

Cutting Edge: Our weekly analysis of marketing news

19 September 2018

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

Quick [links](#) to sections

Marketing trends and issues

Advertising

Tolerance of negativity

Some companies create negative or “attack” ads which mention another brand in a negative light by focusing on its weaknesses. This paper looks at “tolerance of negativity” (TON) as a way of understanding consumers’ responses to negative marketing comms. Three studies indicate that consumers who are low, rather than high, in TON regard negatively framed comparative ads to be less fair and less useful, resulting in less favourable attitudes towards the ad and the sponsor brand. TON appears to have more impact when individuals are engaged with an ad; this is when their “cognitive elaboration” (an information processing factor) is greater.

Journal of Marketing Communications, Vol 24(7) November 2018, pp703-719 (Muehling et al)

Measuring attention

Advertisers are keen to measure consumers’ attention but have not moved on from duration-based approaches, such as EEG monitoring. Attention is often used as a key metric for determining marketing investment strategies. The author sets out a practical framework for measuring attention effectively. It is based on three steps that advertisers can take: avoiding duration metrics; focusing on measuring the outcomes; and using incrementality measurement. The latter calculates a rise in ad performance by comparing the different outcomes of a group of people who are shown advertising compared with a control group that aren’t shown it.

Admap, September 2018, pp28-29 (Buckley)

Agencies

Moving in-house

Brands are increasingly bringing marketing and creative work in-house. According to the IAB, almost one in five marketers brought programmatic buying in-house last month while almost half have begun the process. Major reasons for this trend are reported to be: concerns over control and transparency; and advances in technology. Meanwhile 93% of senior marketers say that in the future, they will choose agencies or suppliers based on how they well they can prove brand safety or transparency. Amir Malik and Liz Barnsdale of Accenture discuss the implications of “in-housing”.

Campaign, September 2018, pp24-25 (Simpson)

Sorrell to pay legal bill if WPP sues

The dispute between Sir Martin Sorrell and his former company, WPP, continues. Now Sir Martin has agreed to pay the legal bill if WPP takes his new ad group, S4 Capital, to court over its recent takeover of Media Monks, a €300m digital ad agency. WPP has accused him of having breached his contract terms by acquiring Media Monks.

The Times, 12 September 2018, p41

Brands and branding

Voice – does it lead to better brand recall?

Voice technology will change the way in which people think about brands. Most research to date has focused on market penetration of voice but new research by Publicis Media has taken a deeper look at the human experience of voice assistants, both at home and in the car. The key areas addressed by the researchers were: how the body responds to voice-assistant experiences; how evaluation of the brand varies across platforms (voice, native mobile and TV); whether voice-assistant experiences lead



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to greater brand recall compared with other platforms; and how users respond to brand messaging in the realm of voice-assistants. The authors discuss the findings and identify five action areas that will help brands to get started with voice.

Admap, September 2018, pp16-17 (Evans and Hunt)

Top of mind awareness

How can Share of Voice (SOV) be used to boost a brand's Top of Mind Awareness (TOMA)? The author looks at the various stages along the consumer journey, starting with stage 1 (complete unawareness of the brand) and ending with stage 5 of the process: this is where many leading brands are positioned and where there is a high overlap between awareness and usage. It is also where SOV and TOMA have a high degree of correlation. Budweiser and Tiger lager brands are used to illustrate the points. He concludes that, although SOV definitely has an impact on TOMA, it needs to be a combined effort between the brand team, media and creative agency. Recommendations for advertising are made.

Marketing Africa, Issue 25 2018, pp44-47 (Kimanzi)

Brands – a constantly-moving environment

Brands in Motion 2018, a white paper by WE Communications in partnership with YouGov, set out to understand the world of brands which live in a constant state of motion. The traditional idea of brand positioning is that the brand moves to a fixed positioning destination. However, this doesn't take into account that everything else in the brand's environment is moving, including competitors and consumers. The survey covers 25,000 consumers and B2B decision makers across eight categories and eight global markets. Consumers were asked to rate brands on ten emotional and rational drivers. The white paper can be downloaded here:

<https://www.we-worldwide.com/brands-in-motion>

Conferences and events

Reducing single-use plastic

Companies are beginning to launch initiatives to reduce the amount of single-use plastic they consume. The events sector has been plastic-aware for quite some time as evidenced by the green meetings and CSR initiatives that have taken place. Now that there is so much pressure from clients and attendees to adopt sustainable practices, it looks as if further change is in the air. The Meetings Industry Association (MIA) is encouraging the sector to use 20% less single-use plastic through a high-profile campaign. The #20PercentLess initiative will launch with a roundtable discussion in October. This article looks at the steps being taken by meetings bodies to reduce plastic and general event waste.

Meetings & Incentive Travel, September 2018, pp22-23 (Harvey)

Consumer behaviour

Device switching and online purchasing

Consumers often switch between mobile and fixed devices during their purchase journey. The authors develop hypotheses to study the relationship between device switching and conversion rates and test these by analysing clickstream data from a large online retailer. They discover that when customers switch from a mobile device, such as a smartphone, to a more static device, such as desktop computer, their conversion rate is significantly higher. This effect is found to be greater when product category-related perceived risk is higher; when the product price is higher; and when the customer's experience with both the product category and retailer is lower. The findings show how important it is to focus on conversions across a combination of devices.

Journal of Marketing, Vol 82(5) September 2018, pp1-19 (Haan et al)

The truth-reality gap

Research by Ipsos MORI identifies a huge gap between public perceptions and reality. For example, the public believes that 25% of the British population are immigrants whereas the real figure is closer to 13%. Such misconceptions and the reasons for them are presented in a book by Bobby Duffy, MD of Ipsos MORI's Social Research Institute. He attributes the perception gap to how people think and what they're told. People's perceptions are also influenced by "emotional innumeracy", which is the tendency to remember emotional, vivid stories. Duffy says that people like to see things that reinforce what they already believe in: this confirmation bias has become "the currency" of the tech industry and the internet.

research-live.com, 7 September 2018, (McQuater)

Direct marketing

Nuisance calls – new initiatives

The UK Government has introduced new rules making it illegal to make cold calls about accident claims. Organisations must first gain the consent of an individual before making such calls. While supporting the changes, the DMA stresses that "rogue" companies will continue to break the law and ignore the opt-in requirement. However, the new rules will have a positive effect on consumers who can complain to the Information Commissioner's Office. The Department for Digital, Culture, Media and Sport (DCMS) has recently announced that directors of rogue companies who make nuisance calls can be held personally liable, allowing the ICO to fine them up to £500,000. This may prove more of a deterrent.

dma.org.uk, 11 September 2018

Law

Infringement cases – financial effects

Brand protection as part of brand management is an under-researched area. Yet brands are often copied or abused in a variety of ways, such as directing consumers to unauthorised websites. Companies respond by filing trademark infringement lawsuits to help prevent loss of revenue and weakening of brand equity. Here the authors categorise major types of trademark infringement before presenting a conceptual model that sets out the financial impact of defending a brand through legal means. They find that, although investors respond negatively in the short term to trademark infringement lawsuits; the long-term performance of firms that are successful in protecting their brands in a court of law is positive.

Journal of Marketing, Vol 82(5) September 2018, pp45-65 (Ertekin et al)

MEPs vote for better copyright protection

EU members of parliament have voted to update the copyright directive with proposals that will give authors, publishers and musicians greater rights to be paid for their online content. If the measures go ahead, social media companies will be required to cooperate in "good faith" with rights holders when material uploaded by users (music images, videos, etc) breaches copyright rules. The move will affect large players, such as Google and Facebook, since MEPs have voted to exclude smaller platforms. However, the measures will only come into force following further talks.

Financial Times, 13 September 2018, p4; The Daily Telegraph (Business), 13 September 2018, p5

Google fights right to be forgotten

Google is disputing the EU's "right to be forgotten" rule at the European Court of Justice (ECJ). In 2016 France's data regulator, the Commission Nationale de L'Informatique et des Libertés (CNIL), fined Google €100,000 for non-compliance in relation to the de-listing of information. The case was subsequently referred to the ECJ. The rule could prevent Google, Bing and Yahoo from sharing people's personal information online if they have asked for it to be removed. The ECJ will decide what sort of information should be removed from search engines operating in Europe. However, Google has the support of Wikimedia, Wikipedia's owner, Microsoft and various other groups.

The Daily Telegraph (Business), 12 September 2018, p5

Comparative advertising

A comparative ad is one that "explicitly, or by implication, identifies a competitor or goods or services offered by a competitor" according to the EU Misleading and Comparative Advertising Directive 2006. Some of the key legal requirements that should be taken into account when launching a

comparative advertising campaign are set out in this article. Although they are the same across all 28 EU countries, there are local variations.

lexology.com, 10 September 2018 (Daniel and Stevens-Smith)

Marketing

Pricing strategy

Companies often reduce their profits by using discounts to attract money-saving customers, but this can reduce the incentive for high-end customers to spend more. One solution is to present a multitiered offering consisting of a stripped-down option ("Good") to attract new customers; the existing product ("Better") to make existing customers happy; and a premium option ("Best") to encourage increased spending by high-end customers. This is not a new idea, yet many companies and industries don't do it. The author, an expert in G-B-B pricing, offers a step-by-step guide to creating, testing and implementing the pricing strategy.

Harvard Business Review, Vol 96(5) September-October 2018, pp106-115 (Mohammed)

Smarketing

Smarketing: How to Achieve Competitive Advantage Through Blended Sales and Marketing, by Hughes, Gray and Whicher, claims to be the first book to explore the shift away from sales and marketing as separate operations. It explains how and why companies should align sales and marketing into one streamlined "smarketing" department. This will help salespeople to become better marketers and vice versa, leading to business growth. The book contains implementation strategies that companies of any size can use. The book can be pre-ordered [here](#).

koganpage.com, September 2018

Market research

Semiotics mapping in concept research

Valio, a Finnish dairy co-operative of 100 years' standing, used semiotics research to differentiate a new butter brand that it could launch internationally. The co-op worked with 1HQ, a brand agency, to research the semiotic codes of butter and develop potential concepts. During focus groups, participants were asked to create a semiotics map based on butter pack designs rather than on their knowledge of the product. Anchor and Lurpak led to codes signalling mass production and generic origins, while brands perceived to be artisan in nature produced codes centring on origin, organic purity or taste. Three brand-packaging concepts were designed to test in the research. The Master Butter Makers brand, which emerged from the research, launched in Poland last year, selling 550% more butter than expected in the first six months.

Impact, Issue 22 July 2018, p18

Public relations

Influencer marketing – coming of age

Influencer marketing has become more important than traditional celebrity endorsements, despite starting just over a decade ago. A survey by OnePoll for *PR Week*, sought to discover what the industry thinks about this relatively new discipline and the main findings are presented in this article. Some 85% of respondents agreed that influencer marketing is taking over the role played by press launches or reviews sent to journalists; while 74% of respondents expected to increase their investment in the discipline over the next two years; 46% said they would spend 20% or more of their budget on it. Yet one in three senior marcoms professionals said their organisation didn't use influencer marketing, while two-thirds of respondents were concerned about fraudulent influencers.

PR Week, September-October 2018, pp36-39 (Harrington)

Sponsorship

Coca-Cola – biggest UK sponsorship deal

Coca-Cola is to become the Premier League's seventh commercial partner by taking up the role of official soft drinks partner. Other sponsors of the League are: Barclays, Carling, Cadbury, Nike, Tag Heuer and EA Sports. Coca-Cola also sponsors the World Cup and the Olympic Games but this is its biggest ever sponsorship in the UK. The Premier League swapped to having seven sponsors in 2016.

The Times, 13 September 2018, p47; marketingweek.com, 13 September 2018 (Fleming)

Nike – controversial but cool?

Nike, a sponsor of Serena Williams, has been featuring the tennis star in an ad aimed at showing female determination in sport. The campaign follows Williams' high-profile and controversial outburst during the US open. She has appeared extensively in Nike's initiative celebrating the 30 years of its "Just Do It" message. Separately the *Telegraph* considers Nike's use of controversial sports men and women in its ad campaigns and whether its political stance will pay off.

marketingweek.com, 12 September 2018; The Sunday Telegraph (Business), 16 September 2018, p8

Agriculture, fishing and forestry

UK self-sufficiency in decline as imports rise

Last year the UK produced 60% of its own food but its self-sufficiency is in long-term decline. By way of contrast, the country imported £23 billion-worth of consumable products (21m tonnes of food) in the first half of 2018, according to data from HMRC. Of this, £5 billion-worth was meat and £5.4 billion-worth was fruit and veg. Britain also imports £52m-

worth of seeds from Romania and £12m-worth of olives and capers from Greece. Minette Batters, NFU President, is calling on government ministers to prioritise UK food security.

farminguk.com, 17 September 2018

New Agriculture Bill a bit more "encouraging"

The Government's new Agriculture Bill, published last week, promised to deliver a "green Brexit" by using "public money for public goods". The reaction of farming bodies prior to the bill being published, was largely critical due to the lack of emphasis on food production. Since then there has been a "more encouraging" reaction, with Michael Gove, the environment secretary, having pledged to "take back control for farmers". Defra plans to phase out CAP payments over a seven-year period. They will be replaced with an Environmental Land Management system that rewards farmers for environmental improvements.

The Grocer, 15 September 2018, p40

Building industry

London's buildings – unlikely to get shorter

Buildings in London tend to grow upwards because of a lack of space, a growing population and housing shortages. According to the *2018 London Tall Buildings Survey*, the capital has a pipeline of 510 tall buildings and the pipeline has grown by 94% since 2015. This article looks at the ownership of London's towers (four out of five of the tallest are owned by Qatari and Chinese companies), why developers place such value on them, who gets the work and whether the trend is sustainable.

Construction News, 14 September 2018, pp26-30

Using plastic in concrete

Researchers in India have found that by replacing 10% of the sand in concrete with waste plastic, they can reduce the amount of plastic waste in the country, as well as tackling the national shortage of sand for structural concrete. The process may prove to be a solution for future sustainable construction. The research is being carried out at the University of Bath in partnership with Goa Engineering College. (See also under Environment)

constructionindex.co.uk, 17 September 2018

The rise of the big warehouse

One effect of the rise in internet shopping is the increasing number of distribution centres that are being built. The need for huge warehouses is helping some contractors, such as Winvic, to achieve record margins of 6%. By positioning itself as a so-called "shed" specialist, it has gained work from the likes of Amazon, John Lewis and Waitrose. ISG, another contractor, derives just over 50% of its contracts from the shed sector. It has a competitive edge due to demand for big data centres from its

retail clients. This article considers the opportunities in the big warehouse market.

Construction News, 14 September 2018, pp36-38

Businesses and strategy

Creating the curious business

Businesses value employees who question things, but research suggests that organisations do not encourage curiosity because it could prove risky and undermine the business. However, curiosity is known to improve engagement and collaboration. Curious people make better choices, help to improve a firm's performance and help it to adapt to changing conditions. The conclusion is that leaders should nurture their employees' sense of curiosity by making small changes to the design of the organisation and employee management. Five strategies to drive curiosity are suggested.

Harvard Business Review, Vol 96(5) September-October 2018, pp48-57 (Gino)

Start-up-corporate partnerships

A recent BPI survey of executives revealed that 40% of respondents thought their industry was being disrupted by start-ups. Collaboration between start-ups and established business is becoming increasingly important for driving innovation. Here the author mulls over the mutual benefits of a start-up-corporate collaboration.

Marketing Africa, Issue 25 2018, pp42-43 (Wasike)

Charities and NGOs

Cause marketing – secrets of success

Businesses increasingly choose to link up with a good cause, making cause marketing a mainstream activity for many brands and organisations. This year *PR Week*, together with *Campaign* and *Third Sector*, launched the Campaigns for Good Awards which reward the best cause-led campaigns. The winning campaigns are showcased in this article. It also speaks to the judges to elicit their opinions on the genre and explains why some cause-related campaigns can go wrong. A list of recent "clangers" from MasterCard, Lush, BrewDog and others, is included.

PR Week, September-October 2018, pp46-53

Extending Cashless donations

The Sourcing Team, an ethical merchandise company, is collaborating with Thyngs, a mobile proximity platform, to enable donors to make cashless payments to charities through a range of products. These could include volunteer badges or collection boxes, where people could make an instant donation. Consumers will also be able to view online content including promotional videos. The activity can be tracked to measure the success of campaigns.

charitydigitalnews.co.uk, 13 September 2018 (Lepper)

Economy

Africa – racing ahead with urbanisation

Africa has become the fastest-growing continent for urbanisation. The UN forecasts that between 2018 and 2035 the world's ten fastest-growing cities will be in Africa. Currently around 472m people live in cities in sub-Saharan Africa but this figure is predicted to grow to one billion by 2040, according to the World Bank. Managing urban growth has become one of the foremost challenges for Africa and rapid expansion has left people without adequate services such as roads, water, electricity or transport. Somik Lall, an economist at the World Bank, points to the problem of Africa's urbanisation exceeding its income.

Financial Times, 12 September 2018, p5

Emerging economies – why some outperform

Over the past 15 years emerging economies have contributed to nearly two-thirds of world GDP growth, but the economic growth of individual countries has varied enormously. Some emerging market economies have had strong and consistent growth. McKinsey examined 71 developing economies and found that 18 outperformed their peers. It then identified two key factors that help to explain this outperformance. It concludes that the global economy could benefit from an \$11 trillion boost if all emerging economies were to do as well as the outperformers.

mckinsey.com, September 2018 (Woetzel et al)

Quarterly GDP up by just 0.6%

The latest ONS GDP monthly estimate for July 2018 reports that UK gross GDP rose by 0.6% in the three months to July, thanks to services and construction. Construction reached a record level while services growth was driven by a strong retail and wholesale trade. However, despite a strong performance from mining and quarrying, production growth fell to just 0.1%.

ons.gov.uk, 10 September 2018

Manufacturing hiring – impacting productivity

According to the ONS, the manufacturing industry is enjoying its longest period of sustained employment growth since 1978: 145,000 jobs have been added to the sector in the five years to March 2018. Economists warn that the growth in manufacturing employment is contributing to the productivity problem. Industry is hiring people instead of investing in technology that could improve output per hour.

Financial Times, 14 September 2018, p2

Energy and utilities

Big batteries in the works

Lithium Werks BV, a Dutch company, is making industrial-scale batteries for big machinery, such as forklifts or hauliers, rather than the car and consumer electronics markets, which it believes are already saturated. However, the company faces competition from other companies, including BYD, LG Chem and Samsung SDI, which already produce batteries that could be adapted for industrial use. Since 2008 \$17 billion has been spent on battery production facilities worldwide. Bloomberg expects investment to reach \$60 billion by 2022.

Bloomberg Businessweek, 17 September 2018, pp26-27

Environment

The first recycled plastic cycle path

The first-ever plastic cycle path has been created in the Netherlands. A joint venture between KWS, a Dutch engineering firm, Total, the oil company and Wavin, a pipeline maker, it uses recycled plastic equivalent to 218,000 plastic cups and is expected to be three times as hard-wearing as an asphalt surface. Asphalt concrete is responsible for 1.5m tonnes of CO₂ emissions a year. However, some environmental groups are concerned that plastic particles from the cycle path could find their way into the environment. *The Economist* looks in detail at how roadmakers are using recycled plastic to make harder-wearing surfaces. (See also under Building)

The Guardian, 14 September 2018, p4; The Economist, 15 September 2018, pp85-86

Plastic-eating fungus

A fungus, discovered on a rubbish dump in Pakistan, has enzymes that can break down plastics, including polyester polyurethane. Work has now started to see whether it can be used to degrade other plastics and be used on a commercial scale. Professor Katherine Willis, director of science at Kew Gardens, says a plastic-eating fungus could be developed within five years. Fungi may also be used in other areas such as developing clean fuels. The Royal Botanic Gardens at Kew is publishing its first report on the state of the world's fungi, with help from 100 scientists across 18 countries.

The Times, 12 September 2018, p5

Fashion

Hermès continues to fly off the shelf

Hermès, the luxury goods maker has a five-year waiting list for its bags. It seems that people don't mind waiting because the group has just seen its shares rise by 4% following a 17% increase in half-year profits and operating margins of 34.5%, more than double the average for the luxury sector. The company's bags and other luxury items are

described as "eye-wateringly" expensive. Yet Hermès claims that there is no sign of a slowdown in Chinese enthusiasm for the brand, although the trade war between the US and China has taken the edge off luxury-goods' share prices. A further threat to the sector is the growth of the second-hand market in the form of online resale platforms. Even so, a second-hand Birkin bag can still fetch £162,500!

Financial Times, 13 September 2018, p12

Shoppable show may attract Ofcom attention

Amazon is launching a "shoppable" fashion programme which will blur the distinction between TV shows and retail. The reality series, which will appear on Amazon Prime Video, involves Amazon's clothing unit, Amazon Fashion. Audiences will be able to click on their screens to instantly purchase outfits featured in the show. However, regulators are under pressure to make online video services adhere to the same rules as traditional broadcasters. Ofcom states that there must be "editorial justification" for product placement and shows are not allowed to feature only products.

The Times, 12 September 2018, p5

Financial services

Chinese fintechs move to techfin

By now we all know what "fintech" means but what about "techfin", a word coined by Jack Ma, chairman of Alibaba. China's fintech sector is dominated by Ant Financial, an affiliate of Alibaba, and Tencent, both of whom started out in the payments market. Now Ant and Tencent are looking to attract users to other financial services. The fintechs could have more than 40% of China's payment card fees by 2020, which means that the banks could lose out to the tune of \$60 billion. Regulators have become concerned over a possible destabilisation of the financial system and barriers have been put in place to slow down the progress of the fintechs. Ant and Tencent have responded by emphasising their technology offerings rather than financial services. They talk about being "infrastructure providers", hence the expression "techfin".

The Economist, 15 September 2018, p82

FMCG

Beverages

Coca-Cola in Canadian cannabis talks

Coca-Cola is in talks with Canada's Aurora Cannabis to develop marijuana-infused drinks, according to a report from BNN Bloomberg. Although the company has not commented, it has stated that: "Along with many others in the beverage industry, we are closely watching the growth of non-psychoactive cannabidiol as an ingredient in functional wellness beverages". The new drinks would contain

cannabidiol, the part of cannabis that helps ease pain and inflammation but has no psychoactive effect. Canada is preparing to legalise cannabis and already has a large cannabis-growing industry.

bbc.co.uk/news, 17 September 2018; The Guardian, 18 September 2018, pp1,22; Financial Times, 18 September 2018, p1

Gin sales up

Sales of Gordon's gin have risen by 55.5% year-on-year. The popularity of Gordon's Pink Gin, launched just a year ago, has boosted sales figures by £75.2m. Diageo, which owns Gordon's, now controls the two largest spirits brands in the UK: Smirnoff is in first place while Gordon's overtook Jack Daniels and The Famous Grouse to take up second place earlier this year. Sales of UK gin have risen by 34.6% to reach £528.8m, with pink gin the biggest success story, according to Kantar Worldpanel.

The Grocer, 15 September 2018, p36

Lab-made milk more acceptable than meat

New research for *The Grocer* suggests that consumers would rather buy lab-made milk than lab-grown meat. The survey reveals that 28% of Britons would buy "synthetic milk" while 40% said they wouldn't consider it. A previous survey revealed that only 16% of consumers would be prepared to try cultured meat vs 50% who wouldn't. Perfect Day, a Silicon Valley startup, plans to launch dairy proteins made using genetically engineered yeast, within the next couple of years. The proteins can be used to produce an animal-free milk.

The Grocer, 15 September 2018, p41

Food

Fake meat – The Vegetarian Butcher

The Vegetarian Butcher, based in The Hague, produces over 40 products resembling meat but made from ingredients such as soy, wheat and beans. This year it opened a new factory in Breda which will churn out 44,000 pounds of "meat" a day by the end of 2018. Companies, such as Unilever, are beginning to buy Vegetarian Butcher's products. This article also mentions other companies in the \$2.2 billion fake-meat market.

Bloomberg Businessweek, 17 September 2018, pp68-69

Tobacco

E-cigarette firms – up in smoke?

The number of vapers has risen from an estimated 7m in 2011 to 35m in 2016. The most popular e-cigarette in the US is Juul, with 71% of the market. As well as being shaped like a USB flash drive, it delivers nicotine in a way more closely resembling a cigarette. The problem is that e-cigarettes attract young people as well as established smokers. Now the FDA has told five e-cigarette firms, including Juul, that they must produce plans to reduce vaping by youngsters. Solutions may include restrictions on

the distribution of products to retailers selling to children and some of the more attractive flavoured products may have to be axed.

The Economist, 15 September 2018, p72

Government and public sector

Assessing political truths

In a "post-truth world" where fake news is reportedly widespread and there is a distrust of politicians, the role of fact-checking organisations, such as Full Fact, has become more important. In such an environment it is difficult to know whether government promises have been fulfilled. Now Jordan Urban and Adam Feldman, students from Warwick and Cambridge universities, have produced a paper setting out a promise-tracking system which could make politicians more accountable. Their findings are set out in *The Future of Promise Tracking* paper, started while the pair were on an internship at Full Fact. Urban and Feldman are currently researching a method of applying weights to different government policies by polling a sample of the UK public.

Impact, Issue 22 July 2018, pp14-15 (McQatar);

<https://fullfact.org/blog/2018/mar/future-promise-tracking-adam-feldman-jordan-urban/>

Education spending – private funding up

In 2015 OECD countries spent on average 5% of GDP on education. However, from 2010 to 2015 spending fell in over two-thirds of the countries due to the financial crisis. By contrast, the private sector's share of education spending is increasing, with an 11% rise over the period in all OECD countries. In America nearly two-thirds of spending on tertiary-level education was paid for by households or private institutions, compared with Norway, where just 1% of tertiary-level spending was privately-funded.

The Economist, 15 September 2018, p93

Health and pharmaceuticals

The worried well – can health services cope?

The rise of the "worried well" could lead to GP surgeries and A&E departments becoming overrun, according to Richard Kerr, chairman of the Royal College of Surgeons' commission on the future of surgery. He warns that the rise of fitness trackers, and the vast amount of individualised health data, will result in pressure on NHS services, which will need to support people in understanding the meaning of their data.

The Times, 14 September 2018, p7

IT and telecoms

AI – opportunities and threats

With the growth of artificial intelligence, we are experiencing a period of “transformative” change – it is predicted that by 2020 85% of customer interactions will be undertaken by AI which will boost UK GDP by £232 billion. The author looks at the opportunities and threats posed by AI, including driverless cars; “Google Duplex”, Google’s early stage digital assistant; the ageing population; and the disruption caused by this fourth industrial revolution.

London Business Matters, September 2018, p35

Apple launches the three Xs...

Apple has announced three new iPhones, the iPhone XS, XS Max and XR, designed to appeal to an array of customers. Apple’s annual iPhone unveiling is regarded as the biggest event of the year for the company and is widely thought to set the pace for the smartphone industry. The new phone launches will also be an attempt to tackle the declining global smartphone market. Sales of iPhones have been flat over the past couple of years although revenue has continued to grow due to the higher prices of handsets.

The Daily Telegraph (Business), 13 September 2018, p1

...but are they too big to handle?

Apple’s latest iPhone, the iPhone XS Max, is the most expensive to date, at £1,449. It is also the biggest, with a 6.5-inch screen. Other new models have screens nearly as large. Meanwhile the 4-inch iPhone SE is being discontinued. Critics say that the phones are too large for women, who have smaller hands than men. In a tweet, Sophie Walker, leader of the Woman’s Equality Party, said: “To the boys at Apple, we know you are all obsessed with size. But performance matters too!”

The Times, 14 September 2018, p7

Leisure and tourism

App deletions

A survey of app installs has found that entertainment apps get uninstalled the fastest, usually within a day of the last usage session. This is according to an analysis of eight billion app installs worldwide by Adjust. Smartphone users uninstall apps for a variety of reasons, but it isn’t all bad news because the study also reveals that four out ten users reinstall the apps they’ve deleted!

emarketer.com, 13 September 2018 (Benes)

Back on the treadmill

Some “last-gen” gym treadmills are beginning to show their age. Newcomers to the \$1.3 billion treadmill market, including software start-ups Studio and Aaptiv, offer constantly updated training

programmes, while Zwift combines hardware and software with virtual-reality courses and foot pods to make the mileage more accurate. This article focuses on Peloton, a New York start-up. Its Tread was unveiled in January at the Consumer Electronics Show in Las Vegas. CEO, John Foley, compares the company to Apple, Tesla and other hardware and software companies.

Bloomberg Businessweek, 17 September 2018, pp50-53

Materials and mining

Millennials and Gen Z drive diamond sales

De Beers, the world’s biggest producer of diamonds, reports that Millennials and Generation Z have become the largest consumers of the precious stone. Last year saw record sales of \$82 billion, with Millennials and Gen Z accounting for two-thirds of the demand. These groups were also the largest consumers in the US (63%) and China (80%). De Beers is relying on marketing to these two generations to drive future consumption. According to Bruce Cleaver, CEO of De Beers, diamond miners need to “align their values” with those of the younger generation, who have different spending and consumption habits from older consumers. Lab-grown stones, such as those produced by Swarovski and Borsheims, currently account for around 2% of the global market. De Beers has set up a lab-grown business under the brand name Lightbox.

Financial Times, 14 September 2018, p15

BHP transformed

BHP Billiton, the largest mining company in the world, has previously struggled due to a severe downturn in commodity markets. Under its chief executive, Andrew Mackenzie who took charge in 2013, it has become a much simpler organisation consisting of just four commodities – copper, iron ore, coking coal and offshore oil. Previously it had 41 projects across 13 countries. McKenzie’s strategy has produced over \$12 billion in productivity gains over the past five years. This article considers his leadership and compares BHP to other miners.

Financial Times, 12 September 2018, p15

Media

Film

The changing face of film

Netflix, a competitive force in TV, is now turning to film-making. *Roma*, a film by Alfonso Cuarón, (director of *Gravity*), is due to be shown nine times at the Toronto International Film Festival, thanks to Netflix’s marketing. Netflix has brought eight films to Toronto amid a growing debate over the future of the film business. One problem is that Netflix releases its movies at the same time as in cinemas and this has annoyed many cinema owners. As well as competing with established film studios, Netflix is

also facing rivalry from Amazon and Apple. However, Netflix and Amazon tend to fund smaller films, which benefit from their patronage because they are less likely to be produced at traditional studios.

Financial Times, 14 September 2018, p16

Internet

Alibaba in Russian ecommerce partnership

Alibaba is to set up a Russian branch of its ecommerce site, AliExpress, through a partnership with Russian oligarch Alisher Usmanov. The deal, the first major joint venture between Russia and Chinese companies, is likely to intensify rivalry between Alibaba and Amazon. Over half Russia's 145m population are internet users and it is one of the biggest markets. However, there are logistics challenges, such as the huge distances to be covered in Russia and its poor infrastructure. Barriers, such as politics and logistics have kept Amazon away from Russia.

Financial Times, 12 September 2018, p16

Advertisers use ad blockers

A recent survey of advertisers in North America has found that they are as fed up with online ads as the general public. The research by Pressboard revealed that 27.2% of respondents say they use an ad blocker on the websites they visit. This tallies with an eMarketer forecast that 25.2% of US internet users will use an ad blocker this year. The latest research suggests that ad pros are more likely (78.6%) to rely on the recommendations of friends rather than ads, when deciding whether to buy a product. Just 16% said they made a purchase after reading a banner ad.

emarketer.com, 14 September 2018 (Benes)

Magazines

Plan S – the end of the scientific journal?

Many scientists believe that publicly funded research should be freely available to the public and not placed behind a paywall. Now, 11 European countries have signed up to "Plan S". It dictates that scientists who have benefited from national-research funding in those countries, should publish their work only in open-access journals on free websites by 2020. The problem is that the papers couldn't appear in academic journals, including *Nature* and *Science* – publishers are not happy. However, there are significant barriers to be overcome and this is by no means a done deal...

The Economist, 15 September 2018, p86

Newspapers

Print publishing

Print ad revenue from newspaper and magazine publishing declined by more than half between 2009 and 2017 and is predicted to fall by a further 6.2%

to \$44.5 billion this year. Yet print still makes up over 90% of news brands' revenue globally. Most of this revenue comes from circulation rather than advertising. According to a 2017 survey, many industry news leaders think their business models will have to change dramatically to meet future needs, with 21% predicting that by 2022 non-traditional media income will account for between 31% and 40% of the bottom line. Among nine major news brands around the world, digital-only subscriptions already account for 40% of total circulation on average. A series of graphs provide an analysis of print and digital publishing data.

Admap, September 2018, pp48-49

Social media

Facebook – uncool and egocentric?

A new report suggests that people are increasingly turning away from Facebook and switching to messaging apps such as WhatsApp. They are becoming less willing to post on the social network because it has become "toxic and unpleasant". A report by Kantar Media for the Reuters Institute for the Study of Journalism, found that people associated Facebook with terms such as "uncool uncle", "egocentric" and "mid-life crisis". This compares with WhatsApp, which was thought to be fun and straightforward. Kantar warns that younger users are increasingly unwilling to share stories on the network and that: "Without news, Facebook might end up feeling quite empty".

The Times, 14 September 2018, p6

Packaging

CSR communication

Companies realise that they must communicate their CSR efforts effectively if they are to gain the benefits of a good reputation, customer loyalty and customer-company identification. This study looks at packaging colour as a way of conveying CSR to consumers; it places an emphasis on consumer packaged goods. A survey of 2,000 consumers reveals that, despite the natural association of green with sustainability and CSR, it is not the best colour to convey a CSR communication to consumers. It is therefore important to consider different colours for enhancing the clarity and credibility of CSR claims.

**Journal of Marketing Communications, Vol 24(7)
November 2018, pp720-733 (Barchiesi et al)**

Postponement strategy

Postponement packaging is packaging that is undertaken at a late stage in the supply chain so as to keep the product in a standard format for as long as possible. This means that it can be customised for a market or customer at the last moment. This form of packaging enables drug companies to respond more easily to market demand. The author explains how the use of postponement packaging

could be beneficial to the pharmaceutical industry by catering to, for example, the trend for packaging small volume or orphan drugs in cases where market demand is difficult to predict.

European Pharmaceutical Review, Vol 23(4) August 2018, pp52-53 (Tjoa)

Retailing

Tesco jacks up competition with discounters

Tesco is piloting a new discount store in Cambridgeshire this week. Jack's, named after Tesco's founder Jack Cohen, is Tesco's answer to the discounters, Aldi and Lidl, with whom the big supermarkets are struggling to compete. Lidl and Aldi now have more than 13% of the UK grocery market, up from 9% four years ago, according to Kantar Worldpanel.

The Guardian, 12 September 2018, p25

John Lewis profits down by 99%

Pre-tax profits at John Lewis fell by 99% to just £1.2m in the six months to 28 July. Its performance reflects what is happening in the department store sector: House of Fraser has gone into administration and there is speculation about Debenhams' future. John Lewis, which has been trading for over 150 years, is often regarded as the brand that everyone follows because of its "commercial and customer success", according to Julie Palmer, a partner at Begbies Traynor. She likens the retailer's decline to "the fall of the Roman Empire". John Lewis has been placing greater emphasis on own-brand products, meaning that it doesn't have to adhere so rigidly to its "Never knowingly undersold" price promise.

The Times, 14 September 2018, pp37,38-39; The Daily Telegraph (Business), 14 September 2018, p1

M&S changes marketing focus

M&S has changed the direction of its marketing. In what is described as a "social media-first", it has broadcast an Instagram TV "show" called "What's new at M&S". The show, which also appears on YouTube and Facebook, showcased M&S's new products. It features a panel, including Holly Willoughby as clothing ambassador, with a brief to test out new food lines in a series of unscripted programmes. The challenge for M&S is to broaden its appeal while protecting its premium image.

The Grocer, 15 September 2018, p16

Habitat – first new flagship for ten years

Habitat is to open its first new standalone store in ten years. Opening in Westfield London's new Home department in the autumn, it will offer customers a "new immersive Habitat shopping experience". Previous store trials have had positive feedback from customers who have been allowed to interact with habitat products in different environments.

mintel.com, 14 September 2018

Services

Price-comparison – being challenged?

The price-comparison market is extremely competitive and is likely to become even more so as new competitors enter the market to challenge the dominance of the four leading brands. Last month it was reported that Amazon is entering the price comparison business. This article looks at the current advertising strategies of GoCompare, Confused.com, Comparethemarket and Moneysupermarket and whether they are changing their brand positioning.

Campaign, September 2018, pp36-38 (Gwynn)

Morrisons launches meal kit delivery service

Morrisons has launched its first meal kit delivery service, putting it in competition with Hello Fresh and Gousto. The Eat Fresh box, which contain three meals for two, undercuts its competitors on price. Morrisons believes there is a mainstream market for such a service and hopes it will appeal to the trend for scratch cooking.

The Grocer, 15 September 2018, p6

Transport and travel

The BA data breach

In May last year BA's global IT system crashed, leaving 75,000 passengers stranded. Now cyber criminals have stolen the financial details of 380,000 customers, which for many analysts constitutes one of "the worst" hacks in history. BA, which once called itself the "world's favourite airline", could face fines of up to £500m. This latest incident supports the idea that BA is a company with a declining reputation and service. A Which? customer survey in December 2017 ranked it third from bottom on factors such as comfort and value. Despite this, BA's revenues and profits have continued to rise.

Financial Times, 14 September 2018, p17

And pigs can fly?

Apparently they can. The US Air Carrier Access Act 1986 prohibits commercial airlines from discriminating against disabled passengers. This means that people deemed to be in need of psychological support are entitled to travel with an "emotional-support" animal (quite different from service animals, such as guide dogs). Between 2016 and 2017, Delta Airlines reported an 84% increase in on-board animal incidents. Some flight attendants have been bitten while, in some cases, the animal itself has had an anxiety attack and a vet has had to intervene. Following an incident in which a woman tried to board a United Airlines flight with her emotional-support peacock, airlines have been trying to tighten up the rules...

The Economist, 15 September 2018, p40

A new start for an old company

Pininfarina, an Italian design house, has been making car coachwork for nearly 90 years, crafting cars for the likes of Rolls-Royce, Lancia, Jaguar and Ferrari. Now the company has announced that it is to build a car for itself through its new manufacturing company, Automobili Pininfarina. The PF0 (PF-Zero) will be an all-electric coupe. Parent company, Mahindra Group, wants this to be the start of a high-end car brand. This isn't the only example of an old car brand branching out in a new direction: after five decades McLaren Racing started making its own road cars, which are sold in their thousands. The Pininfarina brand is associated with beautiful cars, so "design will be the differentiator", says CEO Michael Perschke.

Bloomberg Businessweek, 17 September 2018, pp66-67

The Beetle ends production

VW is to stop making its Beetle car, with production ending in July 2019 after some celebration models have been launched. The company is responding to the decline in sales of small cars and, following the emissions scandal the manufacturer is slimming down its portfolio. The rise of electric cars is another consideration. The Beetle, produced for nearly seven decades, was created in 1938 in response to Hitler's desire for a cheap, mass-produced car for Germany.

marketingweek.com, 14 September 2018

Written by CIM's Knowledge Services Team

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