third-most popular app type and the second most popular among Millennials. One in six users prefer ads that appear in mobile games compared to one in 14 on Instagram, according to an AdColony survey. Other research suggests that mobile gamers, even those who play for short periods, are more receptive to ads than non-gamers. In fact, one in four mobile gamers have purchased advertised products and services. Gaming tends to be dominated by "rewarded video" which means that a benefit is offered in exchange for watching an ad.

digiday.com, 20 September 2019 (O'Connor)

Music

Amazon launches premium streaming service

Amazon has launched a premium HD music streaming service, Amazon Music HD, which claims to bring songs and music to the smartphone using "CD-quality" sound. Amazon had 32m music users by April 2019 (up by 70% year-on-year), although it is still way behind Spotify and Apple.

Financial Times, 18 September 2019, p14

Newspapers

Google collaborates with local news publisher

Google is investing in a joint venture with Norwich-based Archant, a local news publisher. Project Neon, which will set up digital news sites in three regions, intends to "experiment" with various models, such as building direct relationships with local businesses. Between 2005 and 2018, 245 local news outlets closed as the market has become increasingly dominated by Google and Facebook. Matt Kelly, chief content officer at Archant, says that many regional news organisations have become reliant on programmatic advertising rather than having direct relationships with companies.

Financial Times, 20 September 2019, p2

Social media

Implications of removing "likes"

Instagram is trialling an experiment to hide users' "likes" because it wants to "remove the pressure" linked with how many likes a post receives. The likelihood is that users will shift towards some other form of communication, such as comments, which could do greater damage to their mental well-being. Another unintended consequence is that users may be encouraged to share more; which cynics say is just another attempt by platforms to boost usage, maximise data collection and maintain their influence. Brands may also be encouraged to spend marketing budget on sponsored posts and targeted ads rather than influencers. This will boost revenues for social media platforms and adtech but influencers may need to rethink their partnerships with brands. Next year the CMA will publish a report focusing on concerns about the market power of online platforms in the supply of digital advertising.

internationallawoffice.com, 20 September 2019 (Gold)

Television

Will Amazon disrupt the TV ad market?

Attention paid to TV ads is in decline due to second-screening, ad skipping, etc, yet the fundamentals of TV advertising haven't shifted for years. There is still no real substitute for premium TV inventory, which is a limited resource. Yet, while TV is marked by its lack of post-campaign measurement and accountability, digital advertising has become increasingly performance-driven, making it the "most measurable medium". Although Google and

Facebook tend to dominate search and display, Amazon is becoming a strong "No. 3 player" and expects to generate \$11.3 billion in digital ad revenues this year. A key factor in its success is its measurability. By having a large, qualified audience linked to sales performance, it offers an irresistible combination for marketers. Amazon might just become the leading player of the future, leaving behind legacy media, such as TV.

emarketer.com, 18 September 2019 (Lipsman)

Can Netflix continue to depend on content?

The launch of the third series of *Stranger Things* in July should have boosted Netflix's subscriber numbers. Yet, in the second quarter of the year, for the first time since 2011, Netflix lost thousands of subscribers in the US. This article questions whether Netflix's content-driven subscriber model can continue to support the company, given its high levels of debt. Traditionally its strategy has been to outspend its competitors, but it may have "met its match in Apple". Netflix is banking on its global expansion outside the US, but in places like India subscriptions are much lower (as little as \$3 a month) and margins thinner.

Financial Times, 20 September 2019, p11

Channel 4 to customise ads

Channel 4 has reached an agreement with Sky to use its Adsmart ad technology. It enables brands to show different ads to households watching the same programme according to their location, demographic and lifestyle. Sky offers a choice of 900 attributes.

marketingweek.com, 18 September 2019

Packaging

AR brings packaging to life

Brands are always looking for ways to differentiate themselves, one approach being to use augmented reality (AR) experiences through packaging. Printing techniques enable "triggers" to be printed on the packaging which can be scanned by mobile devices to produce an AR experience. Consumers of Bombay Sapphire, the gin brand, could scan the label to reveal an animation. Cadbury's launched an advent calendar with graphics that could be brought to life by scanning the pack. "AR is a powerful tool in the marketing toolkit" says Alan Potts, design and innovations director at DS Smith. AR can increase engagement among Millennials who will go online and talk about their experience, creating buzz around the product while businesses can gain insight into the preferences of individual consumers. AR is also highly measurable in terms of impact.

FlexoTech, Issue 185 September 2019, pp33-34 (Lodej)

Retailing

Retail sales down in August

The volume of retail sales fell by 0.2% in August compared with July, leading to concerns over consumer confidence. However, volume growth in the three months to August rose by 0.6% compared with the three months to July. Online sales are still the biggest driver of sales even though online shopping itself contracted in August.

Financial Times, 20 September 2019, p2

More Italians buy in-store

Italy is falling behind other Western European countries in its share of online retail sales, which is just 4.1%, well behind the average for Western Europe (10.3%). The UK has the highest percentage of retail sales at 22.3%. The disparity between countries is partly down to cultural differences but the biggest reason is internet use: while over 65% of the Italian population is online, in the UK and Nordics it ranges from 84% to 90%.

emarketer.com, 18 September 2019 (Shum)

Body Shop returns to ethical consumption

The Body Shop is going back to its roots with a concept store that returns to the beliefs of its founder, Anita Roddick, the environmentalist and campaigner. The central London store offers a refill station as well as a zone where people can become part of a collective of local campaigners. Most of the materials in the store have been upcycled and there is a packaging return scheme for empty bottles and containers from any brand. If the pilot is successful, the stores will be rolled out across Europe and North America.

The Guardian, 18 September 2019, p41

Services

Sandwich disruption if no-deal

Greencore Group, which makes sandwiches for supermarkets including M&S and the Co-op, says it is stockpiling ingredients and changing recipes and suppliers to protect itself in the event of a no-deal Brexit. Patrick Coveney, chief executive, says that around a quarter of the company's products will have a different recipe if a no-deal Brexit occurs. Some £8 billion is spent on packaged sandwiches every year according to the British Sandwich Association, yet the industry relies on complex, just-in-time supply which is at risk of being disrupted. Pret A Manger says it will not resort to air freight because it does not want to "do anything that would not be true to our brand".

Financial Times, 19 September 2019, p1

Burger King to axe plastic toys

Burger King is to stop giving away plastic toys to help reduce plastic waste. It is also encouraging

people to bring in old plastic toys which it will melt down to make new items. In future, customers will be able to choose between a toy and fruit. This follows a petition by two Hampshire school girls who asked companies to "think about the environment and stop giving plastic toys with their kids meals". McDonald's says it has no plans to abandon its free toys although it will allow a toy to be swapped for a sachet of fruit. Burger King's initiative could save 320 tonnes of plastic a year.

bbc.co.uk/news, 19 September 2019

Transport and travel

The new green white van

Commercial vehicle production has been in decline as demand falls and investment stagnates. Arrival Ltd is bucking the trend by opening a new factory in Oxfordshire to produce electric vehicles. It plans to launch its first prototypes using robotic assembly in December. Commercial vehicles are a good bet for electrification since they often have predictable routes and mileage plus depots for charging. Arrival's "single-cell" factory system, where robots bring and fit all the components in one place, allows it to make fewer vehicles than the traditional assembly lines of volume manufacturers. The aim is to eventually offer same-day delivery from "microfactories" near urban markets.

The Guardian, 17 September 2019, p35

Air taxis and vertiports

There are around 200 urban air mobility (UAM) vehicles (flying taxis or passenger drones as they are sometimes described) at various stages of development around the world. Uber, for example, plans to start transporting air passengers in Dallas, LA and Melbourne by 2023. Obstacles tend to be regulatory rather than technical and regulators are still trying to work out safety issues since the planes are autonomous. Uber, which has been learning about air-taxi services by using helicopters, realises that property and infrastructure will be key elements. UAMs will require "vertiports", landing pads with passenger facilities, but these will require planning permission. The noise factor could also prove a problem for some cities.

The Economist, 14 September 2019, pp78-79

Written by CIM's Knowledge Services Team

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