

Cutting Edge: Our weekly analysis of marketing news

29 October 2019

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

Quick [links](#) to sections

Marketing trends and issues

Advertising

UK adspend revised up

UK adspend will grow by 5% this year to £24.74 billion, according to the latest forecast from the Advertising Association/Warc *Expenditure Report*. The largest segment of the market, search advertising, will grow by 11.6% while the next largest, online display, is predicted to grow by 13.1%. VOD, digital OOH and cinema will grow by 18.7%, 13.4% and 16.4% respectively. The figures have been revised up from the previous forecast in July, but TV is now expected to decline by 0.9%. Adspend for the second quarter of the year rose by 5.8% to £6 billion, the 24th consecutive quarter of growth. The report presents a more optimistic outlook than the recent *IPA Bellwether Report* (see under Marketing).

campaignlive.co.uk, 29 October 2019

BAME representation

Against the background of Black History month, *Campaign* looks at the progress being made in mainstream advertising when it comes to including people of colour. Over the past few years, ads have increasingly reflected a more inclusive climate, such as Tesco's "Food love stories" and Nike's "Nothing beats a Londoner". Since 2014 the ASA has had guidelines in place to help stamp out racial clichés and "lazy" stereotyping. This article considers the progress being made with BAME representation in advertising but concludes that it still has a long way to go due to "entrenched structural inequalities" that need to be addressed before "empathetic and engaging" campaigns can emerge.

Campaign, October 2019, pp44-47 (Ohene)

The evolution of advertising

In her series, *The Evolution of Marketing*, the author considers how modern advertising compares with historical ads. She argues that the appearance of vintage advertising was very different from today's ads but that the core elements haven't changed significantly. For example, ads have always included a graphic, a product name, product information, a catchy hook and company information. However, there has been a significant change in advertising's core messaging. Nowadays it must offer something more than just selling the product: the company should stand for something bigger, such as a cause that will engage its customer base. The author has chosen some examples of historical-modern ad comparisons (the marketing of razors, gasoline and cameras) that illustrate the new "cause-based marketing evolution".

digitalmarketer.com, 10 October 2019 (Zieber)

Agencies

WPP – encouraging Q3 results

WPP has reported its first growth in underlying quarterly revenues in over a year, which Mark Read, chief executive, attributes to changes such as simplification of the business and divesting operations such as Kantar. In the quarter from July to September the company's revenues rose by 0.7% to £2.73 billion. Its performance has also been improved through contract wins such as Mondelez and eBay. Net sales in North America, WPP's biggest market, fell by 3.5% while its best performance was in Asia-Pacific, Latin America, Africa and the Middle East, where underlying revenues rose by 4%.

The Times, 26 October 2019, p50

What next for production?

Production companies in the UK are suffering from



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reduced client budgets and in-housing. Agencies, keen not to miss out, are offering their own production facilities as a bolt-on. This article looks at the plight of the production company in the UK and US and considers the future of the industry. Laura Gregory, founder of London production company Great Guns, believes that in-house units can be more expensive than production companies as well as lacking in global experience. Five years after the arrival of regular in-house production, only a small proportion is achieving global recognition, she claims. The biggest awards go to agencies who use external production houses. There may even be a shift back to the old system if clients realise that the new one isn't meeting expectations.

thedrum.com, 18 October 2019 (Deighton)

Brands and branding

Most valuable brands

After 20 years the only brands to have remained in Interbrand's top ten most valuable brands are: Microsoft, Coca-Cola, McDonald's and Disney. Christian Purser, Interbrand London CEO, attributes this to their ability to remain "culturally relevant" and to respond rapidly to consumer demand. Brands that have declined are those which haven't responded fast enough to change, such as Nokia which missed the shift to smartphones. While relevance is important, speed is also vital. The Interbrand rankings are compiled using four key criteria: clarity, commitment, governance and responsiveness. This year Facebook has fallen from the top ten, possibly due to a lack of relevancy among younger users.

marketingweek.com, 17 October 2019 (Barker)

Brand switching behaviour

This article looks at the key drivers in brand-switching behaviour. Brands mistakenly believe that customers would only leave them if they have to. Yet research suggests that it is not simply bad service that leads people to defect: 57% do so to get better value; while 31% switch to a brand that better suits them personally. Some 61% of customers have switched brands in the last 12 months, with the majority switching shampoo (26%), energy provider (26%) and supermarket (18%). Many consumers have already bought from start-up brands (57%) with genuineness (31%), innovativeness (25%) and reflecting the consumer's values (17%) being key reasons. The findings come from a report entitled *Acquisition and the Consumer Mindset* from the DMA and Paragon.

dma.org.uk, 28 October 2019

Children

Britain's Got Talent piles on the calories

The Obesity Health Alliance (OHA) claims that by watching just one episode of *Britain's Got Talent*, children could be encouraged to consume an

additional 50 calories. This follows an analysis of ads shown during six episodes which revealed that 23% were for food or drink high in fat sugar and salt. A child watching all the episodes would have seen 22 minutes of unhealthy product ads amounting to 300 calories. Although the show is watched by children, it is not classed as being of "particular appeal" to them, hence current restrictions do not apply. The OHA is calling for a comprehensive 9pm watershed for unhealthy food ads.

The Daily Telegraph, 23 October 2019, p2

Conferences and events

Eposters not supplanting print

Eposters have increasingly been used at international association meetings, especially medical ones. They range from images of print posters to sophisticated multi-page slide shows. Technology means that they can be viewed via a variety of devices as well as being managed online. They can also contain embedded video and animation and have the advantage of being editable. Yet, rather surprisingly, eposters have not replaced their print counterparts. Keith Foley of xstracta.com conducted a survey last year for CTI Meeting Technology across 98 European medical meetings. He found that, including hybrid meetings (with eposters and print), print is still dominant, accounting for 74% of the total market while eposters made up 63%. A breakdown of the findings is included.

Association Meetings International, October 2019, pp21-22 (Lancaster)

Consumer behaviour

Baby Boomers are early adopters

Some 35% of Baby Boomers in the UK say they are early adopters or "early majority" customers, according to new research. It found that 51% of over-55s dislike advertising, although they want products; while 56% rely on traditional ad channels such as TV and print. Some 39% say that digital media is their main source of information, mainly in the form of online reviews. George Roberts, client services director at Five by Five, which conducted the research, says that marketers need to "choose the appropriate channels, get their timing right and, if possible, identify a relevant life event" for targeting Baby Boomers.

prolificlondon.co.uk, 25 October 2019 (Johnson)

Customer relations

SMEs – struggling with CRM

The author and Small Business Trends, an advice site for SMEs, conducted a survey among 503 US SMEs to identify their CRM challenges. The top two challenges were found to be "too time-consuming to enter/maintain data" (46.5%) and "don't know how it helps my business" (36.2%). Bearing in mind the current focus on artificial intelligence, the author

asks some CRM vendors how AI can help SMEs to benefit from CRM.

CRM Magazine, Vol 23(8) October 2019, pp36-37 (Leary)

Law

New cookie regulation

Many companies use pre-ticked "Agree and Proceed" cookie banners on their websites. However, on 1 October the EU Court of Justice ruled that pre-ticked cookie consent boxes are no longer acceptable and that users must give explicit and active consent to a site before it can place cookies on their device. Websites must also receive a user's consent for each separate occasion of cookie use. This is a wake-up call for companies operating in the EU to examine their cookie policies and to revise their cookie banners. Some are concerned that the additional information required for the consent boxes will harm the user experience.

lexology.com, 16 October 2019 (Katz)

Copyright after Brexit

The UK Government has prepared a page setting out changes to copyright law after Brexit and how to prepare for it. It will be updated as the situation changes. It points out that most UK copyright works (such as books, films and music) will still be protected in the EU and the UK after Brexit because the UK participates in international treaties on copyright. Likewise, EU copyright works will continue to be protected in the UK. The rules apply to works made both before and after Brexit.

<https://www.gov.uk/guidance/changes-to-copyright-law-after-brexit>, 18 October 2019

Prosecco controversy bubbles up

Italy's Government has removed 250 tubes of Prosecco & Pink Peppercorn Pringles in the Veneto region of the country. Since 2009 the word "Prosecco" has been protected under the Denominazione di Origine Controllata (DOC) and can only be used by the region's Prosecco producers. The Prosecco Pringles were launched last year as a limited edition along with flavours such as "Xmas Dinner" and "Cocktail Sauce". Increasing demand for Prosecco has led to other producers trying to capitalise on its popularity. Those in favour of protecting "Prosecco" argue that the brand has acquired distinctiveness in the same way as "Champagne", while others claim that the protection gives Italian manufacturers an unfair competitive advantage.

lexology.com, 18 October 2019 (Dickhut)

Marketing

UK budgets fall for first time in seven years

UK marketing budgets have fallen for the first time since 2012 with a net balance of -0.5% of companies saying their marketing budgets have been reduced, according to the IPA's latest

Bellwether Report. Some respondents to the survey have adopted a "wait and see" approach due to Brexit uncertainty, while others cited a decline in consumer confidence as a reason for postponing expensive marketing campaigns. Others have retained their budgets but shifted to online and social media-based ads. Two-thirds of respondents said there was no change to their marketing budgets. Paul Bainsfair, IPA director, says that reducing the ad budget can have a negative long-term effect but that those who adopt the "60:40 ratio of longer-term brand building to shorter-term sales activation, outperform the market".

cityam.com, 17 October 2019 (Warrington)

Content marketing, B2B and voice search

Content marketing has become one of the fastest-growing parts of digital marketing but content marketing for voice search is a relatively new concept. The rise of voice search is expected to shape the way that articles are designed and created. It enables marketers to create very specific articles around question-based search queries. Some 93% of B2B companies are using content marketing and it is estimated that B2B companies can attain 67% more leads per month when they start blogging (B2C companies achieve 82% more). Content marketing is also the most cost-effective way of attracting high quality traffic and leads to the site.

coastdigital.co.uk, 25 October 2019 (Johnson)

Product placement

Product placement was first permitted in the UK in 2010. Since then the Co-op and Costa Coffee have appeared in *Coronation Street* and Unilever shampoo is being used in *Love Island*. Yet consumers have become less susceptible to advertising and so it is surprising that product placement still works. This article looks at what defines product placement, why consumers react favourably to it and the digital opportunities. It also touches on the dangers of influencer paid product placements and examines five key campaigns in the evolution of product placement.

The Grocer, 19 October 2019, pp26-30 (Tatum)

Market research

Market research sees budget shrinkage

The latest IPA *Bellwether Report* reveals that market research budgets have fallen dramatically this year, with the net balance of marketers expecting a decline in spend reaching -16.9% in Q3, down from -2.9% in Q2. Spend on market research – qual and quant, brand tracking and product development testing – was the lowest of all the marketing categories measured.

research-live.com, 18 October 2019 (McQuater)

Mobile surveys hinder research

Analysis by five market research firms in the UK and US has revealed that poor mobile design and mobile optimisation are hampering opinion research. The companies analysed three years' worth of panel data to investigate response patterns across seven markets in 2018. They found that 30% of surveys were restricted to desktop while 20% to 25% didn't allow phones at all. Although the number of surveys started and completed using a mobile device has risen by 10% over the past year, a respondent is more likely to leave the survey incomplete (due to poor mobile optimisation) than if they were using the desktop. Researchers should be asking whether their surveys are mobile friendly or not...

research-live.com, 22 October 2019 (McQuater)

Public relations

Employees as ambassadors on social media

Amazon, which has a poor reputation when it comes to employee conditions in its warehouses, has previously used fulfilment centre (FC) workers as "FC ambassadors". They would share their experiences on social media as a way of countering misconceptions about the company. Despite their unconvincing nature – some people thought they were interacting with bots – the ambassadors claimed they weren't being paid by Amazon to endorse it. Nevertheless, the idea of using employees as brand ambassadors is attractive, particularly for large companies like PwC. Allowing too many people to say what they want on social media comes with a huge risk but monitoring them too closely can stifle creativity. Here are some tips for creating a social media policy that encourages employees to join the company on social media without the fear of Big Brother tactics.

ama.org, 1 October 2019 (Heisler)

Agriculture, fishing and forestry

Letter to Tesco prompts social media reaction

A Tesco ad depicting a young girl telling her father that she doesn't want "to eat animals anymore" has led to an angry response from the farming community with the NFU accusing Tesco of "demonising red meat". The ad prompted a seven-year-old farmer's daughter to write to the retailer explaining that the girl in the ad should, "visit a farm and learn about all the welfare standards used and nutritional benefits of eating British meat". The note has reached 1.4m people on Facebook and has been shared 11,000 times.

fginsight.com, 29 October 2019

Consumers want British food standards

In a new ComRes survey of 2,000 British consumers for the British Guild of Agricultural Journalists (BGAJ), 84% said that imported food must be of the

same high welfare and environmental standard as food produced in Britain. Some 53% of adults said they would not buy food that compromises animal welfare, while 62% said that farmers should receive taxpayer support to ensure a continuing supply of homegrown food. While British food and farming standards are among the highest in the world, some countries use production methods that are illegal in Europe.

fwi.co.uk, 29 October 2019

Building industry

Construction may exceed demand

Although home ownership rates, which had been falling, have stabilised since 2014, there is still a generational imbalance. Younger people in Britain are often living in cramped conditions while older age groups are enjoying larger accommodation. Last year the number of people living alone – mainly those aged over 45 – rose above eight million. Some experts believe that Britain is now building enough homes for everyone as growth forecasts for the number of households have been reduced. The Government expects demand to be lower than construction for the first time in many years. The extra homes may not be enough to help the young, however...

The Economist, 19 October 2019, p31

Businesses and strategy

Start-ups – London vs the provinces

Among the 100 best-performing start-ups, some 78% are based in London, according to startups.co.uk. As well as having a well-established financial services industry, London has the highest density of tech innovation outside Silicon Valley. It also attracts highly talented individuals, allowing start-ups to recruit and retain some of the best people. Yet London has high overheads and can be a challenging environment for a young company, so it is worth considering innovation hubs outside the Capital. Many universities around the country provide support in the form of funding, scaling a business and forming networks. These include SETSquared, attached to Bristol University; and ideaSpace in Cambridge. University programmes have also led to separate zones and business space for start-ups, such as the Edinburgh BioQuarter.

London Business Matters, Issue 159 October 2019, p14

Social entrepreneurship – macro economics

Much of what has been written about social entrepreneurship revolves around defining the concept while research is largely focused on qualitative methods and reports based on small samples. The authors recognise the need for more quantitative research in the field because it will allow a proper analysis of measurable outcomes. This paper uses both broad- and narrow-defined Social

Entrepreneurial Activity (SEA), from the 2015 Global Entrepreneurship Monitor (GEM) and the 2015 UN Development Index, as indicators of a country's social entrepreneurial activity and development.

Social Business, Vol 9(2) Summer 2019, pp141-156 (Aponte et al)

Successful transformations

The term "transformation" should refer to a well-managed, organisation-wide programme that boosts performance and organisational health. It should also be capable of measurement. As part of their so-called "transformatomics" analysis, the authors looked at 82 companies that had conducted a full-scale transformation with an 18-month transformation track record. The research found that companies with four behaviours ("go broad" with an enterprise-wide transformation; move fast and renew often; prioritise health; and expand their aspirations) showed a significant correlation with top-quartile financial performance during the test period. The four indicators are important considerations for maximising the chances of a successful transformation.

mckinsey.com, October 2019 (Laczkowski)

Charities and NGOs

Religious charities using digital

Religious charities are using digital technology to help tackle issues and raise awareness of their causes among the public. This article showcases ten such charities who are using digital for a range of purposes. The Salvation Army partnered with iRaiser to target mobile phone donations; the Church of England's Children's Society was shortlisted in Vodafone's Techstarter Awards for using VR to help children tackle anxiety through immersive experiences; and Islamic Relief UK, in partnership with Ultimatum Games, has developed an app allowing users to experience what it is like being an aid worker in Syria.

charitydigitalnews.co.uk, 22 October 2019 (Chiu)

Cathedrals – divine enjoyment

It is a struggle to maintain British cathedrals even though they attract many visitors, and some charge an entrance fee. Now they are finding ever-more ingenious ways of raising money. These range from cultural events to corporate sponsorship and high-profile appeals. The *Avengers* movie was shot at Durham Cathedral, enabling 150m people to see footage of the building in the film. Archbishop Justin Welby, head of the Anglican church, has instructed people to "have fun in cathedrals". A miniature golf course was placed inside Rochester Cathedral as a summer attraction. Meanwhile, Durham's cathedral restaurant has been praised for its "divine desserts"! A new system of governance for cathedrals is due to take effect next year and the Charity Commission

will gain a share of responsibility.

The Economist, 12 October 2019, p34

Economy

China slows in Q3

China's economic growth slowed to 6% in the third quarter of the year compared with a year ago. This is of concern because China is the world's second-largest economy and the slowdown could have implications for the global economy, such as an increased risk of a global recession. China has suffered from the trade war with the US and domestic problems such as swine fever that have led to inflation and affected consumer spending.

bbc.co.uk/news, 18 October 2019

European innovation – regaining an edge

Europe used to be a centre for innovation, but it is lagging in many sectors and in areas such as genomics, quantum computing and AI, while the US and China are forging ahead. The European economy needs a productivity boost from innovation and new technologies. A McKinsey Global Institute discussion paper, *Innovation in Europe: Changing the game to regain a competitive edge*, looks at ways in which Europe can use its strengths rather than simply trying to catch up with others. This article presents a shorter version of the paper, identifying five paths for the continent to regain its competitive edge.

mckinsey.com, October 2019 (Bughin et al)

Regional jobs

The ONS's latest *Regional labour market statistics in the UK: October 2019* relates to the three months ending in August 2019. It reports that the highest employment rate was for the South West (81%) and the lowest was for the North East (71.2%). Yet between March and June 2019 the largest estimated rise in jobs in the UK was in the North East (43,000) and the largest decrease was in London (35,000). In June the highest estimated proportion of services sector jobs was in London (91.4%) while the East Midlands had the highest proportion of production sector jobs (14.4%).

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/october2019>, 15 October 2019

Personal well-being

The ONS has issued its latest estimates on personal well-being in the UK, setting out the data by local authority, region and country. It defines personal well-being in terms of four criteria: overall life satisfaction; the feeling that the things done in life are worthwhile; happiness; and anxiety. The data form part of the ONS's efforts to go beyond simply measuring economic factors. The bulletin investigates some of the causes of high and low

personal well-being scores in different parts of the country and different types of community. Case studies for Chichester and North Devon (high) and Lambeth and Wolverhampton (low) are used.

<https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/measuringnationalwellbeing/april2018tomarch2019>, 23 October 2019 (Day and Clements)

Population predictions

According to the latest ONS forecast, the UK population will grow by three million (4.5%) to reach 69.4m by 2028. The estimates assume that migration will have a greater effect on the population (accounting for 79% of the increase) than births and deaths. The number of deaths is predicted to rise as Baby Boomers get older. However, the increasingly ageing population is expected to be offset by the expected rise in the State Pension age to 67, leaving a similar proportion of pensioners to today, says Andrew Nash of the Population Projections Unit. Meanwhile, England's population is expected to grow faster than in the rest of the UK, at 5.0% from mid-2018 to mid-2028, compared with 3.7% for Northern Ireland, 1.8% for Scotland and 0.6% for Wales.

<https://www.ons.gov.uk/releases/nationalpopulationprojections2018based>, 21 October 2019 (Nash)

Education

Promoting economics

Over half of undergraduates in Britain are women, yet only a third of students studying economics are women. Among undergrad subjects, only physics, engineering and computing are less popular among girls. This month the Royal Economic Society (RES) started its Discover Economics campaign aimed at attracting more diversity into the profession and changing perceptions that it is a narrow subject. A website will describe the breadth of the subject while undergraduate "ambassadors" will visit schools.

The Economist, 19 October 2019, p30

Education isn't coming up with skills needed

According to a report from the Industrial Strategy Council, most employers say that skills shortages are a big threat to UK competitiveness; that England has a problem with basic literacy and numeracy skills; digital skills are lacking; and over a quarter of workers lack the qualifications needed to do their job. Skills shortages are effectively hindering growth in productivity and wages. The striking thing about this is the "mismatch" between these findings and the so-called success of the education system in terms of GCSE results and the increasing numbers of young people going to university. Paul Johnson, director of the Institute of Fiscal Studies, offers his thoughts on why the education system isn't working as well as it should be.

The Times, 28 October 2019, p41

UK bucks downward MBA trend

The global decline in demand for MBAs is not reflected in the performance of UK MBA courses which reveal a rosier picture. Some 59% of business schools in the UK have reported growth for all postgraduate degrees while applications from overseas have risen in three out of four institutions. This contrasts with the US where 56% of schools have reported a fall in applications. It is possible that British business schools are regarded as a better option in terms of job opportunities and return on investment. This is despite concerns over the negative impact of Brexit. The situation should improve further following the UK's announcement that students can stay in the country for up to two years after graduation.

Financial Times, 16 October 2019, p6;

Energy and utilities

Wind power could meet global needs

A new study has revealed that wind farms alone could provide all the electricity the world needs. The International Energy Agency (IEA) has found that if wind farms were built in suitable sites – in windy regions or in shallow waters – they could generate 36,000 terawatt hours of renewable electricity a year which would more than meet the current global need for 23,000 TWh. The study predicts that offshore wind will grow 15-fold to become a £780 billion industry over the next 20 years. Moreover, global supplies of renewable energy could expand by 50% over the next five years thanks to the resurgence of solar energy.

The Guardian, 25 October 2019, p10

Environment

Eco-innovative product designs

Eco-innovations can help companies to address customers' environmental concerns, yet little research has been done into eco-innovative product designs. Using three online experiments among US consumers, the authors propose that consumers' adoption intentions are significantly influenced by the degree of innovativeness, the level of eco-friendliness, and detachability relating to the design of an eco-innovation.

Journal of Product Innovation Management, Vol 36(6) November 2019, pp824-847 (Paparoidamis et al)

Social shaming – airlines

The International Air Transport Association (Iata) has warned that environmental concerns could damage the growth of the airline industry. Brian Pearce, Iata chief economist, has referred to "flygskam" or "flight-shaming", a trend that started in Scandinavia, which is making flying socially unacceptable. People who fly are being shamed on social media for having a high carbon footprint. SAS, the largest Scandinavian airline, blames the trend

for falling passenger numbers. Pearce also points to climate change as being a growing issue for mainstream investors.

marketingweek.com, 17 October 2019

UK emissions and economic growth

This bulletin looks at how the UK's economy has developed in relation to the reduction in CO₂ emissions. CO₂ emissions produced directly by the UK peaked in 1972 but have since been falling. However, when you consider imported emissions – UK imports of products manufactured overseas – UK emissions have continued to rise for many years, only peaking in 2007. The largest source of "imported" emissions is China, followed by the EU. The decline in directly produced UK emissions is attributed to environmental policies and a shift in the economy from carbon-intensive manufacturing to service-based industries. The energy generation, manufacturing, water supply and transport sectors saw the biggest fall in CO₂ emission intensity between 1990 and 2017, while the shift from coal to renewable energy has further contributed to the decline in emissions.

<https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compedium/economicreview/october2019/thedecouplingofeconomicgrowthfromcarbonemissionsukevidence>, 21 October 2019 (Syed)

Big CPG groups behind with recycling goals

It looks as if large consumer goods groups will fail to attain their green targets. Companies like Nestlé, PepsiCo and Unilever must increase their recycling efforts if they are to keep their promise of achieving 25% recycled content in packaging by 2025, according to the Ellen MacArthur Foundation. Coca-Cola performed the best last year with 9% recycled plastic in its packaging, but Nestlé was lagging at just 2% and Unilever at less than 1%. The groups are part of the New Plastics Economy project which aims to create a "circular economy" where plastics don't go to landfill or pollute the environment.

Financial Times, 25 October 2019, p17

Fashion

Chinese sports brand – can it take on Nike?

Although China is expected to overtake the US as the world's largest consumer market, it has yet to develop a global megabrand. Western companies dominate the domestic sports clothing market, which is worth \$43 billion. Nike leads with a 23% share followed by Adidas with 20%. Anta Sports Products, a Chinese company, is in third place with 15% but is largely unrecognised outside China. James Zheng, its president, aims for the company to be in first place in its domestic market by 2025 but other Chinese companies have tried and failed to challenge global competitors. Anta has aspirations outside China and analysts believe that it could be well positioned with its family of brands that extend

outside the country, thanks to acquisitions and tie-ups.

Bloomberg Businessweek, 14 October 2019, pp12-14

Luxury – big brands resilient

Despite the gloomy economic outlook and problems in key markets like Hong Kong, some luxury goods brands are not doing too badly. This month LVMH, the largest luxury group, reported an 11% rise in year-on-year sales. Rivals, such as Kering, Gucci and Hermès, are also expected to perform well. However, Germany's Hugo Boss and America's Tiffany & Co are struggling. Overall, luxury growth rates have slowed since 2008 and some smaller brands, especially those reliant on Hong Kong, have lost most of their sales. Large brands can afford to spend on marketing to maintain brand equity and invest heavily in online selling, which now accounts for 10% of sales. Smaller brands, meanwhile, are losing out, especially with the demise of department stores in the US.

The Economist, 19 October 2019, pp71-72

Financial services

PayPal to challenge Chinese incumbents

China's central bank is allowing PayPal into the country through its purchase of a majority share in Gopay. It becomes the only foreign company to have a licence to provide domestic and cross-border payment services in China. To date, Ant Financial's Alipay (Alibaba) and Tencent's WeChat Pay have dominated the domestic payment market. Analysts believe that PayPal's chances of breaking the duopoly are small.

Financial Times, 17 October 2019, p22

Digital money and the banking system

A recent seminar at the Peterson Institute for International Economics looked at the future of money in the digital age. Lael Brainard of the Federal Reserve made it clear that the state has always had control over money and should continue to do so but what about the new players in the system? Participants considered how payment platforms might transform the central banking system but expressed concern over Facebook's Libra.

Financial Times, 23 October 2019, p15

FMCG

SMEs not getting the support they need

According to new research, 81% of FMCG start-ups believe they receive less support from the industry than established brands, even though they are disrupting the market and delivering 59% of current market growth. FDF, which conducted the research, says that 25% of challenger brands have considered giving up due to "frustrating" and "punitive"

barriers. Major trading disadvantages include pricing, payment terms and minimum order requirements. Some 62% of SMEs said that retailers failed to be supportive of their size and set-up. Sainsbury's was cited as an exception with its Taste of the Future initiative.

The Grocer, 26 October 2019, p10

Beverages

Milk processors on the brink

The recent collapse of Tomlinsons Dairies reflects a wider problem in the milk market. Milk processors are warning that the liquid milk sector has reached a "tipping point" in terms of profitability. Müller, which made a net loss of £100m, has called for a change in the contract terms between suppliers and buyers. The shortage of milk in Sainsbury's stores, as a result of Tomlinsons' demise, could become a regular occurrence, according to John Allen of Kite, an industry consultancy. He suggests that there could be an end to milk as a loss-leader by increasing the price from £1.15 to £1.40 for four pints. But would the consumer swallow it?

The Grocer, 26 October 2019, pp12-13 (White)

Food

Meat substitutes

The demand for plant-based meat is growing rapidly but still accounts for a small portion of the market. It represents around 4% of the value of the meat market in America compared with 9% to 12% in Europe, according to Euromonitor, which expects the market to double by 2022 in both Europe and America. Demand for meatless meat reflects a combination of environmental, ethical and health concerns. American meat producers are fighting back through legislation aimed at restricting the use of the word "meat".

The Economist, 12 October 2019, pp64-66

CBD gum launches

Blockhead has launched a CBD-infused chewing gum which it claims is a UK first. It says the gum allows CBD to be absorbed faster than with other methods currently on the market. CBD is used across various age groups and is believed to reduce anxiety and help with other issues, but brands are not allowed to make health claims in relation to CBD.

The Grocer, 19 October 2019, p37

Household

Vegan mouthwashes to shake up market

Waken, a start-up, aims to disrupt the dental care market with a range of vegan mouthwashes. It says it wants to shift oral care from the "chemical world of cleaning" to "mindfulness and sustainability". Various mint-flavoured mouth washes will be sold in aluminium bottles from the end of October.

The Grocer, 26 October 2019, p37

Tobacco

Firms using subtle marketing tactics

Tobacco companies have been accused of using tricks to make their products stand out to overcome the plain packaging rules. A report in the *BMJ Open* publication claims that tobacco companies are using certain marketing techniques to circumvent the lack of cigarette branding. Firms are even making plain packaging stand out. PMI, for example, has given its packs bevelled edges and a "pro-seal" closing mechanism which makes them "appear more premium and recognisable". Others are using new names based on colour to replace banned words such as "menthol" or "smooth". The report suggests that other countries considering plain packaging should make their rules as comprehensive as possible.

The Guardian, 21 October 2019, p5

Vaping sponsorship under fire for F1

For years tobacco companies were the biggest sponsors of Formula One, but in 2006 the FIA, the world governing body, banned cigarette sponsorship. Now cigarette alternatives have created new opportunities for F1 sponsorship. This year BAT signed a deal with McLaren to promote "reduced risk" smoking products while Italy's Ferrari has accepted sponsorship from PMI. Some countries ban the marketing of vaping so that F1 teams have had to remove their sponsorship logos in those territories. A regulatory crackdown on vaping around the world could threaten the new revenue stream for F1 teams that are struggling to gain sponsorship.

FT Weekend, 19-20 October 2019, p15

Government and public sector

Pro-Brexit beer mats contravene law

Wetherspoons may have been in breach of the Companies Act after failing to obtain approval for buying nearly two million pro-Brexit beer mats prior to the EU referendum. Electoral Commission records show that the company spent £94,856 during the referendum campaign on beer mats, posters and booklets. The activity constitutes political expenditure which means that the company should have consulted shareholders, according to the legislation which refers to activities "capable of being reasonably regarded as intended to influence voters". Tim Martin, Wetherspoon chairman and founder, is an ardent leave supporter and his views even appear in the company's annual report.

The Guardian, 28 October 2019, p34

Health and pharmaceuticals

Psychedelics

As cannabis is gradually decriminalised, investors are starting to put their money into psychedelic

drugs, such as psilocybin, the active ingredient in magic mushrooms, which they believe could be used to treat mental health disorders. In April this year Imperial College London created the first research centre dedicated to researching psychedelics. The market for antidepressants is huge and sales of drugs are expected to reach \$16 to \$19 billion in the next decade. COMPASS Pathways, a London start-up, aims to be the first legal provider of psilocybin. However, concerns over side effects, and the need for controlled doses, mean that it may never achieve more than niche status.

The Economist, 19 October 2019, p71

Probiotics – from ostriches to humans

A product originally developed to improve the life expectancy of farmed ostriches, has become a £4.8m turnover business. Symprove, maker of a food supplement that delivers live bacteria to the gut, is helping people with digestive disorders or those wanting to boost their general health. The Surrey-based business now has 2,000 monthly subscribers and a 27% market share in Britain. Barry Smith, the company founder, said he had “no interest in being a marketing-led business”; instead he wanted them to be “scientifically proven”. However, to date, the effectiveness of probiotics remains controversial. Peer-to-peer recommendation among doctors probably accounts for 40% of sales while social media influencers have also boosted sales.

The Times, 28 October 2019, pp44-45

IT and telecoms

Could this be the end of “not-spots”?

Around one third of the UK has bad or no mobile phone coverage, but now the four main mobile phone companies (EE, O2, Three and Vodafone) together with the Government, aims to achieve 4G coverage for 95% of the UK by 2025. They plan to invest in new and existing phone masts, which they will share, to give an estimated 280,000 homes and businesses and 16,000km of roads mobile coverage. The so-called Shared Rural Network will receive a total of £530m from the phone companies while the Government could contribute another £500m.

bbc.co.uk/news, 25 October 2019 (Silver)

AI and the data labelling industry

According to IDC, global spending on AI will rise from \$38 billion in 2019 to \$98 billion in 2023, yet only one in five businesses have incorporated machine learning into their core business. This is in part due to the lack of good data to teach algorithms to do useful tasks. It involves data labelling, the sort of work that corporate AI users would prefer to outsource. Now an industry is growing up to serve such needs; it is estimated that the market for data labelling services will triple to \$5

billion by 2023. Data labelling is a labour-intensive market, which often takes place in low-wage countries but is open to human error. Start-ups, such as Scale AI and AI.Reverie, aim to take humans out of the equation.

The Economist, 19 October 2019, p70

Leisure and tourism

Overseas travel

The ONS’s latest quarterly release for travel and tourism in the UK reports that overseas visitors made ten million visits to the UK in in Q2 (April to June) this year, similar numbers to those reported in Q2 2018. During the quarter they spent a total of £6.2 billion, up by 3% year-on-year. Meanwhile, UK residents took 19.5m trips abroad in Q2 2019, down by 2% on the previous year. Expenditure, which reached £12.1 billion, was up by 4% year-on-year.

<https://www.ons.gov.uk/releases/overseastravelandtourismaprilmayandjune2019provisionalresults>, 25 October 2019 (Horsfield)

Frequent flyers – would a tax on loyalty work?

In an independent report for the Committee on Climate Change, Richard Carmichael of Imperial College London claims that loyalty schemes encourage people to be “frequent flyers” and recommends a ban on air miles. Yet business travelers have to abide by company policies which might mean using a particular airline. The question is whether banning loyalty schemes would reduce the amount of flying that people do. The author argues that it probably wouldn’t and that there are other ways of tackling frequent flyers’ impact on climate change.

FT Weekend, 19-20 October 2019, p6

Materials and mining

A review of fracking in England

The UK Government is committed to creating a shale gas industry in England. Despite controversy over environmental and health risks, fracking in England has been slower to take off than it had initially anticipated. In 2016 the Government expected up to 20 fracked wells to be in place by mid-2020, yet just three wells have been fracked to date. In response, the National Audit Office (NAO) has issued a review of the current state of fracking in England.

nao.org, 23 October 2019

Copper and climate challenges

Chile is the largest producer of copper in the world. Miners argue that the metal can help the environment by providing wiring for electric cars and wind and solar power. Campaigners say that mining is creating environmental problems ranging from melting glaciers to using valuable water resources. Patricio Chacana, who is in charge of Anglo

American's Los Bronces mine in the Andes, argues that the world needs copper if it is to meet targets set by the Paris climate agreement. The company says that mining is responsible for just 3% of water usage in Chile but realises that it may have to do things differently. Separately the *FT* looks at the sustainability challenges for Anglo at its Quellaveco mine in southern Peru.

The Times, 26 October 2019, p52; Financial Times, 28 October 2019, p11

Media

Games

Loot boxes mean children are gambling

A report by the Gambling Commission reveals that over one million, children aged 11 to 16 have purchased "loot boxes" while playing video games such as Fortnite and FIFA. The Commission equates this to gambling because users spend money without knowing exactly what they have bought. A recent report by the Children's Commissioner has called for the role of money to be limited in such games and it wants a limit on the amount spent on loot boxes. The Gambling Commission's report also found that over one in ten children had received direct marketing from companies about gambling.

The Times, 24 October 2019, p2

Internet

UK digital adspend up by 13%

New figures from the Internet Advertising Bureau (IAB) show that UK digital adspend reached £7.3 billion during the first half of 2019, a rise of 13%. Video display enjoyed the biggest boost, rising by 27% to £1.32 billion year-on-year while non-video rose by 8% to £1.45 billion. Tim Elkington, IAB chief digital officer, says that advertisers are increasingly attracted to video because of the storytelling opportunities it offers.

prolificlondon.co.uk, 15 October 2019 (Hall)

Google ad clicks slow

Google's search engine revenue growth is slowing dramatically. It has admitted that paid clicks on ads rose by just 1% in the third quarter of 2019 compared with the previous quarter following years of double-digit growth. It appears that users are becoming increasingly reluctant to click on ads despite continuing to use Google for browsing.

The Daily Telegraph (Business), 29 October 2019, p1

Newspapers

The Telegraph to be sold

The Daily Telegraph and *Sunday Telegraph* are to be sold by their owners, Sir Frederick and Sir David Barclay. The Telegraph Media Group's (TMG) profits have fallen by 94% over the past year to £900,000 while sales of the print edition have been in decline

for years. The Barclay brothers (now in their 80s) are said to be considering all their assets, which include the *Spectator* magazine, Yodel (the delivery company) and Shop Direct.

bbc.co.uk/news, 26 October 2019

Social media

WhatsApp to introduce ads

WhatsApp is expected to introduce advertising sometime next year. It is likely that Status, WhatsApp's version of Stories, will become a testing ground for advertising. There is not much information on consumer responses to Stories ads but an analysis of 13,000 Stories from 300 Instagram accounts suggests that the average completion rate was 84% in Q1 this year, up from 73% last year. But WhatsApp is quite different from Instagram in that its interactions are limited to contacts in a phone book. Users are unlikely to be keen at first, but they will gradually accept the ads as they have with other types of digital advertising.

emarketer.com, 17 October 2019 (Enberg)

Facebook creates news section

Facebook is launching a news section on its app, which is being trialled in the US. The service will offer national stories that Facebook think are a good fit for users. The company has put together a "curation team" to manage "Today's Stories". Mark Zuckerberg says this is the first time Facebook has created a "long-term, stable relationship with publishers".

marketingweek.com, 28 October 2019

Television

Broadcasters turn to that bonfire moment

Traditional broadcasters are having a tough time competing with the likes of Netflix, Amazon and Apple. European broadcasters are turning to what are termed "bonfire moments" – events that viewers would prefer to see in real time, other than sporting events – which are relatively cheap to produce and can attract advertisers, given the right marketing. One such is *The Masked Singer*, a combination of game show and talent competition developed in South Korea, which has been aired in Germany and which ITV has bought a British version of. The trend reflects the inability of traditional broadcasters to compete with the high-profile dramas which the big US streaming companies produce.

Bloomberg Businessweek, 14 October 2019, p16

Packaging

Insight, design and innovation

Packaging design is a brand asset and a way of attracting consumers' attention to the shelf. It is also the brand's only fully owned medium. With NPD and innovation, brands need to design not for the "now" but for the "future now". Developing and

testing packaging concepts using the methodology of “concept car design” is an effective way to look at brand innovation because it is future focused and can help to future-proof the brand for long-term growth. With this in mind, the author explores the development of packaging for Minted, the herbal toothpaste.

thedrum.com, 18 October 2019 (Cole)

Paper bag day promotes sustainability

European Paper Bag Day, 18 October, was launched last year by The Paper Bag platform, an association of European craft paper manufacturers and paper bag producers. It celebrates paper carrier bags as “sustainable and functional packaging”. To mark this year’s Paper Bag Day, Mondi, a packaging manufacturer, is planting 3,000 trees at five of its paper mills. Smurfit Kappa also marked the day by promoting the benefits of paper carrier bags.

thepaperbag.org, 14 October 2019; packagingnews.co.uk, 18 October 2019

Tamper-proof NFC tags

Kraft Heinz is using NFC tags in a new marketing campaign which allows customers to tap their phone on a tag incorporated into the packaging for a chance to win a gift card. The tamper-resistant NFC tags are normally used to prove to the consumer that the product has not previously been opened. In this case consumers can only enter the competition when the product has been purchased and the packaging opened. The tags are a cost-effective way of ensuring that food, beverages, medication and other CPG products remain intact throughout the supply chain. The system is being used in Walmart stores for Kraft Singles cheese.

nfcw.com, 18 October 2019 (Clark)

Retailing

High street sees further job losses

Retailing, the UK’s largest private employment sector, has lost 85,000 jobs over the past year, with the closure of thousands of shops and the disappearance of some well-known names. Bonmarché, the fashion chain, is the latest to go into administration while Mothercare, New Look and M&S have all been closing stores. An analysis from Retail Economics and Alvarez & Marsal, an advisory firm, suggests retail spending will fall to 20% of families’ spending over the next ten years, down from 30% in the 1960s. Robots are also expected to replace shop jobs, with one in five jobs being replaced by AI or automation in the next five years, according to a survey by Harvey Nash and KPMG.

The Guardian, 24 October 2019, p35

Sainsbury’s builds food fad tool

Sainsbury’s is working with Google and Accenture to create an insight tool that covers social media, editorials and other information, in a bid to identify

the next food trend. It will use the tool to tweak its product ranges in stores to suit “local online hype”.

The Grocer, 19 October 2019, p7

WH Smith reinforces airport stores

WH Smith is strengthening its position in the travel business by buying Marshall Retail Group, a US business with 170 stores in North America, including 59 inside airports. The acquisition effectively doubles the size of WH Smith’s international travel business and reflects its ambition to be a global participant in the market. The purchase will also help to offset the slowdown in its high street stores.

Financial Times, 18 October 2019, p13

Services

UK trade in services – EU vs rest of world

UK services exports were £1.5 billion lower in Q2 (April to June) this year than in the same quarter last year, while imports of services were £0.6 billion higher than last year. However, exports of the top five exported service types (excluding transportation) fell in Q2 2019 compared with last year. The UK imported £23.3 billion-worth of services from the EU in Q2, compared with £25.2 billion imported from non-EU countries. Meanwhile the UK exported £28.6 billion of services to the EU over the same period, compared with £43.6 billion to non-EU countries. The US was the UK’s largest trading partner for both exports and imports of services in Q2.

<https://www.ons.gov.uk/releases/uktradeinservicesbypartnercountryapriltojune2019>, 23 October 2019 (Palmer)

Uber expands into cookery

Uber is trialling a new service, known as dining “experiences” which enable people to book cookery classes. Users in San Francisco can book via the app until 17 November, with options ranging from \$75 for a class on Chinese dumplings to \$55 for lessons on making a five-course Nigerian dinner. Uber is also branching out in the UK, having recently announced that it is partnering with Costcutter supermarkets enabling over 1,700 convenience stores to sell via the Uber app. It forms part of Uber’s mission to “become the operating system for your daily life”.

marketingweek.com, 28 October 2019

Deliveroo signs up convenience stores

Deliveroo has partnered with over 200 London convenience stores and off-licences in a bid to gain a lead in the on-demand grocery delivery market. Names include Costcutter (with whom Uber now has a deal), Budgens, Nisa and Londis. Deliveroo also partnered with the Co-op earlier this year.

The Grocer, 19 October 2019, p4

Transport and travel

Aircraft duopoly boosted by trade dispute

A long-running trade dispute between Airbus and Boeing, may result in a strengthening of the plane-making duopoly. Industry analysts believe the upshot of the legal wrangling is that US carriers will probably focus on Boeings while European airlines will choose Airbuses. Trade disputes can often result in competition being suppressed, as happened with Canada's Bombardier in 2008. China's COMAC may also suffer because, if America and Europe become home to domestic monopolies, then the planemakers will turn their attention to Asia, where there is rising demand for air travel. Airbus forecasts that 42% of new aircraft sales will be in Asia compared with 36% in Europe and America.

The Economist, 12 October 2019, p70

Flying taxis

Two firms are making headway with "flying taxis": Bristol-based Vertical Aerospace and Munich-based Lilium have been trialling their prototypes. Both claim that air travel could be achieved in three to five years. The emerging market for electric-powered vertical take-off and landing (eVtol) aircraft could be worth £150 billion by 2040, according to UBS.

The Guardian, 26 October 2019, pp40-41

Volvo launches first all-electric car

Volvo has launched the XC40 Recharge, its first fully electric car. The battery powered SUV was debuted in California, a state known for its environmental awareness. Volvo has committed to launch a fully electric version of all its car models every year, with the aim of half its annual production being electric-only by 2025. The US and China are Volvo's key markets, but the UK will receive its first electric XC40 at the end of 2020. Volvo claims to be the first "conventional" carmaker to commit to total electrification and the phasing out traditional engines.

The Times, 17 October 2019, p19

Written by CIM's Knowledge Services Team

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