

Cutting Edge: Our weekly analysis of marketing news

12 February 2020

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

Quick [links](#) to sections

Marketing trends and issues

Advertising

Global adspend to grow say analysts

Analysts are predicting that the global ad market will grow by between 4% and 6% this year with big event spending (US elections, Summer Olympics and UEFA Euros) contributing to higher growth. This is despite economic and political uncertainty and trade concerns. The US will continue to lead the way in adspend this year with "record-breaking" political expenditure and overall there will be double-digit growth in digital ad sales. GroupM forecasts global adspend growth of 3.9% this year, down from 4.8% in 2019; Zenith predicts growth of 4.3%, up from 4.2% in 2019; and Magna is more optimistic with a rise of 5.7% expected this year.

Advertising Age, Vol 91(2) 27 January 2020, p23 (Liesse)

Brands and branding

Flexing the brand

Organisations often "police" their branding to achieve a "consistent look and feel". Yet a better answer might be to "flex around the logo". Better brand managers recognise the value in "flexing" their brand codes to achieve success. "Logo flex" refreshes the brand and often generates essential publicity. McDonald's has recently tweaked its codes: its latest outdoor ads dispense with the logo altogether. Instead they use a generic font and some familiar colours, which enable consumers to connect this abstract advertising with the brand and its product offers. "Sometimes the greatest way to create salience in the mind of consumers is to ask them to construct the brand for themselves, from assorted, abstract cues" says Mark Ritson. This of course won't work for every brand, especially those without the iconic image of McDonald's.

marketingweek.com, 5 February 2020 (Ritson)

Conferences and events

Guide for event sustainability

Event Industry News has just launched its annual *Sustainable Event Buyer's Guide* in collaboration with sponsor GES. It is a free, downloadable source of content from thought leaders and industry experts aimed at driving the conversation on event sustainability. It offers advice and suggestions to help organisers plan more sustainable events. For every download, *Event Industry News* has promised to donate to offset 1kg of CO₂.

eventindustrynews.com, 7 February 2020 (Hooking)

Consumer behaviour

Young people – less trust in influencers

Research suggests that younger people are more likely to buy products because they have been recommended by influencers despite the fact that they perceive influencers as being less trustworthy than other sources. One in five US and UK Gen Zs and Millennials who responded to an August 2019 GlobalWebIndex survey had purchased something after being inspired by an influencer or celebrity post. Another survey from Morning Consult found that around half of US Gen Zs and Millennials trust influencers' recommendations when making a purchase. Yet younger generations actually trust product reviews and recommendations from friends and family more than they do influencers, according to Morning Consult. Marketers should remember that influencers are, "just one part of the equation" says eMarketer analyst Debra Aho Williamson.

emarketer.com, 6 February 2020 (Droesch)

Customer relations

Customer relationships have changed

The proliferation of channels and frequency of communication has resulted in brands publishing "nothing to say" content just for the sake of being out there. This could harm brand equity more than if the brand had not communicated at all. While



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consumer expectations have changed, some brands insist on retaining a legacy strategy in which they repeat the same campaign styles year after year. However, maintaining a good relationship does require ongoing communication and the speed and ability of brands to use data for personalised communications will be important for their future success. Instead of using a few promotional techniques to coincide with seasonal campaigns, it is important to tailor promotions to engage individuals. Hospitality brands show how this can be done by building profiles of individual customers based on their previous visits. Modern customer relationships have changed, and brands need to deliver.

thedrum.com, 7 February 2020 (Barrett)

Law

Protection for innovation

Both tangible and intangible company assets should be protected. *The Times* looks at managing intellectual property by imagining a fictional product (a solar-powered portable coaster for chilling drinks) which uses secret technology, has a heptagonal shape and unusual colour. It offers a step-by-step guide to protecting a product throughout its development cycle: from establishing that the idea is really new to filing a patent application, applying for a trademark and commercialisation of the product.

The Times (Raconteur: Intellectual Property), 30 January 2020, pp4-5

The Thunberg trademarks

Greta Thunberg has recently applied to trademark her name, "Fridays For Future" and "Skilstrejck för klimatet" (School Strike for the Climate). Her aim is to "protect the movement and its activities" and to prevent people from impersonating her for commercial purposes. If the courts were to interpret this as an indication that she doesn't intend to use the trademarks and that they have been filed simply to prevent third-party use, they could be rendered invalid. However, in reality they are more likely to be used for fund-raising, education and scientific information on climate change: in other words for commercial not-for-profit activity.

lexology.com, 6 February 2020 (Bailey)

Food and drink drive rise in copyright disputes

The trend for plant-based and vegan foods, gluten-free products and alcohol-free drinks gave rise to a growing number of copyright battles last year. An analysis of 100 resolved disputes at the Intellectual Property Office (IPO) by law firm RPC, found that food and drink accounted for 8% of trademark cases last year compared with just 2% in 2017 and 2018. Examples included Lo-Dough, a gluten-free bread brand which challenged pizza company No Dough. Its argument that consumers would be confused by the similarity of the two names was dismissed. The overall number of trademarks registered has also

risen according to the IPO. The number of trademark disputes reached a record high of 3,611 in 2018, the most recent year for which there is data.

Financial Times, 3 February 2020, p11

Marketing

Marketing funnel hacking

Here is a detailed guide to the marketing funnel which you will need regardless of whether you are just starting up, already selling or deciding what to do next. It starts by explaining what the marketing funnel is and how to drive people through each stage. It then considers why funnel hacking is the fastest way to get the results you want and how to build a marketing funnel in eight steps. Three types of funnel hacking examples are included: e-commerce (2-step order form and one-time-offer); B2B lead generation (survey funnels); and affiliate marketers (bridge funnels).

clickfunnels.com, 29 January 2020 (Orendorff)

Trends in 2020

In the lead up to the B2B Marketing Expo at ExCel in March, experts offer two sets of predictions for the year ahead. The first article identifies three marketing trends to look out for, namely, Google Ads, AR and "position zero" in search results. In the second article, BGA Partners considers content marketing, voice search and influencer marketing as topics for their 2020 predictions.

London Business Matters, Issue 162 February 2020, pp32-33

Market research

Desire paths – consumer journeys

A good model for tackling irrational behaviour is the idea of "desire paths". Mapping consumer journeys is akin to discovering the desire paths that are being consistently trodden by consumers. It looks at their coping mechanisms and ways to deal with situations. So how can brands help consumers meet consistent needs that aren't provided in their current consumer experience? Here are three tips for picking out the "signal" amongst the noise in the context of consumer journeys. The best consumer experiences "pave" the desired path to make it easier for consumers to proceed.

researchwold.com, 7 February 2020 (Schafer)

Public relations

Emerging reputational risks

AI technology, fake news, the political climate and a host of other threats have made the reputational environment increasingly complex. Although a well-thought-out crisis plan is essential, being prepared may no longer be enough. Today it is important to assess areas of weakness and create systems to pre-empt and deal with issues before they become crises. The author has identified four emerging

reputation risks and provides advice on the best preparation. These are: targeted online attacks, controversial statements, AI and third-party threats.

Public Relations Strategies and Tactics, Vol 3(2) February 2020, p20 (Goldberg)

Sponsorship

BT expands Home Nations sponsorship

BT wants its sponsorship of the Home Nations football to be more than a “badging exercise”. It is launching a 4-3-3 strategy which it will apply both on and off the pitch. The strategy relates to the sponsorship of the four home nations; a focus on three communities (disability and para; grassroots; and women’s football) and three goals: developing innovations and technology enabling new ways to play the game; better connecting grassroots football clubs; and focusing on the women’s game. The strategy forms part of BT’s Beyond Limits brand positioning which aims to demonstrate the role the company plays in communities.

marketingweek.com, 4 February 2020 (Vizard)

Agriculture, fishing and forestry

25% of mushrooms travel hundreds of miles

New research reveals that a quarter of fresh mushrooms have travelled over 800 miles to reach British supermarkets. The Mushroom Bureau reports that UK and Irish growers produce enough to supply the entire British market. UK retailers currently buy 75% of mushrooms from domestic growers but 13% are sourced from the Netherlands and 12% from Poland, which is 1,100 miles away. This raises questions about why retailers aren’t supporting local growers which will also reduce their carbon footprint.

The Grocer, 8 February 2020, p41

African farmers face ruin by locust swarm

Kenya is experiencing the worst swarm of locusts in 70 years, but more damage has been done in Ethiopia and Somalia where 57% and 83% respectively of their crop has been affected, according to Gro Intelligence. The UN has said that the swarm creates an “unprecedented” threat to food security. The heavy rains last year were responsible for making the arid terrain of the desert greener, allowing its locust population to multiply. Many African farmers could be ruined.

FT Weekend, 8-9 February 2020, p22

Building industry

2019 – slowing construction equipment sales

Year-on-year volume sales of mobile construction and earthmoving equipment fell in the UK during each quarter of 2019 ending with a 12.3% decline in Q4. Construction Equipment Association (CEA) data

analyst Paul Lyons attributes this in part to uncertainty over Brexit and a lack of decisions about infrastructure projects, such as HS2. However, he reports that this year is showing signs of improvement. An analysis of construction equipment sales by major equipment types for 2018 compared with 2019 is included.

theconstructionindex.co.uk, 11 February 2020

HS2 to go ahead

The Government is expected to give the go-ahead for the whole HS2 project despite the final cost being estimated at £106 billion, triple the original budget. This follows months of waiting for key contractors that had been selected to work on what is England’s biggest-ever infrastructure project. Although the whole line is set to be built, the Government is to review the northern parts of the route (phase 2b) to try to control costs. Tenders for phase 2a (Birmingham to Crewe) are expected in 12 months.

constructionenquirer.com, 11 February 2020

Businesses and strategy

Analysis of culture

Company culture is hard to measure. Traditional research using employee surveys and questionnaires is often unreliable. However, examining the language that employees use in electronic communication opens new possibilities in organisational research. Analysis of email, Slack messages and Glassdoor postings has led to new findings. These suggest that: cultural fit is important but that the greatest predictor of success is the rate at which employees adapt as organisational culture changes; cognitive diversity helps teams during the ideation stage but hinders execution; and the best cultures use diversity to drive innovation but have shared core beliefs.

Harvard Business Review, Vol 98(1) January-February 2020, pp76-83 (Corritore et al)

Co-determination still centred on Germany

Workers’ councils and representatives on boards is a phenomenon that Germany is renowned for. This “Mitbestimmung” or “co-determination” is now present throughout Europe with 19 EU members having some degree of co-determination. However, the practice has not taken hold outside Europe. In America, where private-sector unions have been in decline, there is a renewed interest in co-determination but also a great deal of resistance.

The Economist, 1 February 2020, p58

12 business trends for 2020

Henry Williams of startups.co.uk looks back over the past decade and predicts 12 trends for the coming decade. We are already aware of the boom in low- or no-alcohol drinks (although rum has become

more popular – “rummaissance”) and CBD products, but what about tailored pet nutrition and premium pet food; smart tech for the elderly; modest fashion (originally connected with religion but now becoming mainstream) and eco-beauty (consumers want a brand based on sustainability and not plastic)?

London Business Matters, Issue 162 February 2020, pp38-39 (Williams)

Large companies will miss ethnicity target...

Britain's largest companies are likely to miss the target of having at least one board director from an ethnic minority background by 2021. The Government-backed Parker Review has found that 37% of companies in the FTSE 100 and around 69% of FTSE 250 companies have no non-white board member. The Financial Reporting Council, the boardroom regulator, says that just 14% of FTSE 100 members and 2% of FTSE 250 have measurable ethnicity targets.

Financial Times, 5 February 2020, p20

...but meet women's FTSE 100 board goal

FTSE 100 companies have met the Government's target of having a third of board positions occupied by women a year earlier than predicted, according to the latest *Hampton-Alexander Review*. However, it also found that the target of having 33% of women in the leadership teams of FTSE 100 and 250 firms is unlikely to be achieved. The report also reveals that just 15% of finance directors are women although women account for 66% of HR directors. *Marketing Week's Career and Salary Survey* shows that women occupy just 30.2% of senior marketing roles.

marketingweek.com, 10 February 2020

Charities and NGOs

Understanding voluntary sector productivity

The UK's “productivity puzzle”, a well-known problem for the public and private sectors, also affects charities and voluntary organisations. A recent survey found that nearly nine out of ten respondents recognised that they needed to improve their organisation's productivity. Charities that focus on productivity achieve more for their beneficiaries, according to Anne Kazimirski of charitable think tank NPO. Rhodri Davies of the Charities Aid Foundation argues that measuring productivity achieves better outputs but that charities need to use the right measures. The national model for measuring productivity simply doesn't work within the voluntary sector. If charities could find a workable model for measuring productivity, they would not only be more effective but be better able to demonstrate the value of what they are doing. Possible options are discussed.

Third Sector, January-February 2020, pp58-59 (Ricketts)

Podcasts an effective communication channel

An effective way for charities to reach diverse groups of people is through podcasts which have become increasingly popular over the last few years. Many charities already use podcasts, but they often advertise on third-party podcasts to reach as wide an audience as possible. Advertising via podcasts helps to engender engagement and trust because people who listen to them are interested in that specific subject. This means they are more likely to be receptive to advertising messages which are endorsed by the podcast host. An Acast study suggested that 76% of listeners had followed up an ad or message that they had heard on a podcast.

charitydigitalnews.co.uk, 6 February 2020 (Rubens)

Church start-ups use business innovation

Just 5% of people in Britain go to church, according to the UK Church Statistics report; this could drop to 4% by 2030. A new “church planting” movement is trying to reverse the trend by supplying business-style training so people can go out to parishes to start up new church communities or revitalise old ones. It is the idea of Ric Thorpe, a former marketing executive at Unilever and now Bishop of Islington. His mission is to oversee new worshipping communities around the country. His first success occurred in the London parish of Shadwell, when he helped boost attendance there and at four other churches from 55 to 765 in a decade.

Financial Times, 10 February 2020, p20

Durable consumer goods

Apple steals a march on Swiss watches

Apple is selling more watches than the whole of the Swiss watch industry as consumers express their preference for devices that do more than just tell the time. Meanwhile Swiss manufacturers are suffering from their worst sales since the 1980s. It is estimated that Apple shipped 30.7m smartwatches in 2019, up by 36% on 2018. Estimates for the Swiss watch industry stand at 21.1m, a 13% fall on 2018. The likes of Swatch and Tissot have been releasing their own smartwatches but they have two problems: the Swiss industry is expert in mechanical rather than software engineering and they don't have the right distribution channels because Swiss watches are typically sold in jewellery shops!

The Times, 7 February 2020, p15

Right-to-repair gains regulatory support

When a smartphone or laptop becomes faulty it usually costs a lot to have it repaired because big tech has essentially got a monopoly on repairs. Now, however, there is a growing right-to-repair movement. In the US 15 states are likely to pass laws requiring electronics manufacturers to provide independent repair shops. Last October the European Commission approved right-to-repair

regulations allowing domestic appliances to be more easily repaired and to combat electronic waste. Opponents of the right-to-repair movement (original equipment manufacturers or OEMs) argue that such proposals could infringe their IP rights and that third-party repairs could lead to faulty parts being fitted. Apple has pre-empted the legislation by setting up an independent repair programme.

The Times (Raconteur: Intellectual Property), 30 January 2020, p15

Economy

BCC calls for Government action

The British Chambers of Commerce quarterly economic survey, the largest of its kind in the UK, paints a bleak picture. It has found weakness in most indicators of economic health for the final quarter of 2019; all the key indicators of the service sector have worsened; the balance of manufacturers reporting increased export and domestic orders has been negative for two quarters; and investment plans are weak despite cashflow improving slightly. In a letter to Boris Johnson dated 13 December, BCC director general Dr Adam Marshall wrote: "Businesses feel that their needs have been overlooked, and their faith that Her Majesty's Government will support enterprise, wealth creation, trade and investment must be restored".

London Business Matters, Issue 162 February 2020, pp4-5 (two articles)

Is happiness the key to productivity?

It was at the beginning of the Industrial Revolution, 250 years ago, when Britain's productivity was last as bad as it is today. The productivity puzzle has yet to be solved but economists believe that a key factor could be employee happiness. Unhappy workers with poor mental health come with a high cost to employers (less output and time off for sickness) and to the economy (lower tax revenues). A 2015 study by the Social Market Foundation found that happiness can lift productivity by up to 20% while "bad life events" results in lower output.

The Daily Telegraph, 6 February 2020, p4

UK life satisfaction has fallen

In its latest bulletin – *Personal and economic well-being in the UK: February 2020* – the ONS reveals that life satisfaction fell for the quarter from July to September 2019 compared with the same period in 2018. It is the first time since 2011 (when the ONS started measuring these factors) that both life satisfaction and the feeling that "things done in life are worthwhile" have both fallen significantly. In September 2019 10.6m people reported feeling high anxiety while their concerns about the general economic outlook reached their highest level since 2011. Meanwhile household spending grew at its slowest rate since the end of 2016 year-on-year.

ons.gov.uk, 6 February 2020 (Hamilton et al)

Education

Addressing the skills gap

The rising cost of going to university means that finding a job at the end becomes a key factor in a young person's choice. A 2019 UCAS survey found that 79% of people wanted to go to university because they were interested in the subject but that 74% also chose a subject so that they could follow a career path; just 55% said they went because they wanted to meet new people. Meanwhile universities are having to put more work into the employability of their graduates. University is an important developmental step and universities and businesses should work together to ensure that the time spent in higher education will lay the foundations for young people to join the workforce.

London Business Matters, Issue 162 February 2020, p20

Too many firsts despite warnings

Nearly all UK universities and colleges have seen a rise in the number of firsts they have handed out over the past five years. Eleven Russell Group universities gave firsts to a third or more of students in 2018-19. Imperial College London issued firsts to over half (53%) of students in 2018-19, up from 46% in the previous academic year. Universities are coming under increasing pressure to be more transparent about how they award degrees. Chris McGovern, chair of the Campaign for Real Education, believes that awarding a first allows universities to "make a lot of money...because it means young people now have to go and do MAs, PhDs". He warns that universities risk undermining their qualifications internationally. Gavin Williamson, Education Secretary, has expressed similar concerns.

The Daily Telegraph, 6 February 2020, p8

Energy and utilities

Water companies might challenge Ofwat

England and Wales' water companies are deciding whether to challenge Ofwat's latest financial settlement which relates to how much water companies can charge consumers and how much they need to spend on infrastructure over the next five years. Of the 17 water companies, three have accepted the settlement, but the others are still deliberating. The process could take up to a year during which the companies will have to stick with their existing settlement. Some of the water companies have accused Ofwat of placing bill cuts above the need for greater investment.

Financial Times, 10 February 2020, p13

British Gas freezes out penguin

British Gas is abandoning Wilbur, its Penguin mascot, in favour of a campaign that focuses on supporting families. It will promote products such as boiler installation and its proprietary Homecare. Talking about the relaunch, British Gas marketing

director Jill Dougan said: "When your boiler breaks down you don't need a penguin". How true!

prolificlondon.co.uk, 7 February 2020 (Spargo)

Environment

Climate risk

In this report, entitled *Climate risk and response: Physical hazards and socioeconomic impacts*, the authors look at how the changing climate will affect socioeconomic systems over the next three decades. Global temperatures are expected to rise by between 1.5 and 5 degrees Celsius, compared with today, in many places by 2050. This report looks at the "seven characteristics of physical climate risk stand out" and the impacts of climate change including the fact that countries with lower GDP per capita will be more exposed. It also asks what decision makers, including businesses, can do.

mckinsey.com, January 2020 (Woetzel et al)

Ryanair emission ads banned

The Advertising Standards Authority (ASA) has banned Ryanair's ads which claim that it has the lowest emissions of any airline in Europe. Its slogan, "Europe's lowest fares, Lowest Emissions Airline" form part of its campaign to appeal to environmentally-aware consumers. Following complaints, the ASA ruled that the ads were misleading and that there was insufficient evidence to support the claim. Ryanair says it is "disappointed and surprised".

marketingweek.com, 5 February 2020 (Fleming)

Fashion

What to do with unsold luxury

The problem for luxury fashion groups is their failure to sell much more than half of their products at full price. Brands used to throw away last season's clothing rather than reduce the price but that changed in July 2018 when Burberry was criticised for incinerating \$38m worth of clothing. Luxury goods don't like to discount their merchandise for fear of devaluing the brand. Prada says it will end all in-store discounts although some brands are timeless, such as Hermès handbags. This year things may be exacerbated by the coronavirus which will deter Chinese shoppers. A growing trend is to group brands together in outdoor malls such as Bicester Village. The rise of second-hand clothes market will give some companies an outlet for their end-of-season fashion as will the up-cycling trend.

The Economist, 1 February 2020, pp59-60

North Face embraces circularity

As part of its sustainability drive, North Face is getting its team of nearly 70 designers to take part in a program called the Renewal Design Residency. They will spend a week at the Renewal Workshop

which helps brands to collect old garments for repair and resale. The designers will work with the old clothes to learn how to extend a product's lifespan. Many brands, such as Patagonia, are shifting towards circularity to keep clothes out of landfill. Since 2000 the average number of times a consumer wears a garment before they throw it away has fallen by 36%: 85% of textiles end up in landfill or the ocean every year.

fastcompany.com, 5 February 2020 (Segran)

Financial services

Cash machines close at record rate

Free ATMs are closing at a record rate leaving customers to pay to withdraw their own money. Consumers paid a total of £104m last year to withdraw money from cash points, up from £29m in 2018, according to research from Which? Cash machines charge users a fee to make up for the reduced amount that banks pay the companies that run the ATMs. Some 30% of the population doesn't use online banking and the closures are making it harder for people who prefer cash. Over 115,000 people in 130 post codes now have no access to a cash machine.

The Daily Telegraph, 7 February 2020, p12

New cashless payment rules – lost revenues?

Europe's new Strong Customer Authentication rules dictate that banks must verify a customer's identity whenever they make a payment of €100 (£85). If customers go above this limit with contactless card payments, they will have to type their pin into the machine. There are concerns that consumers will become confused and simply walk away from the transaction. A new report commissioned by payments company Stripe, estimates that consumers will abandon €57 billion-worth of payments in the EU. The UK's Financial Conduct Authority has delayed implementation of the measures until 2021 although some of Britain's largest banks, such as HSBC, have already introduced the changes.

The Daily Telegraph (Business), 6 February 2020, p1

FMCG

Beverages

Food and drink trends boost sales

January saw a rise of almost 40% in no- and low-alcohol supermarket beer sales as around 4.2m Britons decided to give up alcohol for Dry January. Sales of no- and low-alcohol have doubled over four years with Euromonitor predicting sales of £63m for this year. Meanwhile Veganuary has impacted supermarket sales of food, with meat substitutes such as soya mince and vegetarian burgers up by 14%, according to Kantar.

The Guardian, 5 February 2020, p35

Vegan milk delivered in glass bottles

Rerooted, a vegan company, is to deliver nut milk in glass bottles. It currently operates in Devon but aims to launch the service in other parts of the country. Richard Eckersley founded the company because most vegan milks use packaging that can't be easily recycled. After the bottles have been used, they will be collected for washing and reused. Milk deliveries have been in decline with just 3% of milk now being delivered, according to Dairy UK. However, delivery companies say there has been an increase in people choosing glass bottles over plastic ones.

The Daily Telegraph, 11 February 2020, p7

Cosmetics and toiletries

John Lewis launches male cosmetics

John Lewis is to stock a range of make-up for men following a pop-up event that had exceeded expectations by over 50%. The War Paint for Men brand will be available at its Oxford Street store and online. The Partnership is hoping to tap into a growing trend for products and grooming services aimed at men. Its personal styling sales have already risen by 150% over the past year. War Paint was originally launched in 2018 and received funding from two entrepreneurs on the BBC show, *Dragon's Den*.

The Times, 11 February 2020, p43

Food

Organic boom in 2019

UK sales of organic food and drink reached a record £2.45 billion last year. Sales rose by 4.5% according to the 2019 *Organic Market Report* from the Soil Association. The largest growth was evident in online and home delivery (up 11.2%) which the Soil Association attributes to, "savvy shoppers turning to the internet to choose from the widest ranges of organic products available". Organic meat, fish and poultry saw a 10.3% rise in sales despite the growth of veganism and climate concerns.

The Grocer, 8 February 2020, p40;
<https://www.soilassociation.org/>

Fooditive develops chemical-free sweetener

Scraps of fruit and veg that might once have been thrown away are now being turned into edible products. Fooditive, a Dutch company, has found a way of turning apple and pear leftovers into a chemical-free sweetener. Many sugar substitutes are thought to cause environmental damage since the body doesn't fully absorb them and they are not removed by wastewater treatment plants. Fooditive sweetener aims to be good for the body and the environment by extracting fructose through a natural fermentation process.

fastcompany.com, 5 February 2020 (Toussaint)

Hot cross buns made from recycled bread

Roberts, a Cheshire bakery, is to make its Ultimate Hot Cross Buns out of waste bread this Easter. The buns are made from "wonky" white loaves that would otherwise have been discarded. Alison Ordonez, director of innovation, says that they are helping to tackle household waste in the form of, "4.5m tonnes of food a year that could have been eaten". The new Easter buns come in paper packaging that can be recycled at home; Roberts is working towards zero waste and a circular economy.

thegrocer.co.uk, 5 February 2020 (Selwood)

Tobacco

Flavoured vaping ban hits Imperial

The ban on flavoured vaping in the US has hit Imperial Brands which has issued a share warning. The group has doubled its capital spending to gain share in vaping markets, but its Blu vaping products have failed to take off and it has also lost share to larger competitors. Monthly sales of Blu have reached a little over \$20m compared with Juul's peak monthly rate of almost \$300m. Tobacco companies have turned to vaping to offset the slide in sales of traditional products but health scares surrounding the vaping have dented sales. Imperial's new CEO, Stefan Bomhard, must decide on a direction for the company.

Financial Times, 6 February 2020, p14

Government and public sector

Most loved and unloved regions

A new YouGov survey for *The Times's* political newsletter, Red Box, reveals what people in different parts of the country think of each other. Yorkshire comes out with the highest favourability (59) followed by the North West (47) and North East (42). London has a net satisfaction score of just 8 after being unfavourably viewed by people in the North, West Midlands, Scotland, Yorkshire and Wales. Tory voters are more favourable towards the North than Labour voters, probably because of the recent election result, while Lib Dem voters appear to be more positive about everywhere. There are tensions between regions and new MPs complain that the Tory government is bending over backwards to please the North, where it won new seats, at the expense of other areas.

The Times, 7 February 2020, p13

Health and pharmaceuticals

GSK to demerge healthcare

Glaxosmithkline (GSK) is to demerge its consumer healthcare business from the rest of the company through a flotation in 2022. The aim of Emma Walmsley, who has been chief executive since 2017, is to allow Glaxo to revive its research and drugs

business to develop bigger, more lucrative medicines. The company has embarked on a two-year programme to create a "new GSK" (consisting of biopharma with R&D focused on the immune system, genetics and new technologies plus its consumer business).

The Times, 6 February 2020, p39

NHS financial management and sustainability

In its eighth report on the financial sustainability of the NHS, the National Audit Office concludes that the NHS is treating more patients but has not sufficiently transformed its services and finance regime to meet rising demand. Due to years of short-term funding, health sector resources have moved away from future areas of investment. This will need to be rebalanced in order to achieve the goals set out in The *NHS Long Term Plan*. Slides from the report can be viewed here.

<https://www.nao.org.uk/report/nhs-financial-management-and-sustainability/>, 5 February 2020

IT and telecoms

Fast-growing cloud companies

Microsoft retains its place at the top of the software industry, but others could eventually challenge it. Adobe has a stock market valuation greater than both Oracle and SAP thanks to growth in cloud computing. Salesforce, also known for its cloud-based software, has just overtaken SAP in market value and is close to overtaking Oracle. Although interest in tech unicorns has centred on companies such as Uber and Lyft, business software start-ups are regarded as more reliable investments, with companies such as ServiceNow and Shopify worth \$64 billion and \$54 billion respectively.

Financial Times, 6 February 2020, p17

Apple to offer lower-priced iPhone

Apple is expected to announce a new, low-cost iPhone in March which will sell for under \$500. Analysts believe that Apple needs a low-cost product if it is to have a chance of competing in the Indian market where people are accustomed to paying under \$200 for an Android phone. The strategy could also help Apple's prospects in China, a country where it struggles to gain and maintain market share. A lower priced model could also attract groups such as younger people for whom the iPhone has previously been unaffordable. A big question for Apple is whether its growing services business will be enough to offset the slowing iPhone business. While profit margins on a low-priced iPhone are likely to be around 53%, they are 64.4% on services!

fastcompany.com, 7 February 2020 (Sullivan)

Leisure and tourism

CMA to investigate gambling group merger

The Competition and Market Authority (CMA) is to investigate the planned merger between gambling groups Flutter (owner of Paddy Power) and Star Group (owner of Sky Betting and Gaming). It is looking at whether there would be a "substantial lessening of competition". As it is, Flutter and Stars account for about 40% of the UK online sports betting market and control around 26% of the online gambling market. Anything around 25% will attract the attention of the CMA.

Financial Times, 6 February 2020, p21

Google accused of unfair competition

A letter signed by 34 travel industry companies has been sent to Margrethe Vestager, the EU competition commissioner. They accuse Google of damaging competition by unfairly promoting its holiday rental search service and trying to reduce their role to content providers for its "one-stop-shop". The complainants, which include Expedia and TripAdvisor, say that Google places its holiday rental service in a prominent "OneBox" at the top of search results pages.

marketingweek.com, 10 February 2020

Materials and mining

Building a climate strategy

The mining industry has only just begun to look at goals for reducing emissions and current targets (of from 0% to 30% by 2030) fall well below Paris Agreement goals. In theory mines could fully decarbonise through operational efficiencies, electrification and renewable energy use. This article, entitled *Climate risk and decarbonization: What every mining CEO needs to know*, focuses on three questions: "Which mining assets are most at risk from physical climate change? How could decarbonization shift demand for key minerals? And how can mining companies decarbonize their own operations?" The authors look at the options for mining executives to achieve an "actionable" climate strategy.

mckinsey.com, January 2020 (Delevingne et al)

Media

Film

Disney streaming aims to rival Netflix

Since launching in November, Disney has attracted 29m paid subscribers to its streaming service which takes it some way to meeting its target of having 60m to 90m subscribers by 2024. It is currently available in the US and Canada but is due to be rolled out to western Europe over the next few months and the UK by 24 March. Disney wants to be a challenger to market leader Netflix which has

167m subscribers, especially since the latter's growth has begun to slow.

The Daily Telegraph (Business), 5 February 2020, p5

Sonic at major landmarks

Paramount Pictures has teamed up with Snapchat to promote the upcoming *Sonic The Hedgehog* film. The initiative uses Snapchat's Landmarker to create an experience around London's Tower Bridge. The gamified lens challenges users to collect as many gold rings as possible before Sonic appears on the bridge. Sonic will also be present at the Natural History Museum, Eiffel Tower, Brandenburg Gate, Flatiron in New York and the Chinese Theatre in LA.

marketingweek.com, 7 February 2020

Internet

Online targeting must be accountable

A new study from the Centre for Data Ethics and Innovation (CDEI) commissioned by the Government, has found that online ad targeting does not operate with "sufficient transparency and accountability". It warns that digital targeting has given a few online platforms "enormous power to predict and influence behaviour" and yet they are not being held to account. The CDEI believes that it is time for regulatory action to increase "accountability, transparency and user empowerment". Among other recommendations, it wants the Government's new online harms regulator to oversee targeting and set up a code of practice.

marketingweek.com, 6 February 2020

Magazines

Is there a future for digital?

Future, owner of various niche magazine brands, was making serious losses when Zillah Byng-Thorne took over as chief executive in 2014. Since then she has embarked on a policy of restructuring that has resulted in the loss of 40% of staff (she has been given the nickname "Godzillah"). Douglas McCabe of Enders Analysis says that if she can make the turnaround work, then "she will show there is a future for magazine brands". The sector's shift to online has been difficult with many titles struggling to maintain print sales while building an online audience. Byng-Thorne has admitted that print products are in decline but thinks she can create a viable digital business model.

FT Weekend, 8-9 February 2020, p16

Music

Spotify invests heavily in podcasts

Spotify has been focusing on its podcast division at the expense of its profits. Despite attracting 11m more paying customers in the last quarter of 2019, it has made a loss of €209m. Spotify warns that this will be "an investment year" due to the millions it is paying out to acquire podcast start-ups. Ownership of podcasts allows the company to own the content

rather than licensing it. This marks a change in revenue model for Spotify which is used to paying the music industry in return for licenses.

The Times, 6 February 2020, p41

Radio

Radio ad "small print" may be omitted

The list of terms and conditions that are rapidly delivered at the end of radio ads may be unnecessary, according to guidance from the Financial Conduct Authority (FCA). This follows research by Radiocentre which has found that only 4% of listeners can remember important facts from the "small print". The new guidance applies primarily to motor brands offering credit deals, but the radio industry hopes that other types of commercial will also be streamlined. Long explanations of terms and conditions are estimated to cost commercial radio £120m a year in lost revenue as some companies are deterred from advertising.

The Times, 7 February 2020, p5

Social media

Facebook publishes rules for oversight board

In January Facebook published a draft of rules relating to its "oversight board", an independent group of experts that will review decisions made by the company's content moderators. There are hopes that the new body could eventually act as an online ombudsman although some people regard it as an attempt by Facebook to fend off regulation. There are many unanswered questions such as how independent or powerful the board will be allowed to be. There are also unknowns relating to how governments and competitors will react. Only time will tell...

The Economist, 1 February 2020, p61

LinkedIn more about sales and marketing

New research suggests that perceptions of LinkedIn have changed significantly. In a survey by messaging app Guild, 62% of users said that less than a fifth of LinkedIn connections have helped their personal career; 45% said that it is more about marketing and sales than professional networking; and 59% said that it is mainly about recruitment. Just 25% felt that it was a useful tool for networking. The survey also suggests that good networking is not about quantity but quality with 68% saying that the number of professional contacts they value amounts to only about 15. Separately, eMarketer estimates that slightly over half (50.3%) of marketers will use LinkedIn for marketing and advertising by 2021 although its estimates exclude those who use the platform just for recruiting.

netimperative.com, 6 February 2020; emarketer.com, 4 February 2020 (He)

Twitter breaks \$1 billion revenue barrier

Twitter has achieved quarterly revenues of over \$1 billion for the first time, in the last quarter of 2019. Its user base rose by a fifth and advertising sales by 21%. Twitter derives most of its money from digital advertising but has been criticised for failing to address abuse on the platform. It has taken measures to filter out fake news and offensive content and in October it said it would ban political advertising. The company claims that the number of complaints received about unhealthy content has fallen by 27%.

The Times, 7 February 2020, p36

Television

Want a TV companion?

You can't always watch TV with someone in the same room. Kast, a new app, aims to solve that by allowing people to watch the same thing at the same time, regardless of where they are, while at the same time being able to chat live by video or text. People can have a "watch party" involving any number of people while members can advertise that they are hosting a broadcast on a certain topic. The Chronic Loaf group, which has over 1,300 members, consists of people who are housebound. Many good causes have appeared on the platform, according to co-founder Justin Weissberg.

Wired, March-April 2020, p34

Fox mulls over new ad formats

The Fox Corporation made \$600m in ad revenue from its recent coverage of the Super Bowl. CEO, Lachlan Murdoch, said that coverage of the event reached 99.8m viewers on the Fox TV network, describing it as an "unmatched platform" for over 100 advertisers. Fox is experimenting with new ad formats which would allow it to show ads while still announcing breaking news. One idea is for a split screen of news and advertising to get "as much of that revenue as possible", says Murdoch.

marketingweek.com, 6 February 2020

Video

YouTube ad sales double

YouTube's ad sales have doubled over the last two years. Last year it made \$15.1 billion, accounting for 9% of owner Alphabet's overall revenue. It is estimated that, with two billion users, YouTube is making \$7-\$8 per person per year from advertising. This is the first time that parent company Alphabet has revealed YouTube's revenues. From now on the company is expected to break down revenues to distinguish between search, YouTube and cloud computing. However, things are not as straightforward as they seem. For example, Google has made changes to the way it reports other aspects of ad revenue and it is unclear exactly how profitable YouTube really is.

The Daily Telegraph (Business), 5 February 2020, p5

Packaging

Trademarking Bubble Wrap bags

Glossier, a makeup brand, packages its products in a distinctive Bubble Wrap "Millennial pink" pouch. The company already has a cult following but its packaging and distinctive pink colour are all part of the Glossier brand experience. The company is currently trying to trademark the pouch, but this could be difficult because the trademarking of packaging is a relatively new concept for the United States Patent and Trademark Office (USPTO). One problem is that Bubble Wrap is already a common feature of packaging. It is hard for brands to argue that they need trademarks for subtler forms of branding like this.

fastcompany.com, 5 February 2020 (Segran)

Wild Cosmetics to launch eco deodorant

Wild Cosmetics, a direct-to-consumer (DTC) start-up, is launching natural refill deodorants to help rid the bathroom of single-use plastic. Its 100% biodegradable deodorant refills and reusable aluminium cans will be available through subscription or as a one-off purchase in March. Co-founder Freddy Ward comments on the effectiveness of DTC for understanding the customer.

The Grocer, 8 February 2020, p10

Zero-waste is in the Loop

Loop is a platform whose goal is zero-waste packaging. Consumers shop for household goods online and then return the empty plastic containers via UPS to be cleaned ready for the next customer. Loop is the product of a coalition of some of the world's biggest brands who want to see how they can make changes to the packaging and delivery of products without involving single-use plastic. The e-commerce pilot took place in May 2019 and the system is now ready for launch in retail stores.

fastcompany.com, 10 February 2020 (Peters)

Retailing

High street looks up in January

Britain's high street retailers enjoyed a 5.7% rise in January sales compared with January 2019. Some attribute the "Boris bounce" and the conclusiveness of the Tory victory to greater consumer confidence. Even the fashion sector ended its two-month decline with a 5.8% rise in sales while sales of homeware, including sofas and furniture, rose by an impressive 8.9%, their best performance since 2011. Sophie Michael of BDO warns that the revival may be due to heavy discounting and therefore, "this may be a false dawn in terms of a high street recovery".

The Times, 7 February 2020, p42

Ikea to close Coventry store

Ikea has decided to close its Coventry store after a period of losses, a failure to attract shoppers and what it calls the “fundamental challenges” of a city-centre location. The closure is not a sign that Ikea is moving away from the UK or that it is struggling. It is simply a response to changing retail conditions according to industry experts. Furniture sites such as Germany’s Home24 and Wayfair are growing fast online while Amazon and second-hand websites are selling increasing amounts of furniture. For businesses such as Ikea and Primark, which sell their products cheaply, there is less profit to be made online. Nevertheless, Ikea is building another 20 warehouses around the world to accommodate its growing online operation.

The Daily Telegraph (Business), 6 February 2020, p4

Services

Robots in the kitchen

Chef, Heston Blumenthal, has joined the board of London start-up Karakuri, which is bringing robotics into restaurant kitchens. Currently the robotic arm can collect pick’n’mix sweets from an automatic dispenser or measure out a precise amount of granola into a bowl. Eventually the system should enable mass customisation of food at restaurants, cafes and sandwich shops, according to co-founder Barney Wragg. Karakuri’s technology centres on the infrastructure around off-the-shelf robotic arms and building dispensers that can handle different foodstuffs. Ocado, the food delivery firm, has already invested £6m in the system and plans to install a robotic arm in its test kitchen. Blumenthal believes the robots can free up chefs to be more creative.

Wired, March-April 2020, pp19-20

Sharing economy shouldn’t rely on ratings

The sharing economy relies heavily on a ratings-based system which allows people to identify ethical providers. Yet the providers of the services aren’t direct employees. This means that companies like Airbnb or Uber don’t have the same power to monitor and enforce provider practices as big hotel groups or car rental companies. Instead they use reputation systems and rankings rather than setting up a system to ensure that customers have ethical interactions with providers. This vague link to an ethical experience “can quickly drag down the reputation of an entire brand”. Baojun Jiangof, marketing professor at Washington University, suggests that companies act as financial middlemen between the user and provider. Aric Rindfleisch, professor of marketing at the University of Illinois, suggests using data to inform providers of common mistakes and complaints.

ama.org, 5 February 2020 (Heisler)

Royal Mail could be in the red

Royal Mail has warned that its UK operation could see its first losses since the service was privatised six years ago. It isn’t expecting to meet turnaround targets which include the introduction of new parcel-sorting technology. Royal Mail has been struggling to compete in an era of falling letter volumes as people communicate by email and social media. The Christmas trading period saw letter volumes fall by 8% and parcel volumes rise by just 4%. The company is also blaming its woes on the current industrial relations environment which it says has delayed its transformation plan.

The Times, 7 February 2020, pp26-27

Transport and travel

Government could derail franchise system

The Government has revoked Arriva Rail North’s franchise following a bad year for Northern Rail, whose passenger satisfaction level has fallen below that of any other operator. The service is to be run by a publicly owned company for the foreseeable future. Both passenger numbers and freight volumes have been growing on Britain’s railways, but punctuality rates are lower than comparable international services while season ticket prices and train cancellation rates are high. Over 50% of Britons support the renationalisation of the sector. It looks as if the franchise system is set to be replaced by the concession model that is operated by London Overground and Merseyrail. This could take years to implement which means that failing franchises may continue to be nationalised.

The Economist, 1 February 2020, p25

Tesla in profit and becoming mainstream

Having previously struggled to mass produce its vehicles, Tesla has started to meet production targets. It is even in profit (a fourth quarter operating profit of \$359m) and in January its market capitalisation exceeded \$100 billion, a figure beaten only by Toyota. Elon Musk boasts that 2019 revenues of almost \$20 billion were achieved without the need for advertising. The company is rapidly becoming part of the mainstream thanks to timely products and new plants. Morgan Stanley predicts that Tesla will be making two million vehicles by 2030 with operating margins over the next decade averaging 8.3%. UBS reckons it could become the most profitable carmaker.

The Economist, 1 February 2020, p59

Interest in electric cars up due to 2035 target

Following the Government’s announcement of a ban on all petrol and diesel new car sales by 2035, there have been reports of a boom in online searches for electric cars. In January sales of new electric cars tripled in the UK according to the SMMT and electric vehicle sales now account for 2.7% of the new car

market. Hybrid sales have also risen with one in five cars sold being fully electric or hybrid. However, the surprise inclusion of hybrid cars in the 2035 ban has unsettled the car industry: SMMT CEO Mike Hawes claims that consumer confidence would be dented further “by moving the goalposts”. Separately *The Daily Telegraph* looks at the “hybrid car fiasco” in some depth and compares hybrid, electric, petrol and diesel prices and emissions of four car models.

Financial Times, 6 February 2020, p3; The Daily Telegraph, 5 February 2020, pp1,6-7

Bill Gates orders first hydrogen superyacht

Luxury travel can be environmentally friendly, according to Bill Gates. He has commissioned the very first hydrogen-powered superyacht from Feadship, a Dutch specialist. The yacht, which will have tanks to store liquid hydrogen at -252C, will reportedly be capable of crossing the Atlantic without refuelling. It is believed that the yacht will cost £500m.

The Times, 10 February 2020, p15

Written by CIM’s Knowledge Services Team

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[Building industry](#)

[Businesses and strategy](#)

[Charities and NGOs](#)

[Durable goods](#)

[Economy](#)

[Education](#)

[Energy and utilities](#)

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[Marketing trends and issues](#)

[Advertising](#)

[Brands and branding](#)

[Conferences and events](#)

[Consumer behaviour](#)

[Customer relations](#)

[Law](#)

[Marketing](#)

[Market research](#)

[Public relations](#)

[Sponsorship](#)

[Materials and mining](#)

[Media](#)

[Film](#)

[Internet](#)

[Magazines](#)

[Music](#)

[Radio](#)

[Social media](#)

[Television](#)

[Video](#)

[Packaging](#)

[Retailing](#)

[Services](#)

[Transport and travel](#)