

Cutting Edge: Our weekly analysis of marketing news

8 January 2020

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

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Marketing trends and issues

Advertising

Global ad growth slows

GroupM puts 2019 global ad growth at just 4.8%, down from 5.7% in 2018, with predictions that global advertising will slow down even more in 2020 and 2021 (3.9% and 3.1% respectively) in line with a weakening of the global economy. The total ad market is expected to be worth \$628 billion this year (excluding direct mail and directories) while the US will continue to be the largest market at \$246 billion. Digital will be the most important medium worldwide, at \$326 billion this year, up from \$294 billion last year and will account for 52% of total adspend. In contrast, TV ad spend growth fell to 3.6% in 2019, although the report points out that in some countries TV adspend is still growing. TV and digital together account for 80% of all adspend, with OOH, print and radio making up the rest.

Advertising Age, Vol 90(23) December 2019, p3 (Rittenhouse)

OOH – the success story of traditional media

Outdoor now makes up 6.5% of the \$600 billion ad market and is the only traditional media seeing growth. OOH adspend is expected to overtake newspaper ad sales this year for the first time, with \$40.6 billion in expenditure, which is \$4 billion more than will be spent on newspapers, according to GroupM. William Eccleshare, CEO of Clear Channel, regards outdoor as the “last true mass-reach medium” as TV audiences continue to fragment. Outdoor has used digital technology to great effect because it can be instantly replaced, personalised and updated. This compares with the weeks it would previously have taken to replace a physical poster.

Financial Times, 2 January 2020, p7

How advertising makes nations unhappy

An analysis of over 900,000 people in 27 countries has found that there is an inverse connection between advertising expenditure and national happiness. Researchers at the University of Warwick discovered that the higher the ad spend in a particular year, the less happy its population is a year or two later. In this *HBR* interview, Professor Oswald explains that, although advertisers believe they are offering the public something new and exciting and therefore beneficial, in fact advertising raises people’s aspirations, often making their achievements and possessions appear inadequate.

Harvard Business Review, Vol 98(1) January 2020, pp 32-33 (Oswald)

Agencies

Smaller agencies join rosters

Several agency executives have seen a growing trend for large brands to invite small agencies to pitch for their business. This may not materialise into a large piece of business, but it is a way for them to get on the roster and allows them to pitch for future one-off projects. Carl Johnson, chairman of the agency group MDC (and founder of Anomaly), says that his agency has grown by 30% in 2019 because of this disrupted model which is, “helpful to us because it forces people out of the old model and because we were built for different times.”

Advertising Age, Vol 90(24), 23 December 2019, p20 (Pollack et al)

The changing face of advertising

Both Publicis and WPP are in trouble, while M&C Saatchi has reported its second profit warning in three months. Advertising is changing: Google and Facebook; the big consulting firms; the dominance of digital; and reduced attention spans are all transforming the way in which brands communicate with customers. This has led to a “commonality of



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creativity” as well as “generic” and “lazy” thinking. Advertising messages have become short-term, disposable pieces of content which capture the attention for a moment. Yet the role of marketing is to create and reinforce brand loyalty and awareness. Could sustainable ad campaigns be a thing of the past?

forbes.com, 29 December 2019 (Light)

Brands and branding

Consumer perceptions of brand heritage

This research examines consumers’ perceptions of brand heritage. It discusses the scope of brand heritage as a temporal concept based on a set of brand associations. Through four studies the authors develop a three-dimensional scale for measuring perceived brand heritage. They demonstrate how brand heritage enhances brand credibility and personal nostalgia. The research gives managers a tool to measure the extent to which consumers perceive brands in terms of stability, longevity and adaptability which could be useful for older firms that are facing competition from disruptors.

Journal of Marketing Management, Vol 35(17-18) December 2019, pp1624-1643 (Pecot et al)

Conflict – luxury brands and CSR

When luxury brands incorporate CSR into their offerings, they are combining conflicting values in their marketing strategy, which can result in negative responses from consumers. The authors propose a solution to this, called “value instantiation”, which encourages people to generate reasons for a value. Two studies showed that value instantiation, which promotes the integration of values, reduces unfavourable responses to a luxury brand's product that is promoted using CSR. This is particularly apparent among the core consumers of luxury brands, who are likely to respond negatively to CSR.

Marketing Letters, Vol 30(3-4) December 2019, pp307-319 (Park et al)

Going brandless – prioritising value

“Today’s consumers are looking for value and aren’t necessarily attached to particular brands”, says Andrew Lipsman, author of eMarketer’s *The Future of Retail 2020: 10 Trends that Will Shape the Year Ahead*. In the physical environment, retailers who are opening the most stores tend towards a “brandless” environment. Aldi is an example of a bricks-and-mortar retailer that focuses on own-label. Brandless, a D2C brand, bases its proposition on grocery, wellness and home goods that serve digital shoppers who want fewer but healthier ingredients. The brandless trend is creating opportunities for non-traditional private labels that maintain quality while providing better value.

emarketer.com, 30 December 2019

Children

Lidl takes steps to reduce pester power

Lidl is to remove the cartoon images from its own-brand cereals to, “help parents across Britain make healthy and informed choices about the food they buy for their children” and reduce so-called “pester power”. The cereals include Choco Shells (which feature cartoon penguins) and Rice Snaps (which has a cartoon crocodile). A 2019 survey by Opinium found that three-quarters of parents of primary school age children experienced pressure when shopping with their children. Public Health England has called on other retailers to follow Lidl’s example.

prolificlondon.co.uk, 6 January 2020

Consumer behaviour

Ethical consumer spending ramps up

Ethical consumer spending on items such as food, drink, clothing, energy and travel has reached £41 billion, according to the Co-op’s latest *Ethical Consumerism* report. In 1999 the market was worth just £11.2 billion. The report, which considers consumer concerns about the environment, animal welfare, social justice and human rights, has been tracking expenditure over two decades. It highlights ethical clothing as one area that hasn’t developed at the same speed as other areas; it still has an annual spend of just £49.9m. (See Environment)

The Guardian, 30 December 2019, p15

How Gen Zs regard money

Gen Zs (those born between 1995 and 2010) are “deliberate spenders”. They are conscious of, and serious about, money. Even so, peer pressure can result in impulsive buying or influencer-inspired purchases. The author identifies three differences between Gen Zs and Millennials which should be considered by marketers wanting to target the former.

researchworld.com, 30 December 2019 (Van der Wel)

Customer relations

What do “loyalty leading” companies do?

Business leaders want to maximise the value of their customer base, but financial pressure often leads to cost-cutting which harms customers. “Loyalty leading” companies use new models, technologies and marketing metrics to maximise the number of profitable customers, increase retention and increase purchases. Leaders should track customer value as carefully as they would other major assets. They should also report in formats that allow investors and other stakeholders to make informed judgements.

Harvard Business Review, Vol 98 (1) January-February 2020, pp42-50 (Markey)

Direct marketing

Government heads email open rates

Government organisations achieved email opening rates of 30% in 2019, a rise of 11% on 2018 and the highest of any industry, according to Campaign Monitor's annual global benchmarks report. It also shows that the automotive and aerospace industry had the lowest opening rates of just 12.6%, a decline of 17% on the year before. The report, which reveals how email marketing has performed across industries, also contains insights to help organisations understand how they compare with peers and competitors across industries and identifies areas of growth in email marketing. Overall it found that the average open rate was 17.8%.

marketingland.com, 2 January 2020 (Cannon)

Law

Social media – statutory duty of care

This month the Government will publish its response to a consultation on social media policing post Brexit. It would like companies, such as Facebook and Google, to adopt a statutory duty of care that can be enforced by Ofcom. A "senior management liability" is likely to be included, which means that company executives could also be held responsible for breaches. Ofcom will be required to compile legally enforceable codes of practice that tech companies must abide by to protect users from harmful content.

The Times, 31 December 2019, pp1-2

Marketing

Putting creativity into marketing

Andrew Geoghegan, global head of consumer media planning at Diageo and head of its customer marketing centre of excellence, reflects on last year's big themes in marketing and concludes that creativity simply wasn't one of them. He argues that creativity seems to have given way to digital, data, technology and AI. Diageo has developed a programme called "Creative Sparks" which involves 1,200 of the company's marketers; it aims to ensure that people doing creative work have the best tools and ways of working. The aspects that have made the greatest difference are described here.

marketingweek.com, 2 January 2020 (Geoghegan)

Anti-consumption and the future of marketing

The author comments on the rising "anti-consumption" movement which has gone hand-in-hand with the sharing economy and climate change concerns. Although anti-consumption seems to be a logical behaviour as people moderate their needs, it is unlikely that many people are consciously trying to consume less. However, there does seem to be a growing awareness of how they are leaving their mark on the planet. Yet marketing is based on the existence of consumption and marketers still largely

believe in measurement and reward based on growth. In the future we are likely to see a world in which "everything is rented, borrowed, reused or shared". Social impact will no longer be part of the marketing strategy but something that is expected of all organisations that are offering something of value to the consumer.

ama.org, 10 December 2019 (Klein)

SME good marketing guide

The Good Marketing Guide is a quarterly publication from *SME News* which offers tips and insights into key areas of marketing as well as a directory of services. This edition includes topics such as: the 21 marketing job roles that will appear by 2029; meeting the content needs of Gen Z; social vs search (which is the priority for the small business owner?); how to measure your content marketing effectiveness; and how to implement a "flawless" digital marketing strategy.

<https://www.sme-news.co.uk/good-marketing-guide-2019/>, 11 December 2019

Market research

Role of automation in market research

How are brands using "next-gen" automation, notably AI, in market research today? Will AI offer better, cheaper insights and could robots replace human researchers? Global insights agency SKIM recently partnered with food company Danone and Voxpopme, an automated video research platform, to study how automated solutions might replace or improve qualitative research. A "(Wo)man vs Machine" competition was launched between human researchers and automation technology. It concluded that you can successfully incorporate AI into your qualitative market research but that humans still have an important role to play. Here are five tips emerging from the exercise.

researchworld.com, 3 January 2020 (Slavenburg)

Getting to know the customer

The more you know about your customers, the better you can position the brand and serve those customers. Surveys suggest that 40% of marketers base their decisions after doing extensive research. This article starts by explaining why research is so important before moving on to elaborate on three research strategies aimed at getting to know your customer (interviews, social media forums and focus groups); and managing the customer research campaign.

einsteinmarketer.com, 3 January 2020 (Quadros)

Public relations

Influencer investment

Social media has matured as a marketing platform and influencers have become an established way of reaching audiences. However, research among agencies and brands commissioned by the Branded

Content Marketing Association (BCMA) and *PRWeek* shows that influencer marketing is not a ubiquitous genre for all. Among agencies, 72% expect to maintain or increase their current level of spend on influencers this year, with 24% saying that they have introduced an influencer division or practice over the past five years. However, a substantial proportion (23%) spent nothing on influencers last year and 28% say they won't be investing in 2020. Among corporate respondents, the number that will spend nothing on influencer marketing this year will fall to 13% (from 23% last year) although there seems to be a reluctance to increase budgets: 20% spent over half their marketing budgets on influencers in 2019 but just 3% expect to do so this year. As influencer marketing is a rapidly evolving area, many brands are uncertain about future investments. The results of the survey are summarised over six pages. (See also Social media)
PR Week, January-February 2020, pp30-37 (Harrington)

Online reputation management

There is a growing industry of reputation management consultants that will check the internet for negative posts on behalf of clients and persuade Google to keep them buried using arguments such as defamation, GDPR, copyright and the "right to be forgotten". The latter right, which extends across the EU, has led to a rise in interest in reputation management services provided by companies such as Pure Reputation and Igniyte. Some companies go as far as to create fake news articles and positive reviews. Combatting negative news has become widespread and some UK schools are checking their online reputations because parents probably won't apply for a school place for their child without first googling the school. Reputation companies claim they are simply removing harmful content, but the activity could lead to reduced trust in search engines.

The Sunday Telegraph (Business & Money), 5 January 2020, p6

Sponsorship Women's sport

There has been growing corporate and media interest in women's sport. However, to date there has been little research on the marketing of, and through, women's sport. This study focuses on sponsor motivation in relation to the women's Australian Rules football national league. It finds that sponsorship is motivated by the wish to promote gender equality at a company, industry and societal level. The sponsorship of women's football provides both CSR and commercial benefits. Insights for sport marketing, and particularly the sponsorship of women's sport, are provided.

**Journal of Marketing Management, Vol 35(17-18)
December 2019, pp1644-1666 (Morgan)**

Toyota and BP jointly sponsor Paralympics

Toyota and BP will jointly sponsor Channel 4's coverage of the Tokyo 2020 Paralympic Games. Toyota had already partnered with Channel 5 for its 2018 Paralympic Winter Games coverage, but this is the first such partnership for BP.

prolificlondon.co.uk, 6 January 2020

Agriculture, fishing and forestry

NZ uses seaweed to tackle livestock emissions

In New Zealand the Cawthorn Institute has received government funding to cultivate red native seaweed which could be a "game changer" for farmers because it can reduce livestock emissions by up to 80%. Agriculture minister, Damien O'Connor, says that if only 10% of global ruminant producers were to use the seaweed as a feed additive, it would equate to removing 50m cars from the roads. Meanwhile, New Zealand's AgResearch Institute has received funds to create a "climate-smart cow", although this could take decades. Methane gas from sheep and cattle accounts for a third of New Zealand's greenhouse gas emissions.

The Guardian, 2 January 2020, p26

Kenyan tea responds to changing tastes

Millennials are moving away from traditional tea towards coffee and herbal drinks. In response, traditional Kenyan tea growers are experimenting with boutique blends to attract younger customers. One in ten of Kenya's 50m population depends on tea for a living and it is a cornerstone of the economy. Yet 70% of the tea is exported to just four markets, of which Britain is one, and tea companies are losing money. Sales of black tea bags fell in Britain last year due to changing Gen Z and Millennial tastes. Kenya is moving away from the crush, tear and curl (CTC) method of treating tea leaves to a slow-processed variety with a more complex flavour. Kericho Gold, a producer, has launched "attitude" and "health and wellness" teas.

The Times, 3 January 2020, p29

Building industry

First timber football stadium

The world's first timber football stadium has been approved in Gloucestershire by Stroud District Council. Zaha Hadid Architects previously won a competition to design a sustainable venue for Forest Green Rovers Football Club. Forest Green, which is the first UN-certified carbon neutral football club, already offers vegan food and uses renewable energy. The club's chairman, Dale Vince, is owner of Ecotricity, the green energy firm.

constructionnews.co.uk, 23 December 2019 (Jessel)

Drones hindered by costs and regulation

Drones are now being used to survey construction sites at a fraction of the time and cost of using humans. Edinburgh-based Cyberhawk has reported an increase in the use of its drones in the construction industry. Drones could benefit an industry in which around 80% of projects run over schedule and 20% are over budget. According to PwC, drones could save the UK construction industry £3.5 billion by 2030. In the future drones might even be used to help construct buildings. However, there are still significant barriers to entry, such as regulation and tight margins, which would deter smaller businesses.

The Sunday Telegraph, 29 December 2019, p7

Businesses and strategy

Managing online references – SMEs

The role of corporate online references in managing customer perceptions and firm attractiveness is important. Yet there is limited information about how references work in B2B, especially for the supplier pre-selection process in SMEs. This study investigates the impact of online references, WOM recommendations and company size on customer intentions to start a business relationship with the supplier. The study includes qualitative interviews and focus groups conducted with managers of UK SMEs. The results suggest differences in supplier pre-selection between small and large SMEs. More detailed online references tend to be preferred by medium and large SMEs, but less elaborated references seem to suffice for small SMEs when combined with a WOM recommendation. The conclusion is that managing customer references is an important driver of supplier attractiveness during the pre-selection phase.

Industrial Marketing Management, Vol 84 January 2020, pp312-327 (Tóth et al)

Disrupted disruptors

The tech industry has been hugely successful but tends to be concentrated in the likes of Google, Facebook and Apple. Large parts of the economy have been only slightly changed by technology and productivity in the wider economy has stagnated. Some companies, such as Uber, WeWork, Peloton and Airbnb, have been trying to change all this. However, such disruptors have found themselves at odds with the “real world” in ways that Google and Facebook have not experienced. Uber, for example, has faced various legal challenges. Not all tech companies are free to operate in the real world in the unregulated manner that internet firms have enjoyed, which could mean trouble for other tech unicorns seeking to disrupt industries. This means that technology may still not reach the parts of the wider economy that need some innovation.

The Daily Telegraph, 2 January 2020, p5

Coaching – the pros and cons

Being coached might once have been regarded as a remedial measure but these days it is often indicative of a person who is an important player and whose skills need to be honed, like those of an athlete. The start of any year brings a surge of interest in coaching which ranges from executive and business coaches to “wantologists” (those who help clients identify wants). Yet there is a balance to be struck between individual self-development and corporate goals and a coachee may decide to leave the company following his or her coaching. Coaches may also be used by a company “as a surrogate for effective leadership” instead of confronting shortcomings in its corporate culture or management.

Financial Times, 3 January 2020, p19

Charities and NGOs

Donor behaviour – mental disability charities

The authors describe a study to assess donor behaviour in relation to charities concerned with mental disability. They compiled a list of variables thought to influence donor behaviour using random forest regression. This was used to test a model that would help predict donors’ willingness to give to a mental disability charity. They found that general variables, such as altruism and self-congruence, as well as factors specific to mental disability, such as “protest” advertising, were significant factors in the willingness to donate. Mental disability charities are advised to frame their fundraising campaigns accordingly.

Social Business, Vol 9(3) Autumn 2019, pp249-272 (Bennett and Vijaygopal)

Boosting the website user experience

Donations through charity websites have risen significantly over the past few years yet many potential donors are still visiting charity websites without making a donation. Charities are advised to look at the user experience (UX) that they offer through their websites. They must optimise the user journey from the moment they arrive on the landing page to the time they leave. Here are some factors to consider for making the website more compelling. They include persuasion architecture (understanding potential and actual donors); social proof (proof that the site is worth visiting); and making it easy to donate.

charitydigitalnews.co.uk, 3 January 2020 (Rubens)

Economy

Pensioners could add 2% to GDP

Researchers have found that pensioners’ spending is adding billions to the British economy at a time when spending by younger people is falling but that there are barriers for older people. These include inaccessible high streets, badly designed products

and age discrimination. If these obstacles were dealt with, the additional spending could add 2% to the UK's GDP (£47 billion) by 2040. Spending by people aged 65 and over rose by 75% from 2001 to 2018 but fell by 16% for those aged 50 and under according to an ILC report, *Maximising the Longevity Dividend*. David Sinclair, director of the ILC, says "we are still not maximising the economic potential of older workers" who are often leaving the workforce before they are ready to.

<https://ilcuk.org.uk/maximising-the-longevity-dividend/>; **The Guardian, 3 January 2020, p16**

BCC urges action as economy slows

The latest survey by the British Chambers of Commerce (BCC) warns that the economy stagnated in the last quarter of 2019 and there was a slowdown in the services sector which accounts for 80% of output. There has also been a further contraction in export orders, the first time that it has experienced two negative quarters since 2009. Meanwhile the balance of manufacturing companies that plan to increase investment in machinery and plant has plunged to its lowest level in eight years. Adam Marshall, director general of the BCC, urges the Government "to take big decisions to stimulate growth".

The Times, 2 January 2020, p33

Education

Apprenticeships not reaching right audience?

The apprenticeship levy, in place since 2017, is giving rise to "fake apprenticeships", according to Tom Richmond, author of a report for the EDSK thinktank. He claims that many large companies are simply using the funds for existing professional development courses or "re-labelled" degrees instead of supporting technical education for young people as was the intention. Since the scheme started, there has been a fall in entry-level apprenticeships and a rise in the number for existing company employees. In addition, some universities are accused of creating "academic professional apprenticeships". Mark Dawe, chief executive of the Association of Employment and Learning Providers, takes issue with the report as does the Department for Education. However, a recent survey from Grant Thornton found that 45% of companies with an apprenticeship levy had not yet used any of the funds set aside for the scheme.

The Guardian, 3 January 2020, p13

Energy and utilities

A battery-free future?

The number of smart devices used in homes and commercial premises is expected to exceed 42 billion by 2025 but each requires a source of power. Batteries are the obvious solution, but they have obvious shortcomings. Now various start-ups are

working to make batteries unnecessary or, at least, to ensure that they don't need to be replaced. Washington-based Ossia is working with Walmart to develop a "distance charging" technology called Cota. Californian start-up, Atmosic Technologies, wants to create a "battery-free IoT revolution".

Financial Times, 3 January 2020, p9

Only hydrogen ready boilers from 2025

The Government is considering whether to set a deadline for all boilers on sale to be "hydrogen ready". This means that they burn natural gas but can easily be converted to hydrogen which only produces water when burned. Currently around 30% of CO₂ emissions come from heating homes, business and industry. The UK has pledged to be CO₂ neutral by 2050 but 23m homes have gas boilers, which presents a considerable challenge.

The Times, 4 January 2020, p32

Environment

Direct air capture – costs coming down

"Direct air capture" (removing CO₂ from the air) has been regarded as a form of greenwashing by critics. Yet major companies involved in direct air capture (Carbon Engineering, Climeworks and Global Thermostat) argue that the technology is designed to supplement rather than replace solar and wind power. The technology has historically been very expensive, but these companies are trying to demonstrate that it could be cheap enough to be used more widely in the near future.

Bloomberg Businessweek, 23 December 2019, pp23-25

Sustainable luxury

Kresse Wesling, co-founder of sustainable luxury brand Elvis & Kresse, explains how she set out to, "solve waste problems and still create beautiful things that people want to buy". She started by creating luxury gifts from decommissioned fire hoses which included belts, where 50% was donated to The Fire Fighters Charity. She then moved on to the 800,000 tonnes of tanned leather that is thrown away every year, using it to create rugs, chairs and luggage. In partnership with Burberry, her leather waste goods now provide enough profit to fund women as solar engineers in India. All business decisions are based on whether they will make the world better for people's grandchildren. The latest project is a solar-powered forge that can recycle aluminium cans of which 56m are thrown away in the UK every year.

Wired, January-February 2020, pp70-71

Co-op to recycle plastic film

The Co-op is launching a plastic film recycling scheme this year. Shoppers will be invited to take the plastic to drop-off points after which it will be made into plywood panels. It becomes the first

British supermarket to tackle this hard-to-recycle material. The supermarket has also pledged to use only 100% own-brand recyclable packaging. The Co-op has released a report showing that ethical spending has risen almost four-fold over the past 20 years. (See Consumer behaviour)

The Daily Telegraph, 30 December 2019, p7

Fashion

M&S enters athleisure space

M&S wants to move away from its “frumpy” image by launching an athleisure range of affordable sportswear. Its 150-piece Goodmove collection comes complete with in-store leggings “experts” to help customers choose a style. M&S has been trying to change its image for almost two decades and has been redesigning its fashion and food ranges to attract younger people. It already sells one in four sports bras in the UK and sees the sportswear market as an opportunity for growth as its clothing sales continue to fall.

The Guardian, 3 January 2020, p33

10% of fast fashion is thrown away

The amount of discarded clothing which ends up in landfill rose by nearly 10% between 2015 and 2017, according to Wrap, the waste charity. Although much of the clothing could have been recycled, the “fast fashion” trend shows no sign of abating and more clothes are being thrown away. A House of Commons report reveals that people in Britain buy more new clothes a year than any other Europeans.

The Times, 7 January 2020, p14

Financial services

Gaming products maker enters fintech

Razer, a maker of keyboards and computer mice for video gamers, wants to expand into financial technology. It has applied for a banking licence in Singapore which would enable it to launch a bank aimed at younger people who are already familiar with its gaming products. The Razer Youth Bank will also offer travel and “lifestyle experiences” through its app, in conjunction with Visa and Skyscanner. Razer will become a new challenger bank to rival the likes of Monzo and Revolut.

The Daily Telegraph, 3 January 2020, p5

FMCG

Beverages

Elephant dung – just the tonic!

For decades South Africa had been drinking imported British gin, but all this is changing and there are now 50 distilleries in the country. Three factors have boosted the industry: the popularity of gin around the world; the liberalisation of licensing laws after apartheid; and the comparative ease of

setting up a distillery at a time when South Africa’s wine makers are struggling. The country also benefits from a wide range of “botanicals” which makes each gin different. Such individuality has led to the creation of Indlovu gin, which has been infused with elephant dung to give “the textures and flavours of the African bush”!

The Economist, 21 December 2019-3 January 2020, p84

Sparkle goes out of Champagne

Champagne has been declining in popularity over the past 12 months, with sales of premium French Champagne falling by 28% from 18m to just 13m bottles. Products at the lower end of the market have been hit particularly hard. The WSTA, the trade body, has blamed changes in the drinking habits of young people and the rise in duty on sparkling wine introduced in 2018 by the then chancellor, Philip Hammond. By contrast, it reports record sales of liqueurs, with 43m bottles being sold in the past 12 months.

The Guardian, 30 December 2019, p37

A dash of water with wonky fruit and veg

Dash Water, a British soft drinks brand launched in 2017, uses wonky fruit and veg to create a drink which contains no sweeteners or sugar. The founders, who both have farming backgrounds, have raised £1.6m to help them expand in Europe. Despite its price (£1.29 for a 330ml can) Dash already has over 6,000 listings with UK retailers.

The Times, 3 January 2020, p36

Gin in low spirits?

Is the gin boom over? Gin volumes rose by just 4% from August to October year-on-year compared with a 30% rise in the same period of 2018. This has also hit tonic maker Fever-Tree, which forecasts domestic growth of just 5% this year. Britons are turning to lower alcohol drinks. Meanwhile a new challenger takes the form of “Hard seltzer”, a sparkling water containing around 5% alcohol which is proving popular in the US.

Financial Times, 31 December 2019, p22

Food

Veganuary takes over...

This month, Veganuary, will see a quarter of a million Britons rejecting animal products in favour of meat-free options. They will be assisted by the many meat-free products launched on the first day of 2020. These include Greggs’ meat-free steak bake and offerings from McDonald’s, Pizza Hut, Subway and Costa. Supermarkets, including Aldi and M&S, have also augmented their vegan options. Scientists have warned that switching to a vegan diet can negatively impact long term health unless people eat enough vitamin B12 which is found in animal products. Writing in *The Daily Telegraph*, farmer

Jamie Blackett argues that the vegan craze is playing into the hands of multinational food companies which control global food supplies. He points out the contribution that livestock farming makes to the environment.

The Times, 1 January 2020, p15; The Guardian, 3 January 2020, pp7; The Daily Telegraph, 2 January 2020

...as red meat sales fall

There was a significant fall in sales of red meat last year as over 800,000 people reduced their consumption of animal products for at least one month. In fact, sales of red meat fell by value more than any other supermarket category while sales of meat-free alternatives rose by 18%. The number of vegans more than doubled to 600,000 between 2016 and 2019. In its *Big Read*, the *FT* considers the challenges for the meat industry. Some people predict that meat will eventually become a premium product.

FT Weekend, 28-29 December 2019, p7; The Times, 2 January 2020, p1

Household

Canadian cannabis – slow progress

In October 2018 Canada became the second country in the world to legalise cannabis for recreational use. Yet the legalisation of drinks, edible confections and vaping products did not become legal until a year later. Progress has been sluggish with just 28% of consumers buying only from legitimate sources in the third quarter of last year. This is probably because Canada has just 407 legal cannabis shops which is hindering distribution. Cannabis companies, such as Canopy Growth, who were hoping to lead the global market, have seen falling share prices. They are banking on the introduction of drinks and edibles to boost the market. The legalisation of edibles and drinkables could also attract multinational consumer goods companies into the market.

The Economist, 21 December 2019-3 January 2020, p62

P&G demos AI products at CES

Procter & Gamble, which has appeared at the Consumer Electronics Show for the second time, is showcasing a number of products that incorporate technology including AI. Its Oral-B toothbrush, for example, provides feedback on time spent brushing teeth; there is a Pampers internet-connected baby care system; and a robot that can deliver toilet paper, "so you won't be left in a bind ever again"!

marketingweek.com, 5 January 2020

Government and public sector

British Army in confidence recruitment

The British Army's new recruitment campaign is targeting Millennials. Launched on TV, radio, Twitter

and Facebook, the campaign promises that a career in the army will provide greater confidence (that will "last a lifetime") than the "quick hits" provided by social media or fast fashion. The army will also run a boot camp for those who were "on the borderline of being overweight or unfit" so that they might meet the minimum standard required. The strategy is a change of tack from last year's controversial "snowflake" campaign.

Financial Times, 2 January 2020, p2

Health and pharmaceuticals

Life sciences – M&A trends

This article examines merger and acquisition trends in the life sciences sector. Over the last 12 months there have been a significant number of M&As, especially in the US and China. There have also been cross-sector deals, mainly due to tech investors including the likes of Amazon and Google, as the lines between technology and healthcare continue to blur. Traditional business models are changing as businesses look for growth in a consumer-focused, digital world. There is also a shift towards specialisations in a "fragmented therapeutic marketplace". A recent downturn in M&A activity is attributed partly to uncertainty over Brexit and partly to "well capitalised" start-ups and biotech companies that don't feel the need to be acquired.

European Pharmaceutical Review, Vol 24(6) December 2019, pp29-30 (Danks)

Leisure centres clothes amid obesity concerns

Many council-run leisure centres and swimming pools have been forced to close following spending cuts. Spending fell from £565m in 2009 to £244m in 2019. This is despite the Government's aim of encouraging Britons to become more active. Many of the closures have been in deprived areas even though research suggests that children living in such areas are twice as likely to be obese by the age of 11 than those in wealthier areas.

The Times, 26 December 2019, p12

PHE mental health campaign targets FA fans

Public Health England has partnered with the FA in a campaign to raise awareness of mental health. The short film, which is narrated by the Duke of Cambridge, features some famous footballers. It is being shown just before all the matches in the FA Cup third round. The film particularly targets men who are less likely than women to seek help for mental health problems.

marketingweek.com, 3 January 2020

IT and telecoms

Apple – the Russia question

In December Russia passed a law prohibiting the sale of devices that aren't preloaded with locally developed apps. The law, due to take effect in July

this year, has been dubbed the “law against Apple” because of the tech company’s policy of maintaining strict control over the apps installed on its devices. Apple may be wondering whether it is worth changing its strategy since its Russian market is relatively small. From November, Apple Maps have been depicting the Crimean Peninsula, illegally annexed by Russia in 2014, as being Russian. There has been some controversy over this. While Apple has so far avoided political scandals, it will be considering the damage to its reputation and whether it should leave the Russian market altogether.

The Economist, 21 December 2019-3 January 2020, p50

Mobile networks in retreat

A decade ago, the telecoms industry (incumbents and mobile-only operators) were battling it out to place their infrastructure around the planet. But many have failed to build truly global brands in the same way as the big tech groups and some are beating a retreat. Telefónica is the latest to retrench: it has just put its non-Brazilian Latin-American business under review. Telecoms has been one of the worst-performing sectors over the past five years as global ambitions have left companies with huge debts. Dominance of the comms market has shifted to the likes of Google, Apple and Facebook who are using other companies’ infrastructure to boost their digital offerings. The future of global telecoms companies could rest with network infrastructure, such as pipes and cables. Telia is one company that has managed to hang on in this space: its fibre network covers 115 countries and is used by 900 telecoms operators.

Financial Times, 31 December 2019, p19

Consumer Electronics Show

The world’s biggest tech conference is taking place in Las Vegas where some 4,000 companies are competing for attention by unveiling their latest tech products. Last year there was an emphasis on driverless cars and smart homes. These products are also present this year as are a selection of more weird and wonderful inventions. These include a GPS-enabled dog collar which enables you to define a boundary for your dog; a Bluetooth headband which could be used as a replacement for TV remote control or video gamepads; and the cuddly Lovot robot, which “begs for attention and gets in the way of those it lives with” just like a dog. It is currently retailing in Japan at ¥325,000 (£2,770).

The Daily Telegraph (Business), 7 January 2020, p4

Materials and mining

Working goldmine to open in Scotland

A small goldmine at Cononish in Scotland will become the UK’s only working goldmine and is expected to produce enough gold to start a Scottish

gold jewellery industry. The company behind it, Scotgold Resources, says the gold will carry a Scottish hallmark in the form of a stag’s head in a triangle. Full commercial production is expected to begin in May 2020 following various delays including environmental concerns. The company is also looking at other gold deposits in the Highlands.

The Guardian, 3 January 2020, p21

Media

Audio – gaining share of ear

The ear is an area of the body that hasn’t been fully commercialised, but all this is changing thanks to headphones, earbuds and the rise of audible content. While the eyeball still dominates (Warner Media, Disney and Netflix have spent up to \$250 billion on visual programming since 2010) the battle to “monetise the ear” is on. Both “wearables” (Airpods are the fastest-growing area of Apple’s products) and audible content (Spotify, Apple Music, audiobooks, etc) are booming. One of the main issues is advertising: in America terrestrial radio has 82% of the audio ad market which is valued at over \$17 billion. Apple has the power to make audible more profitable, but it appears to be focusing on video content, which is taking the pressure off Spotify...

The Economist, 21 December 2019-3 January 2020, p99

Digital entertainment boosted by streaming

The popularity of streamed music, films and TV in 2019 led to a record spend of over £3 billion on the likes of Netflix, Amazon Prime Video and Spotify. The total UK entertainment market achieved a record £7.8 billion, according to a report from the Entertainment Retailers Association which shows the sheer scale of the move towards internet-based services: over 80% of total entertainment spending is now on digital. (See also Music)

The Guardian, 3 January 2020, p3

Film

Cineworld continues with acquisitions

Some experts believe that home streaming services will lead to the demise of the cinema while others advise cinema operators to evolve to provide “experiences” that people will want to spend their money on. Last month Cineworld announced a deal to acquire Cineplex, the biggest cinema chain in Canada. This will make Cineworld the second-biggest chain in the world after AMC Theatres, owned by Dalian Wanda of China. Shares in Cineworld have plummeted with investors still nervous about boss Mooky Greidinger’s decision to buy US chain Regal in December 2017.

The Daily Telegraph (Business), 6 January 2020, p8

Internet

Fake clicks – more than ad industry admits to

For years fake clicks have been a problem in online marketing but are becoming more prevalent, especially in clickable ads for downloading smartphone ads or ads on smart TV. Augustine Fou, who has been researching the problem, believes that there is a far bigger problem than the ad industry is prepared to acknowledge. Industry estimates put the cost of fake clicks at \$6 billion a year out of the total \$300 billion in annual spend. Gary Danks, CEO of Machine which tracks ad fraud, says that 49% of the more than 150m app downloads driven by ads in 2019 that it had analysed, were fraudulent. Critics are concerned that the ad industry is not recognising the scale of the fraud in a medium that is supposed to be more measurable than traditional media.

Financial Times, 30 December 2019, p1

Music

Streaming, vinyl and cassettes boost sales

UK music fans consumed more music last year than at any time since 2006 with the equivalent of 154m albums being purchased or streamed. This is according to the annual report from the BP, the music industry body, which shows that legal streaming services – Spotify, Apple, Amazon and Deezer – have helped to offset the 26.5% plunge in CD sales last year. Some 114m albums were streamed in 2019, up by more than a quarter on 2018. However, the digital music revolution hasn't detracted from the rise of vinyl which achieved sales of 4.3m last year, its 12th consecutive year of growth. Cassette sales have also doubled year-on-year.

The Guardian, 1 January 2020, pp8-9

Social media

TikTok more entertaining than Facebook

Social media is changing as evidenced by the rise of TikTok, the short video app, over the past year. Its main activity is watching or creating short videos, which makes it attractive to teens and young adults. Facebook, which remains well ahead, is still used by a much higher percentage of young users than TikTok although it is gradually slipping in the 12 to 24 age group. eMarketer believes that this is down to the ability to create content for entertainment on TikTok. Traditional social networks, such as Facebook, tend to be more serious and even negative. A May 2019 survey showed that US users aged 13 and above were moving away from Facebook because they didn't like "rants or too personal comments" (60%), "too much negativity" (59%) or were "tired of political posts" (58%); while 47% said they were "enjoying other social media sites more".

emarketer.com, 23 December 2019 (Enberg)

Influencers could become irrelevant

The influencer marketing business is estimated to be worth \$8 billion but brands are becoming less certain about the returns especially since some influencers have been attracting fake followings and the average cost of placing a sponsored post has risen significantly. US and UK regulators have been investigating the influencer space, issuing guidelines and telling influencers to disclose their relationships with brands. Instagram's move to hide "likes" has had a mixed response though some argue that it might encourage influencers to up their game. In June Instagram launched its "branded content ads" tool which allows brands to promote influencers' posts as ads. It has just announced the launch of a platform to match brands with influencers. As brands and businesses increasingly enter the space, influencers are advised to gain followers on multiple platforms or risk becoming irrelevant. (See also Public relations)

Financial Times, 31 December 2019, p9

Packaging

Compostable adhesive tape

German manufacturer monta, a supplier of adhesive tape, has launched what it claims is the first certified sustainable self-adhesive tape in Germany. monta biopack is made from 90% renewable resources, with a biobased film and natural rubber adhesive. The product will biodegrade within a matter of months.

packagingeurope.com, 6 January 2020

Cadbury tests out paper packaging

Cadbury is trialling paper packaging in Australia and New Zealand in a bid to phase out plastic wrappers. This will be the first time that the company has used fully-sealed paper material. Separately, Nestlé has announced that its "YES!" bars will have paper packaging.

packagingnews.co.uk, 2 January 2020

Retailing

Consumer response to offline price premiums

Variations in on- and offline pricing are controversial in an era when offline retailers are struggling to survive. Using data from a large multinational retailer, the authors find that, on average, offline price premiums of around 2% are viable, but vary hugely between product categories and price levels. High-priced products, which consumers perceive as risky, tend to allow offline price premiums, as do low-priced, takeaway items. However, there appears to be no potential for offline price premiums in the area between the two extremes. The results of three studies exploring consumer responses to higher offline prices, suggest a diversity of consumer responses depending on market segment. This is because some market segments respond less

negatively to higher offline prices. Consumers also seem to accept offline price premiums for unplanned purchases.

International Journal of Research in Marketing, Vol 36(4) December 2019, pp597-612 (Homburg et al)

M&S – focus on food amid break-up rumours

Marks & Spencer is making little progress despite successive turnaround strategies. Last year its revenue remained at the same level as it was three years previously (£10.4 billion) while its underlying profit margin had fallen to 5.8%. CEO Steve Rowe and chairman Archie Norman have played down suggestions that the company might be broken up. However, the focus is likely to be on food and the development of its online grocery business with Ocado. Analysts say they haven't seen any evidence of a turnaround in clothing and there have been moves to make the two businesses (clothing and food) more accountable.

The Daily Telegraph (Business), 6 January 2020, p3

Services

Co-op in same day delivery

The Co-op is to launch a same day delivery service from 650 of its stores and covering 100 towns and cities. Initially it will trial the service in London and Manchester. It will compete with Amazon which has teamed up with Morrisons to deliver groceries within an hour. However, online grocery orders are expensive to fulfil, with analysts saying the service costs £10 per order.

The Times, 2 January 2020, p36

Decluttering – it's that time of year

January is a busy time for professional declutterers. Services that tidy people's houses (tidying consultants or organisers) have been popularised by Netflix's *Tidying Up with Marie Kondo*. Yet professional tidying has been around for a few years: the UK's Association of Professional Declutterers and Organisers was founded in 2004 and now has over 350 members. This article looks at what two high-profile services are offering and what they cost!

FT Weekend, 28-29 December 2019, 012

Virgin challenges Trainline with ticketing app

Virgin Rail is designing an online ticket-buying service in a market currently dominated by Trainline. It wants passengers to save money through split ticketing, the practice of buying multiple tickets for different sections of the journey which has often allowed people to pay less than the standard fare. Trainline is currently the most popular ticketing app in Britain but Virgin Rail sees the opportunity to create a valuable business in a market where 20% of tickets are purchased online. It will initially offer

tickets on its app but plans to expand into other travel categories.

The Times, 2 January 2020, p33

Transport and travel

Airbus capitalises on Boeing misfortune...

The Boeing 737 MAX plane was grounded last March following two crashes. There is no date for the aircraft's return to service although it is likely that the Federal Aviation Authority (FAA) will recertify it in February while other regulators may delay their decisions. Even though passengers may not want to fly in a MAX, airlines have limited choice about who to buy from. In the future Boeing may conclude that it is time to retire the aging 737 series. This might worry Airbus which is currently benefiting from Boeing's problems and would prefer competition between its A320 and Boeing's MAX. Yet a race to develop new planes would cost the two companies billions and might result in technology that could be obsolete in a few years thanks to developments in electric-hybrid short-haul aircraft.

The Economist, 21 December 2019-3 January 2020, pp95-96

...with more aircraft deliveries

Airbus has overtaken Boeing as the largest plane manufacturer for the first time in eight years. It delivered 863 aircraft last year while Boeing, in the wake of the 737 MAX crisis, delivered just 345 planes in the first 11 months of 2019. In 2018 Boeing delivered 806 planes, just ahead of Airbus's 800.

The Times, 3 January 2020, p31

Mainstream models go electric this year

A raft of new electric cars is set to be launched this year by major manufacturers. Previously electric vehicles belonged to niche markets, but the new models will be household names such as the Vauxhall Corsa and Fiat 500. By the end of 2020 it is likely that the number of electric models available to European consumers will rise from fewer than 100 to 175. In the UK sales of EVs are predicted to rise from 3.4% of all vehicles sold in 2019 to 5.5% this year. On 1 January new EU rules came into play which mean that carmakers could be penalised if CO₂ emissions rise above a certain level. Deloitte reckons that the market will reach a tipping point in 2022 when the cost of ownership of an electric car will equate to conventional models.

The Guardian, 26 December 2019, p2

Stena embraces AI to become eco-friendly

Stena Line, the Swedish ferry operator, is using AI to help it become more environmentally friendly. In a pilot scheme, it reduced its fuel consumption by up to 3% per trip. Fuel is expected to make up around 20% of Stena's costs in 2019; the AI trial aims to reduce fuel consumption and CO₂ emissions

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by 2.5% a year. Jari Virtanen, Stena Line chief transformation officer, says its ambition "is for Stena to become the world's first cognitive ferry company assisted by AI in all areas by 2021".

dataiq.co.uk, 22 December 2019

Written by CIM's Knowledge Services Team

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