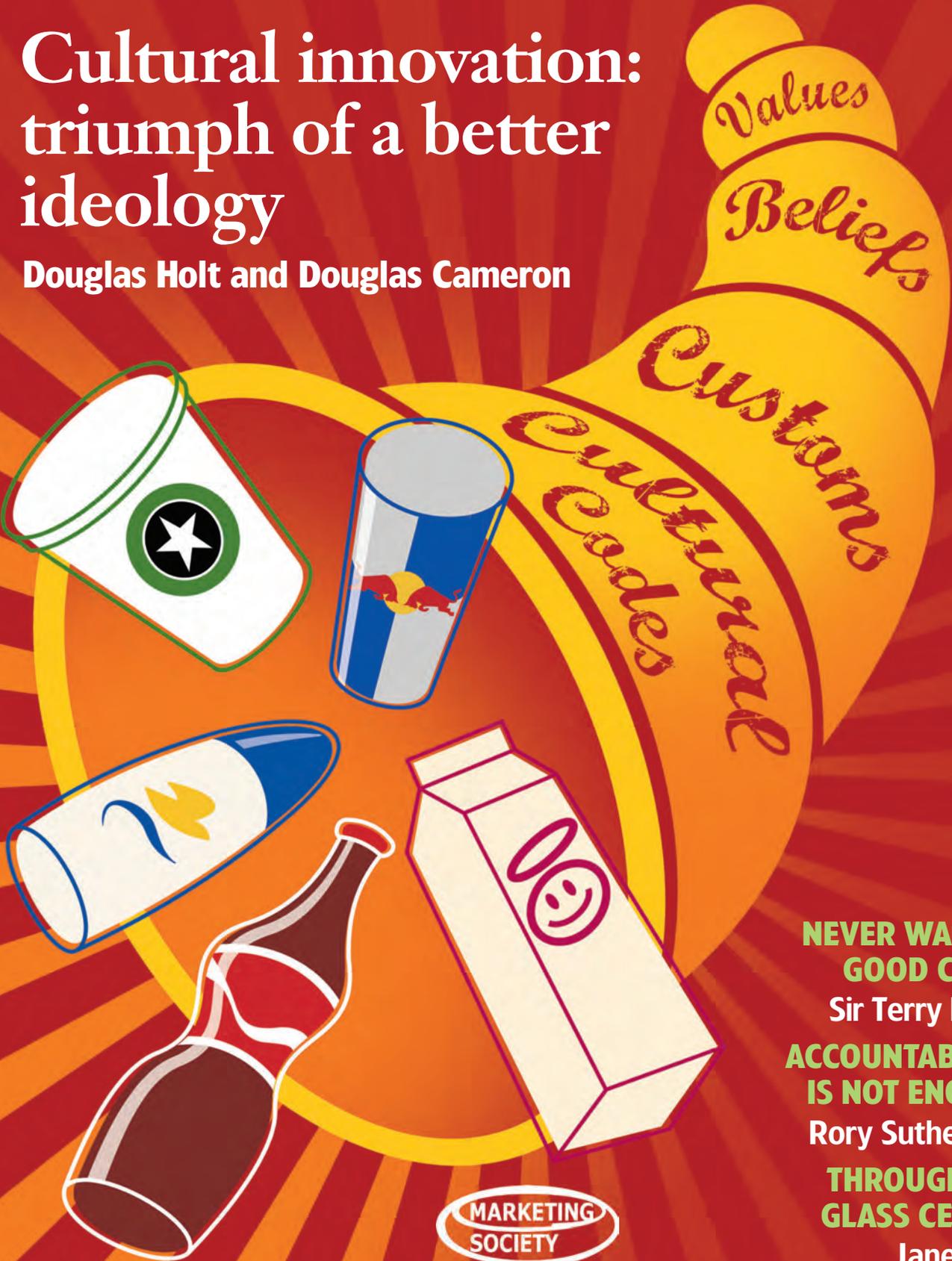


Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

Cultural innovation: triumph of a better ideology

Douglas Holt and Douglas Cameron



**NEVER WASTE A
GOOD CRISIS**

Sir Terry Leahy

**ACCOUNTABILITY
IS NOT ENOUGH**

Rory Sutherland

**THROUGH THE
GLASS CEILING**

Janet Hull





First win the eye...

then the heart...

then the mind...



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Keeping brands healthy



I RECENTLY attended a lecture on the applications of neuroscience to marketing. All the data marketers will ever need, it was claimed, can now be obtained from ‘neurometrics’ – via MRI scanning, EEG measurement and eye-tracking devices. I listened to the lengthening list of uses with mounting disquiet and an article formed in my mind entitled ‘Caution: neuroscience may be dangerous to the health of your brand’.

The lead article in this issue provides the explanation of why the skills required for brand building live in a parallel universe. Douglas Holt and Douglas Cameron in ‘Cultural innovation: triumph of a better ideology’ look to anthropology for inspiration. It is commonplace to say that brands live in the mind (as opposed to the factory). But where they really live is in culture, in society’s norms, values, codes and practices. And while yes, neuroscience and anthropology can exist together, the danger is in what we qualitative researchers call ‘physics envy’ (the need to elevate market research to the level of the pure sciences). Put access to the brain – the human version of the Rosetta Stone – together with lots of gadgetry that measures things and before you know it, the new and intriguing drives out the old but essential.

The key point that Holt and Cameron make is that innovation models tend to reflect an engineer’s view: technology is the necessary driver. Yet, cultural innovation, a new and better ideology (think Innocent, Starbucks, Harley Davidson, Dove and many many more) are just as innovative and likely to be just as profitable. Neuroscience may have a lot to offer but it will never contribute the insights into brand building to be obtained from a constant monitoring of the cultural environment.

The article forming in my mind could equally have been entitled ‘Caution, *data* can be dangerous to the health of your brand’, and this is a theme that Mark Earls pursues elsewhere in this issue. The ‘data hosepipe’ – the literally billions, maybe trillions, of pieces of data flowing over us – can lead to paralysis. Advice: look for big patterns or you may lose the will to live. Also in the issue, Rory Sutherland explores concepts from Behavioural Economics as well as some other less familiar sources that have insightful applications in understanding brand choice.

Finally, from the most successful brand builder of them all, Sir Terry Leahy, comes a checklist of the ways in which CMOs can turn the whole organisation into marketers. Use the power you have, he advises. After all, he did it.

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Market Leader

QUARTER 1, 2012

PUBLISHED IN ASSOCIATION WITH
THE MARKETING SOCIETY BY WARC



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*Annual subscription rates:
£245, €405, \$370*

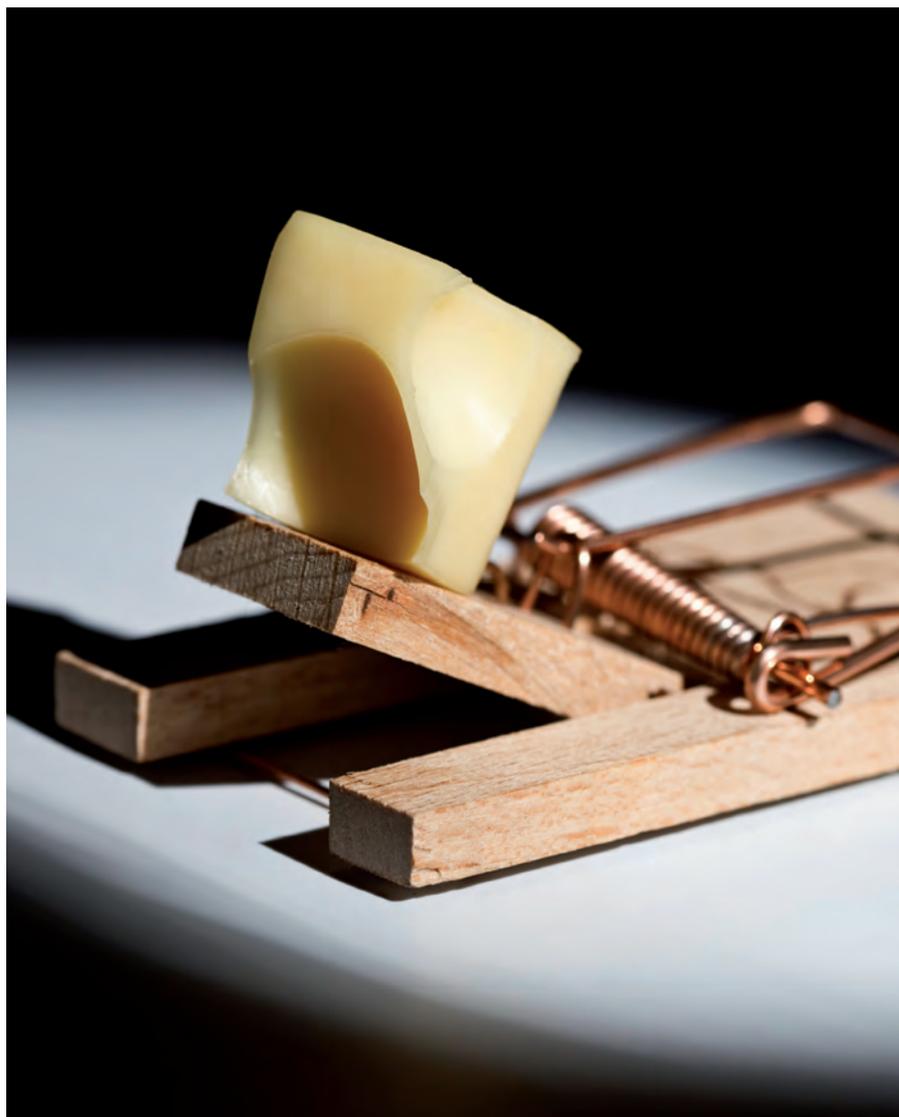
Market Leader is published quarterly by Warc in association with
The Marketing Society.

ISSN 1463-0877

The views expressed in contributions to *Market Leader* are not
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Society.

Printed by Pensord Press

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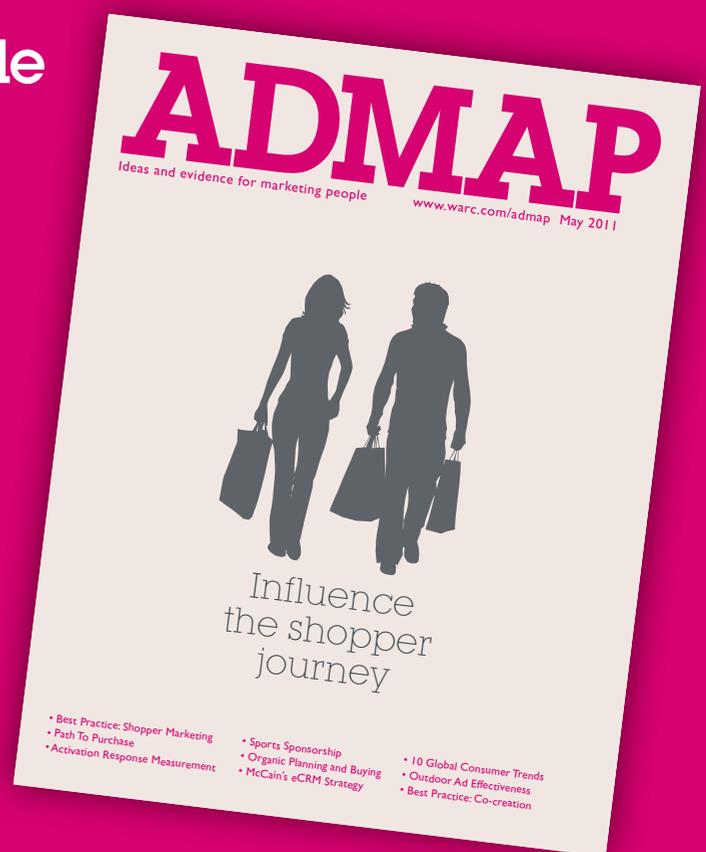
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Brainwaves

Our selection of light reading from around the world of marketing

The glory, the glamour, the gongs galore ...

BY WINSTON FLETCHER

WITH THE end of one year and start of another, throughout the country – perhaps throughout the world – everyone spends time trying to recall who in their spheres of life deserve to be awarded gongs for their achievements in 2011. In marketing we tend to think our businesses are unusually keen on such communal backslapping.

Not so. Today, almost every business and profession is up to its neck in trophies. Hundreds of thousands of people, from all walks of life, attend awards thrashes each year, paying handsomely for the privilege.

The major dinners take place in London, mostly on Park Lane. The Great Room at the Grosvenor House can squeeze in up to 1,500 people, while a real biggie at Olympia will manage 2,500. But similar dinners, albeit on a smaller scale, take place in every chandelier-spangled hotel in the country.

The guests will always dress to impress. The sponsors will charge hefty sums to enter the competition, inflated prices for the dinner, fees to the donors of prizes, ludicrous programme advertising rates and other nice little earners, probably totalling around £50m a year in all. It's a small but perfectly formed industry.

Yet almost nobody attends an awards bash either to be entertained or for the inedible grub. Most view it as an unavoidable business chore.



The rest are either hopeful contenders – oh, the glamour of that triumphal walk in the spotlight – or chums of the hopeful contenders. And the organisers are adept at hinting to all and sundry that they are in with an excellent chance. This delicate process might be called gong-teasing.

Why have awards and awards shindigs become such an indispensable part of business life? A visiting Martian would be bewildered by our insatiable urge to ring each other's necks with garlands. Quite simply, awards make us feel good about ourselves. They help us convince ourselves that the value of our work to society is far greater than is measured by our measly little monthly payslips. This is the

Almost every business is up to its neck in trophies. Hundreds of people attend awards thrashes each year

reason for the dressing up, the fanfares, the glamorous venues, the famous compères and the rest.

They imbue the awards with glory, with mystique – with almost religious significance. To win a trophy, it all implies, is much more exalted than

just earning loadsamoney. The glittering prizes honour quality, accomplishment, excellence. They are an increasingly alluring antidote to our increasingly mercenary world.

But the truly neat trick is that while pretending to glorify higher values, awards deliver the shekels too. To the winners they generally deliver higher salaries, maybe extra sales and bigger profits too. This is why, while many people mock awards, and moan about their cost, everyone still enters. Merit and money indissolubly entwined: in the 21st century, what could be better? ■

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This much I've learned

FIONA MCANENA

The best advice I got

... When I was a graduate trainee, a sales manager who spent every lunchtime in the pub told me: 'Everyone has something to teach you.'

The worst advice I got

... When I arrived in a new company as CEO, a very experienced account man told me not to bother getting to know a major client as he had it under control. Of course, we lost the business.

Don't underestimate ...

How you can help and liberate people around you just by

articulating things clearly and having the courage to do so.

Don't overestimate ...

The importance of meetings. Meetings aren't work.

The experience that taught me most ...

I joined WPP Kantar in a newly created role with no job description and no plan to follow, just a clear purpose given by the CEO, Eric Salama. I learned to work from first principles and do what would make a difference.

The most fun I had ...

Playing 'rock, paper, scissors' as an energiser at a meeting of 150 people from all over the world.

The worst moment ...

A new colleague I had not met phoned to complain about how one of my team, also called Fiona, had been rude to her on a conference call. It was worse for her though – when I revealed it was me on that call.

My peak career experience

... Is still ahead. If you keep learning and making a difference then every stage is better than the one before.

Fiona McAnena is the global brand director, BUPA (membership) fiona.mcanena@bupa.com

10 things ... we discovered this autumn

1 Jimmy Savile and Margaret Thatcher celebrated New Year's Eve together for 11 years in a row.

2 Young Chinese girls in Hunan province used Nushu, a language that no men could read, to communicate with one another.

3 The forces involved when a woodpecker drills at a tree are up to 1,000 times stronger than gravity.

4 New homes in Denmark are 80% bigger than new homes in the UK.

5 In 1941 the Government in the UK wanted to know how many bras women owned.

6 Britain has 800 major self-storage units, the same as the rest of Europe put together.

7 The average Briton suffers 726 hangovers in a lifetime.

8 Apple's market capitalisation is \$340bn – more than the economy of Singapore, or all the illegal drugs in the world.

9 Fifteen per cent of European monarchs who lived between 600 and 1800 were murdered. Their risk of violent death was more than 700 times greater than their subjects and seven times greater than young black American males today.

10 In Britain, 'growing apart' (27%) has replaced 'infidelity' (25%) as the top reason given for marriage breakdown.



Brainwaves pages are edited by Elen Lewis, editor of *The Marketing Society* elen.lewis@gmail.com

THOUGHT FOR THE DAY

KING CHARLES I'S 12 GOLDEN RULES FOR DEPORTMENT AT TABLE

Picke	}	no	}	Quarrels.
Make				Comparisons.
Maintaine	}	no	}	Opinions.
Report				Sad news.
Repeat	}	no	}	Grievance.
Reveal				Secrets.
Tell	}	no	}	Long tales.
Take				Tobacco.
Touch	}	no	}	Statematters.
Laie				Wagers.
Urge	}	no	}	Healths.
Noe				Long meales.



From Notes and Queries, 14 March 1863, via futilitycloset.com

Words worth

B is for beginnings. Craft the beginning and the rest will take care of itself, says Elen Lewis

THE GREATEST short story ever written is just six words long by Ernest Hemingway. 'Baby shoes. For sale. Never worn.' The power of six words.

Opening lines are so important in business writing. Whether it's the subject line in an email or the first sentence in a presentation, these words will grab or lose your reader's attention in a moment.

One of my favourite examples of punchy headlines comes from Sir Harold Evans, former editor of *The Sunday Times*. He said: 'If I choose to head an article "An Inquiry into the Conditions of Mycean Civilisation in the Heroic Epoch, with Special Reference to the Economic and Domestic Functions of Women Before and After the Conjectural Date of the Argive Expedition against Troy" ... I really have no right to complain if (when I send it to the *Chicago Daily Scoop*) they alter it to "How Helen Did the Housekeeping".'

Consider some of the best opening lines in novels. From LP Hartley's *The Go-Between*: 'The past is another country: they do things differently there.' Or Tolstoy's *Anna Karenina*: 'All happy families are alike, each unhappy family is unhappy in its own way.'

So how can we use these lessons in literature for writing in business?

1. Write your headline (your email subject line) last. This helps reduce writer's block.
2. Spend as much time on the beginning as you do writing the rest of your text.
3. Start writing whichever part you feel most comfortable with. Just get the words down.
4. Put the most important information first and then provide the context.
5. Avoid beginning with clichés like, 'as you know' or 'I hope you are well'. Make it specific and relevant, include the details. ■

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FIVE WAYS TO... UNDERSTAND HAPPINESS

- 1 **Don't confuse memory and experience;** between being happy in your life and being happy with your life.
- 2 **Consider two selves.** The experiencing self lives in the present, and there is the remembering self who maintains the story of our life.
- 3 **The remembering self is a storyteller.** Our memory tells us stories – that is, what we get to keep from our experiences is a story. What defines a story are changes, significant moments and endings.
- 4 **The experiencing self lives its life continuously.** The psychological present is said to be about three seconds long, which means that, in a life there are 600m of these moments, and most don't leave a trace.
- 5 **There are two concepts of happiness.** Happiness for the experiencing self is about happiness for moment. For the remembering self it's about how satisfied the person is when they think about their life.

Daniel Kahneman was awarded the Nobel Memorial Prize in 2002 for his pioneering work in behavioural economics. Watch 'The riddle of experience vs. memory' on TED.com.

Golden brands of 1978

In the archive of 50 golden brands, it was a year of wonder women, golden cigarettes and the Atari 2600



AS A red and blue lycra-clad Wonder Woman ker-powered onto our screens, another wonder woman of sorts was making an impact. Margaret Thatcher, leader of the opposition party, had engaged Saatchi & Saatchi ad agency to help win the General Election.

Although the election didn't take place until the following year, 1978 saw a raft of political advertising including the memorable poster campaign 'Labour isn't working'. The ad had a huge impact, largely because it was denounced by Labour's Denis

Healey in Parliament.

A striking series of photomontages and cinema films for B&H Gold, by Collett Dickenson Pearce at the peak of its success, featured the gold pack of cigarettes in various surreal juxtapositions and transformations, devoid of words and people.

1978 was also the year of electronic games. The Atari 2600 with its woodgrain console and stubby rubber joysticks became a livingroom fixture in many homes, featuring games such as Tennis and Space War. Then there was Simon, a plastic circle with four-coloured quarters that flashed and beeped.

Across the Atlantic, two men called Ben and Jerry opened an icecream parlour in a renovated petrol station in Vermont. ■

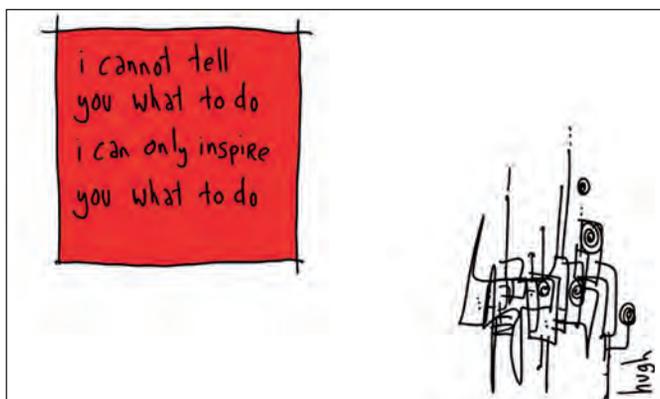
1961 SNAPSHOT

Books: John Irving published *The World According to Garp*; *Plenty* by David Hare.

Events: First test-tube baby born; Polish bishop, the first non-Italian for 400 years, becomes Pope; Spain set to vote for democracy.

Films: *Grease*; *Superman*.

Music: The Boomtown Rats knocked *Grease*'s Olivia Newton-John and John Travolta off the top spot of the Top 10 chart.



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Blogbytes: when strategy is execution

BY DAVE TROTT

IN NEW York in the early 1960s, a truly seminal ad campaign broke. Posters in the subway, showing different ethnic types eating sandwiches. Black, Chinese, Italian, Irish, Native American. Above each one, the headline: 'You don't have to be Jewish to love Levy's real Jewish Rye'.

Maybe right now that doesn't seem so daring. But remember this was the 'Mad Men' era of advertising. The time when everyone, in all the ads, aspired to be a WASP (White, Anglo-Saxon, Protestant). Men were only shown wearing suits and ties, women wore pinafores and had ponytails, and all the children were blonde and freckled.

So it was actually really daring to do advertising that featured ethnic minorities.

Not only that, it was rare to do advertising that made a big deal about the fact that the product wasn't made by WASPs; and that actually had the word JEWISH in the headline.

These ads celebrated the fact that New York was more ethnically diverse than anywhere else. I always knew they were among the best advertising I'd ever seen, but I only recently heard the whole story. And it has as much to do with the strategy as the creative. It started when Doyle Dane Bernbach was still a tiny agency. One of its accounts was Levy's Bakery in Brooklyn. Whitney Ruben, the head of Levy's, told Bill Bernbach they had a problem with rye bread, because it was sold packaged.

Rye bread wasn't so much a Jewish bread as an immigrant bread. And the immigrants preferred it fresh. So they'd go to the local bakery for it, instead of getting it packaged, from the supermarket.



Bill Bernbach said: 'The problem is, you need to appeal to a wider audience than just immigrants. Where are you running your ads?' Ruben told him they ran the ads in the *New York Post* because it had an 80% Jewish readership. Bernbach said: 'But Jews already know about rye bread; we need to get to the people who haven't tried it yet.'

And he persuaded them to advertise in the food sections of the *World-Telegram* and the *Journal American*. And it worked: sales took off.

Then, in a master stroke, Bernbach persuaded them to change the name. 'We need to make it more ethnic, give it more credibility. We need to change the name to Levy's Real Jewish Rye.' Whitney Ruben was horrified. He was scared about an anti-Semitic backlash from the retailers. Bernbach said 'For God's sake, your name is Levy's. They're not going to mistake you for High Episcopalian.'

And eventually they agreed. And they ran the ads that not only changed New Yorkers' eating habits, they celebrated New York's ethnic and cultural diversity. And in fact they were the precursor of the 'I (heart) NY' campaign.

Customers at delis nowadays routinely specify particular



bread. People automatically add 'on white' or 'on rye' with their pastrami, or tunafish, or bologna. And, incidentally, at the same time Bernbach had repositioned the competition. He called Levy's 'Real Jewish Rye', thereby sewing the doubt that not all rye bread was 'Real Jewish Rye'. Levy's became the biggest selling brand of rye bread in the city. Then the biggest in the state, and eventually in the entire country. At delis all over America, sandwiches are now offered on 'New York Style Rye Bread'.

Bernbach moved rye bread beyond being merely a type of bread, to being a symbol for New York City.

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Then, in a master stroke, Bernbach persuaded them to change the name

Ideas & issues

No agency in the world seriously claims to offer every single marketing service equally well: there will always be some discipline which they lack for one reason or other



MARKETING SERVICES

The new line: in-house or outsourced

FROM ANDY NAIRN

NOT SO long ago, agencies were classified using an imaginary line, whose origins stemmed from 19th century accounting terminology¹. In recent years, that divide has almost disappeared, as 'below-the-line' operators have railed against the snobbery of the terminology and 'above-the-line' shops have rushed to proclaim their integrated credentials. However, a new line has

emerged and it has both profound and practical implications for agency models going forwards.

The new line describes the degree to which an agency outsources or not. Of course this is a question which all businesses have to wrestle with these days, typically for cost-related reasons. But for marketing services companies, it has been exacerbated by two additional issues.

THE CATALYSTS

On the one hand, there has been a growing demand from clients for more joined-up advice. Marketers have seen the fragmentation of media and channels, spotted the danger of inconsistent brand experiences across the customer journey, and become frustrated with agencies' traditional silo structures. This has, in turn, prompted many agencies to

bring a much wider range of skills in-house, so that they can offer a more holistic view.

On the other hand, there has also been a growing demand from clients for specialist skills and advice. Marketers have recognised that the very fragmentation described above makes it very difficult for any one company to do everything equally well. This has, in turn, prompted other agencies to adopt a

much looser model, whereby only a core management team is retained, and other specialists are pulled in, on a freelance or subcontracted basis, depending on the task in hand.

THE PROS AND CONS

The interesting thing is that each agency model has a strong rationale, underpinned by cultural trends and client demands.

Advocates of the in-house approach argue that they can exert much greater quality control over the thinking and creative product, by keeping them close to home. They even claim that they can offer better value, by removing the need to relearn for every project, stripping out duplication and third-party overheads, and avoiding hefty freelance fees.

Meanwhile, fans of the outsourced approach (often called the 'Hollywood model' as it mirrors the way in which studios assemble teams) reply that it is actually they who can provide better quality, by picking from a wider pool of talent. Similarly, they claim that it is they who can achieve keener value, by paying for people only as and when they need them.

So which side is right? Well, both and neither. And that's where the line comes in. Where do you draw the line? The truth is that the polarisation which I've described above doesn't really exist. No agency in the world seriously claims to offer every single marketing service, equally well, under one roof: there will always be some discipline which they lack for one reason or another (be it data, media planning, web build, search, PR or whatever).

Likewise, no serious player advocates the outsourcing of everything: while a handful of virtual creative agencies have sprung up, they do not look like

As with most things in business, the winners will be those who are flexible enough to adapt. But the challenges are not going away, and they will impact on everything

achieving mass any time soon, and in any case tend to retain some form of central editorial control, at the very least.

Instead of two opposing camps then, there is really a much subtler spectrum of approaches. Nobody operates a purist model. Everybody is somewhere in the middle, trying to figure out exactly where to draw the line. There is no wrong or right answer, but there are some key considerations which agencies should mull over before adopting a stance.

SOME OTHER CONSIDERATIONS

The first factor to take into account is perhaps agency size and life cycle. Unless they are blessed with wealthy backers, start-ups will naturally gravitate towards a more outsourced model because they have neither the workload nor income to justify a host of in-house specialists. More established agencies may well incline to the opposite point of view, in an attempt to generate economies of scale from their existing workforce.

Related to this is the question of cost. Certain disciplines need heavier investment to set up than others – media buying being the classic example because of the systems required, data analysis being another. Even established agencies may balk at these costs and prefer to outsource instead.

In contrast, other services may command relatively high fees and margins

(brand consultancy, for instance), making them more desirable to bring in-house for financial reasons.

Another key factor is, of course, client needs. Whether agencies like it or not, the people who pay the bills will also have a major say in where to draw the line.

Smart shops will have a constant eye on the ever-changing needs of their clients, anticipating the need for new marketing services but also – crucially – deciding whether these needs would be best served in-house or externally.

Honesty is the best policy here. History is littered with agencies who have overclaimed about their internal capabilities or, at the other extreme, outsourced too carelessly. Either way, the truth will out, so it's better to take an objective stance in the first place, based on the client's best interests.

Last but by no means least, there's the agency's vision. For instance, a start-up's founders may simply believe that a particular discipline must be kept at the heart of the agency, regardless of size, cost or current client needs.

Alternatively, a more established company may resist the temptation to take a service in-house, despite the financial possibilities and client demands, because it might change the culture for the worse.

These are principled positions which are often subsumed by the first three,

more pragmatic, factors. However, this is exactly where they derive their power: by taking a visionary stance, in spite of more practical pressures, an agency can differentiate itself and prosper in the long term.

KEEPING AN OPEN MIND

It should be obvious from the above that each agency must decide for itself where to draw the line, on a discipline-by-discipline basis. But just as importantly, it must continually review this position as circumstances change.

A new hiring may bring specialist skills in-house (or a departee might take such expertise away, and not be worth replacing). A client win or loss could be equally telling. Relationships with external partners might improve or deteriorate. Technological advances might change the relative costs of in-house and outsourced options.

As with most things in business nowadays, the winners will be those who are flexible enough to adapt. But the challenges outlined above are not going to go away, and they will impact on everything from hiring policy to remuneration, creative approach to office design.

So even if your line is drawn in the sand, rather than carved in stone, you will still need to draw it somewhere. ■

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1. The precise origins of the phrase are lost in the mists of time. Most writers trace it back to the different sections of a balance sheet, although others claim the phrase had its roots in film-making.

PUBLIC RELATIONS

Should public relations be part of marketing?

FROM MARYLEE SACHS

NOT SO long ago public relations executives had to fight for a seat at the table to be heard, to plan, to play an integral role in the organisation's business – the table being the board of an organisation or a senior decision-making group.

Now, public relations (PR) has risen in such importance that a debate has emerged over where it should sit within an organisation. CMOs and the senior-most marketing leaders are fairly unanimous that at least part of the PR function should reside within marketing departments, and in many cases, CMOs already have laid claim to PR within their own organisations.

What has prompted the question and sparked such a healthy debate over the ownership of PR? Certainly the growth of social media and the necessary skills to navigate two-way communication have given PR an edge over more traditional 'push', one-way marketing approaches. And as reputation, credibility, authenticity and transparency have become more important to consumers, PR has emerged as a key element of the marketing mix.

But while all indicators are pointing to increased effectiveness when the two disciplines are combined, the battle continues to brew over who reports to whom and how the disciplines work together.

BALANCE OF POWER

Many PR professionals consider the statement 'PR is part of the marketing mix' as blasphemous because, in their view, PR is a much broader management discipline that should report directly to the CEO in all cases.



At the same time, some marketing executives are professionally jaunted towards PR, considering it only tactical at worst, and an imprecise practice that is too difficult to measure at best.

Many organisations are struggling with the optimum mix of disciplines to best harness influence and advocacy, particularly with the increasingly empowered consumer made possible by social media. The shift in power for PR is new, and only just starting to take hold within some organisations, while others are only just beginning to consider the options.

Marketers are embracing PR and agree that integrated communications increase overall effectiveness, but while marketing and PR have formalised working relationships in some cases, data suggests that 'formal' doesn't necessarily mean 'functional', according to a study undertaken by

The growth of social media and the skills to navigate two-way communication have given PR an edge over more traditional 'push' approaches

Vocus surveying 966 PR professionals about their perceptions of integrated communications.

'Despite formalised processes or structures, 34% cited "organisational structures, functional silos, or turf battles" as the single largest barrier to integration. The next largest barrier is budget shortcomings noted by 20%.'

ALIGNED OBJECTIVES

In many cases, structures are not even formalised. A 2009 study of 114 CMOs by *Forbes* reported that advertising (92%), research (85%) and PR (73%) are top functions falling under the purview of marketing, followed distantly by internal communications (58%) and corporate social responsibility (51%).

But according to a 2010 survey of CMOs by The CMO Club, while the synchronisation of brand reputation and brand image is more critical than ever, more than half (52%) of companies are not fully aligned between marketing and communications.

CMOs who report the highest levels of alignment between marketing and PR establish objective-setting with blended and collective rewards. Firms where joint metrics and joint rewards systems have been created (66%) or joint objectives without joint reward systems (71%) report much higher levels of being 'fully aligned' compared with firms where objectives are not shared (31%) or where objectives are shared only for information purposes.

The growth of digital and social media has contributed to a new landscape where marketers lack control over how their brands are perceived. Credibility, trust and relevance are becoming increasingly important to consumers who view traditional marketing and advertising as irrelevant and suspect. The concept of 'truthiness', a word coined by American television comedian Stephen

Colbert, has underlined the importance of transparency and has popularised it within urban culture.

PR can step in and address credibility issues by providing authenticity and relevance due to its conversational nature as well as the element of third-party endorsement and advocacy.

PRACTICAL HELP

PR can also provide the glue across paid, owned and earned media channels. According to a Nielsen report on advertising effectiveness, the key to success for marketers is creating a mix of social impressions that incorporate both paid and earned media.

'Social advocacy and earned impressions can impact consumers in three important ways: by making them more likely to notice an ad (ad recall), to take away its message (awareness), and to increase their interest in making a purchase (purchase intent). The next step is to expand this understanding to offline sales and long-term brand value.'

Even Forrester suggests that owned and earned media become as important, if not more important, than paid (bought) media.

Although there will always be a role for paid media, it does face several challenges including an increasing level of clutter, falling response rates, and less credibility than owned and earned media.

People simply don't trust paid media as much as other sources of information.

More than 40% of US adults online agree with the statement: 'The experience I have with most products does not equal the promises made by their advertisements.' It is certainly in CMOs' best interests to expand their power base and own the function that can address some of these issues.

CRISIS MANAGEMENT

And let's not forget the whole area of crisis management and communications. In what was hailed mid-2010 as the 'year of the recall' by *Advertising Age*, PR professionals have enjoyed new-found respect as able navigators of an uncontrollable environment in which negative word of mouth can be exponentially painful to brand health.

Undoubtedly, the myriad of aspects and issues connected to social media have provided the practice of PR with the opportunity to take a more central role in marketing, and there even appears to be a trend for senior executives with PR backgrounds to take the helm of marketing departments within organisations.

PLANNING AHEAD

With CMOs' roles expanding, how best can they prepare for their new responsibilities? Who should be in their 'kitchen cabinet'? Where can they get the best advice?

PR grounding can be the polar opposite of the other marketing disciplines. If PR is a less-understood and sometimes maligned discipline, how can CMOs fully utilise and leverage it?

In *The Changing MO of the CMO* we explore how some organisations are making the most of a blended approach through a series of interviews with CMOs who, in their own right, are change agents in their organisations.

All of these CMOs have been in the communications/PR business at some point in their career so they have a different perspective on the roles and how the disciplines are best combined to greatest effect. ■

Edited extract from The Changing MO of the CMO by MaryLee Sachs, published by Gower Publishing 2011. marylee@maryleesachs.com

MARKETING FOOD IN CHINA

Accounting for tastes

FROM TOM DOCTOROFF

CHINA'S RELATIONSHIP with food is a window into basic instincts. The country's cuisine is a manifestation of a civilisation that has never taken survival for granted. An understanding of what and how Chinese want to eat is a quick way to know China. With the ever-popular dim sum of Guangdong province literally meaning 'touch the heart', it's fair to say that food is a window into the Han soul.

In most categories, local brands including Mengniu, Yili (both dairy companies) and COFCO (everything from chocolate to pork) rule the roost. Although Chinese cravings differ from those of Westerners – noodles, not burgers, are comfort food – it is a myth that people reject foreign food brands simply because they are foreign.

Western marketers were slow to enter China and made huge mistakes. Kellogg, for example, launched cold cereal, an alien category, at prohibitively high prices. Since then, many others have made significant progress.

LOCAL KNOWLEDGE

From Kraft to Nestlé and Dove to Coca-Cola, brands have tailored products to suit Chinese tastes. Recent successes – Lipton milk tea, Danone fortified calcium biscuits, Pizza Hut's seafood lover's pizza – are testaments to the power of empathetic insight. Yum! Brands' KFC menu localisation has been particularly impressive.

Hot wings and chicken burgers are the biggest sellers, but the menu also includes products such as Beijing Chicken Roll, Golden Butterfly Shrimp, Four Seasons Fresh Vegetable

Chinese cravings differ from those of Westerners, but it is a myth that people reject foreign food brands simply because they are foreign

Salads, Fragrant Mushroom Rice and Tomato Egg Drop Soup.

The following are a few basic principles of marketing food in China.

Delicious balance. Chinese cuisine is tremendously varied – Shanghai food is sweet and oily, while Sichuan dishes are hot and spicy – but the balance of yin (cooling) and yang (heating) is important everywhere. From stir-fried beef with broccoli to sweet-and-sour pork, dishes should be 'harmonious'.

Yin foods, not necessarily low in temperature, include toast, bean sprouts, cabbage, carrots, cucumber, duck, tofu, watercress and water. Yang foods include bamboo, beef, chicken, eggs, ginger, glutinous rice, mushrooms and sesame oil. China will never be a coffee culture because beverages should be cooling, but Nestlé three-in-one coffee is a hit because sweetness balances bitterness.

Illness is perceived to spring from yin and yang imbalance. 'Heat patterns' (eg headaches, bleeding) are remedied with cooling foods while excessive yin (eg runny noses, night

sweats) are cured with heating foods. Chinese aren't lactose intolerant, but dairy products, including ice cream, are perceived to be 'damp'. Even today, milk sales increase if accompanied by something 'dry' like bits of wheat.

Safety: never assumed. Counterintuitively, international brands are preferred to local brands, assuming compatibility with local taste and acceptable price. This is because Chinese never take safety for granted.

Prior to the 2009 tainted-milk scandal, local dairy brands were known for purity. But dairy manufacturers, in cahoots with local officials, abused this trust by adulterating products with illegal ingredients. That's why all leading brands of infant formula are foreign, despite price premiums of up to 400%. That's also why endorsement from central government organisations – such as national dental and medical associations – are highly sought after for any item that goes inside the body, from toothpaste to orange juice.

Protection is king. Chinese fear invasive elements, hence the appeal of germ-kill products in many categories including soap (Safeguard), toothpaste (Colgate, Crest, Zhonghua), mouthwash (Listerine), air conditioners (Midea) and even dishwashers (Little Swan).

It is, therefore, not surprising that foods that promote 'immunity' are embraced. Infant formula, again, is a case in point. Every brand must demonstrate resistance to disease before moving on to performance benefits. Physical transformation, on the other hand, has less appeal. 'Bigger, stronger, taller' babies are not objects of admiration; every mother wants her child to be 'perfectly normal'.

Emotion protection is important too. Breakfasts are

Chinese cuisine is varied but the balance of yin (cooling) and yang (heating) is important everywhere – dishes should be 'harmonious'



Western marketers were slow to enter China and made huge mistakes

warm and soft, nourishing hugs that moms give families before they dive into a cold world – the Chinese don't 'crunch' before noon, so cold cereal will always be niche. Special K would be most effectively positioned as a woman's energy bar.

Advancement always. Once physical safety is a given, food becomes a weapon in the game of life. First, most nutritional benefits ladder up to academic excellence. Energy is closely linked to intelligence or, more specifically, concentration and quick-witted resourcefulness.

Calcium strengthens both bones and brains. In a dog-eat-dog society, a sharp mind, not a buff physique, is the difference between success and failure. Second, convenient foods are a means to an end. They provide the 'fuel' needed to start every day with a kick, so every indulgent food must also be 'good for you', a sugar-coated pill.

Third, transformation benefits have growing appeal for the mature market. Dietary supplements, particularly in first-tier cities,

help the older man perform on the basketball court and at the office. Osteoporosis scaremongering is old school.

In the hyper-competitive business world, the comfort of food lubricates trust and transactional gain. Partnerships are tested in Chinese restaurants at round tables in private rooms. Dishes are meticulously choreographed. Proper seating must be respected, with the guest of honour placed directly opposite the door, flanked by his hosts. Serving oneself prematurely is a *faux pas*. Leaving before the fruit comes is bad.

Familiarity at home. A glance through any city's expat guide gives an impression that Chinese people are culinary adventurers.

Shanghai's restaurant scene rivals any American or European city. Mexican, tapas, Japanese, Western brunches, Asian-French fusion, Johnny Walker parties, glamour clubs, wine bars... the list is endless. But, deep down, the Chinese are restrained about foreign food or new tastes.

Inside the home, a refuge from the outside kaleidoscope, they are loath to experiment. Pizza Hut will receive delivery orders for office parties, but rarely for consumption at home. Despite Starbucks having outlets, roast and ground coffee is not purchased in supermarkets. Italian restaurants are ubiquitous in all major cities, but few Chinese enjoy pasta with the family.

In public, anything goes. People pay a premium to project internationalism, hence Häagen-Dazs' success as an icecream parlour but failure as an overpriced in-home treat. With professional acquaintances, the world is a stage. ■

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MARKETING IN RECESSION

Defending the budget in difficult times

FROM VINCENT-WAYNE MITCHELL

MARKETERS NEED to defend against potential cuts in marketing budgets and must better explain the case for marketing expenditure in austere times.

Most studies confirm that advertising and promotional expenditures in recessions produce ROI, contributing most to earnings in the year of expenditure, but also beyond – up to three years for consumer goods and two years for industrial products. (Interestingly, this effect does not happen with services.)

When we do get an increased ROI for B2C or B2B, there are several reasons:

- firms can achieve a greater share of ‘voice’ as most companies cut back marketing spend during a recession;
- advertising increases both the salience of the product to consumers and the perceived brand quality;
- counter-cyclical promotion boosts consumer confidence, helps overcome inertia and sends reassuring signals to concerned consumers;
- it reinforces the reasons for brand choices in uncertain economic times and helps justify premium prices;
- it attracts the increased numbers of ‘brand switchers’ who are less loyal and more opportunistic in a recession, if more promotional spend is put into call-to-action and point-of-sale-oriented activities; and finally
- market share is easier to get as competitors are too hard pressed to defend their position vigorously.

Firms that manage to increase marketing spend and do proactive marketing during a recession, leading to increased business



Learn to fight your corner during austere trading conditions

performance, share a number of characteristics.

They have a strategic emphasis on marketing, an entrepreneurial culture, slack resources (ie resources that are in excess of the minimum necessary to produce a given level of output, such as underutilised human resources, unused production capacity, excess cash resources), and strategic flexibility, which is the ability to rapidly redeploy resources to adapt to changing circumstances.

There are some brand-specific factors that could help marketers persuade their CFO to release more money. For example, if the brand enjoys money-saving points of superiority, or

Market share is easier to get as competitors are too hard pressed to defend their position vigorously

if it has a balance-sheet advantage over rivals and thus competition is unable to respond to aggressive marketing increases, or if the brand can demonstrate the value of quality and has a large market share.

CFOs unfortunately have their own arguments for reducing marketing spend. Here are the key objections and arguments to refute them.

- ‘Consumers have less disposable income and will not be spending anyway.’ To rebut this, research shows that for a 1% change in GDP there is a 1.4% change in advertising expenditure, so often the marketing spend is cut disproportionately.
- ‘We need to appease shareholders through

If you lose the argument and have to cut your budget, take a scalpel rather than a meat cleaver

continued dividends disbursements.’ Again, the evidence shows that investor confidence declines for firms that discontinue corporate advertising campaigns and that annual growth in shareholder value for companies that do not tie their ad spends to the business cycle is 1.3% higher.

- ‘Resources could be better allocated to product development or R&D.’ The rebuttal to this is that increases in R&D have been shown to lower profits for B2B and B2C firms, but have had no effect on service firms, while increased advertising improved profits for B2B and B2C, but not for service firms.
- ‘If everyone is cutting back, we won’t be hurt.’ This is only if the assumption is true and even so, firms could capitalise on the opportunity to seize market share as competitors cut back.

USE A SCALPEL

Two arguments are difficult to refute, namely: ‘media costs reduce in a recession’; and ‘we just don’t have the money’.

However, if you lose the argument and have to cut your budget, take a scalpel rather than a meat cleaver by: shifting from 30- to 15-second ads and using cheaper radio rather than TV, especially for reminder advertising; advertising jointly with a brand in a different product category but same

target segment; adapting or extending existing campaigns rather than commissioning new ones; and trying to consolidate advertising at a single agency to maximise media buying discounts.

Whatever the outcome of the budget battle, steps can be taken to improve the efficiency of a given budget in difficult times. For example, most consumers become more price sensitive during a recession, but this can vary by a factor of 13 by market and market segment. So, check before you start engaging in more and deeper price promotion. Also, think about using websites such as Voucher Cloud which can be highly targeted, flexible and time limited.

The product strategy challenge is to innovate at the right price. Breakthrough innovations can build firm value significantly, while small innovations preserve firm value. For example, Purex detergent brand is succeeding in getting core customers to spend more on their laundry even in thrifty times by adding an anti-static fabric sheet.

Finally, have the courage to be bolder and more creative. For example, Universal’s use of the most influential bloggers to promote their new Harry Potter ride, or caring for homeless people on the iHobo app, or Smirnoff Vodka Experience replacing conventional campaigns with a combination of brand events and parties and social networking sites to build a ‘movement’ around the brand. ■

Full references of all the studies are available from the author on request.

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GENDER AGENDA

Is unisex option over?

FROM MARY SAY AND CHARLIE SKINNER

MEN AND women may be social and legal equals, but we are wired differently by our genes. These differences influence how we consume. After years of unisex positioning aiming to please both men and women at the same time, consumers are starting to choose brands that give them the chance to celebrate their masculinity and femininity.

Recently there has been a revival of old-fashioned female pursuits such as making cupcakes and knitting; while men are indulging in pick-up trucks and gaming. Are we going backwards and turning back the clock on feminism and female empowerment? Will our daughters turn their back on homemaking, and will our sons avoid cooking and cleaning at all costs?

Not as far as we can see. Real progress has been made in the past 20 years; men and women are moving towards social equality, and there has been a merging of men’s and women’s roles.

CHANGING PLACES

Women have moved into the workplace, and men have moved into the kitchen, though apparently they always leave the cupboard doors open. As men’s and women’s roles merged, role models emerged to match. David Beckham represented the feminised, metrosexual male in his sarong, while predatory Jordan took ladette culture to new levels.

Yet the desire to go back to traditional roles has a compelling rationale behind it.

We may be social equals but that doesn’t mean we are the same – men are still

from Mars, and women from Venus. Role models seem to be changing: Cheryl Cole is a traditionally feminine role model, while Beckham is looking distinctly manlier and Bear Grylls is emerging as a tough male role model.

The verb ‘to man up’ has entered the dictionary and men and women want to celebrate and indulge their separate identities.

So there’s no need to worry – we’re not turning back the clock on feminism. It’s just that after years of advertising either ignoring the issue with unisex positioning or trying to follow the ‘new’ man and ‘new’ woman, it looks as though men and women want to be treated in more traditional ways.

In a world where male and female roles have merged, every now and then men and women want to escape back to a world where roles are more separate and to brands offering an engaging way of doing this.

NEW STRATEGIES

Gender provides a compelling source of stories. Brands can use gender in their strategies in various ways. Gender-ise a unisex category: same brand, different story. Safe haven: an enclave in the other gender’s territory.

1 Gender-ise a unisex category. Strategy: Take a category where brands are unisex and create a gender-ised personality. There was a gap in the market for free magazines for commuters in London, which spoke directly to men or to women. *Stylist* magazine has enjoyed huge success, and was recently voted Britain’s Best New Magazine.

The magazine connects with women by acknowledging the many facets of their feminine identity. It addresses them at several levels: as professionals, as mothers, wives and girlfriends and as simply women. Its content explores the tensions involved in juggling roles and time to achieve a work-life balance, alongside unashamedly girly moments of indulgence (beauty, nails, hair).

For *Stylist*, the underlying story is of women rediscovering and celebrating their femininity. One of the challenges of this approach is to accept that by focusing on one brand and one gender you are subsequently writing off half of the potential target market. The benefit is that by doing so, you create higher levels of brand engagement and identification than would be the case with a unisex brand.

2 Same brand, different story for men and women. Strategy: Target both genders with the same product/brand, but tell each a different brand story.

Bugaboo baby buggies presents itself to men as a cleverly engineered rugged all-rounder, and to women as a must-have baby accessory. Bugaboo's brand proposition is based around progress. It gets this across to men and women in different ways.

The male story: The brand tells an engineering story, Dyson-style, complete with pictures of the male founder of the company and his mission 'to solve a complex problem, choose a new path'.

In a world where male and female roles have merged, every now and then men and women want to escape to a world where roles are more separate, and to brands offering this

The female story: The brand tells an aspirational lifestyle story, placing the Bugaboo as an essential ally in modern-day parenting. Grounded, practical, progressive and chic.

The two stories complement one another. They are two different takes on the progress theme, as if talking to men and women in a different language.



3 Safe haven: an enclave in the other gender's territory. Strategy: In a market dominated by one gender, create a niche within it exclusively for the other, minority gender. Just over half of gin drinkers are women, yet the feel of the category is overwhelmingly masculine.

Greenall's, the gin manufacturer, saw this as an opportunity, and developed Bloom Premium Gin – the first premium gin specifically aimed at women.

The team behind Bloom wanted to create a brand that would connect with women, be aligned with their aspirations and speak to them on their terms. The

brand's backstory confirms this; created by the world's first female master distiller, Joanne Moore, it has a strong proposition ('Steal a Bloom moment') that helps establish it in a male-dominated category. Bloom is enjoying strong growth in the UK and Spain, and is about to launch in the US.

The social tensions surrounding gender can provide a potent energy, which brands can use as a platform to tell stories to engage consumers. Gender is a simple though often overlooked way of getting consumers to identify closely with your brand. ■

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A seasonal guide to insulting people...



We know what we think about brands. But what do brands think of us? **Jeremy Bullmore** speculates

I'VE WRITTEN about this before and it continues to intrigue. We spend a great deal of time and money trying to find out what people think about brands. But at least as fascinating is trying to deduce, from a careful study of their Special Offers and their Creative Approaches, what brands clearly think about us.

They think I'll buy a PC that I've never wanted because it now costs less. So they think I'm stupid.

They think I'll pay for a Titanium Credit Card because it will impress head waiters and upset my golfing partner. So they think I'm petty and socially insecure.

They think I'll be tempted to spend an expensive weekend in a remote and draughty mansion because it has real log fires and once belonged to a person with a title. So they think I'm a snob.

But what, I asked myself recently, do the purveyors of Christmas Premiums think of their prospective recipients? Or to make it even more deliciously complicated: what do the purveyors of Christmas Premiums think that those who buy their Christmas Premiums think of the people they plan to give them to?

Having spent far too long looking through a catalogue of branded seasonal gifts and gewgaws, the answer's obvious. The entire collection is designed to appeal to David Brent; either to appeal to him personally or as a means of humiliating others.

His interests include eating, drinking, bullying and showing off. How many people do you know who use swizzle sticks? Fifty years ago I knew someone who kept a gold swizzle stick in a weskit pocket, moored by a slim gold chain. Today, you can buy David a packet of ten branded swizzle sticks for as little as 10p.

Or you could send him a Christmas card (bit of a snorter, this) that triples in size when released from its envelope. He'll really enjoy putting it back in its envelope and then pulling it out again in Jessica's face: just look at her expression!

Mugs are always welcome but here's a twist: The AntiBug mug. It's a small but mighty mug that kills on contact as many as 50 different bugs including MRSA and E.coli. On reflection, David would probably prefer to give one rather than get one: preferably to his rival down the road with a witty note attached.

But there's a pair of printing stamps he'd really appreciate (at only £9.99). They save time and painful thought when responding to written suggestions from apprehensive juniors. One has

a thumbs-up sign and says LIKE! And the other has a thumbs-down sign and says DISLIKE! That's the one that David prefers. He can dismiss ten conscientiously considered ideas in as many seconds; and thumping the stamp with his fist give him an adrenaline charge of naked power. He's always admired Lord Sugar.

Only £14.95 buys you three Personalised Golf Balls. You can have your client's face printed on them in full colour and he'll be thrilled. And David can hug himself and go on about it in the pub at the thought of his client doing to himself exactly what David had always wanted to do to him: and that's hit him viciously out of sight. Oh my.

Wi-fi Bathroom Scales cost £149.99 – but for the right senior colleague, they're well worth it. If he's podgy, he'll get your point right away. (Even wittier for women!) Wi-fi Bathroom Scales monitor just about everything about you, including Fat Mass – and transfers it wirelessly to an iPad or computer! Enlist the help of your IT department: and your boss's Body Mass Index, and how far it departs from the recommended norm, could be displayed on every desktop on the management floor. Better than karaoke for the office party! (And don't forget the Bacon and Absinthe Range of Christmas Smellies; the girls will really appreciate the Bacon Lip Balm.)

Here's one that David would love. Dave pretends to despise celebrities – or Slebs, as he wittily calls them. Secretly, of course, Dave loves Slebs and could win any pub quiz on the subject comfortably. So why not give Dave A VIP Night Out?

Give them enough money, and make-believe bodyguards and make-believe paparazzi will pretend that Dave is a VIP; snapping away with elevated cameras and manhandling him and his gang though the make-believe surging crowd and round the end of the velvet rope into some unappealing basement. And with pictures later to prove it all happened.

But if you can afford it, give Dave a Villain Chair. As its caption tells us: 'Recipients of this imposing chair can act out their Sir Alan fantasies.' At £4,500, it's not a snip. It's worth giving only if its recipient will be reasonably certain that you're mocking him rotten but not so certain that he'll feel able to challenge you. Instead – and oh, the joy of it – he'll have to say thank you. And you, demurely, will be able to say truthfully: 'The moment I saw it, Brendan, I thought of you.' ■

Jjeremyb@aol.com

One day, this ad will save you time and money

A strong, lasting relationship between client and agency is essential in providing the foundation on which to create great advertising and marketing communications.

That's why, when the time comes to choose a new agency, it's vital to find the right one for you.

Choice

However, the search and selection process can be both costly and time-consuming. With an estimated 3,000 agencies in the UK to choose from, the overwhelming choice alone becomes a stumbling block.

Agency List

That's why the Institute of Practitioners in Advertising (IPA) created Agency List, a dedicated web resource allowing clients to compare all of its member agencies. Arguably the best agencies in Britain are featured here, each represented by its own web page listing the key information required to help you make your choice. The consistent page design allows for ease of comparison between agencies and, best of all, the service is free.

There is also a link from Agency List to www.allourbestwork.com where IPA members can showcase their work.



Reassurance

In an industry with few or no barriers to entry, it's reassuring that all IPA member agencies have had to undergo detailed financial scrutiny, demonstrate professional competence in the eyes of their peers, clients and suppliers, and meet the IPA CPD Accreditation Standard. IPA member agency employees are also well-qualified, with over 4,000 now holding the Foundation Certificate and over 1,200 our LegRegs qualification.

Criteria

The strict criteria for IPA membership may mean that we represent only about 10% of all UK agencies, but those agencies account for an estimated 85% of all advertising spend in the UK.

Resources

Every IPA member agency has direct access to a wide range of services, including: the IPA Legal Team and online Contract Bank; the Information Centre and database of Effectiveness Awards case studies; the Professional Development programme;

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Operating on the customer's heart



How does it feel to be the customer when your heart is being operated on? **Hugh Burkitt** describes his recent encounter with the business end of healthcare

IT IS a cliché in marketing that we must put the customer at the heart of the business, but I recently found that my heart was at the centre of someone else's business. I needed an operation to repair a leaking aortic heart valve. Two organisations have helped put me back at my desk – the NHS and Aviva Healthcare – and I am profoundly grateful to them both.

THE CUSTOMER NEED

It all began back in May, when I decided after several weeks of coughing that I should get along to my doctor for a check-up. The cardiologist was brisk to the point of being brusque. He had no 'bedside manner' but he was logical, clear and direct. Having identified the problem he recommended I go and see a surgeon. I asked: 'What will happen if I don't have an operation?' 'Your heart will fail,' he said.

FINDING THE RIGHT SERVICE

So I went to see his recommended surgeon and fortunately immediately liked him. He described the problem and his proposed solution with great clarity. The aorta needed to be brought back into shape and this should cure the leak in my valve, but if it didn't he could put in an artificial one. I needed to have the operation done 'in the next four weeks'.

The risk of an 'event' rose exponentially with the extent of the dilation of the aorta and mine was already at a dangerous level. Oh, and the mortality rate for the operation was 'less than 4%'. The mortality rate was mentioned on at least two other occasions before the operation and it weighed heavily on my mind.

Is 4% low or not? Well if you say to yourself there are 50 people on this rush-hour bus, and two of us are going to die before the final stop, then it starts to seem quite high.

The stricken faces of one's nearest and dearest also tell you a lot. We all need a heart that works and it has been possible only in my lifetime to operate on it. Messing with the heart sounds alarming, though more than 300,000 people in the UK have now had heart surgery, and the outcome for most people is excellent. But going into the operation, while outwardly calm, I was frankly scared.

WOULD AVIVA PAY FOR IT?

During this period there had been a series of telephone conversations with Aviva Healthcare, which had established that my policy did cover this operation and that my preferred surgeon was

acceptable – but his recommended hospital – The Harley Street Clinic – was not covered. Aviva would pay the average cost of five NHS trust hospitals for this operation – which was a cool £22,500 – but they warned me that The Harley Street Clinic could cost twice this amount and I'd be on my own for the extra money.

Each call to Aviva was dealt with efficiently, but every single call was with a different person, and it was quite clear that they were in much more of a panic about what my policy covered than the fact that I had a serious health problem.

I never established any one person at Aviva who recognised me, and I never had a written communication from Aviva to me that addressed me by name. The only paperwork I received came from a computer in the accounts department – not from anyone interested in health care.

So I decided to settle for my preferred surgeon operating at his NHS base in two weeks' time, which was a specialist unit run by UCLH called The Heart Hospital. As one visitor later said: 'The name is reassuring. It sounds as though they know what they are doing.'

DELIVERING THE SERVICE

The surgeon was no doubt happy to have me as a private client, and the fact that I was private may have helped move me up the queue, but on the planned day of admission I still had to call at 11.30am to check that there was a bed available, and when I did I was told that I would have to wait until 1pm to hear for sure – 'after the doctors have done their rounds'. As I got a call back my pulse rate leaped – something it was to do a lot of in the next few days – but I was in.

The first three of my six nights in hospital were all grim. I shared a room on the night before my operation with a charming man, but his appalling cough kept both of us awake. At 1am, I considered discharging myself and coming back again in the morning. The next day, as the hour of my operation approached, my rising tension caused my backache (a relic of sporting activity earlier in the summer) to grow worse and worse. When the anaesthetist came round he offered me painkillers and a sedative. 'I'll take anything you've got,' I said and as soon as I took them I passed out and didn't wake up again till I was in the intensive therapy unit after the operation.

Here they were talking to me to wake me up and taking a breathing tube out of my mouth. I stared at the neon lighting and felt cheered that I was not in the next world after all. My partner, Antonia, and

I had attended a pre-operation orientation day two days earlier which had wisely included a trip to the intensive therapy unit. There we saw what people looked like when they came straight out of the operating theatre. In a word, ghastly. They looked a terrible colour with tubes everywhere.

Once I was conscious I became acutely aware of the state of my neighbours in the beds on either side of me. On my left was a Polish granny who was said to speak not a word of English, and on my right was a Mr Ahmed who was said to speak only Urdu. The blue curtain blocked out vision, but every sound from the beds next to me was audible, and I found myself being drawn into each patient's personal drama.

I settled uneasily down for my third night in hospital which I can confidently say was the worst night of my life. Mr Ahmed's alarm kept going beep beep and every time it did my pulse rate leapt and my alarm beeped once in response. After some hours of not sleeping I heard a highly cultivated English voice from Mr Ahmed's bed repeating over and over again: 'Hello I'm Barney Ward.' Who was this? Clearly a posh new patient had arrived straight from the operating theatre. What had happened to Mr Ahmed? Had he become one of the lost 4%?

But when light finally dawned, Mr Ahmed had reappeared, and Barney Ward was nowhere to be seen. Mr Ahmed did speak English, and now he was protesting that he didn't want to sit up, as two wonderful male nurses – Matthew and Alfredo – set about waking up the entire ward and throwing off our post-operative stupor.

Even now, months later, I feel quite emotional when I think of the wonderful care I received in that ward from so many different staff, who were all working over the weekend. Matthew and Alfredo stick in my mind because they had such a wonderful effect on the whole ward on a sunny Sunday morning after a very dark Saturday night. After what had seemed like a very long period in captivity – in fact only three nights – I could look out through an attic window at the peaceful roofs of Marylebone and look forward to the rest of my life.

REFLECTING ON MY TREATMENT

My message to readers is this: do get your health checked regularly. My condition might have been fatal if I had left it too much longer.

My message to Aviva (as to all healthcare providers) is simple: as with all good communication you need to put yourself in the place of the recipient. People facing a heart operation don't feel great about it, and would like to be treated sympathetically as individuals. It must be possible to be clear and businesslike about the money involved, while at the same time appearing to be interested in the patient's health.

My message to the NHS is more complex: well done on listening to a lot of feedback and



introducing such customer-friendly measures such as an individual patient manager – in my case it was a nice lady whom you felt might otherwise have been running a National Trust Teashop – who popped in each day to listen to any concerns over my stay in hospital. She had no medical role and didn't have the power to change anything, but she was there to listen and pass messages on.

So she couldn't do anything about the truly disgusting food. Even the tea tasted terrible. I think that if a tea manufacturer could be persuaded to sponsor the tea bags in a major London hospital for a trial period of a year they would be able to demonstrate a speedier recovery rate among patients. And surely the alarms in intensive care could be visual rather than aural, in a way that would alarm the staff but not the patients.

Finally, I do wonder why we don't all come out of an NHS hospital knowing what our treatment cost. On my last day I encountered another patient leaving who was complaining to anyone who would listen about the poor treatment he had received. This included an emergency ambulance into hospital, a new heart valve, a triple bypass and a pacemaker. He was, he told me, aged seventy, overweight, a lifelong smoker and had diabetes. His 'free' treatment must have cost the NHS at least £50,000. He may not have valued the professional expertise he had received but surely he would have been quite impressed by its cost. ■

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People facing an operation don't feel great about it, and would like to be treated sympathetically as individuals

Triumph of a better ideology

Market innovation has long been dominated by the world view of engineers and economists – build a better mousetrap and the world will take notice. But **Douglas Holt** and **Douglas Cameron** argue the merits of cultural innovation instead

THIS FUNCTIONAL point of view certainly has merit. But, because it is the only way that we approach innovation, the ‘better mousetraps’ approach has had the effect of eclipsing a very different innovation world view – champion a better ideology and the world will take notice as well.

This phenomenon is found everywhere in consumer markets. For example, farmer-cookbook-author-television host Hugh Fearnley-Whittingstall, author Michael Pollan, the international Slow-Food movement, and the American grocery retailer Whole Foods Market, among others, have transformed food consumption for the middle and upper-middle class. These cultural innovators have championed an alternative approach to agriculture and food as an ideological challenge to the dominant scientific-industrial food ideology.

They have brought to life the value, even necessity, of winding the clock back to some sort of pre-industrial food culture in such a way that it is irresistible for the upper middle class in the United States, the United Kingdom, and other countries. Relying upon what we term myth and cultural codes, these cultural

innovators have massively transformed food preferences.

We call this phenomenon cultural innovation. Cultural innovation has been ignored by management strategists, despite its pivotal role in launching and reinvigorating any number of billion-dollar businesses. The Body Shop, Ben & Jerry’s, Marlboro, Method, Whole Foods, Dove, Red Bull, Harley-Davidson, the Mini, Starbucks, Coca-Cola, Levi’s, and Snapple, to name a few, have all profited from cultural innovations. When these enterprises advanced a more compelling ideology – leapfrogging the staid cultural orthodoxies of their categories – consumers beat a path to their doors.

THE SEARCH FOR BETTER MOUSETRAPS

Launching ‘the next big thing’ – the innovative idea that resonates powerfully with consumers and takes off to establish a profitable new business – is the holy grail of managers and entrepreneurs alike. Strategy experts have been offering advice on how to identify and exploit such opportunities for decades.

Fifteen years ago, Gary Hamel and CK Prahalad offered a pioneering call to arms. To ‘create the markets of tomorrow’ they urged managers to focus on industry foresight and strategic intent. To avoid getting bogged down in an established market’s internecine tactical battles, they encouraged managers to stake out new market space – what they famously termed white space – in order to create and dominate emerging opportunities.

More than a decade later, W Chan Kim and Renée Mauborgne introduced a new metaphor – blue ocean – to dramatise a very similar idea.

Existing markets are characterised by dog-eat-dog fights to outdo competitors on a conventional set of benefits.

Incumbents rely on incremental changes in product and tactical marketing to fight over thin margins. This, according to Kim and Mauborgne, is a red ocean. In order to develop future-leading businesses, companies must reject the conventions of the category to craft ‘value innovations’ that have no direct competition – blue oceans.

These marching orders have inspired many managers and entrepreneurs. But what kinds of future opportunities should we be looking for? And how does one actually go about spotting these opportunities and designing new concepts that will take advantage of the blue oceans? Innovation experts have offered us two paths.

TECHNOLOGICAL INNOVATION

For most innovation experts, future opportunities mean one thing – the commercialisation of new technologies. Technology-driven innovations are the stars of business. From historic innovations such as the light bulb, the telephone, the television, the Model T, and the personal computer to recent stars like the iPod, Amazon.com, BlackBerry, Viagra, and Facebook, the commercialisation of breakthrough technologies has clearly had a huge impact on business and society.

In *The Innovator’s Dilemma* and subsequent books, Clayton Christensen argues that new technologies allow companies to design ‘disruptive innovations’ that transform their categories. Disruptive innovations are products and services that trump the value delivered by existing category

These better-mousetraps innovation models are based on the world view of the economist and the engineer, but there is more to the world of innovation than new product design alone



offerings because they are cheaper, more useful, more reliable, or more convenient.

MIX-AND-MATCH INNOVATION

In recent years, a 'mix-and-match' approach to innovation has become influential. According to Kim and Mauborgne, in order for companies to offer customers a significantly better value proposition, they must methodically break the rules of their existing category: subtracting and enhancing conventional benefits, as well as importing new ones from other categories.

For instance, in *Blue Ocean Strategy's* lead example, the authors describe how Cirque du Soleil created a blue ocean by borrowing from theatre and Broadway musicals to reinvent the circus.

These better-mousetraps innovation models are based on the world view

of the economist and the engineer – a world in which it is only the material properties of what we buy that are important.

CONSUMERS SEE INNOVATION DIFFERENTLY

Consumers – the ultimate arbiters of market innovation efforts – often find offerings to be innovative even though they seem quite pedestrian from a product-design standpoint. It turns out that blockbuster new businesses do not necessarily require radically new features that fundamentally alter the value proposition.

Consider beer. From a better-mousetraps perspective, the American beer market has long been a mature category – a notoriously red ocean that resists innovation. Many product innovation efforts have been tried, and

the vast majority have failed despite their seeming combinatorial creativity.

Brewers have tried to follow blue-ocean strategy for many years. Combining concepts across categories, they have launched beer+energy drinks (Sparks, Be), beer+tequila (Tequiza), beer+soft drinks (Zima), and so on. All these supposed innovations were failures in the mass market.

Now let us look at the beer category from an ideological viewpoint. While the product – the beer itself – has seen only minor changes over the past 30 years, the category has been very dynamic in terms of the cultural expressions that consumers value. Incumbents have been pushed aside by new entrants with a better ideology.

In the popular-price tier, Budweiser took off in the 1980s with branding that showcased men working cheerfully and >

industriously in artisanal trades, men whom Budweiser beer saluted with a baritone-voiced announcer proclaiming: 'This Bud's for you!' The results were startling. The beer brand quickly became the go-to choice for working-class American men. By the middle of the decade, Budweiser was unchallenged as the most desirable beer in the country.

By the early 1990s, Bud's ideology had lost resonance and the business sank, to be replaced by its stable mate. Bud Light took off in the 1990s to become by far the dominant American beer brand, speeding past the brand that had pioneered light beer as a product innovation, Miller Lite. Bud Light tastes little different from Miller Lite. Rather what was different was a decade's worth of silly Peter Pan stories of men who engage in all sorts of juvenile high jinks, which conjured up a new kind of rebellious masculinity for adult men.

Consider soft drinks – a category that would seem to be one of the most masochistic red oceans around. The two leading soft-drinks marketers in the world, PepsiCo and The Coca-Cola Company, have invested hundreds of millions of dollars to innovate their way out of this mature category.

Both companies have aggressively pursued mix-and-match concepts to create new value propositions. For example, The Coca-Cola Company has made big bets on Coke Blak (coca-cola+coffee) and Enviga (a 'calorie-burning' green tea). Both of these ambitious efforts – supposedly targeting distinctive consumer 'need states' – failed to break through.

ENTER THE CULTURAL ENTREPRENEURS

While the food scientists were struggling to make odd-ball mix-and-match drinks combinations, cultural entrepreneurs were playing an entirely different game. They pursued radical innovations in culture, not product.

The most familiar example of this in the United Kingdom is Innocent Drinks. The market for alternative natural fruit smoothies had long been established in the US, pioneered by Odwalla (est. 1980) and Fresh Samantha (est. 1992). The big UK grocers such as Marks & Spencer, Sainsbury's, and Tesco imported the concept and developed their own versions.

Innocent easily won over consumers who were worried about health issues by making a cultural assertion – championing the pre-industrial purity of 'only fruit'

While food scientists were struggling to make odd-ball mix-and-match drinks combinations, cultural entrepreneurs were playing a different game. They pursued radical innovations in culture, not product

against drinks full of preservatives and synthetic ingredients.

The Coca-Cola Company, which had paid \$180m to buy out the ideologically innovative Odwalla in 2001, followed suit by paying \$50m for about 15% of Innocent in 2009 – a \$333m valuation.

Failing at its better-mousetraps innovation strategy, Coca-Cola has had no choice but to acquire ideologically innovative brands at very steep prices.

These businesses have been every bit as innovative as the technological and mix-and-match businesses celebrated by innovation experts. But what was radical about them was what the product stands for – its ideology, which, when staged through myth and cultural codes, becomes a distinctive cultural expression.

Furthermore, many technological innovations can benefit from innovative ideology as well. Cultural innovations have turbocharged many better mousetraps including Apple, Google, Mini, Red Bull, JetBlue, and Wikipedia.

THE TRAPS IN 'MINDSHARE' MARKETING

We might expect that the discipline of marketing would play a leading role in the development of strategy for cultural innovation. Yet, conventional marketing – what we term mindshare marketing because it is couched in psychology – emphasises the day-to-day stewardship of existing businesses and, in so doing, slight cultural innovation.

Depending on the company and category, today's mindshare strategies

focus either on 'functional benefits' (sometimes termed 'rational benefits'), or on 'emotional benefits', or on both.

THE FUNCTIONAL BENEFITS TRAP

Mindshare marketing relies on an easy and intuitively appealing metaphor: brands succeed when they colonise valued 'cognitive territory' in consumer minds. The model directs managers to determine the cognitive 'gap': which functional benefit in a given category is most valued by consumers and least dominated by other brands? Targeting the gap, the marketing goal is to stake out a claim to the cognitive association in consumers' minds, then hammer home the connection between the trademark and the benefit claim as simply and consistently and frequently as possible.

Over time, according to the theory, consumers would unconsciously associate the brand with the benefit, and as a result the brand would come to 'own' (in a cognitive sense) the benefit.

The functional benefits model is most useful when a product really does command a novel functionality that gives the brand a substantial and durable advantage over competitors. In such instances, the mindshare model simply reinforces what economists have been preaching about reputation effects for decades. Such advantages, however, are hard to come by, and, when a new technology with a truly improved performance is introduced, it is summarily copied by competitors.

THE COMMODITY EMOTIONS TRAP

Unfortunately, the new style of mindshare marketing has proven to be more problematic. To avoid the functional benefits trap, many marketers now focus on identifying what they term 'emotional benefits', which are the softer values, thoughts, and feelings that consumers associate with the product, brand, or category. Although the intentions may seem noble and sophisticated, 'laddering up' to the consumer's 'higher order values', or 'probing deeper' to unveil the consumer's 'fundamental need-states' and the 'brand truth' is anything but that.

In practice, the result is simply to push for vague abstractions that hold a negligible value for consumers. At least functional benefits forced marketers to remain grounded in the product's material performance. There are no constraints at all for emotional benefits:

all emotions are fair game. We are witnessing an emotions 'arms race' in which companies vie to own one of the shortlists of top emotion words.

This process encourages companies to pursue generic 'emotional territories' that any brand in any category can claim. Coca-Cola becomes the champion of 'happiness', Pepsi becomes the champion of 'joy', Fanta becomes the champion of 'play', Snapple becomes the champion of 'fun'. The marketers at Oscar Mayer, the lunch-meats and bacon brand, have launched a \$50m advertising campaign consisting entirely of slice-of-life vignettes featuring people being happy while eating Oscar Mayer and the tagline 'It Doesn't Get Better Than This'. The company expects that these ads will 'recapture the joy and exuberance' of the brand.

These emotion words blur into a fuzzy sameness. Levi's becomes the champion of 'confidence' and 'freedom'. But so do Lee Jeans and Guess Jeans. For that matter, so do Oxford Health Insurance, Volvo Station Wagons, and Verizon Mobile telephone plans.

Only through such a process could Procter & Gamble house a pregnancy test, a washing powder, an oral hygiene brand, a feminine hygiene brand, a line of cosmetics, and an antiperspirant, all of which offer 'confidence' or 'confidence in results'.

While the pursuit of emotional benefits has helped many a brand manager avoid the functional benefits trap, the unintentional consequence is to land in an even more strategically bereft space – what we term the commodity emotions trap. Emotional benefits render the brand even less distinctive, from a consumer's perspective.

As with the functional approach, emotional branding drives brands to mimic the cultural orthodoxy of the category. Mindshare marketing not only limits innovation, it creates red oceans.

PSYCHOLOGY TO BLAME

Ultimately, both the functional and emotional benefits tangents of mindshare marketing are severely limited as innovation tools because they are rooted in psychology. Both approaches imply that marketing is about embedding associations between brand and valued benefits in consumers' minds. As a property of mind, the brand and its benefits are both assumed to be durable and contextless.

Mindshare marketers' favoured terms for a brand's key benefits – brand essence and brand DNA – reflect this assumption. Because the strategic core of the brand has no connection to society or history, mindshare marketers push the job of making their brands resonate with consumers onto their creative partners. They are charged with injecting some 'trends' or 'fame' or 'cool' into the brand in an effort to make it relevant.

Conceiving of brands as a phenomenon of the mind – rather than of society, culture, and politics – means that opportunities for innovation created by historical changes in society are totally ignored.

BRANDS ARE ROOTED IN CULTURE

People always want better functionality. Ideological opportunities, in contrast, are produced by major historical changes that shake up cultural conventions of the category, what we call a social disruption. These shifts unmoor consumers from incumbent brands, and prod them to seek new alternatives. It is an emergent kind of opportunity that is specific to

As with the functional approach, emotional branding drives brands to mimic the cultural orthodoxy of the category. Mindshare marketing not only limits innovation, it creates red oceans

a historical moment and a particular group of people. Likewise, the cultural innovations that respond to these opportunities are fundamentally different from better mousetraps. They are composed of specific cultural expressions, which are conveyed by the brand across consumer touchpoints.

Powerful cultural expressions can be dramatised via product design (Ben & Jerry's, Starbucks, Vitaminwater), print ads (Jack Daniel's), guerrilla stunts (Ben & Jerry's, Fuse), corporate business policies (Ben & Jerry's, Fat Tire, Freelancers Union), retail design (Starbucks), packaging (Starbucks, Vitaminwater), the service encounter (Starbucks), naming (Vitaminwater), outdoor media (Freelancers Union), and television ads (Nike, Marlboro, Clearblue, Fat Tire, Levi's, ESPN). All touchpoints are fair game for cultural innovation.

Can cultural innovation become a systematic pursuit? We have learned

that it can. For the past decade we have engaged in a 'cultural innovation laboratory' of sorts: we conducted academic research on dozens of these successes while also consulting to a wide variety of companies to develop cultural innovations for them.

The result is what we call cultural strategy: a six-step cultural innovation framework supported by a systematic toolkit of cultural research methods. We have successfully applied our cultural innovation model to blue-chip brands such as Coca-Cola, Mini, Ben & Jerry's and Converse, as well as to smaller entrepreneurial brands such as Fuse music television, Svedka vodka, Freelancers Union health insurance, and Fat Tire beer.

Ideological opportunities provide one of the most fertile grounds for market innovation. Yet, these opportunities have gone unrecognised because of the extraordinary influence of economics, engineering, and psychology on management thinking. These disciplines, as different as they are, share a common assumption – in order to simplify the

world, they purposely ignore cultural context and historical change. These theories remove all the messy bits of human life in order to present a tidy theory that is easy for big companies to work with. We argue that it is in these untidy hard-to-measure parts of social life that some of the greatest innovation opportunities lie. ■

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This article is excerpted from Cultural Strategy: Using Innovative Ideologies to Build Breakthrough Brands (Oxford University Press, 2010). You can learn more about cultural strategy at culturalstrategygroup.com



Blazing the retail trail

Bricks-and-mortar retailers in the age of the internet face increasing threats. **Leslie Clifford** and **Laura Moser** have scoured the world for examples of the kind of mould-breaking retail innovators that shoppers love and that are succeeding in this more competitive environment.

WHAT COMES to mind when you hear the term ‘renegade’? Do you think deserter? Outlaw?

While the dictionary definition has a negative connotation – ‘an individual who rejects lawful or conventional behaviour’ – renegades often have a positive impact on culture. Many are rejected by society during their lifetimes only to be admired later as innovators.

From Mark Zuckerberg (father of Facebook) to the Grateful Dead (who believed music was becoming too commercialised and encouraged fans to tape their live concerts), renegades have significantly enhanced our lives. Put another way, renegades often provide a glimpse into the future.

Depending on your perspective, a retail renegade’s actions could range from a monumental shift to a more subtle strategy. We find both to be relevant. Our goal in this feature is to share some of the most intriguing global examples, highlight commonalities and provide inspiration for establishing deeper shopper connections.

As competition across many channels escalates, retailers have increased the sophistication of all aspects of their marketing mix. Our research uses the five Ps (product, people, price, place and promotion) as a framework to share examples of those who buck convention. Our research took us on a metaphoric shopping spree around the world, where we found some innovative, unusual, and even irrational examples of retail (see table, opposite).

While vastly different in many ways, our renegades share several traits we believe will shape the industry over the next five years.

FULFILLING DEEPER DESIRES

The first ‘P’ in most marketing models refers to product. Renegade retailers have found ways to ground both products and product selection in emotional needs not broadly acknowledged by other marketers. These retail mavericks link their items with unexpected services that let shoppers fulfil intangible needs – even somewhat ‘darker desires’.

In Japan, Nike opened a retail outlet with a concept inspired by Tokyo's Harajuku neighbourhood – where originality is critical to defining your personal street-style – and features a NIKEiD Generator and NIKEiD Studio. These tools elevate colour selection to the art and science of creating a unique colour 'identity'. The NIKEiD Generator is an interactive kiosk that scans shoppers' clothes and creates a personalised colour shade. Shoppers take this shade to the NIKEiD Studio for one-off Nike shoes, stickers and wallpaper, allowing Nike to tap into the youthful craving for a new form of individuality.

Wet Seal uses technology to provide customisation that allows shoppers to virtually 'snoop' into their friends' closets before committing to a purchase. The retailer's instore kiosks and Fashion Community site enables shoppers of their bricks-and-mortar and online outlets to create and post their personal outfits.

About 20,000 new combinations are created each month. This allows both shoppers and Wet Seal to get a pulse on what's hot for the season. While fashion is often touted as a means of self-expression, teens still need assurance that their tastes are aligned with those of their friends.

On a more extreme level, a group of retailers in China created a women-only 'venting store'. Female shoppers who spend a given amount at select retailers in the mall receive a voucher for one minute of destructive bliss – complete with a protective helmet. For 60 seconds, shoppers can smash and destroy inanimate objects. This revolutionary offering recognises the emotional need that can drive the shopping trip itself – pent-up frustration.

A BROADER VIEW

Most retailers spend a considerable amount of time, money and energy building personal connections with the people who shop in their stores. Renegades, however, take a broader view of their shopper connections and help individuals build ties with other shoppers, the community at large and even competitive retailers.

Tesco has tested a ride-share programme in London. The expected execution of this initiative includes helping loyalty-card members arrange carpools to three north London stores. The irrational, renegade component includes also facilitating carpools to

school, rides to sporting events and transportation to shows. Tesco may or may not receive any direct sales from this aspect of the service, but we suspect shoppers who participate will feel a deeper sense of loyalty – perhaps obligation – to the retailer.

A grocery store in Oregon, Mercado Los Gavilanes, moves beyond food products to hosting anniversary parties, church fundraisers and teen nights. This US retailer of Latin products has converted an unused storeroom into an events centre that accommodates up to 500 people. The room offers a stage, bar, restroom and kitchen as well as a children's room adjacent to the main hall. This service not only increases the store's profit per square foot, it also recognises a strong community need unrelated to food. Shoppers have begun to see the store as more than a business: it's now a destination.

The owner of a small London coffee outlet, Gwilym Davies, turns the very definition of loyalty on its head. Winner of the 2009 UK Barista Championship, Davies' love of the category runs deep. He feels education is key to coffee appreciation and rewards his patrons for visiting other outlets. Davies provides a dis-loyalty card that features eight high-quality coffee outlets across east London. Once individuals visit each of the listed venues, Davies rewards their category exploration with a free cup of his own brew. This twist on relationship marketing has already spurred imitations in Seattle and Toronto.

DEFYING CHANNEL NORMS

Pricing is the backbone of all business models and therefore the least likely of the Ps to stray from conventional strategies. Most retailers resort to established channel norms to define their pricing structure. Our renegades have discovered ways to defy channel norms through pricing strategies that express their unique DNA.

Topshop, a global fashion specialty store with more than 400 outlets, has a brave and irreverent approach to style and a product range that has captured the imaginations of fashion-conscious shoppers. This specialty fashion retailer has a price offering that aligns with how women stock their closet. Merchandise ranges from \$20 sweatshirts to \$800 designer dresses – but all are sold in a unique, fashion-forward environment. At Topshop, edgy style drives fast-turn

A METAPHORIC QUEST FOR RENEGADES INCLUDED 185 RETAILERS ACROSS 12 CATEGORIES

CHANNELS	NUMBER OF RETAILERS
Food, drug, mass, grocery, C-store, club, value/discount	53
Fashion	33
Restaurants	27
Department stores	26
Liquor: private and chain	14
Electronics	13
Cash and carry	10
DIY/hardware	9

Source: G2 USA.

inventory and price does not define them or their clientele.

The Panera Cares Café also refines the price model. This bakery café suggests a recommended price for each item, but customers pay what they can or think is fair. Around 65% pay the recommended price while others pay more or less, and some pay nothing at all. The organisation was operating a nearly breakeven status with its first two outlets, and the company expanded in 2011.

In an environment where consumers are increasingly concerned about their communities and the role they can play in supporting them, this retail price model is a daring demonstration of how charitable retail programmes can be self-sustaining entities, even in the toughest of times.

REAL-LIFE RETAIL

One of the most interesting aspects of retail renegades is how they approach place. Shoppers' heightened focus on options, authenticity and immediacy has these retailers going to extremes in terms of interior design and shopper experience. Incorporating real-life context into your retail format or distribution point provides instant relevance and a compelling competitive edge.

A Tokyo Adidas outlet has taken a bold move in how flexible the place of business can be. Near Imperial Palace, a popular area for the city's runners, the Adidas Runbase Store reinvents the traditional sports gear channel. Expert staff are on hand to help with a broad array of cutting-edge Adidas shoes and clothing options that shoppers can don for an immediate, and literal, test run. Included onsite are 16 >

shower cubicles and 248 lockers for rent, accessible to the public at large.

Adidas' extreme destination demonstrates an innate understanding of the runner's mindset: 'I need to feel how it performs.' With a huge selection to choose from, runners can sample product combinations for the ultimate purchase confidence.

Like Adidas, Luxottica, a manufacturer and retailer of eyewear, recognises its products are fashion statements as well as functional; therefore, real-world trial is key. At the EyeHub, Luxottica provides shoppers with a simulator room to evaluate glare and wind resistance. For the sports enthusiast, Luxottica has a treadmill and exercise bike to test eyewear in real-world, everyday situations.

Fashionista purists can take a touchscreen photo of themselves wearing each option and select from an array of printouts. Shopping with kids? No problem. The store has a dedicated

Spanish, no worries, the vending machine recognises multiple languages.

THE HIGH ROAD TO SALES RESULTS

Conventional retail approaches promotion as a short-term sales driver that directly benefits the retailer. For many years, this has been a winning formula to provide a competitive edge, drive traffic and increase overall basket. Leaders today, however, have discovered ways to put their own financial needs on an equal footing with prominent social movements.

Promotional efforts that take a less direct route can instill a deeper expression of brand positioning or create a more compelling point of difference during competitive sales periods. Renegades have the same goal as their competitors – to drive ROI – but deliver programmes anchored in ideas bigger than savings.

The Waffle Shop is a neighbourhood sit-down restaurant in Pittsburgh. It operates a take-out window that sells food

on Desigual items. Developing a promotion that exploits a behaviour in current culture is a compelling way to grab attention.

THINKING LIKE A RENEGADE

Being a renegade takes more than just a willingness to challenge convention. Renegades are tenacious and passionate. They view obstacles as opportunities and believe that trial and error can lead to true and lasting improvement.

This last characteristic is a difficult pill to swallow and in conflict with many corporate environments. In today's corporate environment, it takes courage for retailers to adopt such an attitude. Here are some ways a renegade perspective can infiltrate your initiatives:

- Align the product selection process with actual product usage traits. Look for even small modifications of your physical environment that will help shoppers enjoy the process more, feel better about their selection and perhaps even increase the contents of their basket.
- How does your pricing structure limit you? Look for ways to expand your positioning in shoppers' eyes via different pricing structures. Identify what factors truly influence the selection and purchase of your products. Look for ways to link these need-based factors more strongly with your pricing structure.
- Think of your retail outlets as individuals living within a larger community. What roles and responsibilities do other residents have? Does your outlet carry its weight within the community?
- Does your view of relationship marketing incorporate shopper-to-shopper links, cross-generational ties or even cross-cultural connections?
- Zig when everyone else is zagging. Many renegades do not aspire to be contrarians, but most refuse to take things at face value. They are open to examining multiple facets of their businesses, placing bets and making investments without guaranteed outcomes. Determine which aspects of your business model are ripe for a 'renegade makeover' and do what feels right. ■

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Many renegades do not aspire to be contrarians, but most refuse to take things at face value. They are open to examining multiple facets of their businesses, placing bets and making investments without guaranteed outcomes

play area for children. Going the extra mile to provide shoppers with real-world conditions underscores a true understanding of how to maximise the role that place can play.

In their relentless pursuit of new outlets and formats for delivering products to shoppers in real time, some businesses are proving to be extremely innovative. Travellers, hotel guests and visitors to fast-food restaurants in the US can use vending machines to buy items ranging from prescriptions to freshly baked pizza. Best Buy recently installed more than 100 vending kiosks at airports with high-end electronics – from digital cameras to portable gaming devices.

Taking the number-one position in renegade vending retail, a butcher shop in northern Spain understands that people do not always think about dinner until it is dinnertime. They have developed a touchscreen vending machine in front of the store; shoppers can purchase fresh steak, poultry or hamburger around the clock when the shop is closed. If you don't speak

from countries engaged in conflict with the United States. The goal is to bring people from all walks of life together over a common element (food), encourage dialogue on challenging topics, and share them via a live, streaming talkshow.

This promotion increases foot traffic as customers gather to participate in community discussions. Its success has gained the attention of retailers such as Whole Foods, which is now a contributing sponsor of the promotion.

Desigual, a Spanish clothing retailer, understands the power behind the idea of random acts of kindness. It recently launched a programme that rewards its shoppers for being kind to bloggers online. Desigual alerts its fan base of favourite bloggers to target with cheerful comments; the first 100 to get a reply from the blogger each win a clothing item they have pre-selected interest in. All blogs are non-Desigual related, just destinations that represent what Desigual stands for.

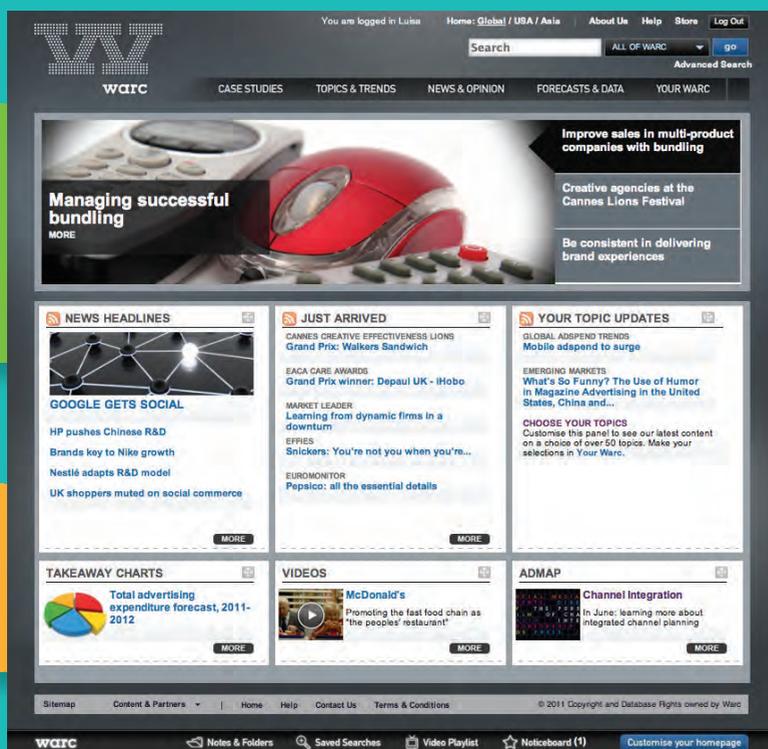
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Drinking from the

Today's marketers have access to more consumer data than ever. But they need to learn to use the 'data hydrant'. **Mark Earls** argues that it is important to be less precise – to draw bigger conclusions from large datasets by spotting important patterns, rather than smaller ones at lower levels of granularity

WE LIVE in a world of 'big data'. It must be true: *McKinsey Quarterly*, *The Economist* and even *Campaign* magazine all agree. All of these fine publications have published articles in recent months exhorting managers to get jiggy with what they call the 'data hosepipe'.

Thanks to the proliferation of interconnected devices and machines (what the geeks call 'the internet of things') and the explosion of interconnected people (aka 'the social web'), there's now a constant flow of data coming our way about people and things and people and brands and people and people. A constant and unrelenting torrent of data that somebody – somehow – in your organisation needs to get to grips with and to sweat for insight (or everyone does, if you believe McKinsey).

All the experts agree that the hosepipe is on (even if no one can quite nail the actual gobsmacking size of the aperture or the speed of flow). The International Data Corporation (IDC) suggests that there are now more bytes of consumer data than all of the grains of sand on all of the beaches in all of the world. *The Economist*, by contrast, points out that Tesco alone generates 1.5 billion bytes of customer data a month.

Whatever the specifics, this should be good news for marketers: we have more and more information about the people who should be our greatest concern – 'consumers' – which is excellent news. The truth, however, is that in many organisations marketing runs the risk of being overwhelmed by consumer data. We are discovering you can have too much of a supposedly good thing.

GETTING TO GRIPS WITH DATA

How times change. Some of you will remember (as I do) doing manual copies of Nielsen sales data and plotting graphs manually to align these across categories, with promotional activity or with the tracking study. Many of you will remember the excitement in the early



days of marketing dashboards as we tried to knit together half a dozen disparate datasets. Now it's quite common to have four or five times as many datasets to synthesise. In addition to the sales figures and longitudinal quant studies we used to have, we now have call centre records, customer service and customer satisfaction numbers as well as real-time transaction data. And still we complain about what's missing.

That's without considering the never-ending source of amusement and distraction that is social media: you merely have to flick a switch to be

big ‘data hosepipe’



The truth is that in many organisations, marketing runs the risk of being overwhelmed by consumer data. We are discovering you can have too much of a supposedly good thing

washed away by the conversations, the griping and the enthusing, the gossip and the speculation that real people are having in real time about our services and products (and those of our competitors). And, of course, there are any number of different companies offering to read the social web for you – many of them excellent and pioneering.

The truth is it's genuinely hard – however good your dashboard – to make sense of so much data; it's genuinely difficult to keep abreast of so many datasets moving so fast; genuinely bewildering to try to work out what to

do with all this data; and it's nigh on impossible to set strategy in the face of so much information.

Just think of Wall Street: how has more data helped traders and their employers get better at predicting the future? Or avoiding the biases that the behavioural economists describe – loss aversion, framing etc. Traders can't possibly compute the amount of information that's coming onto their screens in real time (which is probably why the more successful traders are also heavy users of instant messaging platforms which help them keep in touch

>

with the reactions of their peers to new information – a sort of ‘phone a friend’ option for the City).

HOW DO YOU COPE?

I’ve noticed a number of different kinds of responses to the hosepipe from the marketers I meet. Some have always preferred the ostrich approach to being hosed by data: rather than up their engagement with this rich nutrient liquor, this kind of marketer is actually using less data than ever before and instead falling back on instinct and ‘best practice’ (ie what other companies do). Others – as in *The Lord of the Rings* – defer to one mighty measure (‘one... to hold them and in the darkness bind them’) that will run everything else.

Fans of the (otherwise excellent) Net Promoter Score are a good example of this. For many users, it comes to so dominate the foreground of marketing thinking that few other measurements are paid much attention. Another such

we can, we do; having access to more granulation must be good, mustn’t it?

There are two kinds of problems with this. First, there’s the seductive nature of infinite detail. In his short story, *On Exactitude in Science*, Jorge Luis Borges describes a civilisation in which map making became so all-consuming that the maps ended up being bigger and more detailed than the landscape being mapped. Eventually, the maps were abandoned and scraps left fluttering in the breeze. The point is this: just because we can analyse and reanalyse in incredible detail doesn’t mean we should.

Second, it turns out that coarse granularity is better than fine granularity when you are trying to build a strategy.

One person who learned about these kinds of dangers – and did so the hard way – is Hilary Clinton. During her fight for the Democratic Presidential nomination back in 2008, her favourite pollster, Mark Penn, is supposed to have kept providing more and more nuanced insights about smaller and smaller segments, each of which would require a bespoke policy offer from Senator Clinton. At the same time, the Obama team were finding ways to unite larger and larger groups with shared insights.

LESS NOT MORE PRECISION

So what I’m proposing instead for marketers who are struggling to deal with the data hosepipe is this: less precision, not more; bigger insights from big patterns, not smaller and smaller ones. Insights that help us make big strategic decisions, rather than merely guiding our tactical ones.

The key to this is simple. Rather than crunch a big dataset into tiny pieces, learn to spot the patterns that tell big important stories. One pioneer of this is a personal hero of mine – the late and great Andrew Ehrenberg. He insisted on rounding up numbers in any analysis to stop decimal points distracting the eyes and minds of those reading it with small fluttering variations and instead draw their attention to the similarities between brands or across markets. Equally, his Dirichlet model was – and remains – a really beautiful pattern that a number of fmcg markets exhibit.

The kinds of patterns I have in mind have roots in the diffusion science of the 1950s and 1960s, similar to those of Ehrenberg, but they are simpler to recognise and easier to draw, too. The most obvious one here is the long-tail

The more precisely we can read something, the more we obsess with micro changes in a data line and thus the more signal becomes noise. Too much monitoring of social media falls into this particular trap – more noise than signal

treasure is Millward Brown’s Awareness Index, which is perhaps more useful beyond its intended use (the measurement of advertising effectiveness), for example as a means of setting individual and agency performance targets.

At the same time, there is the opposite tendency: inappropriate precision. The more precisely we can read something, the more we obsess with micro changes in a data line and thus the more signal becomes noise. Too much monitoring of social media falls into this particular trap – more noise than signal. Old-school tracking studies also tend to end up in the same space – what fun we’ve had arguing about two points up or down.

Related to this tendency is the love of micro-segmentations that direct marketers and database software sales teams have. Recently, I joked with a US audience about having seen a 30-plus consumer segmentation solution; one plucky person confessed to having worked with a 300-plus segment solution. Because

distribution (made famous by TED founder Chris Anderson in his book of the same name).

A long tail is a plot of popularity ranking versus sales in which a handful of items in the market enjoy a majority of the market's share; conversely, most of the items in the market (the tail) have little or no market share. Lots of markets create long tails (hence the fact that Anderson's book was a book rather than just an article), most famously what the academics call 'culture markets' such as music downloads, book sales and fashion items, alcoholic drinks, dog breeds, baby names and so on.

WHY IS THIS A PATTERN WORTH SPOTTING?

Put simply, the presence of a long-tail pattern in a market is a strong indication that that market is shaped by social influence rather than independent choice: that consumer purchase decisions in it are fundamentally social rather than individual.

If your product really is bought independently, then the traditional kind of messaging (persuasive product-led propositions) and the kind of media considerations and vehicles (reach and cost) will be fine; but if it's socially chosen, then you're going to have to work social influence and social channels much more, particularly in the modern world. It's not that product excellence doesn't count, it's just that what people say to each other and see each other doing is much more so.

Think how beer and alcohol advertising have changed in recent years (to involve social techniques and media), reflecting the fact that booze is a fundamentally social choice – as in 'I'll have what she's having'. This kind of analysis makes it clearer which side of this divide you need to be on with your comms.

Perhaps the significance of the different implications of each is best crystallised in the kind of market research approach you might want to use in each case. So, if you're sure your market is built on independent choice, then by all means ask people about the product and how it makes them feel (bearing in mind, of course, the fact the respondents are much less reliable witnesses about their own lives to themselves, and to us).

If, by contrast, your market is socially shaped, then your research approach

If your product really is bought independently, then the traditional kind of messaging will be fine; but if it's socially chosen, you're going to have to work social influence and social channels more

should focus on how consumers are connected to each other and how willing and able they are to copy from each other, and how you might go about changing these things. These are not things that traditional research methodologies and researchers are necessarily very good at, so different kinds of research techniques such as network analysis and ethnography become useful here.

The point being that this kind of pattern spotting that makes it easier to know the kind of thing you're dealing with – the kind of behaviour you're trying to change – has got to be job number one for any marketing strategy, hasn't it?

NOT EVERYTHING IS A SPECIAL CASE

This kind of general question 'what kind of thing are we dealing with?' has never been an easy one for marketers and their advisers. Now, as much as ever, we feel compelled to treat every case as a special one; every instance as unique. From the marketer's perspective it must be flattering to be told by your agency or other advisers that your brand is like no other but is it helpful to talk and think in this way?

Equally, while it's somehow reassuring to think of the marketing challenge you're facing as uniquely tricky as opposed to generally so – it makes the person meeting that challenge seem somewhat more special, more heroic even. But does it really help us solve the problems better? In particular, does it encourage us to apply knowledge, experience and skills from elsewhere? All too often, in my experience, this 'special case' leads us to ignore what we already know as marketers.

We follow the same kind of thinking when we demand 'category experience' or 'category-specific expertise' from our advisors and teams – as if the learnings of a particular category are only relevant within it; as if different categories of product were bought by entirely different kinds of species or different kinds of cultures.

The fact that the kinds of patterns I've described exist in our data tells us that there are important underlying communalities between behaviour in different markets. They show the big important and similar things that you need to know to build the basics of your strategy. Pattern spotting allows us to identify important similarities between things (as opposed to small and insignificant differences).

Patterns help you see the signal for the noise: the stuff that matters. And seeing what matters is what strategy needs to be built on.

CONCLUSIONS

Today's marketers are awash with consumer data – we have more than any previous generation of marketers have ever had – which could help us understand our consumers. Yet more data actually seems to mean less. For many of us, being exposed to the hosepipe of data makes it harder to engage with data in the same way. Some of us default to the ostrich position, others seek a silver bullet that we hope will make analysing everything else less necessary. And the temptation to boil the ocean doesn't help us much either – digging deeper and deeper, becoming more and more precise.

Of course, precision is important and useful when planning implementation but what's needed for strategy is exactly the opposite: it is the ability to spot patterns in the data. Patterns signal important and significant phenomena below the surface of a market. It's not all of the answer, but getting these things right, and doing so rapidly, makes it possible to build strong and clear strategies and create time and space to sweat the detail of implementation. ■

'I'll Have What She's Having – Mapping Social Behavior' by Alex Bentley, Mark Earls and Mike O'Brien was published by MIT Press on 3 November 2011.

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Co-creation is here: we can't ignore it

The idea is that organisations can produce something successful by innovating 'with' customers rather than 'for' them



Doron Meyassed, Philip Burgess and Priscilla Daniel argue that co-creation is one of the most powerful, modern-day sources of competitive advantage. It's also one of the most misunderstood

THE MAJOR trends affecting the business environment – globalisation, the necessity of speed, the importance of innovation, the empowerment of consumers, aided by technological innovation – all support the increasingly strategic use of co-creation activities.

A recent IBM survey of 1,500 global CEOs concluded that 'the most successful organisations are those that co-create products and services with consumers and integrate customers into the core processes'. Last year, *Business Week*, 2 November 2010, proclaimed that co-creation is 'the second largest innovation trend happening today, right behind sustainability'. If you type co-creation into Google you get 27.5 million hits.

Pull up Michael Porter's recent *Harvard Business Review* study and find him arguing passionately that the concept of shared value has the power to unleash the next wave of global growth.

Demonstrable success stories of co-creation are emerging left, right and centre. Organisations that are embracing the approach are outperforming the market, getting better products onto shelves, doing so faster and building deeper, more loyal bonds with their customers.

However, all co-creation is not the same. The catch-all term has meant that everything from crowd-sourced marketing ideas through to general collaboration has been labelled co-creation. This has led many executives to believe that they have

experienced co-creation, when in effect they have experienced a tactical (and often far less value adding) interpretation of the practice. Co-creation is not a tactical marketing technique nor is it just a synonym for collaboration. It is a way of doing business that can truly revolutionise how you and your organisation work.

SO WHAT IS CO-CREATION?

Co-creation, defined by Promise Corporation, is ‘the active, creative and social process, based on collaboration between producers and users, that is initiated by the firm to generate value for customers’. In essence it is the idea that organisations can be more successful by innovating ‘with consumers’ rather than ‘for consumers’. In its purest form, co-creation proclaims that consumers are no longer at the end of the value chain, but rather, assume a central importance in the process of value creation.

WHAT’S DRIVING THE TREND TOWARDS CO-CREATION?

Cap Gemini’s 2010 Global Co-creation survey proclaims: ‘Co-creation is the result of a broad and irreversible shift in society and corporate culture.’ We’ve observed three inter-related trends that have combined to accelerate the trend towards a co-creative approach to value-creation.

1 Technological advances are facilitating cost-effective ways of bringing together diverse groups of consumers and stakeholders. To truly co-create value with customers, you need them to contribute to your decision-making process regularly, sometimes even daily. Doing so without technology, in an ongoing fashion, becomes prohibitively expensive and slow. Furthermore, getting consumers to meet physically every couple of days would be unrealistic: consumers aren’t willing to give up their daily lives to help organisations co-create. But consumers are willing to give up 30 minutes a week, even a couple of hours a week. Digital technologies make this possible. Individuals can collaborate from wherever they are, at the time that suits them.

2 The rise of the participative, proactive consumer. Clay Shirky, a prominent thinker on the social and economic effects of internet technologies, argues that we are now experiencing a ‘cognitive surplus’. In America the amount of time the average person spends online is greater than the

You are no longer creating for consumers and then testing it with them. You are creating it with them. Their thinking, needs and desires are expressed in every detail

average time spent watching TV. In this ‘post-TV’ era, Shirky argues, consumers now have more free time to do or create things rather than passively consume things. Furthermore, as media guru Charles Leadbeater argues, a culture is emerging where our status is increasingly defined by what we create and share, rather than by what we own.

Everywhere we look, we see this trend manifesting itself. Almost 13 million hours of video were uploaded to YouTube in 2010. That translates to 48 hours of video every minute and eight years of content uploaded every day. Roughly half of this content is consumer created (emarketer and YouTube statistics). A recent study by 360i found that 77% of YouTube, Twitter and Facebook listings that appeared for brand searches were controlled by a party other than the marketer.

Relatively easy access to information, combined with the widespread usage of social media, has changed the way that consumers want to interact with corporations and brands. Organisations with the foresight to leverage this ‘cognitive surplus’ are yielding significant benefits as they discover that consumers have become both generous and creative with their free time.

They want to engage, interact and influence brands, seeking to ‘exercise their influence in every part of the business system’ (Prahalad & Ramaswamy, 2004).

3 A new mode of value creation. Michael Porter’s recent paper in the *Harvard Business Review* (Creating Shared Value, 1 January 2011) highlighted that business is being viewed as a major cause of social, economic and environmental issues. Companies are being blamed for society’s

failures. They are perceived to be prospering at the expense of the broader community, optimising short-term financial performance, missing the most important consumer needs and ignoring ‘the broader influences that determine their longer-term success’.

In this new paradigm, organisations are increasingly seeing the practice of co-creation as the most appropriate tool for problem solving: it brings all these diverse stakeholder groups together and ensures the result genuinely adds value to all parties.

Furthermore, there is a growing acceptance that consumers and partners are an excellent source of ideas, solutions and creativity. As organisations look at the sheer success of (not for profit) co-creative initiatives such as Wikipedia and Linux, there is an increasing acknowledgement that no matter how much talent there is inside your organisation, there are always more bright people outside of it. And these bright people are willing to help, sometimes even for free.

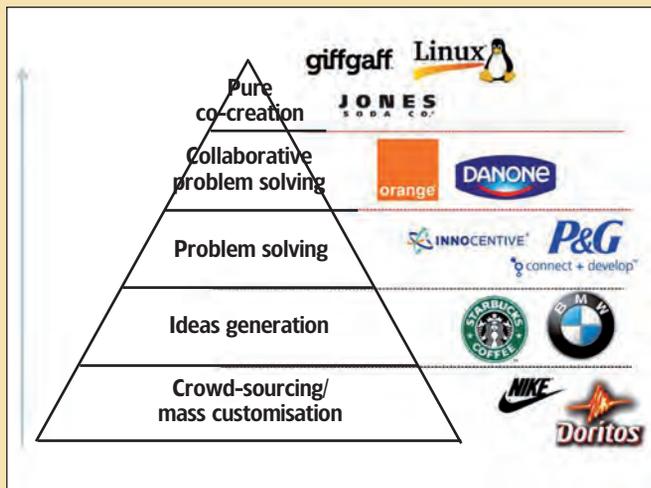
WHY ARE ORGANISATIONS EMBRACING CO-CREATION?

The above three trends have created an environment where co-creative approaches start to bring game-changing benefits. In our years of working with organisations to implement co-creation programmes, we’ve seen four core reasons mentioned again and again as to why organisations are embracing the approach:

1 Increased innovation effectiveness. Perhaps one of the most famous co-creation programmes is Procter & Gamble’s Connect and Develop. In 2000, former P&G CEO, AG Lafley, set the goal to acquire 50% of the company’s innovations from outside the company. Systems and structures were set up to bring ideas and collaboration from consumers, fans, scientists, academics and engineers.

The success that followed has been phenomenal. Writing in the *Harvard Business Review* (March 2006), Lafley said: ‘Through Connect and Develop our R&D productivity has increased by nearly 60%. Our innovation success rate has more than doubled, while the cost of innovation has fallen. R&D investment as a percentage of sales is down from 4.8% in 2000 to 3.4% today. And, in the last two years, we’ve launched more than 100 new products for which some

DIFFERENT STYLES OF CO-CREATION



We have identified the five most common ways in which organisations are applying co-creative principles. The higher up the diagram your endeavour, the higher the value it will add to the organisation. And while using ‘co-creation as a business model’ might not be right for everyone, we believe using ‘co-creation as a problem-solving tool’, is something all organisations should be doing.

CROWD-SOURCING AND CO-CREATION

Crowdsourcing and co-creation are often deployed as marketing techniques to drive awareness and ‘buzz’ around a brand. While hugely effective at this, such activities fail to truly capitalise on the potential of consumers as a source of value creation. For example, Doritos became the first brand to air a crowd-sourced ad during the Super Bowl as part of its ‘Crash the Super Bowl’ campaign this year, leveraging the PR potential of co-creating with consumers for the year running up to the ad screening. Chevrolet is jumping on the bandwagon and doing the same thing in 2012.

CROWDSOURCING AS AN IDEA-GENERATION TOOL

Other brands have gone one step further by providing consumers with a platform to suggest ideas to improve the business. Here the ideas are crowd-sourced (outsourced to the masses) rather than co-created (generated through iterative collaboration). Starbucks’ website ‘Mystarbucksidea.com’ and Dell’s Ideastorm (www.ideastorm.com) both fulfil this function: they invite consumers to suggest ideas for improving their business. This creates value for both parties, but not going so far as to truly collaborate with consumers to drive value for their businesses.

CROWDSOURCING AS A PROBLEM-SOLVING TOOL

InnoCentive is an ‘open innovation’ company that takes research and development problems in a broad range of domains, such as engineering and computer science, and frames them as cash-incentivised challenges for anyone to solve. This methodology offers a unique approach to sourcing expertise and creativity. It can be a time- and cost-effective way of solving challenges (particularly scientific ones). However, this approach ultimately doesn’t offer the maximum potential for value creation since the commissioning party does not share its knowledge or collaborate closely with the person tackling the challenge.

A PROBLEM-SOLVING TOOL

Co-creation as a problem-solving tool is the practice of bringing together a diverse group of stakeholders to collaborate on solving a challenge. This is where most organisations should aim to be. This approach adds most value, while being something that can be used by all types of businesses.

McDonald’s in 2009 worked with customers, management, frontline staff, psychologists and designers to invent the restaurant of the future. Etihad Airways collaborated with customers, crew, engineers and other key stakeholders to design the interior of its new A380. Diageo invited hundreds of consumers to become part of an advisory board that has helped them reposition one of their brands. And of course, Procter & Gamble’s Connect and Develop had a multitude of stakeholder groups collaborate on innovation challenges.

CO-CREATION AS A BUSINESS MODEL

Some smaller and pioneering businesses have however integrated co-creation into their fundamental business model, placing consumers at the centre of the value creation process. GiffGaff, a mobile phone service operated by O2, is one of these. Its brand tagline is ‘the mobile network run by you’. GiffGaff operates an online customer support community which in June 2011 had over 100,000 users and 5.5 million page views per month. Consumers sign up to become a member of the online community which deals with customer service enquiries.

At least 50% of queries are answered by other customers and 95% are answered in less than an hour. The average response time on the company’s ‘help boards’ is less than a minute and a half. In turn for answering questions, customers are incentivised with cash (profit) that can be redeemed for phone credit or donated to a selected charity (*Forbes*, 5 September 2011). By creating value for the business and themselves, consumers feel ownership and loyalty towards the brand. Co-creation as a business model will not suit every business. However, elements of this approach can be applied to most businesses at least in some part or function of the organisation.

aspect of execution came from outside the company. Five years after the company’s stock collapse in 2000, we have doubled our share price and have a portfolio of twenty-two billion-dollar brands.’

So why does co-creation lead to such dramatic improvements in innovation effectiveness? While there are a dozen complex and interlinked reasons, in our view, there are two core drivers:

Diversity breeds creativity. As

Professor Scott Page from the University of Michigan explains: ‘The more vantage points from which a challenge is tackled, the more likely you are to hit a breakthrough solution.’ Diversity breeds creativity. And co-creation is all about diversity. By bringing together staff, consumers, suppliers and experts we can arrive at new and previously undiscovered solutions.

True consumer centricity. In theory,

innovation is simple: understand what consumers want and deliver it better than the competition. And yet, 80% of innovations fail. Most traditional innovation processes make it very hard to truly understand what consumers want and hardwire that understanding into every detail of the innovation.

Co-creation makes that possible. You are no longer creating for consumers and then testing it with them.

You are creating it with them. Their thinking, needs and desires are expressed in every detail.

2 Increased communication effectiveness. In 2009 Danone launched its first co-creative venture in the UK together with Promise, by inviting consumers to help it co-create its communication strategies. The concept was simple: build a private community of engaged, dedicated and passionate consumers to act as an advisory board to the communication development process. The results were staggering.

Danone has a standard test for measuring the effectiveness of communication platforms. And the communication platforms generated from the co-creative approach were 84% more effective than those generated through traditional methods (IPSOS study).

In truth, this increased communication effectiveness is driven predominantly by the same two reasons highlighted for increased innovation effectiveness: the diversity of participation and the high level of consumer centricity. But there is one other reason that is of particular importance when developing communications: the up-skilling of consumers. Consumers inputting into Danone's communication development process were not coming to the process cold. They had spent several months talking about yogurt, their eating habits, their drivers, their barriers and Danone's business. By the time we worked with them to develop marketing strategies that would increase (say) frequency of consumption, we were talking to a clued-up audience. An audience that understood its own behaviours, the competition and general marketing concepts. The level of the debate and ideation was of a particularly high standard.

3 Speed to market. Kraft recently undertook a mission, vision and values exercise, in collaboration with ad agency Nitro and co-creation consultancy Promise. The organisation went from blank canvas to a new mission, vision and values being launched to shareholders in under five months. As far as we know, for a company of 120,000 people, that is unheard of.

The process was truly co-creative in nature. Consumers worked with management to co-create potential mission and vision territories in large co-creation events around the world; 5,000 handpicked employees collaborated on an online platform daily over the

five-month period. Their input helped shape every decision, from blank canvas to final wording.

So how did this happen? How did an organisation as large and complex as Kraft align around a new higher purpose so quickly?

The reality is that co-creation generates alignment and buy-in very quickly. The final solution 'belonged to everyone'. Everyone had invented it and felt a sense of ownership over it. Furthermore, you get a sense of what is right and what is wrong quickly. In a co-creative environment consumers, suppliers, marketers, researchers, manufacturing, taste makers and HR all come together. This means that bad or unfeasible ideas are dropped quickly and quick wins are fast tracked.

I InnoCentive, an 'open innovation' company, takes research and development problems in a range of domains and frames them as cash-incentivised challenges for anyone to solve

Finally, the distance between the boardroom and the consumer is often way too great. With a lack of closeness, there is often a lack of alignment. People align around their personal opinions. With the consumer at the centre, inputting sometimes daily, the core teams align far more quickly.

4 Staying relevant. The world is increasingly changing faster outside organisations than inside. If you are managing a brand, that's a tricky landscape to operate in. It means you must constantly and obsessively monitor the world, and tweak what you do, in order to stay relevant. Those who fail to do so pay a high price. Kodak's slow response to the growth of digital photography has almost brought the organisation to its knees. The music industry is no different.

So, as the world changes faster outside organisations than inside, co-creation can be a powerful way of internalising that speed of change. Having learned the hard way, the music industry today employs some of the most innovative practices in ensuring they stay close to the changing consumer.

Sony Music set up a private co-creation community of music consumers – Sony Music Back Stage. The community works on lots of Sony Music's strategic

and creative challenges. However, the community also has a zone where consumers talk about the things at the top of their agenda. Working with Promise, Sony carefully listens, monitors and probes the conversations. The lessons are then taken and hardwired into the business on a weekly basis, ensuring that the organisation has got its finger on the pulse.

NOT ALL CO-CREATION IS MADE EQUAL

The term 'co-creation' has been both misunderstood and misused – collaboration, mass customisation, open innovation, crowd-sourcing – are used interchangeably to explain the process by which companies collaborate with consumers (see diagram, p38). However, not all yield the benefits

of a truly co-creative approach. As such, many marketing departments have experimented with small tactical co-creative experiments, and drawn the wrong conclusions about the approach.

SO WHAT NOW?

Co-creation has evolved enormously over the past five years. It 'has mutated from a niche phenomenon to a prevalent approach of collaborative innovation taken by innovation leaders such as P&G, BMW, Siemens, Nokia or Beiersdorf' (Bilgram V, Bartl M, Biel, S, 2011). We think that in the next ten years, co-creative practices will further evolve with new techniques, theories and ways of applying it.

We genuinely believe that the most successful organisations will be those that get good at using co-creative practices to solve their brand, marketing and innovation challenges. It will be they who remain the most relevant and launch the most successful innovations. ■

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Accountability is not enough

It's time that marketers broke free from the restrictions that are imposed by business language and devised a vocabulary that actually reflects human behaviour, says **Rory Sutherland**

UNLIKE MANY in marketing, I am rather ill-disposed to words like 'accountability'. It seems to me that this notion imposes on brands a demand for numerical quantification which may simply be neither possible nor desirable – and may risk underestimating significantly a brand's true value.

How do you 'account' for the effect a brand may have on the quality of the people you hire, or on your ability to launch new products? As with weather forecasting, it seems likely that reliably predicting a brand's future effects may be mathematically impossible.

But I also think that to be obsessed with quantifying the results of every area of marketing expenditure is to misunderstand the nature of the marketer's problem. Doctors are uncomfortable with the placebo effect not because they believe it doesn't work but because they don't know how – it does not sit with any available model they have of how medicine works. In the same way the finance function in business is uncomfortable with marketing not so much because they think it is ineffective but because it is not congruent with their reductionist, neo-classical economic view of the world.

My contention is we need a new vocabulary. To adopt the vocabulary of accountability is too defensive – it is an example of the 'Stockholm Syndrome' where you adopt the phraseology and mindset of your abusers. As marketers, who should above all believe in the primacy of human psychology over economic models, our task is not to adopt

the bean-counting view of the world, but to point out to bean-counters that their mechanistic models of the world are inadequate. We cannot do this if we think and talk like bean-counters ourselves.

A COMMON LANGUAGE

Our current marketing vocabulary does us few favours, either. To people trained to respect hard science, the language is indistinguishable from that of flower arranging or astrology. Talking to a finance director about brand iconography is like going to the head surgeon at St Mary's Hospital and suggesting that he 'trust to the healing power of the crystal'.

We need to find inspiration – and a phrasebook – somewhere else. Happily, in this task, we have been pre-empted by a new, exciting community of behavioural economists, Darwinian psychologists and behavioural scientists, as well as network scientists. The models and language they have developed are a gift to marketing – one it would be insane not to accept.

I have no idea why the marketing field lost touch so badly with academia (David Ogilvy, Bill Bernbach and Howard Luck Gossage were all, in their way, social scientists manqués). We now have a chance to re-establish intelligent links. With these words and concepts, a few of which I have listed below, we can once again speak truth to power.

SIGNALLING

Signalling is a concept from evolutionary biology and is also now used widely in economics. It is a vastly more useful phrase than 'messaging' or

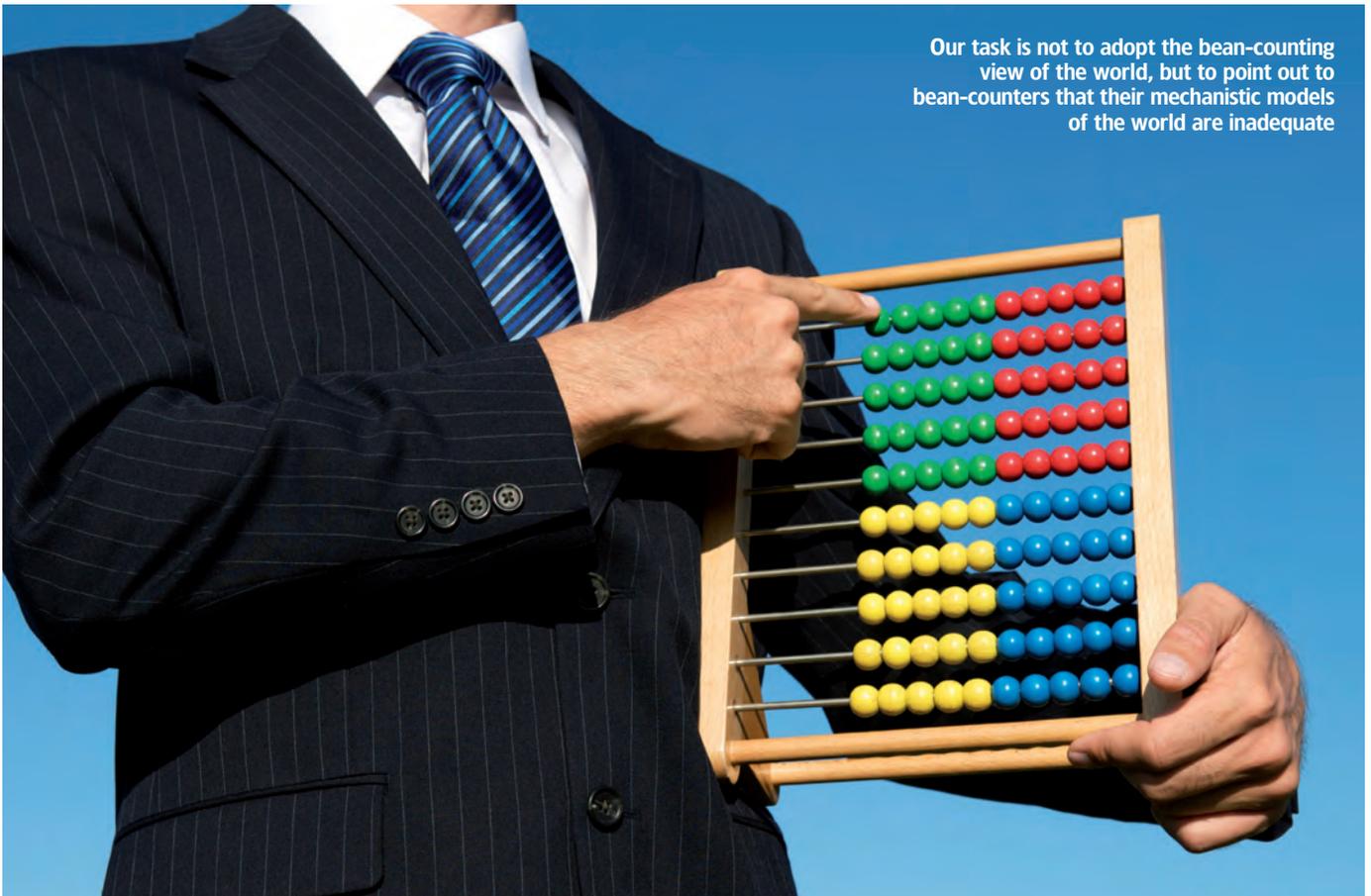
'proposition' or suchlike as it carries with it the understanding that businesses communicate a great deal about themselves even when they are not intentionally communicating. It encompasses the idea that actions and behaviours may often convey more information than words.

As Robin Wright has observed, peacocks are beautiful examples of signalling. To breed, the peacock needs the acquiescence of a peahen who must choose a peacock with which to breed, a question that involves genetic fitness. The peacock addresses this in three extraordinary ways. The peacock is stating that it is so genetically fit that it can still function as a bird even with this absurd, purely decorative appendage on its back. That is conspicuous waste as a form of meaningful advertising.

The peacock's tail signals in two other ways. The evenness and symmetry of the eyes on the tail are also indicators of genetic fitness as is the degree of translucence of the feathers. The tail operates at the macro, the median and the micro level, providing inarguable proof that its carrier is fit and healthy. A valuable brand does the same.

Brand expenditure is a form of signalling. The fact that you are prepared to put money into your product up front suggests you have faith in it. Moreover, by investing in a reputation, you have something valuable to lose by not dealing squarely with your customers.

Creativity is a way of signalling your own intelligence and ability (music, poetry, art and sport all arose from similar



Our task is not to adopt the bean-counting view of the world, but to point out to bean-counters that their mechanistic models of the world are inadequate

human displays). The vital component of meaningful signalling is that it is expensive and/or difficult to do. It is the time or money invested in the message that makes it a mark of commitment, not just an empty claim.

INFORMATION ASYMMETRY

Information asymmetry makes signalling necessary. The bowerbird demonstrates to the female that it is likely to hang around after the chicks are born by taking the trouble to build an elaborate nest. Human females similarly look for some mark of commitment from men who do not have a biological need to stick around and look after their children – which is where the engagement ring comes in. It is something expensive up front which suggests you intend to be around for more than one pregnancy. If you are planning only a one-night stand, an engagement ring is an expensive way of getting one. To a female bowerbird or human, the mantra is *credo quia carum est* – I believe what you say because it has cost you dearly to say it.

That is why I find it so ludicrous when economists object to brands because they are ‘barriers to entry’. They are indeed

Talking to a finance director about brand iconography is like going to the head surgeon at St Mary’s Hospital and suggesting that he ‘trust to the healing power of the crystal’

barriers to entry, which is precisely why consumers value them so highly. A costly engagement ring is a barrier to entry in marriage, but you should be wary of someone who tries to avoid buying one. And a brand reputation is difficult and expensive to acquire but you should be wary of buying without one. If these things were cheap and easy, they would be meaningless.

LOSS AVERSION

There is a huge element of trust and a leap of faith in virtually every purchase we make – which is why we are so desperate to find, and willing to pay a premium for – any signals of reassurance. Yet this is hugely underestimated, by marketers and economists. Indeed, research by behavioural economists indicates that, when we hand over the cash, fear is roughly twice as powerful an emotion as hope.

Subconsciously we may be ‘thinking’ far less about how to buy the very best television and far more eager to ensure the model we buy isn’t rubbish. Most discussion in research focuses on whether or not the thing is the best I can buy but human decisions are not exclusively made that way. They are more weighted towards the avoidance of disappointment. Once you know that, brands make a lot more sense than if you assume people are seeking perfection.

A brand is not a guarantee of perfection. The very best thing you might find in any market may be from an obscure source and require six months’ work to find it. However, as a guarantee of something

not being bad, a brand is spectacularly powerful.

The saying that nobody ever got fired for buying IBM is probably the most famous example of marketers understanding loss aversion. Indeed, it is worth remembering that in business-to-business markets, loss aversion is often at its most powerful.

MAXIMISING AND ‘SATISFICING’

This leads to something very interesting, first identified by Herbert Simon of Carnegie Mellon University in the 1950s. It is the difference between decisions made by ‘satisficing’, where risk aversion is prominent in the mind, and those made through ‘maximising’, which is getting the very best possible thing for a specific amount of money.

If you want to know the difference between satisficing and maximising, ask yourself this question: ‘What is the best meal you have ever had in your life?’ You

enthusiasm for Starbucks and a deep loathing for Costa Coffee. Far more often, they alternate happily between the two.

This presents some problems. When you put people in a market research context, they are not in the subconscious realm of satisficing where most decisions are taken, but in the realm of rational, conscious thought and attention. People feel, particularly in the presence of others, that they must portray their purchase decisions as optimal and highly rational. They portray themselves as maximisers – an act which, although well-intentioned, is highly misleading. It is how they think they should decide; it may even be how they think they do decide – but it is not how they really decide.

BEHAVIOUR FIRST

Another problem is that, when people explain their behaviour, they believe, as we all do, that attitudinal change precedes and is a necessary precursor to

and they will then become better disposed to the concept of recycling.

HEURISTICS

Heuristic is a very useful word that I hope will become adopted by marketers. They are the rules of thumb that people deploy when making decisions. Consumers use heuristics – for instance fame and social proof – all the time. When choosing between two restaurants, when little is known about either, you will probably go to the one with more people in it. What is interesting is that all this is instinctive; we deploy such techniques without being aware of them.

When faced with a choice, one default may be to buy what I bought last time. If that is not available I’ll buy the one there is most of on the shelf or possibly the one I have heard of.

Choice architecture can be developed exploiting the heuristic of ‘doing whatever seems normal’. This is demonstrated in the difference in organ donations by country, based purely on whether the donor card is opt-in or opt-out. If it is opt-in, where it seems normal not to donate your organs, around 12% of people will donate. If opt-out, where the assumption is you are happy to donate unless you specify otherwise, 98% donate. If you make it a managed choice, with both yes and no boxes, about 66% donate. So, to an important question to which we probably do not know the answer – should I donate my organs? – the instinctive heuristic is to ‘do what most people do’.

Retail must have been boosted by an insight, whether accidental or deliberate, into the heuristic that, when presented with three choices, we tend to choose the middle one. When I was a child, supermarkets offered the choice of a basket or a trolley the size of a Mack truck. The trolley was a ridiculous size so you chose the basket – and so bought less. Then, brilliantly, supermarkets offered a third choice, the Japanese or shallow trolley.

Because it is ‘the one in the middle’, people choose that. This ‘one in the middle’ heuristic applies strongly to price, too.

RELATIVITY

Another aspect of choice architecture is the fact that we choose something relative to what is around it. We look at alternatives. Estate agents work this way. They will take you to a house very similar to the one they think you will buy but slightly

We deploy techniques without being aware of them. When faced with a choice, one default may be to buy what I bought last time. If that is not available I’ll buy the one there is most of on the shelf or possibly the one I have heard of.

may recall ‘a charming little backstreet in Rome’ or ‘this place in Paris’. And how many times have you eaten there? Once?

It is only when you understand satisficing that you understand the success of McDonald’s.

There probably is nowhere in the world where McDonald’s is the best restaurant in town but there certainly is not a town in the world where it is the worst. In terms of loss avoidance and satisficing, when you go to McDonald’s you will never get ill, never be disappointed, never be ripped off and never be treated uncivilly. Nor will you be socially embarrassed. All of these are pitfalls you must face when trying to find somewhere ‘better’.

Most of the time people are happy with the ‘pretty good at a reasonable price’. This explains why most people in reality have a repertoire of acceptable brands, rather than choosing through ranked preference. Contrary to what some ad people would want us to believe, normal consumers do not develop a passionate

behavioural change. However, nearly all neuroscience and behavioural economics research suggests it happens the other way around. As one neuroscientist beautifully observes, the brain is not the Oval Office of the body issuing directives and being obeyed, but more like the press office. Decisions are actually taken down in the basement and the brain issues hasty post-rationalisations to explain why you adopted the course you did.

If we understood this – and it is deeply counterintuitive – that people do things and then make sense of them subsequently, the world might be a happier place. For example, it is believed by environmentalists that in order for people to adopt environmental behaviour it is first necessary to convert them into committed environmentalists who share exactly the same motivations as their own. This is very painful and involves a huge amount of very annoying preaching which generally makes people resentful. The trick is to change behaviour first then the attitudes will follow. Make it easy for people to recycle

more expensive and a bit less good. It will then be much easier to flog you the house they think you will buy. It will be £3,000 cheaper and have a greenhouse. Bang, sold. Our brains work relatively rather than absolutely.

A German car maker had a stock of new cars it needed to sell and it was about to knock €3,000 off the purchase price in order to do so. Then someone who knew what they were doing asked: 'Are you sure that is the best option?' 'Well, €4,000 would be better but we can't afford that'. 'No,' the visitor said, 'make it €3,000 on the trade-in price of the old car, not off the price of the new car.'

A classical economist would say it is the same thing. They tested it and the difference was pronounced, accounting for the sale of 20,000 extra cars. The reason is that €3,000 on top of the €8,000 you might expect for your old car seems a lot of money, while €3,000 off the €22,000 price of a new car seems less of a deal, proportionately. That shows the extent to which our brains work at a comparative level.

PATH DEPENDENCY

We tend to have a model of behaviour where people go from brand preference to purchase behaviour, as though it was an unmediated, absolutely direct process. In reality, many decisions involve multistage path-dependent actions.

I like the cocktail culture in the US with all that mixology stuff. One reason for the lack of cocktail culture in the UK is that, by the time you get to the spirits section in a supermarket and consider buying Campari, Pimm's or rum for Mojitos, the fruit you need is 500ft away against the flow of shoppers and ice is nowhere to be found. Sainsbury's, with Diageo, through brilliant use of path dependency, has created a cocktail pod in the spirits section where there are mixers, ice, lemons and (for the connoisseurs of gin and tonic) limes, all together. The net effect is a rise in sales of spirits of between 8% and 9%, due to an understanding of path dependency.

Path dependency is vitally important in the context of channels to market. People thought that Barnes & Noble's brand strength would carry through to the online space and defeat Amazon but it didn't. Once a consumer is within a channel, their brand map changes. If you are online you will probably go to Amazon. Channel choice may be a prior

choice to brand selection and if you lose within a channel, you may lose overall.

COMPLEMENTARITY

There are some things the value of which vastly depends on what you consume them alongside or with. Possibly the most extreme is popcorn. If you went out this evening and there was a popcorn seller on the street outside your house, you are unlikely to be tempted. However, were you to go to a cinema, there is virtually no limit to what you would pay for a bucket of popcorn. It makes no sense but the two, film consumption and popcorn consumption, are complementary goods, as economists call them.

A perfect example of complementarity, is the *Guide Michelin*. It was started in 1900 when Michelin had about 95% of the French tyre market. It realised that the only way to make more money was to get French people to drive further and burn more rubber. Now the thing about French people is they won't go anywhere unless there is a restaurant at the end of it. What Michelin created was a guide to restaurants and interesting things to see, the consumption of which was complementary to the burning of tyre rubber in 1900 France.

Marketers tend to overlook this. Were I Coca-Cola's marketing director, I would spend more time getting ice widely adopted in British homes than I would promoting the virtues of Coke. If you look at the complementarity, there is evidence that if you serve Coke with ice and lemon, sales will be 70% higher than if served without ice. So the best way to increase consumption of cola if you are brand leader is to create complementarity and bribe fridge makers in the UK to add a proper ice-making machine as they do in civilised parts of the world.

I am only half-joking. What is your biggest obstacle to more sales? Is it a brand issue or the absence of some complementary good? It is a question worth asking.

FRAMING

It is a fascinating thought that you can make something seem better or worse according to the comparative frame applied to it. If you can change the frame, you can change the game.

That human perception is malleable and susceptible to suggestion and comparison is demonstrated by Ferrari: it offers you the choice of having your

new car delivered to your home free or you collecting it from Maranello, Italy, at a cost of £300. I am sure you will get a tour of the plant too but the point is that the latter option is positioned as the more desirable. That it is also much the cheaper option for Ferrari doesn't seem a factor.

That our perception and memories may be affected by remarkably arbitrary influences makes marketing more rather than less important. Take an espresso machine. If you think how much the cost of running a Nespresso machine would be if it were filled up with coffee and sold in a jar like Nescafé, it would be a fortune – on a like-for-like caffeine shot basis, you would be paying £80 for a jar, something most of us would find unconscionable. However, the coffee comes in little individual metal pods and hence the frame of reference isn't Nescafé but Starbucks. Every time I use the machine I think how I am saving money, paying 26p for something that would cost a couple of quid at Starbucks. The frame of reference means I think it a bargain.

Video conferencing has failed to take off because it is what economists call an inferior good. It is framed as a cheap alternative to something else. It is what someone gives you when they don't trust you with the real thing. If your frame of reference is negative in this way, you almost always lose (something from which coach travel and frozen food have suffered appallingly). The video conference needs reframing as the rich man's phone call, not the poor man's air trip. It should be installed in the CEO's office and nowhere else, and certainly not in a basement room.

How can Red Bull charge £1.50 a can when Coke can charge only 50p? Weirdly, you make the can smaller. Suddenly people think this is a different category of drink for which different price points apply. If the can had been the same size, I am not sure they could have charged £1.50.

This list is neither exclusive nor exhaustive. But it includes just a few of the concepts from the behavioural sciences which will provide us with a new and scientifically validated way of looking at the world. Perhaps more importantly, though, it is a vocabulary that can be used when speaking to people who don't speak marketese. ■

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Agencies have always liked to think of themselves as partners but **Derek Day** questions just how realistic this is. Quoting marketers' criticisms of the agency world's unwillingness to understand the commercial logic of their clients' business, he offers advice as to how to improve the relationship

FOR AN industry supposedly at the fulcrum of capitalist enterprise, the advertising business displays few outward signs of commerciality. The layperson, on a first-time tour of a typical advertising agency, would be surprised to find themselves in a low-pressure environment somewhere between an art dealership and a private members club: ironic sculptures in reception, table football in the creative zone.

At the bar – and there would be a bar – the conversation would be noticeably innocent of the vulgar language of trade: no talk here of 'pricing', 'distribution' or 'sales'. Instead, the visitor will overhear reverent discussion of mysterious, almost-Masonic, notions such as 'Golden Lions', 'Silver Arrows', 'Black Pencils'. The closest to the marketplace that the chatter comes is the occasional reference to consumer insights, and the desire to stimulate consumer conversations. It is a long way from Orwell's 'rattling stick in a bucket of swill'.

Still, outward appearance is rarely the whole story and perhaps this is merely the wrapping for an implacably mercantile core; the commercial fist in the cultured glove. In truth, though, advertising displays few inner signs of commerciality either. The average number of MBAs in a typical agency, to the nearest approximation, is zero. Ask for a view on advertising investment, with reference to the net-present-value discount formula, and you will be met with a blank expression.

Most curious and quaint of all is the gentlemen's agreement whereby agencies currently producing fine work in a particular sector – airlines, say – voluntarily debar themselves from competing further in that arena until bad luck or misjudgement occasions the loss of their current customer. It would be like Airbus declining to sell planes to BA on the basis that it would feel wrong to be disloyal to Emirates.

WHAT CLIENTS THINK

This endemic isolation from the norms of commercial existence does not go unnoticed by marketers, and nor does it escape criticism. Far from it, as my business partner, Helen Edwards, and I discovered last year when preparing for our slot at the Advertising Planning Group's Battle of Big Thinking (BOBT) conference, held in association with *Campaign*.

The BOBT audience is dominated by marketers and ad-agency people, so we were keen to take the temperature of that relationship, as a backdrop for our theme. We asked our own clients, and more arms-length marketing contacts, for their views on what agencies and their planners bring to the business. The vehemence of their answers took us by surprise.

While agencies are valued for creativity, and planners for insights, the good news ends there. Here are some of the verbatims from that mini-survey:

- 'Most agency planners just don't understand the dynamics of business – they are about communications.'
- 'They don't have any idea of business – they will suggest that we go back and explain to Tesco why we shouldn't abide by their guidelines.'
- 'They are not always as data-driven as they should be.'
- 'They beat us up verbally from their office without really knowing how to do it, or what it takes.'
- 'Most agency people are simply not numerate enough to be useful in the wider context of brands and business.'
- 'They are so much further downstream than they think they are.'

One of the people we talked to at length was Richard Reed, joint-founder of the smoothies-to-snackpots brand, Innocent. Since Reed is a former planner – he spent four years at BMP – you might expect him to be a bit more supportive of his former industry. He wasn't. He said: 'Agencies get carried away by the personality of our brand, but don't do enough to understand how the business works.' Perhaps this



helps to explain the brand's three-time switch of ad agencies in 15 months.

For fmcg spenders like Innocent, the most livid sore point in the client-agency relationship is the latter's inability to get to grips with the realities of the trade. The planning team's focus is exclusively on consumers, with the endless quest for killer insights. There is no one on the agency team, it appears, with any worthwhile insight into the complexities of dealing with their client's first, and most powerful, customers – the retailers.

To illuminate the challenges of distribution, and the lengths to which marketers must go to outflank the intransigence of their retailer customers, we unveiled a trade story from the Harvard Burt's Bees case study as part of our BOBT talk.

BURT'S BEES: A BIG RETAIL IDEA

Burt's Bees is now a sizeable US brand in personal care. But when it was smaller, and just beginning to branch out of its niche retailer distribution and into the big US pharmacies, it ran into the problem of something retailers call 'in-line display'.



s or suppliers?

We asked our clients for their views on what agencies and planners bring to the business. The vehemence of their answers took us by surprise

Perversely, this doesn't mean that the products are displayed in a nice strong line in a single part of the retail space. In fact it's the exact opposite: they're flung all across the store, with each SKU forced to sit among similar specific product lines (hence 'in-line'). So Burt's Bees had its shower gel in one place and its lip balm in another, with its baby oil somewhere completely different. For a brand without a big communications budget this diffuse presence in store can really reduce impact.

Burt's Bees – an 'artisan' brand that had always shunned advertising – knew that in-line display was a costly issue, one exacerbated by the fact that most of its products were in small containers. The brand was getting lost. So the management team reacted with a combination of imagination and measurement.

First, they designed a special 'hive' display unit, with all the products in one place, and sought to encourage retailers to work with this eye-catching display.

When those retailers proved stubborn, the brand offered to pay for and run a controlled experiment in selected stores: Burt's Bees' SKUs would be displayed both in-line and in the hive. The specific products were electronically tagged so the store could measure which kind of display resulted in higher sales.

Burt's Bees was able to prove that sales were higher from the hive displays, because they prompted multiple purchases. Even then, some retailers wouldn't change, so the brand took the courageous step of focusing on just those that would. Today, Burt's Bees is a \$200m brand, and this was

just one of many tough distribution calls that helped get it there.

What is noticeable here is that the brand took on the retail challenge itself. At the time, it had no agency. Would a brand facing similar issues today be able to encourage its ad agency to help solve the problem? It's doubtful.

CREATIVITY ISN'T ENOUGH

Imagination and measurement is hardly a combination that marketers enjoy from their advertising agencies on trade issues. Yes, imagination is there in the background, but it is a rare agency that can persuade its best creative talent to focus on the distribution exigencies of its clients: the importance of the issue to the client is in inverse proportion to its attractiveness to creative teams as a route to glory at Cannes.

As for measurement, look no further than *Campaign's* recent editorial (21 October 2011) berating marketers whose focus is metrics and ROI. Under the banner 'Creativity is more than just a numbers game', editor Claire Beale insists that 'creativity defies data'. Yet without data to underpin its creativity, Burt's Bees packs would still be flung all around the store.

Remarkably, in the same editorial piece, Beale argues that agencies need to be better represented in their clients' boardrooms. This is a variation of a long-expressed agency yearning for a seat at their client's so-called 'top table'. Yet that table is the very place where numeracy, terminological precision and – whisper it – compromise will be expected as a minimum.

The marketers we spoke to were well aware of their agencies' desires to be up there with the corporate great and good, but noted that marketing teams themselves have difficulty making their presence felt at this level. They want agencies to help them practically in their negotiations with influential internal disciplines such as operations and HR, or at least to be sensitive to the way these conversations run. 'Naive' was a word we heard time and again for agencies' perceptions of, and impatience with, the internal commercial matrix.

From one of the big brewery companies, we learned that the operations director had vowed to ignore the pronouncements of any agency that had not ventured north of Watford or worked a shift in a pub kitchen. Since one of its agencies had done neither, the marketing >

team was left to fight its bruising internal battles alone.

In service businesses, internal brand engagement is another area in which marketers would welcome more hands-on support from agencies. Recently, we have seen a rash of ambitious, service-based promises in national ad campaigns: 'We're on your side' from Nationwide; 'Here for you', from RBS; 'Thinking of you', from O2. Do the agencies that created them have a process for taking the message to the thousands of people on the inside, whose task it will be to make these promises a reality? Or will these campaigns stumble, the way the 'Doing the right thing' campaign did, for British Gas, whose own employees got to see it at the same time as customers did, on the telly?

Certainly, at the time of the BOBT, the best examples we could find on the subject came from brand owners themselves,

of the mental health system – to think differently about the patients.

The symbolic gesture does not do its work alone, of course; it is part of a fuller internal brand engagement process. But it is extraordinary how the people who work at Cambian – cleaners and cooks, as well as nurses and carers – talk about the 'Wow! pack', and what it means to new patients. It's a kind of talisman, part of the folklore of the brand, and part of the reason why staff stay motivated and deliver the Cambian promise: to help the people in its care achieve 'their personal best'.

HOW TO BECOME MORE COMMERCIAL

Clearly, as our exploration a year ago reinforced, there is plenty of client-side resourcefulness and imagination on the more routine commercial challenges of marketing life. Equally, there are many

This might include:

- planners who go beyond consumer groups to conduct in-depth interviews with trade customers and produce insightful observations about them, and about opportunities within the retail environment;
- an agreed format for presentations of creative work which includes implications for operations, finance and HR;
- at least one person on the dedicated agency team to have an MBA from one of the leading business schools;
- exchange of graduate trainees between agency and client for agreed periods; this used to be a norm, but seems to have gone out of fashion of late; and
- incentive-payment metrics that include evaluation of agency input and understanding on the full range of client issues: distribution, pricing, trade marketing, supply chain, service delivery, ROI.

It's decision time for ad agencies, too. Do they really want to confront all these extra complexities, on top of the myriad communications disciplines and channels that they already need to master? Or is the more honest approach to stick to creativity and ads? There is no stigma, and much good business sense, in going this route.

Conversely, those who want to be 'partners' or earn a place at that client 'top table' need to recruit a few more business-school alumni, gain greater fluency in the language of the corporate boardroom and recognise that their current Achilles' heel is dubious numeracy and a casual disrespect for data. A little stakeholder risk might also help; buying a brand and running it was one suggestion we made, only half in jest, for the members of the Advertising Planning Group.

It would be nice to think that a healthier respect for numbers, to run alongside its genius for originality, might pay dividends for agencies in the most literal sense, too. Right now, average ad agency margins are under 11%. That, if nothing else, shows that the advertising industry could use a bit more commercial nous. ■

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This article is based on a talk given at the Advertising Planning Group's 2010 'Battle of Big Thinking', held in association with Campaign.

In service businesses, internal brand engagement is another area in which marketers would welcome more hands-on support from agencies

without agency involvement. The one we spoke about, for one of our own clients, Cambian, showed how internal messaging can be held together by the power of a 'big, symbolic gesture'.

CAMBIAN: A BIG SYMBOL OF CARE

Cambian is in step-down mental health care: semi-secure places for people who have often been in the system for years, many of them sectioned, usually arriving with a bare few possessions to their name.

The brand is run by a charismatic owner, Saleem Asaria, who created a symbolic gesture to signal that Cambian feels differently about the people in its care. It is a 'Wow! pack', that patients get the day they arrive: a designer rucksack, inside which is an array of branded toiletries, a watch and an iPod. Often it's the first time patients have been provided with decent, branded products in their entire time in the system. These were symbolically chosen as the brands Asaria uses himself.

The aim was to send a signal: a signal to patients, to encourage them to start feeling differently about themselves, but, just as importantly, a signal to staff – many of whom will have come from other parts

marketing departments where resources are thinly stretched, leaving marketers needing all the intelligent external help they can get.

From a practical point of view, what can marketers do to persuade agencies to take a more holistic, commercial perspective as part of their everyday service?

The first thing is to be clear in your own mind that this is what you want. A simpler option might be to dispel all talk of 'top tables', 'lead agency' or 'brand guardians' and restrict the agreement to one of just producing great insights and great ads. It could make for a more streamlined relationship – and may leave you free to explore project-based arrangements rather than keeping a retained agency, or even considering lower-cost options such as creative consultancies or crowd-sourcing.

The downside is obvious: if all of your marketing services suppliers are siloed this way, without any one of them taking a broad view, then you will be the one who is left joining the dots.

The opposite way to go is to take the advertising agency's desire for deeper involvement at face value and be clear what it is they need to do to achieve it.

Never waste a good crisis



When times are good, it's easy to do well. It's in difficult times that a brand can make more relative progress

I WAS THE first marketing director ever on the board of Tesco and the first marketing person to be CEO. But I'm no longer a marketing CEO, I'm now an investor and I think like an investor which now means I've not the first idea what marketing's about. I assume, as an investor, that marketing should be left to the accountants.

So my first observation is that, as a profession, marketers need to do more to tell the world – investors and finance people – of the vital role that they play in modern commercial enterprise.

These are difficult times. We're four years into a recession or at least slow growth. But my own feeling is that these can be the best of times for marketing. When times are good for everybody, it's easy to do well. It's in the difficult times that a brand and a person can make more relative progress.

But to do that you have to break out of the straightjacket that gets slowly wrapped around you within your organisation: the conventional, a comfortable way of how you see yourself, the business, your customers, your competitors and your products.

You're framed by habit, by the budget, by comparisons with last year or last month or last week, and meeting sales

targets. If you're not careful, all these things can slowly suffocate you and your ability to see things fresh and new.

A crisis, when things may not be working as well as you hoped, is a great time for shaking all of that up. It's a time for breaking away from it and starting out again with a clean sheet of paper and a really fresh look at the business, at yourself, and above all at the opportunity.

MAKING THE MOST OF IT

Here are eight things you might want to write on that clean sheet of paper.

1 The first is finding the truth. It's incredibly difficult for organisations to see themselves as others see them. There's a whole mechanism for filtering out the truth from the outside world. We're all part of it and research can be the worst in terms of giving you a version of the truth rather than the actual truth.

Research tools are very useful but research is like going into a dark room with a torch and all you see is what the torch beam lights up, you don't see the whole room. So look at life. Look at what's going on in the world, look at your customers, the lives that they're living, their problems, hopes and fears. It's out of that empathy that the truth emerges.

If any CEO knows about marketing's contribution to success it is Tesco's ex-marketing director, **Sir Terry Leahy**. Here, he urges marketers to take advantage of these difficult times

This article is an edited version of the speech given to The Marketing Society on 10 October 2011.

I've never had to look for growth. I just listened to customers, listened to how they talk about how their lives were changing and the direction that they were going in. All I had to do was try to follow them and try to stay close and be first to respond when a new need emerged. That gave me all the growth that I ever needed in my time at Tesco.

2 My second piece of advice is think big. When the architect Daniel Burnham entered a competition for the rebuilding of Chicago which had burnt down at the beginning of the 19th century, he simply said make no little plans. We're not on earth to make little plans and so if you're going to do something, make sure the world notices it.

And don't let the right idea be diminished by going through a management process. The Club Card would never have been launched if it had

gone as an idea through a budget process. But we believed it was the right thing to do. We'd secretly trialled it without telling the organisation. Customers told us they loved it even though we had no idea how to make it work or how to make it pay. But we knew if customers valued it we could push it through the business and to make it happen.

company – even the accountants – serve the customer, not just the marketing department or the sales department. A business is never happier than when it's innovating and finding new solutions. People will follow you because they like to create and to make things better.

5 Communicate. We marketing people are not always good all-round communicators. We focus very much on narrow audiences. What I have in mind is not so much external communication to consumer but internal marketing within the organisation. If you gave more thought to that you'd find it much easier to take the organisation with you in the things that you want to do.

I've often come upon very frustrated marketing people complaining they can't get support for something. But they haven't used their own skills to communicate what it is they're trying to achieve, why it's good and what help they need from other

people. We felt this was so important in Tesco that we used to bring journalists in to teach us how to communicate.

8 And finally, act. You may know the truth, you may have an ambitious vision, you may have a great plan, but all of it amounts to nothing if you don't act. And to act you need a process. A lot of marketing people fall down on process. They'll say if I wanted to be good on process I'd become a management consultant. But the fact is if you're going to turn an idea into something for customers that changes their life you need a process.

I'm actually optimistic looking forward, People have lost sight of the fact that the world's economy grew last year by just short of 5% and I think this year it's still expected in to grow at 4%. We obviously are slower in recovery than we expected but, what's been missed is the extent of the oil shock that's hit the consumer and hit the economy.

By some measures when the oil price doubles, an economy will shrink by 5%. In fact, the oil price has virtually doubled. It went up to \$140 which was the start of the recession in 2007/2008 but then collapsed down to \$50 which was right in the depths of the recession and which fired the early recovery. Then it rushed up again in the UK to about \$130 and that really is a big brake on consumer spending and consumer confidence. But as that is slowly embedded, or if the price subsides a little bit, I think you'll see a stronger recovery coming through.

DRIVERS FOR GROWTH
Underneath all of that and largely unaffected by the economic cycle, you can see drivers for growth. Tapping into them may not solve all your problems but they'll give you a following wind. **And the first of those is trust.** In a very complicated world people increasingly navigate by institutions, people and brands that they trust and so it's very important that you have a relationship

Marketing is the best place in an organisation from which to lead because you've got the greatest power in the business – the voice of the customer. You have the moral authority

gone as an idea through a budget process. But we believed it was the right thing to do. We'd secretly trialled it without telling the organisation. Customers told us they loved it even though we had no idea how to make it work or how to make it pay. But we knew if customers valued it we could push it through the business and to make it happen.

3 Take risks. All the things that I'm proudest of in my career would have got me fired if they'd turned out differently. You can draw much more from organisations than they think they're capable of delivering and the marketing role is a terrific place from which to draw out that extra capability. But you have to take a personal risk and you have to encourage the organisation to follow you. There are only two limits I'd ever put on that – be true to your values and never bet the company.

4 Create. Marketers are creative people and should be turning the whole organisation into a marketing department. What you have is the voice of the customer, which is the most powerful thing in an organisation. You must make the whole

people. We felt this was so important in Tesco that we used to bring journalists in to teach us how to communicate.

6 Teach. Marketing people are experts, but we're not the best teachers; we're too busy doing. Take time to pass on the skills that you've got. Take a day a week or a day a month, whatever you need. It depends on your circumstances, but take enough time – probably more time than you think that you've got – and start young.

I spotted Tim Mason, my marketing director for many years who now runs Fresh and Easy in the US, at the age of 23. Caroline Bradley, the UK marketing director was 22 when she first came to my notice. Richard Brasher who runs the UK business, he was 22; Phil Clarke who runs Tesco, was 25. Those graduate trainees are your future marketing directors and CEOs so pay attention to them from day one and pass on your skills.

7 Above all, lead. A definition of leadership that I like is this: a leader will take you further than you will go on your own. That gets to the heart of what leadership is about: not what you do as a person no

with customers based in some way on trust. You can't buy it, you can't get it through advertising, it has to be earned through reliable performance day in day out. It needs complete transparency in how you go about business.

The second big driver for growth is information. We have more information than ever on our customers and they have more information than before on us. As I've stepped outside of Tesco and looked at businesses around the world, most business are nowhere near their full potential in terms of harnessing the data about their business and customers and really using it beneficially.

Also they're nowhere near appreciating that you've got to really engage with customers and look for a much richer, deeper relationship based on the knowledge that they have about you. Those customers can be real advocates of your business they can actually be like employees. They can design your business and give you feedback on it. They can be champions of your business and give you early warning about your products, but you've got to engage them.

Health. It's anthropological fact that everybody wants to look good and live forever. That's what drives us and any business; any product or service that promises some help in that direction will see above-average growth.

Convenience. People feel that they're busier than ever before. It's a moot point whether or not they are actually busier than ever before but they unquestionably feel it. So a product that promises convenience will see above-average growth.

And it doesn't have to be complicated. We created Tesco Express just from a simple observation years ago that people were too busy to get themselves organised for a weekly, one-stop shop. They wanted the store to come to them. And so we had to miniaturise it and put it right next to where they were and that simple observation turned into a business worth billions of pounds, it was a fast-growing format all over the world.

Simplicity. It's a linked point but you'll know that people almost have too much choice. They want you to understand what their needs are and solve those in a satisfying way. Technology is helping enormously. The one that always springs to mind is how the ATM machine not only transformed banking but also transformed people's relationship with machines. And

there's another round of that coming with mobile commerce. Over the next few years it's going to transform how people do business – including retailing.

Loyalty. Far too much of marketing spend goes on chasing the promiscuous customer and that's a very poor investment. Putting more of your marketing monies behind rewarding your existing customers and encouraging loyalty will give you a far better return on investment.

The final driver is sustainability, going green. People used to ask me if you can grow a business and be green. The question now is will you be able to grow if you're not green? In the first case it's because you'll constantly be being rocked, by unexpected regulation, taxation, proscription from increasingly anxious politicians who are trying to address the issues around climate change and sustainability. So unless you see those things coming you're going to get hit. I believe that, increasingly, customers will want to know more about the effect you're having on the environment as you serve them and you're going to need to reassure them that it's beneficial.

A NEW GENERATION OF SKILLS

The 20th century was a miracle of mass consumption in the West; it was a miracle of how marketing and supply chains came together to enable hundreds of millions of people to have a better material life. In the 21st century billions of people in Asia will demand that same right to a better life.

There's no use asking them not to consume, that's not going to happen. All we can hope to do is to create a new form of consumption that is not reliant on the planet, on fossil fuels, and we can grow and decouple from the depredation of the natural resources.

That needs a new generation of marketing skills. It can't be done by regulation or by taxation or by prescription, it has to be done working with the grain of consumers aspirations. You have to make being green desirable, you have to make it affordable, you have to make it easy, convenient, all of those things that we spoke about earlier on and if you do that then you will play your part in creating a consumer revolution, a green revolution and that's a wonderfully worthwhile role for the marketing profession. ■

Sir Terry Leahy is a former CEO of Tesco.

Customers will want to know more about the effect you're having on the environment, and you're going to need to reassure them that it's beneficial

Through the glass ceiling

The opportunity for women in the marketing and advertising community to earn a place in the boardroom is still relatively untapped, but several recent initiatives should make it easier.

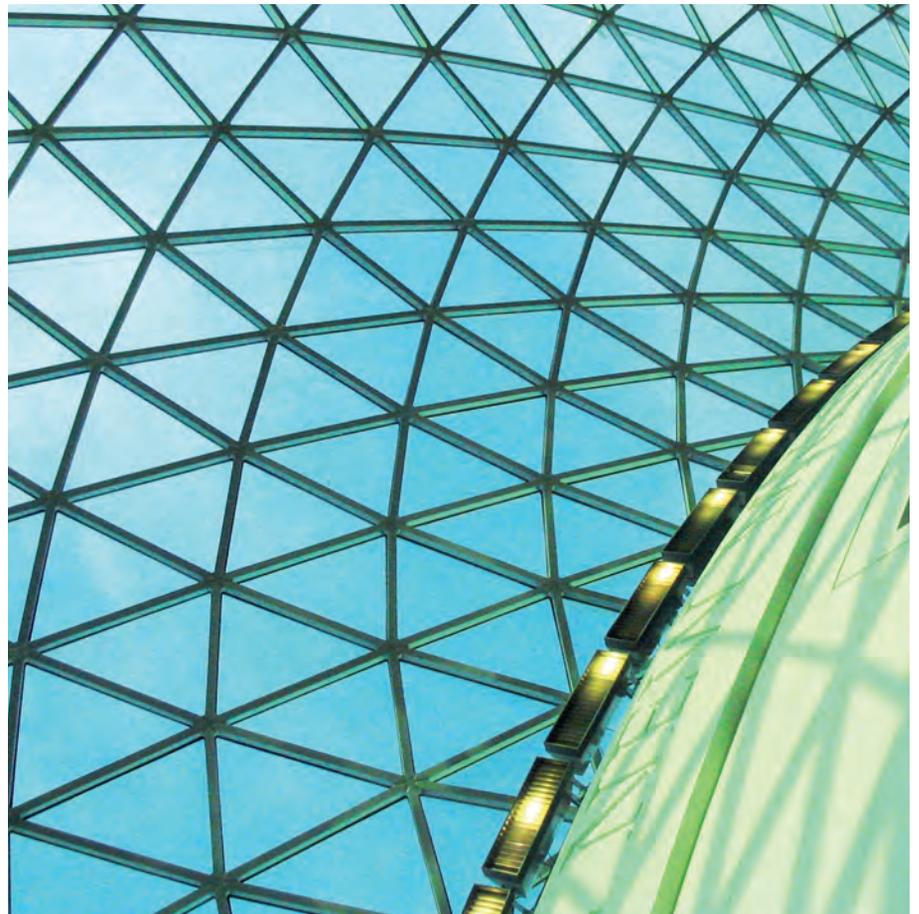
Janet Hull reports

HELENA MORRISSEY, founder of the 30 Percent Club, mother of nine, and CEO of Newton Investment Management, wants to change the shape of Britain's boardrooms. Speaking at a drinks reception and forum at the House of Commons entitled 'The Shape of Things to Come'¹ on 26 October, she called for a paradigm shift in thinking, among CEOs and chairmen of FTSE companies, when it comes to the appointment of directors and non-executives.

Morrissey predicts a future where there is a 'kinder capitalism'; where the whole framework of doing business successfully will be challenged. And this will call for a new type of business director.

Alysoun Steward, founder and director of business consultancy Oxygen8 Solutions Ltd,² tends to agree: 'The impact of recession cannot be underestimated. Beleaguered companies have realised that they have to do things differently if they are to survive and find competitive edge – having boards that continue to think and act in the same old way will be a high-risk strategy.'

There is now pressure on executive search consultants to open up the talent pool for executives and non-executives,



in particular, to candidates who have no previous experience of the boardroom, and to set selection criteria which give greater transparency to the process.

HOW FAR HAVE WOMEN COME?

In 2009, of the 14 women hired as FTSE directors for the first time, one was British, and of the five female FTSE 100 CEOs in 2011, just two were British and three American.³

In 2010, women occupied just 242

of the 2,742 board seats of FTSE 350 companies. Within FTSE 100 companies, of the 1076 board seats available, only 135 of these were held by 116 women.⁴

But change is afoot. In February 2011 Lord Davies conducted a large-scale investigation for Government, ending with a report putting forward a ten-point plan to get more women into UK boardrooms. Encouragingly, since then, of the 250 board appointments made in FTSE 350 companies (excluding

investment trusts) almost 20% have been women, with a bias to non-executive appointments (almost 25%).

MORE WOMEN NEEDED

The pool of women is still limited, and UK women are not as well represented as they might be. And there's always the risk that 'alpha' business women tend to have the same traits as alpha men. Saxonbury Executive Search director Sandy Meadows talks about women who have followed a male career: 'Entering the old boys' club were the old ladies.' She complains of a history of 'lazy hires' in non-executives 'in the model of the incumbents. You don't get paid as much, so it's a way of paying back people who have helped you.'

Tokenism is not the answer. The Davies Review recommends a minimum of three women per board to create balance and cohesion. The 30 Percent Club goes further in calling for a full third of the board to be women.

CHANGE AGENTS FOR BOARD BEHAVIOUR

According to the Davies Review, where governance is weak, female directors exercise strong oversight, and can have a 'positive, value-relevant impact' on the company.⁵ A Canadian study quoted in the report, and entitled 'Not just the right thing, but the bright thing', found that gender-balanced boards were more likely to identify criteria for measuring strategy, monitor its implementation, follow conflict of interest guidelines and adhere to a code of conduct.

Whereas the 2003 Higgs Review of Corporate Governance called for greater professionalisation of boards, encouraging a focus on candidates with significant prior financial responsibility, the Davies Review argues that, although there is a need to be financially literate, financial responsibility, just like sector expertise, can be taught and should not be a prerequisite for appointments. 'Greater emphasis should be placed on a broader mix of skills and experience.'⁶

Given the aspirational target of 25% to 30% women and broader representation, the Davies Review identifies two different populations of women who are well qualified to be appointed to UK Boards, namely:

- executives from within the corporate sector, for whom there are many different training and mentoring opportunities; and
- women from outside the corporate

mainstream, including entrepreneurs, academics, civil servants and senior women with professional service backgrounds, for whom there are considerably fewer opportunities to take up corporate board positions.

Boardroom review firm, Bvalco⁷, points to the behavioural styles that make for boardroom effectiveness: thinking, involving, inspiring and performance behaviours. Dig deeper and it's obvious that women have a role to play in developing open and collaborative dialogue.

THE CHALLENGE

You would have thought that women in marketing would be the holy grail for businesses, but, although there are notable precedents – the late Patricia Mann, Dr Liz Nelson, Dianne Thompson, Rita Clifton, Carolyn McCall, Stevie Spring – this is still far from the case.

Perhaps it is Amanda McKenzie who represents the epitome of success for women CMOs today. Not only has she

The review recommends a minimum of three women per board to create balance and cohesion. The 30 Percent Club goes further in calling for one-third of the board to be women

broken through the glass ceiling to reach the executive board at her main employer, FTSE 100 company Aviva, but she has also achieved a non-executive role at Mothercare in the past year.

But what hope is there for the rest of us? Simon Marquis, ex-CEO of Zenith Optimedia, was headhunted, eight years ago, for a top non-executive position at PLC printing company St Ives. He says: 'I was brought on board as a media person. They wanted that skill set; a working experience of the marketing world.'

When Marquis completes his third term of office towards the end of next year he is certain that he will be replaced by a marketing person, and, possibly, a woman. 'There were two women on the board, but through happenstance there are none at the current time and the board are rather conscious of that. It has certainly been a topic of discussion, and while tokenism would be totally inappropriate, it would be rather satisfying to replace me with a marketing woman.'

Annette King, current CEO of OgilvyOne, is just starting out on her road. She says: 'I made it a new year's resolution to get on the non-exec ladder, and it's taken me just under nine months.' King has recently been appointed a non-executive board member of London First, a business organisation and service provider to FTSE 100 companies, which seeks to make London the best city in the world in which to do business.

King attributes her success to three things: dogged determination, networking and specialist knowledge. 'I sought advice from friends and colleagues with more experience and a broader network, and contacted eight different headhunters. I was advised to tell all of my senior clients I was looking. With each move I gained more understanding and more confidence. My CV changed dramatically to make it fit for purpose. Commercial achievements, yes, but it contained less about what I had done for client companies than the quality of the company I had kept. A bit about marketing and about being female. A lot about the digital thing. Most boards are still scared of digital.'

When King finally landed her first appointment, it came through a referral, a consultative lunch, then a formal invitation to interview with the nomination committee. It helped, perhaps, that she was the first nominee to represent the creative industries and marketing, rather than accountancy, legal, property or IT, services.

I too have just completed an interview process for a non-executive position at the Quality Assurance Agency (QAA), and have received notification that I have been accepted for the post.

The feedback I received was indicative of the challenge facing marketing: 'Because you came from an advertising background it was expected that you would be brash, pushy and shallow. But the panel were bowled over by your honesty, your reflective style, and your intelligence.'

WHAT MORE CAN WOMEN DO TO HELP THEMSELVES?

King developed a strategy for her personal search and suggests that other women do it too. Her roles on industry committees such as WACL, IPA and IDM had taught her the value that these external roles could bring to her business. 'External networking helped give me space for ideas, and make better decisions, in the

When King finally landed her first appointment, it came through a referral, a consultative lunch, then a formal invitation to interview with the nomination committee

day job.' But she needed to take that networking further, beyond the reaches of the immediate industry.

'I dropped in for a cup of tea with a guy I knew who was MD of the Financial Services Authority. He opened my eyes to a new way of looking at things, and of presenting my credentials.'

Marquis argues that, irrespective of gender, it's important to be realistic about one's suitability to the role. 'If you're a hands-on executive it's very difficult to transfer effectively to an independent board position, where your primary function is to challenge, question, robe, cajole, not execute, command and control.'

For Marquis, diplomacy is a core skill. 'The relationship has to work at a human level. When things get difficult, you may become a go-between, the neutral territory between the executive and shareholders or venture capitalists, having to broker peace talks.'

EXECUTIVE SEARCH CAN HELP

Not surprisingly, the recruitment industry is responding to the opportunity. Bird & Co Board & Executive Mentoring⁸ co-founders Isabel Bird and Kathleen O'Donovan were early to recognise the weakness of the marketing sector when it came to financial acumen. The Glass Ladder Academy provides one-to-one mentoring and small-group seminars for senior executive women to find their first boardroom position, including tuition in 'lingua banca'.

Catquin⁹, an exclusive personal representation agency for senior business women, headed up by Garry Bullard, has recognised the opportunity for widening the talent pool to include

professional services and founders of successful entrepreneurial businesses. It offers access to an extensive network of appropriate chairmen and nomination committees.

Saxonbury¹⁰ is possibly the most enterprising of the smaller groups at the current time, with a new initiative to get chairmen to think about more diverse options: breaking down what is needed in a NED with capability frameworks which analyse knowledge, skills, experience and behaviours. Says director Sandy Meadows: 'Otherwise it's chicken and egg – people with board experience choose people with board experience.'

They've had some recent successes: Louise Makin to Premier Foods; Margaret Johnson and Lucy Kellaway to Admiral; Sarah Jane-Thompson to Bloomsbury. Now they're looking for sponsorship to create an online register of women from all backgrounds, and asking Chairmen of FTSE 500 companies to put their money where their mouth is.

With aggressive targets being set by the Association of British Insurers, and consultation under way at the Financial Reporting Council about whether or not changes should be made to the UK Corporate Governance Code on board diversity, it might just work. ■

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The consumer psyche: irrationality rules



Attitudes and behaviour refuse to follow logical patterns, says
Melanie Howard

CENTURIES AFTER the Enlightenment there is still a mighty battle raging to decide what really dominates the wellsprings of human action. On the one hand, the majority consensus in liberal democracies holds that our choices can, and should, be made according to a rational model – determined by reason, knowledge and science in the footsteps of John Locke and those legions of philosophers and social theorists that followed.

Yet, in the other corner – experiencing a surge in voice and influence – is the force of irrationality that we might have assumed had disappeared as religion trumped magic in the 16th century and religious fervour was brought under control in an increasingly educated society. Is this not rather exaggerated, I hear readers thinking? Well no, we have evidence to the contrary. Even such high-brow debates as Richard Dawkins' polemical crusade against the 'God Delusion' can have powerful echoes in the mundane world of everyday consumer decision-making.

NO PLACE FOR LOGIC

Recent observations in the nVitro trend-spotting laboratory at the Future Foundation are leading us to hypothesise that less-than-rational themes are making a strong comeback, if indeed they ever went away. But this cuts both ways. On the one hand we're making choices that are injurious to our health and wellbeing in the long term – such as drinking and eating too much. We ignore that the Government's Foresight team is forecasting that more than half of us will be obese by 2050.

On the other hand, trends such as 'magic nostalgic', which describes a powerful attachment to things from the past in a never-ending retro-cycle of fashion, design and sentiments as emotional support in the face of too much change, are motoring ahead. This year, McDonald's has brought out a new version of its original burger from 1955, and Coca-Cola has celebrated 125 years with a range of retro-designs on their cans from the 1930s and 1940s to help consumers feel the warm glow of heritage.

When put to the test in a recent interactive session with Future Foundation clients, we found that the majority of our subscribers also judge a number of our other well-established consumer trends to be irrationally driven. One good example is 'authentiseeking' – best characterised by the tendency to revere the handmade and local over the mass-produced and global.

Equally, they judged the long-running and powerful trend, the 'culture of fear' (first identified by sociologist Frank Furedi in 1997) to be highly

irrational – but no less powerful for it. After all, it describes how fear itself has become the problem rather than any empirical basis on which the real risks to our lives and health, and the safety of our children, might be judged.

The difficulty in judging what is rational and what isn't was illustrated by participants' responses to the 'personalisation of authority', which describes our tendency to trust people close to us for advice on what to buy and where to go. Around 60% deem this irrational and 40% consider it rational.

Whether rational or not in origin, our increasing faith in word of mouth has inspired online retailers to create proxy versions through inviting user reviews. But the latest twist – quite rational perhaps – is that the veracity of many of these is now being questioned, and new services such as Revoo.com have sprung up to ensure they are 100% genuine.

The growing array of methodologies to explain consumer behaviour and decision-making provides insights into how we choose. Behavioural economics has so impressed the Government that there is a unit in the cabinet office, figuring out how 'nudge' can help propel us in the right direction. It is predicated on the recognition that the assumption of rationality in classical economics has failed and that greater subtlety is required to help us help ourselves.

Experimental psychologists such as Dan Ariely¹ argue that deliberately irrational choices might prove to be, paradoxically, a more rational route to better 'bang for our bucks' in consuming goods and services. He cites the instance of overcoming the effects of 'hedonic adaption' – the process by which we become so familiar with new and once delightful material things that they no longer give us pleasure. Breaking up the experience, or delaying purchasing can help extend the enjoyment.

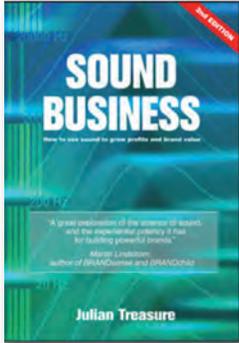
The increasing deployment of research techniques such as brain scanning, eye tracking and emotional monitoring in situ and in the lab, reveals that consumers are as much driven by their impulsive drives, senses and emotions as their cognitive functions. Maybe we have always known this, but the tools available now mean that rather than irrationality being an unknowable and unpredictable force, it's something we can increasingly measure. ■

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How does your brand sound?

MICHAEL BAYLER



'MOST BUSINESSES are shooting themselves in the foot every day with bad sound ... over 95% of Fortune 500 company websites are still purely visual.' Julian Treasure's goal in writing this book is clear: to elevate sound from being a poor cousin of muzak, or a half-hearted afterthought to being, literally, a sound and pragmatic investment in customer experience and brand growth with clear ROI.

The question we must therefore ask is simple: does *Sound Business* inspire and enable readers to move investment away from easier, less-controversial activities, and begin converting them into confident advocates of brand sound?

For a start, a typical busy, commercially minded reader might instinctively prefer a less comprehensive 'what', and a bit more focus on 'why'. Mr Treasure's very accessible audio-visual presentation, and many interesting and enhancing sonic examples from case studies, are available online. So if the reader struggles with the theory in this book, help is at hand.

Once through his extensive premise and arriving at the 'how' – the conceptual heart of the book – The Sound Agency's consulting framework is sensible and comprehensive, and the name brand case studies generally robust.

If you already suspect that your brand might

deserve a significant focus on and investment in sound, *Sound Business* equips you well for the fight. But often, in these brutal times, there will be a fight for budget, and it is likely that investment in more tactical, less-innovative tactics will override the more – rightly or wrongly – esoteric opportunities.

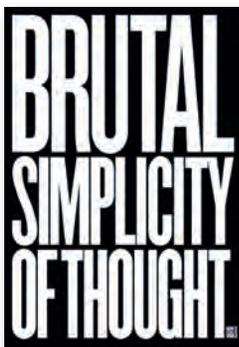
Sound Business seems best located as an underlying – and substantial – proof point for The Sound Agency's coherent and, judging by endorsements and client references, credible offering. A book of this substance and in-depth research is a key building block in an ambitious niche agency's development strategy. It's apparent that *Sound Business* will stand the test of time and will be quoted into the future, by those who have made what remains, at least for now, a more cerebral commitment to the cause.

However, brand sound is, for now, still viewed more as 'a bad thing that may need to be fixed', than 'a good thing that cries out to be leveraged'. Julian Treasure and The Sound Agency will no doubt be around to fully harvest the rewards of their vision and tenacity when the time comes. ■

Sound Business: How to Use Sound to Grow Profits and Brand Value, Julian Treasure, Management Books 2000 Ltd, £12.74

Making the impossible possible?

WINSTON FLETCHER



THIS BOOK, *Brutal Simplicity of Thought*, brutally reveals the weaknesses, and strengths, of brutal simplicity of thought. The book is a compilation of some 50 ideas, claimed to be brutally simple ideas, which it argues have changed the world. In his introduction Maurice Saatchi says 'Simplicity is a test... It forces exactitude or it annihilates.' The book's website adds: 'Simple ideas enter the brain quicker and stay there longer.' The opening of that sentence must surely be true, but I'm not sure about the ending.

Still, it is an attractive notion. Each example asks a provocative question, such as: 'How did two wheels emancipate women?' And answers that a brutally simple thought – in this case the bicycle – did the trick. Some of the examples are quite entertaining (Q: How do you keep your private parts private? A: A zip). Others would make excellent pub-quiz questions (Q: How did an Irish Pointer discover Velcro? A: An engineer called George de Mestral spotted burdock seeds getting caught in his dog's coat, and hey presto! Velcro).

But if you examine most of the examples more closely they fall apart. The first is a truly brutal insult to the suffragettes, and ignorantly ignores

a brutal fracas called the First World War. The latter two are far from simple thoughts. I never cease to be impressed by how clever both zips and Velcro are – and I'll bet a portfolio of M&C Saatchi shares to Bernie Madoff's Ponzi investment scheme (now that was a brutally simple idea) that Maurice Saatchi could not have invented either zips or Velcro if he lived to be 1001. And nor could I.

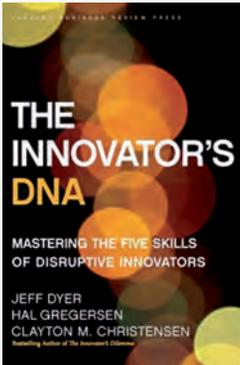
Everyone in marketing must applaud simplicity of thought. But in marketing, as in life, many things are brutally complicated. And insisting they are simple can go disastrously wrong. The book's thesis is that with brutal simplicity of thought, nothing is impossible. 'Nothing is impossible' has been the Saatchi brothers' marching song, because it sounds inspirational. But it led them into trying to buy the Midland Bank, and into buying the Ted Bates agency. Both moves were disastrous.

Simplicity of thought – not the brutality bit – is a highly desirable discipline in marketing. But it does not make the impossible possible. ■

Brutal Simplicity of Thought: How It Changed the World, preface by Lord Saatchi, Ebury Publishing, £10

Stay curious

DAVID NICHOLS



I SELDOM have time to read business books end to end, so in *The Innovator's DNA*, I was pleased to find that the introduction is particularly good. All the key points are made succinctly and you get the gist of the whole tome in just a few pages. And the gist is that great innovators are made, not born. All you need to do is follow five behaviours and you can become a Steve Jobs in your own right (well, almost).

This is not your typical innovation book. This is from the *Harvard Business Review* and is based on serious academic study. The rigour shows. I liked the professor-ish directness with which the authors lay down their ideas: 'If you want innovation, you need creativity skills within the top management team.' There's no room for debate. They've done their research.

Clayton M Christensen, author of bestselling *The Innovator's Dilemma* and *The Innovator's Solution*, is the big name draw for this book with a rather dull cover. It seems, however, to be mostly written by two of his professorial colleagues, so I was worried it might lack his clear thinking accessible style. Not a bit of it. It's cogent, readable stuff. They explain how many of the big names in business got their big ideas and they name check them frequently: Jeff Bezos (Amazon), Pierre Omidyar (eBay), Marc Benioff (Salesforce.com) and so on. The cases

are relevant and fresh as they mostly come from personal interviews with these business leaders.

However, I was a little disappointed to find that their number-one case study is Apple. It is possibly the most often-quoted innovation case in history and their material is based on other books, not personal insight. It's relevant and useful, but not as fresh and engaging as the rest.

The book's thesis is that there are five key skills to being a good business innovator: associating, questioning, observing, networking and experimenting. They rightly say that we can't all be Steve Jobs, but they have quantified his and others' behaviours and smartly summarised the things they all do differently from non-innovators. These are not genetically gifted talents, but behaviours that can be learnt.

Having established the five key behaviours, I found the detailed chapters on each one were harder work. Brief excitement came from some of the case studies.

However, it's a solid, thought-provoking book, based on the interesting notion that you can be a great innovator if you behave like one. ■

The Innovator's DNA, Jeffrey Dyer, Hal Gregersen, Clayton M Christensen, Harvard Business Press Books, \$29.95

A round-up of valuable lessons

HAMISH PRINGLE



THE FIRST advertising book I read was *Ogilvy on Advertising* by David Ogilvy in 1972 as a graduate trainee at the great man's London agency, Ogilvy Benson & Mather. Apart from learning valuable lessons it struck me that an agency that has a strong point of view, expressed in a book, has a competitive advantage even if not everyone agrees with its philosophy – an agency can be very successful with a relatively small market share. It also imbued in me a career-long enthusiasm for exploring the inter-relationship between the art and science of advertising.

Being Digital by Nicolas Negroponte also had a profound effect on me with its simplicity of exposition and the easily grasped descriptions of 'bits' and 'pipes' laying a foundation of knowledge that has served me well. It led to CME.KHBB being the first agency to register its domain name, but we were beaten to having the first operational website by HHCL. That too was a valuable lesson – it's essential to innovate continuously and provide clients with advice and support in the new frontiers of media.

Lateral Thinking: A Textbook of Creativity by Edward de Bono; I had become familiar with

the concept of 'lateral thinking' without having actually read de Bono's work. So, when I did it struck me that his premise – that the world was largely comprised of people who were logical thinkers, but who could become creative while donning special thinking hats – was at odds with my observation of many top people in advertising agencies. They seemed to me to have the ability to oscillate seamlessly between linear and lateral thinking modes. This insight, backed by my many years of quizzing successful agency people, and a five-year IPA research project through Agency People, led to the validation of my 'diagonal thinking' hypothesis.

The Luck Factor: The Scientific Study of the Lucky Mind by Richard Wiseman contains several intriguing ideas but the one that appeals to me most is the notion that whether or not people consider themselves lucky can be correlated with other factors in their life experience. It seems that lucky people are more open, more aware of the world, and more interested in the people around them. As a result, more opportunities are either spotted or made available to them, more choices are made and often more good things happen. ■

No growth doesn't mean no change



David Nichols reflects on Japanese women, earthquakes and ad agencies

THIS YEAR I have been fortunate enough to spend quite some time in Tokyo on a series of brand strategy projects. Two and a half months to be exact. The Japanese economy is stuck in neutral with 0.7% average GDP growth since 1992 and has dropped negative for the past two years. Yet, it is still one of the biggest consumer-goods markets on the planet.

Clichés are clichés because they are based on truth – karaoke, whisky drinking and strong hierarchical structures are commonplace here. But there is a lot of change in the air and quite an appetite for it. Thinking of launching your brand in Japan? Don't assume your marketing and positioning that works everywhere else in the world will work here – it probably won't. You will have to have a local team who understand not just the local competition but the cultural context for your product. For once, it really is 'different in my market'.

The role of women has undergone massive change over the past 20 years – and is still changing. In 1990, 90% of women would have been married by the time they were 30 years old, now it's only 65%. Even more dramatically, for 20- to 24-year-olds, the figure has halved from 45% to 23%. Birth rates are also plummeting. In the same period, single and DINK households have gone from 15% of the national total to 26% (source: Japan National Institute of Population and Social Security Research). All this is leading to a powerful cohort of independent women in the workforce, unrestrained by husbands and children. Change will surely accelerate as these women inevitably take on senior management and CEO roles across all types of industry, currently male dominated.

The message for brands is clear – engage with women not just as housewives looking after the family but also as independent, successful people in their own right. One brand that has done this is Eve, a painkiller brand based on Ibuprofen (much like Nurofen). Its stylish packaging and targeting of business women has seen it attract continued growth in a market previously dominated by Pabron, with its homely 'mom as family carer' image.

RESPONSE TO STRESS

'The 2011 Great North Eastern Earthquake' as it is known, is everywhere: you see it on little collection boxes by tills, in brand promotions, in the power-rated air conditioning, which was set no lower than 28°C by government edict over the summer, and in the hearts of millions as they go about their daily lives. A recent study showed that stress levels are at an all-time high, and they spike significantly

every time the earthquake warning pops up on mobile phones, which it does with regularity.

This stress is compounded by the economy, which has created a sense of uncertainty and lack of a clear future that is a real problem for young people. Jobs no longer offer a rosy career path, and a new phenomenon has appeared called 'non-ambition': young actresses no longer want to start pop careers or go for world peace, they just yearn to open a little icecream shop. The most favoured job for sons is to be a public servant – it's predictable, steadfast, safe. Even more interesting is that public servant is also the most favoured job for a boyfriend to have. I can't imagine that in Britain. This is showing up in brand marketing. Where once mass brands were keen to align themselves with suited young 'salarymen', eliciting feelings of progress, achievement and hope, they now seem to be locked into a different image – that of the *josh-kai*, young beautiful girls with nothing to worry about but their hair and clothes. They advertise everything from vitamins to banking.

AGENCIES: JAPAN V UK

Being a marketing director in Japan has another challenge – the agency. I was fortunate to be working with Dentsu, one of the world's largest ad agencies, and by far the biggest in Japan. The difference between Dentsu and relatively small individualistic UK agencies is marked. It is so big that it frequently manages multiple brands in a category. It has a division structure in order to offer client confidentiality. It also handles media buying and packaging design. It must be tough to deal with an agency with that much power if you are a relatively small brand – especially when on the floor above they are most likely working on a strategy to steal your share with your key competitor.

The offices would put many a bank to shame – in the entrance there are rows of dark-suited execs striding grey marbled floors, taking their black briefcases past shiny steel walls up to 42 floors of desks and closed-circuit television cameras. The art in the lobby has a game of chess enshrined in antiseptic white. Very appropriate.

Tokyo is part thrilling, for the sheer efficiency and modernity of the place, and part bewildering, with its cryptic societal structures and seemingly unexitable railway stations. But it is also a dynamic and exacting place for marketers to build brands. ■

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Are you pushing your customers around?



Kamil Michlewski

explains how offering too many channels discourages customers from using any of them

CONSIDER THIS simple scenario: a customer walks into a store (retailing sports equipment, let's say) and asks if they have more information on the latest skiing equipment. The salesperson, instead of answering the query there and then, says they should check that sort of thing on their website. Customer walks out. Let's now see how this simplified snapshot of the customer journey relates to three groups: customers, companies and consultancies.

CUSTOMER'S VIEW

What this means for the consumer is that they were not able to answer their need when and where they wanted and were forced to go to a channel that was not their first choice. Worse still, if they were a consumer segment that was not used to using the web to do research, they may have switched off from purchasing at this particular retailer.

Instead of appreciating the effort that the company has put into making the information available online, they see it as being 'thrown around'. They may go to another retailer rather than go onto the website. Not a great outcome.

COMPANY'S VIEW

The company here may have thought: 'Right, we have invested in our online channel so we'd better use it. Let's shift as many of our customers onto that platform because it's cheaper and more efficient.' Hence, they may have seen this as a positive and proactive action by their employee. They may have thought: 'Customers may not be too happy but surely they are on their way to finding out what they need from our new online system.'

To exaggerate for the sake of illustration. The company may have actually wasted money developing the system and lost an eager customer – a negative double whammy – while believing they are building an efficient multichannel platform.

Without the knowledge about which of the channel jumps are positive and which are negative, the company may just be making its vital decisions with its eyes closed.

CONSULTANCY'S VIEW

The established view in the world of multichannel consultancy is that the more channels customers engage in the more valuable they are. Countless Venn diagrams with two or three overlapping circles and a bull's eye in the middle would have us believe that this is straightforward, plain and simple.

However, we've yet to see an approach that distinguishes between the numbers of channels people visit voluntarily versus how many they visit

simply because they have to. Would somebody who visited three different channels five times and was forced to make two unnecessary (in their view) jumps be more valuable/satisfied/loyal than somebody who has switched only twice and on both occasions they were happy to explore the other channels? If you tried searching the received wisdom in the industry, you'd struggle to find references to this key question.

ALTERNATIVE VIEW

What we observe in our work is that it's likely that those who engage in a greater number of channels happen to be in a purchasing mindset (and hence want to explore their options more thoroughly) versus those who engage with fewer channels who may be in a situation of seeking support.

The fact that there will be different values attached to those who engage with more channels is not surprising. What is missing from the picture as presented by many advisers is which group is actually more valuable: those purchasing who are exploring the channels voluntarily or those who are pushed from channel to channel along their journey.

If we generalise this to all the contacts across channels customers make, be it online, instore, call centre or mobile, we have a large amount of unnecessary channel switching that frustrates customers and adds costs to the company in revenue and lost opportunity. The argument that, as a result of a greater number of contacts, the sales and loyalty increase doesn't stack up. From our evidence, we see that if consumers are unnecessarily forced to switch channels during their journey, they dislike that profoundly.

An article from *Marketing Week* – published online on 19 September 2011 by Rosie Baker – suggested that companies such as Morrisons, Dixons, Homebase, Phones4U, Sports Direct and DFS are missing out on the opportunity of multichannel marketing. The reality may be more nuanced as they may potentially be losing money in the process of developing their multichannel systems.

To reap the rewards of the new interconnectedness, firms need to understand not only how many different channels their customers visit. They should know how many channels they visit because they choose to and how many because they have to. With this knowledge companies can maximise the right contacts and minimise the wrong ones for the benefit of both their shareholders and consumers. ■

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It's time to stop looking on the bright side



We need more case histories of brand failures, says **Rory Sutherland**

YOU KNOW those women who occasionally hang around outside the Old Bailey waiting for the Group 4 van to arrive with some child molester on board? As the van makes the turn into the underground car-park, these modern-day tricoteuses run towards it as a crowd, banging on its sides and shouting “f***ing scum, at the defendant inside.

If you know any of those people, it would be really handy if you could pass me their contact details. You see it might be good to hire them for a forthcoming awards event I am planning.

The idea came to me when standing outside a building in New York sharing a cheeky cigarette with a couple of Dutch software designers.

What was I doing there? Well, whenever I can, I like to attend events on software design, web design and ‘user experience’ in general. This is partly out of fascination but also from a desire for self-preservation. You see, I think that, in ten years’ time, any flourishing advertising and communications agency will spend perhaps half its time on this kind of thing.

One of the Dutchmen was, as such people often are, an enthusiastic adopter of behavioural economics. (You cannot really help being interested in behavioural thinking if you are an interface designer or usability specialist, since in these fields you very quickly realise how relatively small changes in the design of an interface have immense effects on the behaviours of the people using them.)

‘I feel really sorry for you people,’ he remarked. ‘You see you spend all your time trying to sell things to clients on the basis of optimism and hope. It’s dreadfully difficult.’

The typical advertising pitch, he explained, was made on the basis that: ‘If you do X, then wonderful things will happen.’ In computing, he explained, you would only ever adopt such a sales tactic in moments of desperation. No, ‘fear of loss is twice as powerful a driver of behaviour than the hope of improvement,’ he explained. So, in IT, wherever you possibly can, you make the sale on the basis of the dire consequences that will result if you do not buy what is being offered. The fear of hell is a much bigger force in selling Christianity than the promise of heaven. And IT has some wonderful, Bruegelish visions of hell to sell – your systems will collapse, your best customers will desert you, invoices will go unissued, your website will crash. This is what really prompts people to act.

The sunny, optimistic temperament of advertising people is their worst enemy. What we need is the ability to paint a picture of gloom. Of the once-flourishing brands which have sunk slowly into obscurity. Or of businesses which became so enamoured of their particular model they failed to notice that their customers were moving elsewhere.

Earlier in this issue I have written sceptically about the idea of ‘accountability’ (see p40) as the highest goal of marketing activity. Here is another problem with accountability: it focuses you on the returns gained from marketing expenditure. What you also need to include in the equation is the dire effects that might have resulted from doing nothing.

And that’s when it struck me. What we need is rather fewer case studies of marketing successes – and a few more studies of non-marketing failure. Stories of businesses that have failed to promote themselves adequately, or failed to adapt to changing consumer behaviour – and have suffered dire consequences as a result. We need to spend far less time talking about Apple, Nike, Harley-Davidson and Dove and far more time discussing the brands and businesses that failed. As well as promoting the IPA Advertising Effectiveness Awards, we need a biennial event called the ‘Non-advertising Ineffectiveness Awards’.

As you arrive for these awards in your chauffeur-driven Ford Edsel, you will be met in the foyer by a particularly depressing exhibition of brand failures. Still holding your complimentary glass of Sunny Delight, you will then make your way to the ballroom, where the evening will open with a celebration of apathy and confusion – celebrating those brands that have become slowly irrelevant through a gradual decline in promotional support – or that have lost any clarity of meaning through excessive tinkering. There will also be a special category of awards for missed opportunities and lack of innovation.

To counter any dangerous feelings of optimism that an awards event may engender, no alcohol will be served. Dress for all will be orange overalls. And a fleet of prison vans will collect the winners from the venue (a former TrustHouse hotel on the outskirts of Slough), complete with screaming people banging on the outside shouting ‘scum’. ■

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