

# Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES



## Being first: gaining and maintaining leadership

David Taylor and  
David Nichols

**Grounded in coffee: an interview with Howard Schultz**

Hugh Davidson **time-travels to marketing's future in 2060**

How are you creative? **Hanne Kristiansen and Mark Simmonds**

Joseph Pine and James Gilmore **on the growing importance of authenticity**



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## Editorial: Doing the right thing right

Judie Lannon

So desirable is brand leadership that a whole literature of 'challengersh'ip' has grown up. Indeed, so seductive and inspiring have Adam Morgan's ideas been for eating the big fish that for some, being small is almost more fun. Well, perhaps: all must have prizes. But the real prize goes to the brand leader, a status so coveted that hanging on to it provokes familiar delusional behaviour.

I recall working on a shampoo brand many years ago that was very gradually losing its brand leadership position. Such was the company pressure to deny this palpable fact that the brand management kept redefining the segments, slicing the category into smaller and smaller bits so their brand could still claim some sort of leadership. David Taylor and David Nichols give us the anatomy of a brand leader in their article, 'Being first: getting and maintaining brand leadership': the massive and disproportionate advantages that accrue to this position and what it takes to hang on to it. The added cruelty for challengers is that once leadership is gained it takes a massive screw-up to displace it (as Charles Graham reminded us in *Market Leader, Q1 2010*). And although we have seen this enough times, it is still shocking to see how badly hard-won leadership can be manhandled.

The leadership story of Starbucks is a supremely modern one in many ways and Howard Schultz tells it movingly in the interview in this issue. Modern, first in time, the company has only relatively recently invented and dominated a category that is now worldwide. But also modern in the sense that it is a product, a service and a brand that has community at its heart.

A further aspect of its modernity is its social conscience, beginning with an unswerving dedication to staff benefits and now closely linked to the Red project and the social commitment that entails. Finally, as he emphasises, Schultz recognises profoundly how consumers are seeking authenticity. We live in fractured and distrustful times and if institutions are failing us, company leaders need not do the same. Control over the products, services and behaviour of companies is in the hands of individuals and it is possible and profitable to do the right thing.

Two other articles in this issue explore these themes. Hugh Davidson provides a masterful analysis of what marketers need to do to truly realise the discipline's potential, and Joseph Pine and James Gilmore delve into the important issue of authenticity.



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## What the inventor of the teddy bear has to remind us about advertising

Jeremy Bullmore

'The best things in these sermons are as old as the hills,' wrote Seymour Eaton 103 years ago. These are the opening words of the prologue to a very slim volume called *Sermons on Advertising* which was published by the J Walter Thompson Co in 1908 as an advertisement for itself. Seymour Eaton was a schoolteacher, a prolific writer of business-related textbooks, a serial entrepreneur, the holder of more than 300 copyrights and the inventor of teddy bears. He seems not to have been a J Walter Thompson employee but an adviser.

Both Eaton and the agency thought and wrote about the principles of effective advertising with depth and clarity. They both believed in the priceless value of experience: 'There is no business on earth where experience is more valuable than in the business of advertising,' wrote Eaton.

And in 1908, the agency could already boast: 'The J Walter Thompson advertising service can draw on 43 years of experience in giving expert counsel to the new advertiser.' Then later: 'If this little book pleases you, give its publishers an opportunity to show what they can do for you in planning and preparing good advertising.'

So planning was not invented in 1968. Account planners may have been christened in 1968 but planning has been recognised as essential to good advertising for as long as advertising has existed.

The strongest reason to revisit *Sermons on Advertising* is the familiar woods-and-trees one. Advertising has become too much like the medical profession, though for far less respectable reasons. Good agencies used to be like the best general practitioners: they could both diagnose and prescribe, almost irrespective of the ailment.

Now both clients and patients increasingly find themselves engaged with specialists; and as specialists proliferate, generalists decline. The client, like many a patient with multiple problems, is left impressed by the detailed knowledge of those specialists yet disconcerted by the myopia with which too many seem to be afflicted. Where are the physicians who can understand the whole man? Where are the advertising counsellors who can understand the whole brand?

Today, even the word advertising is under threat. We're asked to differentiate between viral and ambient and another dozen bits of unhelpful jargon. Digital has got us all confused: isn't everything digital? These are some of the many trees of modern marketing communications – but step back a little and what does the wood still look like? Seymour Eaton helps remind us. Although writing on behalf of a single agency, he constantly reminds his readers not of this one agency's proprietary skills but of advertising's generic values. Not many agencies do that these days, which is one good reason why those values get forgotten.

Here he is on the need to earn the participation of your audience: 'An advertisement of one hundred words should make the reader think five thousand words; and herein lies the secret of good copy. It isn't what you say that counts but the chain of thought which your advertising creates.'

Had we all remembered that over the past hundred years, our ads would have been a great deal more effective and we'd never have been as misled as we were by the irrelevance of advertising recall. 'Engagement' became a hot new thought a few years back. Eaton preferred to say: 'It isn't what you say that counts but the chain of thought which your advertising creates.'

### FLATTER THE TALKER RATHER THAN THE GOODS

What we call word-of-mouth, he calls mouth to mouth. 'Mouth to mouth can be made a hit on almost any line of goods ... but it must be done in some indirect way; in some way that will flatter the talker rather than the goods.'

And with that he perfectly skewers the secret of the successful viral word-of-mouth's latest offspring. No one's going to oblige a commercial product by forwarding its boring old advertising to 50 close friends. Unless a viral shows the forwarder to be witty and discerning (so flattering the talker rather than the goods) it will spectacularly fail to breed.

A century later, even the academics concede that the emotional content of advertising may be at least as potent as the rational. Read Eaton: 'It is safe to say that 9 out of every 10 advertisements ... are as dead as Egyptian mummies. They have eyes and nose and mouth but they neither see nor speak. They don't even smell. There is no throbbing pulse. This in a nutshell is what I mean by the personal element in advertising.'

'Advertisements are written to appeal to live people and nothing can get into the heart of humanity so easily as another heart. Sentiment is a tremendous advertising magnet and must be reckoned with. The secret of copy is personality; red hot hustling life.'

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## A call for a revolution in marketing

[David Pearson](#)

As a lifelong passionate marketer I am proud of the role marketing has played in the world economy. Despite the ravages of two world wars and totalitarianism prevailing for decades, more than half the world's population in the 20th century saw the greatest rise in prosperity in history.

This was largely due to a combination of liberal democracy with free market (if not unbridled) capitalism. The engine of this was marketing, as it is about the search for innovative solutions to identified needs, the recruitment and retention of customers, the creation and building of value, the profitable development of the business proposition, the unifying theme of an enterprise, the response to competition and so much more.

In 1989, when the Berlin Wall fell, it seemed as if all the issues had been resolved. Francis Fukuyama called it the end of history. Interestingly, on 29 December that year, the Nikkei index peaked at 38,957.44 yen and has never seen such heights since. It is today 10,798.32 yen.

As we come to the end of the first decade of the 21st century (and if you think it's already over then you can't count to ten) such triumphalism seems premature. The practice of mass production which led to mass consumption now looks short-sighted as we consume irreplaceable resources at an unsustainable rate.

Wherever you stand on the climate change debate (and I am firmly on the side of the 98 per cent of scientists who believe that not only is the climate changing at an unusual pace but these changes are caused by mankind) it must be clear that ancient fossil fuels are being consumed in a few hundred years.

Many other critical materials are also scarce, including some that are required to develop replacement energy sources, for example, the lithium that is used in lithium ion batteries that will permit electric vehicles to replace internal combustion cars. As we have learnt how to develop bigger and better business models our need for constant growth has blinded us to the long-term problems that this will cause.

Wherever one looks one sees the paradox of outstanding business success with unsustainable business practice. Supermarket chains gobbling up land banks and killing the high street and local farmers. Fast-food companies targeting 'share of stomach' – and cutting down forests to grow their beefburgers. Financial institutions selling debt to those who can't afford to repay it. Beverage companies using many litres of scarce fresh water to produce one litre of their processed product. Clothes manufacturers closing local factories to export production to sweatshops in developing countries exploiting child labour. Food manufacturers encouraging obesity with the use of the wrong nutritional mix.

We need to use our marketing skills to develop new sustainable businesses. There will be new forms of renewable energy and also practices to reduce our usage. Marketers will need to persuade people to live and work in new ways. Greater density will be required in the design of cities. New forms of ownership will be adopted so that our use of materials is more efficient. There will be huge industries in the recycling and reuse of valuable materials. We will address the needs of conservers rather than consumers.

What I am calling for is a revolution of business practice and consumer behaviour. I have lived through several revolutions and am confident that there will be at least one more.

I have seen the revolution of consumerism. I lived through the revolution of civil rights – in the US in the 1960s I met a Black Panther who told me that unless the black power movement got what it wanted 'this country will burn, baby'.

There has been the revolution of women's rights; attitudes to minorities; the overthrow of the Soviet Union; IT and the internet, which has transformed business and consumer behaviour. To paraphrase Karl Marx, the marketers have nothing to lose but their chains of consumerism. Businessmen of the world, unite.

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## Being first: gaining and maintaining leadership

[David Taylor](#) and [David Nichols](#)

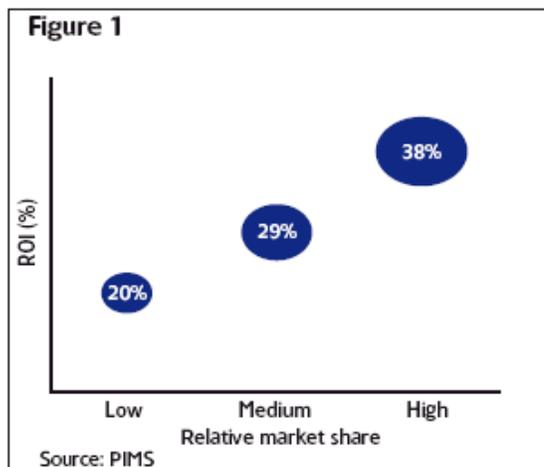
The recession has been a long overdue wake-up call for marketing and business in general, forcing companies to take a more pragmatic and bottom-line-driven approach. In particular, successful companies have refocused their investment and effort on gaining and maintaining leadership, recognising the significant brand and business benefits this can confer.

Leadership can mean outright market leadership, as in the case of Tesco or Walmart in supermarkets. Or it could be leadership of a specific sector, defined by target group, channel or price positioning.

People like to portray Apple as a 'challenger brand'. In fact its successful turnaround came from focusing on segments where it could be the 'leader brand'. It has a 90 per cent share of the US PC market for products over \$1,000 (£620). And it has a 70 per cent share of the MP3 player market with the iPod.

### BUSINESS BENEFITS OF LEADERSHIP

The business advantage of leader brands over 'follower brands' is demonstrated by data from the PIMS institute (Figure 1). This extensive analysis of more than 3,800 companies showed that businesses with large shares (50 per cent plus) had rates of return more than three times greater than small-share businesses (10 per cent or less), for a given level of quality. Let's look briefly at the reasons for these superior returns.



### OWNING THE CENTRAL BENEFITS

Leader brands tend to own the 'central benefits' of their marketplace, underlining the thesis in Barwise and Meehan's *Simply Better* (1). Rather than having a strong image for a specific benefit, they score highly across a range of key attributes.

For example, in the UK mobile network market O<sub>2</sub> is seen as the best for service, handset quality, network quality and popularity. Rather than being different, leader brands have a distinctive execution of the core market benefits.

O<sub>2</sub> has used a consistent and impactful marketing mix with the 'blue and bubbles' brand world, combined with constant renovation, to maintain and even strengthen its image across this range of benefits. This makes it very hard to attack and forces follower brands like 3 to focus on niche markets such as the youth sector or being a price-fighter brand.

### HARD-WIRED CHOICES

Over time leader brands build strong 'brand properties', executional devices that aid recognition and reinforce communication of the brand

idea. Examples include Dove's 'drop shot' to communicate ¼ moisturising cream, Tesco's tagline 'Every little helps' and Intel's 'Ding ding ding ding' sonic sign-off.

Used consistently, these networks of associations become hard-wired into our brains. This gives leader brands a key edge when shoppers are choosing from a crowded shelf in the supermarket, or a crowded results page from a Google search.

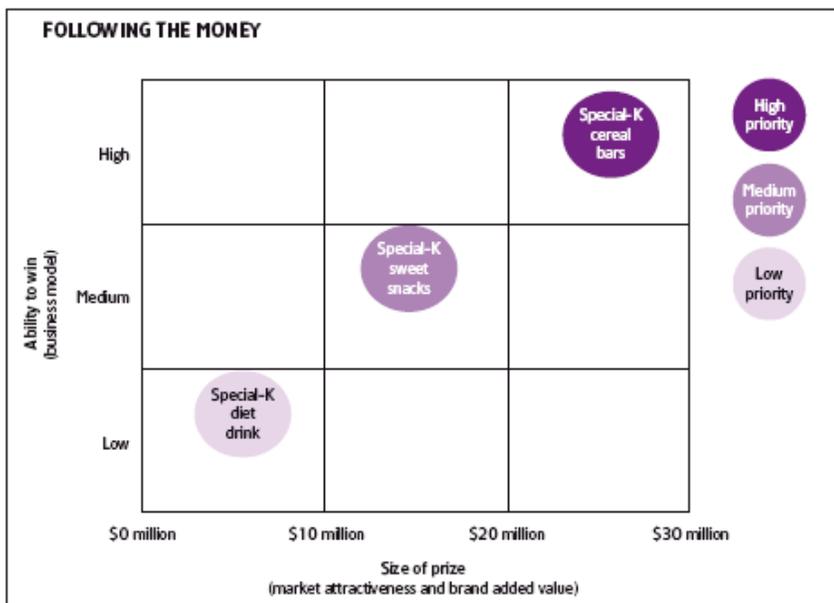
## BARGAINING POWER WITH RETAILERS

Leader brands' sheer negotiating power is a critical advantage in an age of increasingly powerful retailers. Shoppers expect and want to see leader brands stocked, as demonstrated by data from Superbrands research showing that more than 40 per cent of shoppers wouldn't switch to own label from the leader brands surveyed at any price.

Follower brands are in danger of being screwed for higher profit margins, or being squeezed off the shelf altogether. As Miles Roberts, chief executive of own-label product manufacturer McBride, says: 'Brands are consolidating, and even large manufacturers know their B brands are going to fall to private label.'

## WINNING THE 'WAR FOR TALENT'

A final advantage for leader brands is the roles they play in helping attract the best people. This advantage is described in the book *The War for Talent* (2) as follows: 'The company's role in the marketplace, either as a product or market leader, can prove to be a major pull factor.' Based on research on more than 100 leaders, we identified eight key behaviours to help gain and retain brand leadership. We will focus on three of these.



### 1. Follow the Money

The most fundamental characteristic of leader brands is following the money. This means taking a pragmatic and bottom-line focused approach to branding, concentrating effort and money on the businesses where there is a competitive edge needed to gain or retain leadership.

This can be in terms of product categories but can also include geographies, channels or price segments. For example, the J20 brand of juice drink started by creating a leading positioning in the CHR channel (cafes, hotels, restaurants) before expanding into supermarkets. It also means focusing on the marketing activities and actions that really drive growth, not the latest sexy innovation or communication campaign.

### Killing the dwarfs

Following the money highlights the strong, profitable businesses where a company can gain or retain leadership. It also highlights the 'dwarfs': small and weak businesses where the company is a follower. These dwarfs distract senior management and drain resources from the core business. Increasingly companies are recognising this and taking bold action to clean up their portfolios.

This can mean pruning the portfolio of brands within a given market to focus investment on the one that can gain or retain leadership. When Alan Mulally became the CEO of Ford he saw that its premium car brands were diverting attention and funds away from the core Ford brand, at a time when the market was weakening.

He sold Jaguar, Land Rover and Aston Martin and has also put Volvo up for sale. At the same time he cut back drastically on the range of cars from 97 to 40.

Ford's focus means it is the healthiest of the big US car makers, giving it an opportunity to build share rapidly while its competitors are down and out. Following the money also means focusing efforts within key brands. For example, Unilever recently discontinued its Persil washing-up liquid to focus on laundry cleaning after spending millions of pounds trying to compete with P&G's Fairy Liquid.

Marketers need to be more selective when stretching beyond the core into new markets. This means spending less time on branding theory and more time on business issues. For instance, rather than asking questions such as, 'Could Special K stretch into diet drinks?' the real question is 'Can Special K make any money out of diet drinks?'

The difference is not just semantics but reflects a harder-edged commercial focus. When a brand that is strong in one category is looking to enter a second, it helps to look at two main things: size of prize and ability to win.

### **Size of prize = market attractiveness × brand added value**

Size of the prize first looks at the market we want to enter in terms of size, growth and how intense the competition is. The next critical question is 'brand added value': do you have a concept that genuinely brings something new to the market?

Many brands still make the mistake of believing their brand name and emotional values are enough to take on and beat well-established leader brands.

### **Ability to win = business model**

Having a winning concept and product is a great start, but can we make any money out of it? This is where too many marketers fall down, wasting millions of pounds in the process. It's one thing to launch a new product, but another to compete over the long term and create sustained growth.

This was the case with Heinz's failed attempt to enter the UK chilled soup category with its Farmer's Market soups, going head-to-head with the formidable Covent Garden. The issues were more to do with the business model:

- No economies of scale in chilled soup. Heinz does canned soup really well but has no competence in the UK in chilled soup.
- Lower price. Had to offer a 25 per cent lower price vs Covent Garden = less gross profit for marketing.
- New part of store, where Heinz has no presence, and Covent Garden has a wall of chilled soup.
- No added value, versus Covent Garden, that does a great job and has been doing it for 20 years.
- Cost of rewiring people's brains. It would have taken more millions than Heinz had to get loyal Covent Garden fans to not only try Heinz chilled soup, but keep on buying it.

## **2. Grow the Core**

Leader brands have a strong core product or service – defined as being the main source of profit and authority – and invest time, effort and money in growing this business.

Growing the core starts with simply selling more stuff, finding creative ways to encourage more usage of the core product. A great example of this is Gillette actively promoting all-over body shaving for men. This approach has several advantages:

- It drives increased usage of blades and shave gels.
- As Gillette has 85 per cent of blade sales, it makes sense to grow the category, as it is the category.
- No cost at all for new products, packs, formats.
- Taps into a consumer trend and shows Gillette is in touch.

The next way leader brands grow the core is by upgrading their products or services, as shown by the impressive turnaround of McDonald's. After a crisis in 2005 when UK profits fell from £96 million to £36 million, the brand has gone on to create sustained growth. Some of the many changes to upgrade the core brand included:

- revamp of stores – 140 UK stores upgraded in 2007, 200 more in 2008
- free wi-fi in all branches
- competitively priced fresh ground coffee that beats Starbucks in blind tests

- newer, healthier options such as fruit bags, 30 million of which have been sold since launch five years ago
- reducing salt levels – cut by 24 per cent in fries and 30 per cent in Chicken McNuggets.

### 3. Remember and Refresh

Gaining brand leadership is a big challenge in itself but it's only part of the battle. Leader brands need to stay fit to stay ahead, constantly improving their offering.

Those that become complacent and neglect the need for constant renovation risk losing their leadership position, as happened in the UK cat food market, where Whiskas lost leadership to Felix.

The Felix brand invested in product quality and used a highly distinctive mix using Felix the cat to grow share from 6 per cent in 2000 to 26 per cent over a three-year period, while Whiskas dropped from 30 per cent to 24 per cent.



Sustaining brand leadership requires a delicate balancing act. There is the need to remember what made you famous against looking forward to new trends to help refresh and stay relevant.

Looking back: a bit like 'brand archaeology'. You dig into your past marketing mix and look for hidden treasure.

When was the brand 'hot', growing share and sales? Here you are looking for two things: first 'the message' (the brand promise) the brand was making. Second, executional elements such as endlines, creative ideas and visual devices.

Looking forward: at how the world is changing. You need to consider how culture is evolving – are the fundamental category needs changing in any way?

Review direct as well as indirect competition to see where other brands might go and how that might change the landscape you want to lead. Consider the way the iPhone has changed the mobile phone market. Was Nokia looking at Apple and evolving its offer in advance of its entry? It appears not.

### BRAND IT LIKE BOND

One leader brand that has done a great job of remembering and refreshing what made it famous is James Bond. The 21st and 22nd Bond movies, *Casino Royale* and *Quantum of Solace*, smashed all box office records for the Bond franchise, each grossing \$590 million. Looking at the enduring success of the Bond brand we can see what the producers have taken into account:

Looking back: there are a number of elements that have been constant over time. First, there is the fundamental 'brand idea' which could be summarised as 'Bond beats the bad-die to save the world'.

In terms of executional devices, the list includes:

- The gorgeous girls, at least one of whom is actually up to no good
- The car that goes fast but also has loads of gadgets
- The music
- The catchphrases: 'Bond. James Bond'; 'Martini, shaken not stirred'
- The characters: Q, M, Miss Money Penny.

Looking forward: Bond has also responded to relevant trends. The stronger role of women in society means the female characters are much more than just babes.

The rise of global terrorism means the Bond baddies have had to get badder. And most importantly, Bond's direct competition has got tougher, with the emergence of other action hero movies such as the *Bourne* series and the imperfect, hard-edged hero Jack Bauer in TV series *24*. This led to the new, grittier Daniel Craig version of Bond.

## Waves of renovation

As a brand leader, growing the core should become a way of working. Have 'waves' of renovation activity on the core business to keep it moving forward so that before the core business can plateau and start to decline the next wave of activity hits the market. This wave of activity has been developing while the core business was still growing.

The Axe/Lynx brand of body spray introduces a new fragrance 'concept' each year. When the Berlin Wall fell it launched Phoenix as a symbol of optimism and rebirth. This constant renovation has been a key part of the brand, retaining leadership in established markets and pulling off the amazing feat of gaining leadership in the US market.

## CONCLUSION

Gaining and retaining brand leadership starts with following the money and focusing investment where you have a real ability to win in the marketplace. It means having a ruthless focus on growing the core.

Leader brands never forget what made them famous and keep an eye on direct and indirect competition to stay ahead of the game.

Staying on top requires continual renovation, with waves of activity primed to go off one after another, keeping the core healthy and integrated with selective innovations. Being a follower may be fun for a while, but long term being a leader is better.

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This article is based on the latest edition of their book 'The Brand Gym: a Practical Workout for Boosting Brand and Business'

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## How marketers needed to change in 2010

[Hugh Davidson](#)

Next month, April 2060, will be the 10th anniversary of my appointment as interplanetary co-ordinator at Google. I recently made a visit to Earth from my office base in Galaxy 7 to research a historical piece for *Market Leader* entitled *Earth: How Marketers Needed to Change in 2010*.

It struck me that the best way to address the topic would be to track what marketers actually achieved in the period 2010–2060 and, from that, draw lessons on how they needed to change in 2010.

As background, let's remind ourselves of the key events on Earth (see chart, right).

The major financial crisis in 2020 occurred because governments failed to take the radical actions clearly necessary after the minor crisis in 2008/9. The customer revolution in 2039 finally forced companies to become customer-orientated, and further enhanced the role of marketing.

### MARKETING IN 2010

Marketing started in fmcg in the 1950s. During the next 50 years, fmcg marketers successfully transferred the techniques of marketing to other sectors but, unfortunately, not its philosophy. This involves focusing every activity on meeting customer needs efficiently.



Hugh Davidson talks to the Marketing Society while on his visit from Galaxy 7

Sam Walton, founder of Wal-Mart, summed it up well: 'If you're not serving the customer, or supporting the folks who do, then we don't need you.' A relevant statement, by Howard Morgens, chairman of P&G in the 1960s, has also echoed down the ages: 'There is no such thing as marketing skill by itself. For a company to be good at marketing, it must be good at everything else, from R&D to manufacturing, from quality controls to financial controls.'

By 2010, marketing had only achieved limited success, very different from its dominance today in 2060.

It had largely succeeded in fmcg, much of retailing, delivery services, computer search, drinks and over-the-counter medicines, but largely failed in financial services, energy, telecom, travel and much of B2B.

Key events 2010-60	
2008//09	Minor financial crisis
2020	Major financial crisis
2030	Acquisition of Earth by Galaxy 7
2039	Consumer revolution
2049	Invention of P-phone (interplanetary)

By 2010, customers had become more powerful and less satisfied. Trust in brands was declining sharply. In many service industries products were opaque and overcomplex. Service companies often regarded customers as something to extract value from, not as partners to add value with.

Unfortunately, in 2010, this strategy of value extraction was often very profitable. A seminal article in the *Harvard Business Review* of 2007, 'Companies and the customers who hate them' (1), is still remembered. It asked: 'Why do companies bind customers with contracts, bleed them with fees, and baffle them with fine print?' And concluded: 'Because bewildered customers, who often make bad purchasing decisions, can be highly profitable.'

Management in 'value extraction' companies were addicted to the bottom line. The comment by a senior banker, quoted by the *Financial Times* in 2010 (2), was typical: 'The bottom line is that we have a bottom line. If our costs rise we will charge people more.'

Another illuminating statement, alleged to have been made by a former deputy chairman of Lloyds of London about external investors, was: 'If they behave like sheep, they deserve to be shorn.'

The internet was then in its infancy, and customers were routinely exploited, unlike the way things are today.

## THE BIGGEST PROBLEM IN 2010

The biggest problem in 2010 was that most marketers were thinking small. They accepted the business environment they were operating in, rather than trying to change it in favour of the customer.

A typical marketer's day in 2010 revolved around tactical issues. More than 90 per cent of time was spent on maintenance work, very little on development, and almost none on campaigning to change the business environment. Here are the kinds of issues occupying the mind space of many senior marketers in 2010:

- how to work better with multiple agencies
- capitalising on the internet
- hitting the budget
- getting the most out of distributors, at least cost
- cutting the marketing budget skilfully
- managing people and building relationships
- day-to-day marketing tactics.

All these 'thinking small' tactical issues needed to be tackled but they did little to advance the impact of marketing or marketers. So, what were the real big issues for marketers in 2010? One stood out above all the others: how can we increase the empowerment of customers?

In fmcg and grocery retailing, customers were empowered with knowledge and helped by high frequency of purchase. They were in the driving seat. By contrast, in financial services, they were routinely abused.

Products were often deliberately complex, dodgy small print proliferated, customer service was poor and there was a strange lack of price or value competition among the big players.

It was no coincidence in 2010 that customer-focused companies operated in sectors where customers called the tune. Strong customers forced effective marketing, so good marketers encouraged more customer empowerment. We all take this simple proposition for granted

now in 2060.

## **BARRIERS TO EFFECTIVE MARKETING**

In 2010 there were six major barriers to customer empowerment and effective marketing. None of these big issues received much priority from marketers, whose influence in companies had steadily declined, with few becoming CEOs:

1. Shareholder value approach '

Shareholder value' put the shareholder first. Bad for marketing, bad for customers (3).

2. Weak vision and values by companies

Early this century, I spent two years talking to 125 global organisation leaders about vision and values (4). Few had strong visions; many paid only lip service to values.

3. Limited marketer control over customer touchpoints

In 2010 responsibility for customer touch-points was dispersed and poorly co-ordinated.

4. Negative regulation

Regulation focused on trying to stop companies doing bad things, rather than creating an environment which empowered customers to identify superior value.

5. Ill-advised mergers and acquisitions.

Earlier this century, 60 per cent of mergers failed to add long-term value even for share holders, and many weakened the position of consumers and communities. Unbelievably, marketers were rarely at the M&A table.

6. Insufficient competition in services.

There was weak competition in services. Major banks combined high profits with poor value and service. Structures, regulation and values were not customer driven, with customers often passive and confused.

## **HOW MARKETERS CHANGED, 2010–60**

What occurred in these six areas in 2010–2060 was generally good news for marketers. Let's track what happened:

### **Change No 1: The Development of Stakeholder Value**

Despite resistance from the finance sector, and many CEOs, the concept of shareholder value finally died after the 2020 financial crisis. For decades before 2010, successful companies such as P&G, McDonald's, J&J, Tesco and FedEx had quietly practised stakeholder value where the customer, not the shareholder, was the main stakeholder.

In 2009 after Jack Welch, one-time chair of GE, said: 'Shareholder value is the dumbest idea in the world', the penny started to drop. Companies realised that profits were the result of superior customer value, delivered cost-effectively by motivated employees. They could no longer be created by massaging the numbers or mortgaging the future. Profits had to be earned, not invented. That's why so few people have heard of shareholder value today.

If you want more on this historical footnote, read an article I wrote 50 years ago in *Market Leader* (5). It summarised the case against shareholder value and showed how stakeholder value worked. All pretty obvious stuff now.

### **Change No 2: Strong Vision and Values**

In 2010, most organisation visions were platitudes, and you'd laugh if I showed you some now (6). They failed to give future direction and were rarely customer focused. Values were often cooked up in the boardroom and treated with derision by people on the front line.

Why? Because CEOs lacked confidence in their skills to lead in this intangible area. And marketers, the people with the relevant skills, rarely became involved. The good news today in 2060 is that most organisations have strong and distinctive vision and values, plus a management system, led by marketers, to develop and measure them.

Thanks to initiatives by the Marketing Society, the CFM and IPA, marketers really got involved in vision and values in the 2010–2020

period. This also increased their influence at board level.

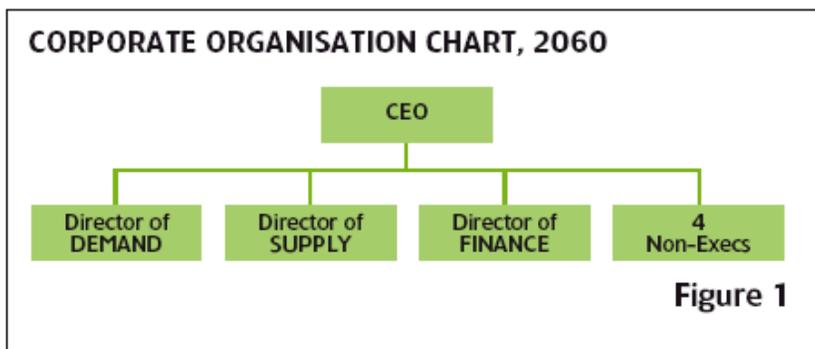


### Change No 3: Co-ordinated Customer Touchpoints

In 2010, more than a million people were involved in aspects of brand development, but less than half reported to marketers.

Companies were not structured to serve customers – they were too complex. With the added complications of interplanetary marketing, company structures have become much simpler, typically with only four executive directors, and a few non-execs with specific roles.

The director of demand is now responsible for sales, customer services, marketing, innovation and anyone helping to bring profitable growth. The director of supply manages supply chain and operations (Figure 1). All three work closely with finance, locally and globally. The CEO usually has experience of both demand and supply but today rarely comes up through finance. This structure helps companies focus on helping customers.



### Change No 4: Positive Regulation

Until 2020, regulation was ineffective, adding cost, and hampering rather than helping customers. That all changed rapidly after the big financial crisis of 2020.

Regulators at last recognised that their role was to strengthen customers by increasing competition, breaking up companies with conflicts of interest, insisting on transparent and easily understood products and services, and so on.

2010: Negative regulation	2060: Positive regulation
Focus on mis-selling	Drive for simplicity
Voluntary, light touch	Empowering the customer
Weak penalties	Severe penalties for breaches
Bureaucratic end result	Accelerating competition

An important innovation after 2020 was the requirement that every quoted company had two customer directors, both non-exec. Customer directors today are selected by a randomly chosen panel of employees and the positions are widely advertised.

The voice of the customer is heard loudly. In 2010, less than 10 per cent of board time was spent discussing customers and growth. Now it's more than 60 per cent. Who became customer directors? Qualified members of the public with some knowledge of the markets. Most are women, working closely with the demand director (see table, facing page).

### **Change No 5: Ensuring M&A Benefit Customers and Communities**

Mergers and acquisitions were a running sore in the earlier years of the century. The high failure rate was influenced by the major drivers of M&A – stoking the power, vanity and remuneration of CEOs, and enriching investment bankers rather than benefiting customers or communities.

With the move to stakeholder value, and much greater involvement of marketers, the number of mergers has reduced greatly, but the success rate has improved. The requirement, in 2030, that any merger had to demonstrate benefits for customers and communities had a positive effect, and made M&A more effective for shareholders too.

### **Change No 6: Intensive Competition in Services Made Value Extraction Unprofitable**

The cumulative effect of customer-focused vision and values, demand management led by marketers and positive regulation dramatically increased competition in services.

In 2010 customer value extraction was still a profitable marketing strategy but it's almost disappeared now as it is no longer profitable.

## **LESSONS FOR 2010 FROM HISTORY**

Part of marketing's success in 2010–60 was due to 'wake-up' events such as the major financial crisis in 2020, and the subsequent customer revolution. Megatrends were also favourable to marketing.

The rapid development of the internet transformed the bargaining power of customers and converted most sectors into buyers' markets. The buyer became the most powerful stakeholder. The success of India and China, with low costs and well-educated workforces, dramatically increased competition, especially in services.

The illusion that Western countries could contract out production and operations to the developing world, yet retain control of high-margin tasks such as design and brand development, was destroyed in the 2020s. Now, in 2060, half the world's most valuable brands are controlled by BRIC countries.

But marketers themselves took full advantage of these opportunities, and changed fundamentally in important ways.

Profile of marketers. The best marketers have powerful left- and right-sided brains – both analytical and innovative. 'One-sided' marketers were gradually phased out. The new marketers became smarter than their predecessors in finance, people management, internal politics, and prioritisation.

<b>Role of customer directors today</b>
■ Reviewing customer and competitive offers
■ Talking to customers and frontline employees
■ Keeping track of, adding to customer data
■ Reviewing company's innovation performance
■ Tabling key customer issues for board discussion

Thinking big. The new type of senior marketer focused on strategy and people development, delegating tactics more. This freed up time

to campaign on the big issues designed to create an environment where marketing could reach its full potential. Marketers clarified their role. Just two things – changing the lives of customers for the better, and enhancing economic performance. They spread the mantra that there's only one route to long-term profitability: committed customers and motivated employees.

Customer-driven regulation. As the 21st century progressed, marketers got more involved in positive regulation, opposing wasteful bureaucracy and giving customers the knowledge they needed to select best value. They helped create an environment where customers could flourish through customer directors, customer and community-driven M&A rules, and the removal of cynical 'exclusion' clauses and small print.

Leading companies in vision and values (V&V). Marketers gradually assumed board leadership in this poorly managed area.

Drive for simplicity and transparency. Marketers further simplified structures, customer propositions and brand ranges. The internet forced greater transparency, ruthlessly punishing misleading claims or weak offers. This helped to raise quality standards.

Could marketers in 2010 have accelerated these changes? Yes, if they had been able to look back from the vantage point of 2060, they would have taken action earlier.

## THE GOOD MARKETER

The best thing I can say to anyone is: 'You are a good marketer.' There are plenty in the Marketing Society and outside it. In 2060, after a hundred years of practice, marketing and its enormous potential to change society for the better still excites me.

The good marketer looks after his or her brands, people and customers; nurtures, respects and develops them. The good marketer is strong on analysis, knows about finance and operations; a manager of people and projects; a person of integrity and good judgement. Above all, they listen.

The good marketer believes deeply in the principles of marketing and implements them to six-sigma quality. He or she also gets involved in the big issues affecting customers. The values of the good marketer are the same in 2060 as they were in 1959, when I first started. They are centred on giving customers superior value at minimum cost.

The future of business does not belong to the value extractors but to the value adders, the innovators. The future belongs to the good marketers.

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## Grounded in coffee

[Howard Schultz](#)

In this edited interview with the founder of Starbucks, from the Marketing Society's recent event, Colin Cameron talks to Howard Schultz about the origins of the iconic coffee company and what it takes to stay brand leader in today's more competitive environment

Colin Cameron: I wondered if you could take us back to the beginning and tell us what inspired you to take hold of the company and begin to build what we know today.

Howard Schultz: The answer to the question is really twofold. There were two pivotal moments and both of them involved me walking into a store. The first one was in 1982.

I walked into a Starbucks coffee store – it happened to be the first that ever opened in the Pike Market Place – and immediately I felt a sense of place and quality. Even though Starbucks was not selling cups of coffee, only pounds of coffee, there was a sense of community.

I was moved by it and felt this was a place for me. I convinced the founder to hire me as head of marketing in 1982.

A year after that I was sent on my first trip to Italy. Walking around Milan I saw an Italian coffee bar, with all its romance, theatre, elegance and style. I was shocked to realise that the coffee business we were in was not the business which the Italians were in. So I raced back to Seattle to try to convince the founder that although he had got a great business, he was on the wrong track.

CC: What was the local Seattle coffee shop like in those days?

HS: This was a store that had about 150 customers a day, that primarily sold coffee for home consumption. It was a shrine for coffee. There was no coffee heritage in the city and none in America whatsoever. The Italian experience really was the epiphany for trying to take Starbucks in a different direction.

CC: When you bought the company, having started your own coffee chain, were you conscious that you were beginning to build a brand?

HS: I should make a confession. I have no business degree, I never took a marketing course in my life before joining Starbucks so the word brand would not have been part of my vocabulary. What we were trying to do was raise money for a coffee company that potentially could build 100 stores in America. It took nearly a year to find the capital but finally we acquired Starbucks for \$3.8 million in 1987. We had 11 stores, 100 employees and a dream. It wasn't to build a brand, it was to build a different kind of company. And the kind of company we wanted to build required a different kind of business model – one that would achieve the fragile balance between profitability and a social conscience.

So the first thing we did in 1988 was provide comprehensive health insurance for every single employee and equity in the form of stock options.

CC: What was your reasoning?

HS: Once we decided to provide equity in the form of stock options for every employee we realised that everyone was going to be a partner in the business. So we had to convince the private investors that providing equity in the stock options and giving healthcare would create a much more stable, productive and inspired workforce.

We were not going to franchise the stores, we were going to be a wholly owned company in which the culture, values and guiding principles of the company would be a competitive difference.

CC: Where did the inspiration for this structure come from?

HS: I grew up in a place that I think you refer to as council estates. In America it's called subsidised housing. I grew up in a family that did not have health insurance.

I saw first hand the fracturing of the American dream when a family loses hope, and I wanted to build the kind of company that my father never got a chance to work with.

I do not believe that Starbucks would be the company it is today if it had been defined by traditional advertising or marketing. It is what it is because of the people.

CC: The growth in terms of outlets and range of products has been amazing. Did you have any idea that it had the

potential to grow to even 200 stores, never mind 1,600?

HS: We were very successful in the Pacific North West – Seattle, Vancouver BC and Portland. But we needed to see if Starbucks could travel outside the West Coast. So we opened up in Chicago and it was a disaster. We picked the wrong locations. The store had an outside entrance of a big office building but didn't have an inside one, so when the winter came people had to go outside.

CC: How much advice were you taking or was your planning instinctive and intuitive?

HS: We had no experience – it was intuition, passion and will. When we opened in Japan in 1996 there wasn't anyone in the company that had any international experience, so we hired a consulting company to advise us.

They came in, did a study, charged us a lot of money and recommended that we would fail in Japan because no one there would ever hold a Starbucks cup in the street. They would lose face, and we had a non-smoking policy and it would be a disaster. Now we have almost 1,000 stores in Japan.

What the consultant didn't understand was that we created something with universal appeal. The sense of community is part of the human condition.

CC: How easy is it to harness the power of Wall St with the Rwandan coffee grower and make both feel involved in the same endeavour?

HS: The answer I think is in the product. It is a romantic beverage, a social beverage, it brings people together. It is also something you do often. Starbucks is a unique company in that it is a brand, a product, a place.

The mistakes we made along the way were because we didn't fully understand all of these issues.

CC: When marketing the company globally, have you finessed it for different regions in advance?

HS: In the early days we found that the customers in most new countries wanted the authentic Starbucks experience. They didn't want it to be watered down or refined for the local issues. I think today, because of the size and ubiquity of the company, it's more important for us to demonstrate local relevance. If you look at the London store we've just opened on Conduit Street, you'll see a reflection of new designs, and this is the way we're going to move forward.

CC: What was the thinking behind the decision to start advertising?

HS: Originally we created a new industry. For 15 years as a public company we pretty much did not have a competitor. Now we have a plethora of companies trying to steal market share. So we have to become more marketing driven, and we have to invest in advertising for the first time in our history. For the first 13 years of our company we spent more money on training than we did on marketing.

CC: What other marketing initiatives are you using to address that?

HS: Against the backdrop of the cataclysmic financial crisis, there has been a seismic change in consumer behaviour. I believe it's going to continue for a long time. The consumer today is highly educated, sensitive and is going to be very careful about who they support, and will look for companies whose values are consistent and compatible with their own.

What that means for me and for Starbucks is that there has to be a high degree of authenticity in what we do. No one believes that standing on a stage with a big cheque and press releases is a good way to define your corporate social responsibility. This is not marketing, it is an authentic pursuit of doing the right thing.

You can't attract and retain great people if they don't believe they're working for a company that they are proud of and trust.

CC: The coffee crop in Brazil failed in 1994. How did that compare with the current economic situation?

HS: The past 24 months of trying to navigate through the financial crisis has been unlike anything that I could have been prepared for. And what I've found is that most people did not have the answers.

Philosophically, we felt that if we lost our core customers the cost of getting them back would be much greater than keeping them. We had to remind our core customers why they came to Starbucks in the first place. So I did something that was quite controversial at the time.

We assembled 10,000 Starbucks store managers at a convention in New Orleans. We refocused on the core purpose of the company and said that to survive this crisis and the mistakes we had made, we needed to see things from our customers' viewpoint.

We had been operating in too lofty a place and we have to remind ourselves what it was like when we were fighting for survival and couldn't make payroll many years ago. That meant the customer had to be part of every conversation, every decision.

And so we started doing things we had never done before – a value proposition for a significant loyalty programme, for example – things that were anathema to Starbucks because we're not a discounter. But we had to do it through the lens of the values and the premium side of our business.

CC: Obviously many people use Facebook, MySpace and the like to communicate with customers. How did you meet that challenge?

HS: September 2009 I woke up with a deluge of voicemails and emails and frantic messages about a dipper well problem in the UK. We were wasting water and we didn't know it and one of your tabloids discovered it. It went around the world in an hour and all of a sudden we had a major firestorm.

Overnight the digital age had changed the course of history for our company. Everything that we thought was in our control no longer was. But within a year we had invested in social media and digital experts. Now Starbucks is the number one brand on Facebook and we also have a tribute site.

We're the number one brand in our category on Twitter and this has become a major way to engage with our customers.

CC: There are many videos on the Starbucks website including those involving the Red Campaign which the company is immersed in. What drove you to take on a responsibility over and above just sustaining the corporation – for example, the video urging people to vote in the last election?

HS: In many ways we have become part of the consciousness of America. Coffee and conversation have been linked for centuries. I felt strongly this was a most important election in my lifetime and I was concerned that people were not taking it as seriously as they should. Only 52 per cent of Americans voted in the last election, which is tragic. So that was one reason.

I also believe we have a bigger responsibility beyond just making a profit. I know that sounds trite and perhaps some people would think it cynical. The flipside is we've been more successful as a company because people give us the benefit of the doubt that our heart is in the right place.

Remember we're not just a retailer. We're completely vertically integrated and so we're buying coffee, roasting coffee, and selling coffee from source to end user. I believe we have a responsibility to try to enhance the future.



Howard Schultz was inspired to bring the Italian coffee culture to the first Starbucks in Seattle after a trip to Milan

CC: In the world capital of cynicism, namely London, is it particularly tough during an economic downturn to maintain this conviction when you haven't an absolute majority of the people buying into the earnestness of it?

HS: You have to try to get the benefit of the doubt in many ways. I think it would shock most people to know that we spend about \$300 million a year on healthcare for our US employees. There was tremendous pressure on us to either remove that benefit or significantly cut it, but we felt strongly that the conscience of our company was based on that particular benefit, and we would not do it.

I think you have to try to resist the temptation to take the short term and try to find ways to create a long-term value proposition and convince those stakeholders that this is the right thing to do at a time like this, when many companies are doing the wrong thing.

In the history of polling in America we had reached a low point in terms of trust and confidence in the country's government, Congress, banks, public institutions, political leaders and public figures. The institutions that we should believe in have let us down. So we have to try to do the right thing, and I believe people will support those enterprises that do try.

CC: I know you've done work with the Prince's Trust and you're very involved with the Red Campaign. How do you choose your partners?

HS: We need to ask ourselves, is this decision going to be equated to the brand, and specifically is it going to make our people proud to represent the company?

The Red Campaign and Product Red was absolutely a no brainer – the transparency, the authenticity of what they do, the fact that it's in Africa, a place where we're doing business and can see first hand the way in which the money was being used.

CC: Looking back to 1987, what do you think about where you've come from and where you're going?

HS: I've always had a hard time celebrating so I have never spent a lot of time revelling in what we've done. But I talked to the leadership of our company here in the UK, and my message emphasised the responsibility we have to exceed the expectations of our customers.

Obviously I'm extraordinarily proud and blessed to have been part of something like Starbucks.

## ABOUT THE AUTHOR

Howard Schultz is chairman, president and CEO of Starbucks

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## Personalisation: does this mean more efficient marketing and the end of junk mail?

[Martin Hayward](#)

In 1973, British households were spellbound by a TV ad from Cadbury's. It featured a family of aliens, the Smash Martians, who laughed at the thought of Earth people preparing their own mashed potatoes rather than using convenience food Smash.

In a future world flooded with data, and customer-centric companies which shape strategy around consumer insights, there may be similar amusement at the way we do marketing now.

Imagine sending the same piece of mail to millions of customers when only 1 per cent will open it. Fancy broadcasting an identical ad to millions of TV viewers when most won't be interested in buying your product and the rest might not be watching.

Cast your mind back to a time when your local supermarket knew nothing about your shopping habits and treated you the same as everyone else.

### KROGER'S HEALTH CHECK

In the US, Kroger is using data to protect its customers from potential health threats. Since 2008, the US retailer has been identifying and contacting customers who purchased products that were later recalled. Dozens of people have called Kroger to thank them, saying they feel grateful that their purchases are tracked to protect them.

The daughter of a Kroger customer had been hospitalised with an undiagnosed illness, with medical treatments making little progress. Then her mother's attention was called to a product recall message on her receipt by a Kroger cashier. Doctors quickly focused on treating a food-borne illness and the daughter recovered.



Retailers like Tesco could inform customers through mobile applications

In the future, shopping trolleys could come complete with a small TV screen near the handle. These trolleys would make the shopping trip easier – helping customers navigate around the store, highlighting to them if they're buying products with saturated fat or fatty acids, or helping them shop to a budget. They could even broadcast a video of the shopper's children playing in the supermarket crèche.

A similar application could be downloaded on an iPhone or BlackBerry. [Tesco.com](http://Tesco.com)'s customers already store their shopping list online and can use it while they shop in store.

Similarly, Tesco collects detailed information on the sources of its ingredients and this information could be provided through the mobile application for shoppers wanting to know more about a particular product before purchase.

### MAGIC MONEY

At the moment, retailers collect customer data on loyalty cards. These have evolved in time; both Tesco and Kroger also offers customers key fobs that conveniently slip on to their key ring, but developments in south-east Asia hint at how methods for payment and loyalty cards might evolve.

In technologically advanced markets such as Japan and South Korea, consumers are already able to pay for items using their mobile phones. Their mobile devices act in a similar way to the Oyster cards that London commuters use for travel. They can be loaded up with money and then used as payment tools.

In time consumers will be able to set up their loyalty card as a platform on their mobile, in the same way that they might set up an Oyster card application.

Of course this will have implications for the swell of customer data. It means that even impulse and convenience purchases – from chewing gum to a chocolate bar, can of drink or a newspaper – can also be tracked.

In late 2007 a consortium of companies including O2, Nokia, Visa and Transport for London began a six-month trial of mobile phones with built-in Oyster card functionality in the UK. Why bother carrying around different credit cards, debit cards, not to mention different loyalty cards, if one device could do it all?

And if it's not our mobile phone, it's likely that a similar Oyster card method will become more popular as a payment method. In the UK, Barclays Bank is already experimenting with contactless 'wave and pay' credit and debit cards. The Barclaycard OnePulse card can be used for purchases under £10, meaning consumers won't need to remember their PIN or dig around for small change, just wave their card over a device.

The 'wave and pay' method could revolutionise the way we shop. If products have RFID (radio frequency identification) price tags then a future shopper, who has opted in to this service, could wander around a store, collect their groceries and walk straight out, knowing that their bill will be debited automatically from their mobile phone or Oyster-style payment card.

## BIOMETRICS REACH UNBANKED

US supermarket Piggly Wiggly has launched a loyalty card based on a customer's thumbprint. Meanwhile, in India, banks are examining whether biometric ATMs could help to reach the unbanked population in rural areas. Using thumbprint and voice would make it possible for illiterate citizens to join the banking system.

A likely scenario describes how consumers will choose the level of security they require for different payments.

For example, small purchases under £10 will simply require a 'wave and pay' from their mobile device, £10-£100 purchases will need a fingerprint scan, spending more than £100 might require the confirmation of identity through a digital photograph, while a very large purchase would need the strictest security checks such as a combination of PIN and biometrics.



ABOVE Transport for London's Oyster card. RIGHT Barclaycard's OnePulse combines Oyster, credit and contactless card functions

## ELECTRONIC FOOTPRINTS

We're only at the beginning of the process where everything we consume, whether it be goods, services, entertainment or finances, will create a digital trail. Once you've got a digital trail, you've got data. Once you've got data, you have the basis for insight.

A day in the life of an electronic footprint includes being traced by number-plate recognition cameras while driving to work. Speed cameras will spot you on busy roads, your location will be transmitted from your phone to your mobile network operator, purchases will be logged by your bank, internet searches, social network updating will all be providing data. And this is just the beginning.

## SOCIAL LIVES

The rise of social networking through websites such as Facebook, MySpace and Bebo has caused some concern about the amount of personal information, young people, especially, broadcast to the worldwide web.

A report by the Information Commissioner's Office in 2007 warned young people against broadcasting too loudly. Its research discovered that 1 in 10 young people puts their home address on social networking sites and 60 per cent post their date of birth.

So what does the Facebook generation think about customer data? It's difficult to say, but it certainly seems as if they are willing to strike a contract with companies. In return for receiving 'something' of value, they are prepared to sacrifice personal information.

For example, Google's email users are prepared to tolerate targeted advertising surrounding their inbox in return for a free email service with unlimited memory space.



Similarly, the 16 to 24-year-old customers of Blyk, a new mobile network, are prepared to receive three to four personalised ads a day on their mobile in return for a free service. The ad-funded mobile network has more than 100,000 users and Blyk says its users don't find the ads irritating because they're so targeted.

However, most social networkers are arguably not aware of the commercial undercurrent of peer-to-peer websites such as Facebook, which are under increasing pressure to generate revenues. This became clear in 2007 when Facebook launched a controversial ad system called Beacon that broadcast its users' web behaviour to his or her 'friends' even when they were outside the social network. Privacy groups and Facebook users were outraged and the social network was forced to climb down.

In the future, businesses will be expected to be transparent about the way they use their customer data.

## TALK TO TALK

Customer data has never before reached such a revolutionary, step-changing scale. Today, dunnhumby analyses the shopping behaviour of 200 million households, a huge number that is swiftly heading towards half a billion homes.

However, although your local supermarket might know what's in your shopping basket, your bank knows what you buy, your mobile company knows where you are and who you speak to, and your favourite search engine knows what sort of holiday you're researching, none of this data is linked together.

In the future, companies might start exchanging data to get a fuller picture of their customers' lives. Imagine if a supermarket linked its shopping information with viewing habits from satellite TV or an internet search engine. This could obviously only happen with the permission of customers, but could lead to enormous benefits for consumers and business.

Closing the loop of understanding around media and shopping habits would enable advertisers to see if their TV ads had actually led to a purchase in a supermarket. In turn, this could enable them to beam relevant ads into people's living rooms.

Whoever is making sense of customer data is also in the position to manage marketing messages.

The accumulation of data from different companies would enable a trusted customer gateway to send targeted, personalised, relevant messages to a mass audience for the first time, achieving what could be thought of as intention of 'mass intimacy'.

If Coca-Cola wanted to talk to its customers, personalised advertising could be sent to tens of millions of Coke drinkers – good, responsible mass marketing. Customers would be grateful too because it could spell the end of being bombarded by irrelevant advertising.

A future scenario has consumers logging into a 'preference centre' to signal what they are prepared to accept in terms of communications. For example, they might indicate that they like TV advertising, hate direct mail, like humour, want vouchers to be emailed and would prefer a text reminder to their mobile before the vouchers expire. This preference centre enables consumers to edit what information they might receive, while ensuring brands are targeting consumers in the way they want.

After all, if advertising is done well, it becomes relevant information. Indeed, our market research asks a panel of Tesco customers what they think about the advertising on the website, and most say, 'What advertising?' All they can see is relevant offers and promotions. This is the power of personalisation.

## WHY IS THIS GOOD FOR CUSTOMERS?

Although the spectre of privacy concerns looms above predictions of what customer data might look like in the future, it's a two-sided story. Yes, of course it's good news for companies – it means they can take the guesswork out of marketing and start offering customers what they really want. But it also has benefits for customers.

It means:

- more relevance – tailored products, services and advertising for customers
- more rewards – being reimbursed and thanked by companies for sharing data
- more sustainability – less wasted advertising and direct mail
- more customer focus – more companies putting customers at the heart of their strategy, because being customer-centric makes good business sense.

Companies such as Tesco, Kroger and Casino understand the importance of forming an honourable contract with their customers. They are data pioneers who are getting it right. They appreciate that they must offer something to say thank you for sharing your information with them.

This will become a sticking-point for consumers. They will not be prepared to share their valuable data with companies they do not trust and which do not give something back in return. And why should they?

## **THE CUSTOMER CONTRACT**

In future, customers will begin to make new value equations around their data. Some will be prepared to share their data and/or attention in exchange for something else of value. Others will not.

They will also have more control over their data. An opt-in model such as the preference centre would enable consumers to alert car manufacturers, for instance, that they want to buy a new car. They would then receive a series of relevant ads until they had made their purchase and indicated that the ads were no longer needed.

Already a number of emerging business models are experimenting with exchanging free services for media attention. Digital TV businesses such as BT Vision and Sky are debating how to manage the way viewers fast-forward the ads on their digital box. There might be different pricing models. A premium TV service has no advertising, whereas a basic service would require the viewer to watch a handful of relevant ads.

This raises larger questions around the way the media makes money from stealing our attention. Should we be paying for our newspaper if the paper is making money by selling our attention to an advertiser such as P&G? In the future, should consumers get a cut of this money too?

If individuals don't see the benefits of sharing their data with organisations, they will not be prepared to co-operate with them. The onus is on all of us to ensure companies forge a responsible contract with their customers, one that thanks you for your data.

## **GOLDEN AGE OF MARKETING?**

Tesco, Kroger, Casino, Macy's, Best Buy, Gruppo Pam and The Home Depot are pioneers in the world of customer data. By balancing a respectful responsibility for their customers' privacy, along with a desire to reward them for their data, these companies are forging a new contract.

If other companies follow we could witness a golden age in marketing, where every commercial message sent to customers is personal, targeted, and relevant, always offering them something they want to hear: an age where irrelevant junk mail would be banished for good.

It would be an age where companies listen to what their customers want and overhaul organisational structures to encourage their staff to put them first. An era of customer-friendly corporate culture, where any business problem can be described in terms of customers as well as revenues.

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## The question isn't are you creative but how are you creative?

[Hanne Kristiansen](#) and [Mark Simmonds](#)

The Mars bar, Pret a Manger, Apple iPod, Google, *X Factor*, Dyson. All of these brands represent famous success stories that stand out from the crowd in very competitive marketplaces.

At some point in their development, a creative spark or two catapulted them on the road to success. Yet the important point is that the likes of Frank Mars, Steve Jobs, Larry Page and Simon Cowell all found that creative spark in quite different ways.

Creativity is the personal skill that enables individuals and teams to help businesses act differently in order to grow. Unfortunately, this big word is usually misunderstood in the corporate world – it is difficult to nail down precisely.

This is why people shift nervously in their seats when asked 'Are you creative?' The word tends to be associated with the arts, and creative people are often believed to have 'special' powers. As a result, creativity and business often mix like oil and water.

So most people don't think they are creative. But they are.

### INTRODUCING CREATIVE CREATURES

Creative Creatures is a ground-breaking marketing capability tool that helps companies to be more innovative by leveraging the full creative potential of their people.

The tool breaks creativity, that big word, down into five fundamental behavioural building blocks: the Stimulator, the Spotter, the Sculptor, the Selector, and the Supporter (see table, page 43).

Creative Creatures enables you to understand how you are creative by identifying your strengths and weaknesses across each of the behaviours.

By being more aware of your personal creative profile, or your Creative ID, you will be clearer about the role you can play in any process requiring creative input.

So that 'Are you creative?' question should be rephrased more constructively as 'How are you creative?'

There are three really important comments to make about the five fundamental creative behaviours. First, each of the behaviours is critical to the creative process. Not one of them is superior or better than the others.

Without the exploratory mindset of the Stimulator, the flower-bed for creative solutions would soon dry out. Without the detective mind of the Spotter, it is likely that opportunities would go begging and golden nuggets would remain unearthed.

Without the Sculptor's skills of communication and articulation, those nuggets would not get developed into clear, fully formed ideas, understood by everybody. Without the Selector's rational and commercial perspective, the wrong decisions would be made at critical stages of the creative journey. And without the empathy and versatility of the Supporter, group dynamics would more likely hinder than help the success of the project.

Second, as individuals, it is unlikely that you will all be equally strong in each of the five behaviours.

If, for example, you are a strong Stimulator, always looking to explore, expand, unearth, diversify, you might not feel at ease closing down, choosing between two options – in other words, demonstrating the converging behaviours of a Selector.

If, on the other hand, you feel totally comfortable picking three sticky notes out of a forest of three hundred to identify a strong nugget of an idea in a brainstorming session – the archetypal Spotter – you may feel completely uncomfortable spending 30 minutes trying to carefully craft a concept for research – the Sculptor.

The third and final point relates to the overall shape of your Creative ID. It may well be 'spiky', meaning that you have clear strengths and weaknesses for each of the behaviours. That is fine.

Alternatively, your Creative ID may be 'rounded', meaning that you are equally strong across all the behaviours. Fine too. In both cases, you are more than earning your place at the creative table.

Essentially there is no such thing as a 'bad' Creative ID – 'spiky' profiles are no better or worse than 'rounded' ones. Whether your Creative ID is fit for purpose is another question and this will depend on factors such as your role, who you work with and what job needs to be done.

## IN A NUTSHELL

By having a much clearer idea of your own Creative ID, you have a much better understanding of where and how you can contribute most to the creative process. By having a much clearer idea of the Creative IDs of those with whom you work, you can work much more effectively as a team, by making sure that the Stimulators are doing the stimulating, the Spotters are doing the spotting, and so on.

Remember, it is not 'Are you creative?' but 'How are you creative?'

The five creative behaviours	
	<p>Stimulators are creatures of diversity. They love exploring and are often the first to discover new things. They soak up inputs like a sponge. In conversation, they hop effortlessly from topic to topic. They fertilise the flower-bed of new ideas.</p>
	<p>Spotters have great vision and tend to see things that others miss. They can spot potential ideas based on only the tiniest bits of stimulus. They intuitively make connections between seemingly unrelated pieces of information. When they 'connect the dots', what emerges is often the beginnings of a real 'gem'.</p>
	<p>Sculptors are the builders and storytellers of this world. They are good conceptual thinkers who have the vision to take the outline of an idea and build it into something concrete and tangible. They are skilful at articulating ideas through descriptive language or appropriate images ... or both.</p>
	<p>Selectors are great at separating the good from the not so good. They're comfortable comparing several options and considering the pros, cons and wider implications of each. Selectors are primarily objective, their prime motivation being to make the best decision.</p>
	<p>Supporters love collaborating and facilitating the creative process. When entering unknown territories, Supporters lead the way by making others feel comfortable about the ambiguities ahead. They understand group dynamics and sense people's individual energies.</p> <p style="text-align: right;">© copyright Creative Creatures 2010</p>

## WORKPLACE APPLICATIONS FOR CREATIVE CREATURES

So what exactly are individuals, teams and organisations going to do with Creative Creatures and their newly discovered Creative IDs? Is it a tool earmarked for that 'nice to know' cupboard or is it a tool with concrete applications that has the potential to make a tangible difference? Companies and teams have found the following applications particularly relevant:

### 1. Recruitment and Selection

Because the creative process relies on five equally important behaviours, it is important to ensure that the right mix of individuals with the right blend of Creative IDs is recruited to get the right job done. This is true at both team and organisational levels.

Katie Vanneck-Smith, managing director of the customer direct division at News International (who spikes as a Stimulator and a Spotter), sponsored one of the Creative Creatures pilot programmes:

'More than ever, the media industry is being challenged to come up with new and innovative ideas for engaging more customers on more platforms while developing new revenue streams. I decided to pilot the Creative Creatures tool to raise awareness of my team's inherent creative abilities to inject fresh thinking into key areas of their jobs.'

If News International is rethinking its business model, and using its titles as brands (rather than merely newspapers) in order to find new revenue streams, then it must recruit sufficient Stimulators into the business to help it break free from orthodox industry thinking.

At a team level, working on specific projects, it is always going to be important to make sure that an appropriate mix of creative behaviours is present to maximise thinking and effectiveness.

Including five Stimulators in a creative brainstorming session may well feel highly energising and 'creative', but whom will you rely on to do the spotting and then the sculpting to transform great stimulus into well-crafted ideas?

Team selection must be driven by the task at hand. Whereas a pure innovation-driven company might have to recruit an above-average quota of Stimulators and Spotters, a company that focuses more on renovation might need a higher proportion of Sculptors. It's like the proverb goes: horses for courses.

## HOW WAS CREATIVE CREATURES DEVELOPED?

Since 2008, Hanne Kristiansen, Pippa Duffy and Mark Simmonds have been working with Dr Kamal Birdi at the Institute of Work Psychology, Sheffield University, to create and validate the psychometric questionnaire that underpins Creative Creatures.

Last year, more than 260 people from three different blue-chip companies (Vodafone, Kellogg and News International) participated in the pilot phase.

This consisted of quantitative reliability and validity analysis, based around a survey containing question sets for each of the five creative behaviours. This was complemented by three full-day qualitative workshops (with the same companies), which enabled the team to better understand the characteristics for each of the behaviours, and the concrete applications for the tool itself in the workplace.

## 2. Co-creation in Teams

Co-creation, translated literally, is about people working together to develop new ideas. Within a company, this way of working tends to involve multiple functions, often across geographies. Diana Harris, innovation controller at Kellogg UK (who spikes as a Sculptor and Spotter) ran a Creative Creatures workshop with her cross-functional team. She understands perfectly the importance of collaboration and team working:

'At Kellogg's, we are continually seeking new ways to understand and develop our creative capability, especially in our innovation, marketing, research and development teams.

'Working with the Creative Creatures tool, our teams gained fresh insight into their individual creativity preferences and behaviours and, importantly, how they could contribute to generating new ideas for the business when working with others.'

An extension of co-creation is companies working directly with empowered and committed consumers in order to develop new ideas.

Ana Medeiros and Andrew Needham, in their excellent *Market Leader* article (January 2009), demonstrate how companies such as Lego, GSK and Unilever have brought together dedicated consumers with their insight, brand, agency and R&D teams to develop ideas and concepts.

Whichever angle on co-creation you take, the interpersonal dynamic will be the same: a number of people from different walks of life, different functions, quite possibly with different value sets and motivations, all working together to drive future growth of the company.

In this situation, it would be really powerful and useful to know that, for example, we had three Stimulators in the room, a Spotter, two Sculptors (one good with words, the other good at pictures), a decisive Selector and a Supporter who was really good at facilitating.

Surely this would be better than using a more conventional professional and demographic labelling – for example, brand manager, market researcher, account director, male consumer, female consumer – that tells us precious little about how the group might actually work together.

## 3. Process Lubrication

Within the world of marketing capability development, business processes have been 'king' over the past 10 to 15 years. Most of the leading marketing-driven organisations have developed robust processes, tools and templates in key areas such as strategic management, brand planning, insight generation, brand positioning, innovation and communication development.

Most of these companies have spent significant time and money equipping their managers with the skills to implement these key processes.

But process can only take you so far. However well the individuals or teams understand the various stages, it is only when personal and interpersonal behaviours successfully 'lubricate the process' that one can start to generate quality outputs consistently. Creativity is one of those critical behaviours.

David Erixon, director, brand strategies and capabilities at Vodafone (who is a strong Stimulator and Spotter), ran a Creative Creatures workshop with his leadership team in global marketing.

He stresses the importance of people rather than process development: 'People and creativity are the engines of brand building. Anything to make the engine work faster, harder and more efficiently is going to be a good use of development time.'

For example, a key step in any idea generation process will be to develop as many initial ideas as possible.

'Good' behaviours required will include 'exploring', 'diverging', 'questioning', 'looking for new angles and perspectives', 'searching for hypotheses' – an archetypal Stimulator.

'Bad' behaviours, however, will result in a sad absence of rich stimuli, and the process is likely to stutter and stall.

The difference between 'good' and 'bad' is an ability to demonstrate the right personal or interpersonal behaviour within the stage.



Working out the creative styles of the people on your team can lead to more efficiency

Knowing the steps in the process is not enough if you 'behave inappropriately' at each step. At every stage of every process, there will be the requirement to apply at least one of the five core creative behaviours.

And without appropriate 'lubrication', the 'process machine' will simply not function properly.

#### **4. Individual Creative 'Powerhouse' – on the Go**

The current reality in most workplaces is that everybody is running around at a hundred miles an hour, meeting impossible deadlines, with no time to breathe, let alone think creatively. The luxury of spare time to enjoy two-hour, half-day or full-day group brain-storming sessions is becoming scarce.

Yet increasing pressure is being put on individuals to come up with ideas, without much support, by next Tuesday. Although Creative Creatures cannot claim to have found the answer to the madness of the modern office, it does provide a framework to help.

If you know your Creative ID as well as that of those colleagues 'within reach' on a day-to-day basis, you are much more likely to be able to maximise the 30 minutes that you have in the car on your way to work, the 15 minutes that you can grab with your Sculptor friend after lunch, or the 30-minute team meeting that you have every Friday afternoon.

The less time that you have, the more efficient you need to be, and the more important it is to play to your own creative strengths and weaknesses.

### **IN SUMMARY**

If your business needs to innovate in order to grow and succeed, then one of the critical behaviours required will be creativity. And if you would like to make a significant contribution to the creative process at a personal level, then it is important for you to understand how you are creative.

By identifying your own Creative ID as well as your colleagues', you will have a much better chance of making greater impact. Remember, 'How are you creative?' is the real question.

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## Brands of the future and the importance of style

[Sir John Hegarty](#)

I recently spoke to a group of students studying art and design who were considering a career in advertising. There was a degree of hesitation from them about their chosen career, having seen so many headlines regarding the demise of our industry and in turn marketing. The digital revolution is sweeping all before it. Nothing will ever be the same. Forget everything you know, change is the only constant.

As I stood in front of these students I could see fear on their faces. Was their chosen career about to disappear before they had even graduated?

I proceeded to give a talk assuring them that far from disappearing, this was the most exciting time to be in our industry. Yes, of course we were being confronted by enormous change. Yes, the digital revolution was revolutionising the way we worked. Yes, many companies would disappear. But many new companies would be created.

### OPPORTUNITY IS EXPANDING

'Creative destruction' is the breaking down of old habits and practices that in turn creates new and more powerful means of expression.

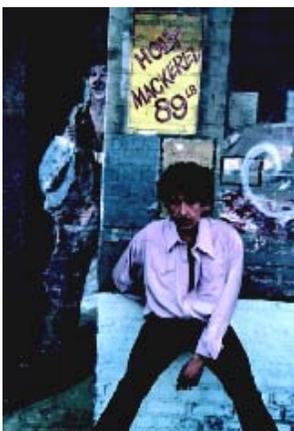
The walls have come down – innovation is magnified, old habits die. New avenues of expression appear. In all this, opportunity and creativity are expanding exponentially.

Technology has always been a spur to creativity. Mozart without a piano would have been somewhat limited as a composer. Rock 'n' roll without the electric guitar would have remained folk music. And no one would have booed Bob Dylan, calling him a Judas, when he went electric. Technology is the means by which creativity leaps forward. It empowers our thinking.

Just as technology has liberated creativity, so it is liberating marketing. It is offering brands the opportunity to occupy a greater sense of space in the consumer's mind. Surely that makes this the most exciting time to be in marketing as well as advertising?

But this will only be the case if brands realise the seismic shifts that are occurring in the marketplace.

The question for so many brands is to understand how they engage with their audience. And notice the word 'audience', not consumers. I purposely use this word because I want to encourage us all to think about the public in a different way. I think the word consumer is old fashioned. It assumes complacency and lethargy, a one-way, top-down means of communication from producer to buyer.



Bob Dylan used technology to give folk music a new electric rock sound

### TOO MUCH CHOICE

In many ways I could argue the public don't need to consume more. They're over-consumed and underwhelmed. More often than not, choice confuses rather than clarifies.

Many years ago, in his book *Future Shock*, Alvin Toffler predicted that the proliferation of choice was becoming bewildering and confusing for consumers and leading to a sense of isolation. But Toffler's mistake was to think of people as consumers.

If, however, I change the word consumer to audience I begin to alter my terms of engagement. Audiences seek to be entertained, they engage, they interact, they show commitment, they enthuse and, if treated properly, return for more. What Toffler never appreciated was the extent of the public's desire for entertainment.

As marketing looks into the future and ponders the world that is opening up, it must realise that the entertainment industry and the fashion business are increasingly overlapping.

David Beckham, the footballer, is both a sportsman and a fashion leader. He has a contract with LA Galaxy and Armani. Jude Law is not only an international movie star, he is also a fashion icon, modelling for Dunhill. And the same is happening to products. The iPhone both entertains me and makes me look cool. It is a design must-have.

These two worlds are merging. For those who can remember Morecambe and Wise, we would all say they were hugely entertaining. None of us, under any circumstances, would say they were fashion icons.

Today we live in a different world. What a star wears to the Oscars garners almost as much attention as what they win. The red carpet does more than just guide them into the show, it is also a catwalk.

For brands this offers huge opportunities and signals enormous dangers. Increasingly we live in a world dominated by fashion – the food we eat, the places we go, the cars we drive. Our homes and our lives are being driven by fashion and style.

Performance, of course, is fundamentally important. Functionality is still at the heart of a product or service, but it also employs design and style to encourage its adoption. What technology originally provided was reliability. It made things work better.

It isn't so long ago that VW was running a powerful and memorable campaign around the thought, 'If only everything in life was as reliable as a Volkswagen'.

Eventually it had to stop running the campaign. As reliable as the VW was, it came about seventh in the annual reliability charts published by the AA. In other words, reliability was no longer an issue. And so it is with more and more I brands.

The issue is not 'does it work?', but 'what does it say about me?' It becomes a fashion statement.

As society becomes wealthier, we increasingly seek other things from the products we buy. None of this is new. For years we've looked to the emotional benefits a brand offers, wishing to signal to others our place in society. Traditionally this was described as status. The paper we read, the car we drove, the place we lived – all of these reflected our wealth, knowledge and background. Top people read *The Times*, the wealthy drove Bentleys and Rolls-Royces. Keeping up with the Jones's was crucial.



The dull-sounding Cellnet relaunched as O<sub>2</sub> and rebranded the Millennium Dome

## TODAY IS ABOUT STAYING AHEAD

But today that's changed. It's not about status. That's class-ridden and old-fashioned. It's about staying ahead. It's *Vorsprung Durch Technik*, Be original, Keep Walking. It's egalitarian and inclusive. Money isn't the only measure of your success. Wearing the right pair of jeans in the I right finish doesn't cost a I fortune. It does require an understanding of fashion.



When we launched Häagen-Dazs in the early 90s we were in the middle of a recession. Not, you could argue, the best of times to be launching a luxury ice-cream brand. Far from it.

We positioned the brand as a sensual pleasure. We didn't compare it to other ice creams. In fact, we hardly mentioned the word. But at £3 a pot it was not only accessible, it was the most stylish pleasure you could purchase. The brand took off. We weren't in the ice-cream business, we were in the sensual pleasure business.

Sadly, over time a succession of brand owners dragged it back to the sector. Now it's just one of a number of ice-creams fighting for attention in that supermarket chiller cabinet. Imagine where you could have taken that brand had they realised the potential of that positioning.

And of course this engagement with fashion sits alongside the desire to be entertained. So we see the two worlds of entertainment and fashion merging.

I could say the future is about fashiontainment – a terrible word, I know. But the problem for many brands is that they still talk of consumers and think of themselves in the conventional top-down world of marketing.



The advert that launched a hugely successful brand, with a radical name

The new world of marketing is fashion driven, or style driven. Unlocking the sales potential of your communication is going to require different thinking. Increasingly people will want to buy the product that says the right thing about them.

Marketing directors will have to become more like style directors. They will be making decisions not based on consumer research but on instinct and gut feel.

## ENTERTAINED AND ENGAGED

Audiences want to be entertained, engaged, amused, titillated. They want to interact, enthuse, be passionate. And they want it constantly and consistently new.

This new world will move too fast for the conventional marketing risk-assessment tools. Instead we will have to take our cues from the fashion world. We'll be flipping through the style pages as well as the business ones. So the lessons of the future won't come from the world of fmcg or the old brands. Research will move from being a measurement tool to one that is future facing.

When Orange launched itself as a network provider back in the mid-90s, it did so with a radical name. Orange. Why orange and not banana or strawberry? Why not a multitude of other names? Orange, after all, doesn't seem very advanced or technologically future facing.

But out of that decision and a brilliant line – 'the future's bright the future's Orange' – a hugely successful brand was built. One of its competitors at the time was called Cellnet – remember them? A dreary and predictable name. Well it rebranded and is now called O<sub>2</sub>.

And what has it done recently? It has branded the converted millennium dome as the O<sub>2</sub>, an entertainment venue that has almost certainly added value to the brand.

There is one other important point to remember when you're in the world of style and fashion. The value equation changes dramatically. Premium pricing becomes not only achievable but sustainable.

Anyone know the price difference between a Dyson and its nearest competitor? Well, here it is. The Dyson is roughly £199 and the Vax Turboforce upright is £99. That says it all, really.

I could define marketing as the anticipation and provision of consumer needs while adding value to the bottom line. I would add to that the need to also inspire and create demand.

To go back to my starting-point, this is the most exciting time to be in marketing. But my fear is whether we have the people capable of grabbing this opportunity. Digital technology and the relationships that brands can now build with their potential audiences are unprecedented, but only if employed with daring thinking.

## ACCELERATED DESIRES

The value of a great idea hasn't changed. The opportunity to exploit it has. What it provides is speed and access. I can get more of what I want more easily. It has accelerated people's desires, not changed them.

Technology has liberated marketing from the conventional media patterns. It has created an environment in which brands can really develop their own agenda, where their creative and entrepreneurial skills can be competitively deployed against the brand's needs without having to even engage with conventional media.

This doesn't mean established media outlets are wrong, but they have to be employed in a more inventive way. Unless marketing directors rethink their audiences and redefine how they engage with them, opportunities will be wasted.

Brands should be viewed through a prism of style and substance. The world of fashion has understood how to live with those two needs. Marketing should be looking to how it manages this and can create continuing success.

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## Where do luxury goods go now?

[Mark Tungate](#)

It's 10am on a sunny Sunday morning and for once the Avenue des Champs-Élysées is quiet. Normally the distant Arc de Triomphe is obscured by a haze of exhaust fumes rising from two crawling lines of traffic, but today the view up the avenue from the Place de la Concorde is diamond clear.

The avenue is not entirely deserted, however. A motorcade of three large black cars makes its stately way to the Louis Vuitton flagship store at the corner of Avenue George V. The cars sigh to a halt outside the emporium, which has been specially opened for the occasion.

A uniformed chauffeur emerges and opens the rear door of the middle car. From its cool dark interior emerges a vision in a cerise velour tracksuit. The tiny figure's neck and wrists are weighed down with gold jewellery. In her arms she cradles a chihuahua. The girl is barely 17 and she is a princess from one of the Persian Gulf States.

She is escorted into the store, where a personal shopper is on hand to help her. Although he speaks a handful of languages, his linguistic skills are not required. When the princess sees something she likes, she simply points. By the time she has left the store she has spent tens of thousands of euros.

This incident – sketched from life, with only minor embellishments – captures the essence of the luxury industry: an elite brand doing its utmost to provide a personalised service to a high-spending client.

For most of us, the world inhabited by the princess is impossibly distant from our daily lives. And yet every year luxury brands spend millions trying to convince us otherwise.



Louis Vuitton sells 'feel-good' accessories

### THE DEMOCRATISATION OF LUXURY

At the beginning of the 21st century, when established luxury brands fell into the hands of giant corporations with profit-hungry shareholders, this courtship of the mass market accelerated and intensified.

Sunglasses, sneakers, scarves, belts and billfolds – lower-priced items put luxury tantalisingly within our reach. We found that we could enter a Louis Vuitton store and purchase a relatively affordable gift (say, a \$260 monogrammed passport cover) and be treated with only slightly less deference than the teenage princess. This development changed the luxury game.

The scarcity and 'aristocratic dimension' of these brands went hand in hand with a lofty price tag, making them inaccessible to most people. But with the democratisation of luxury, that definition had evolved.

The sophistication remained but the selectivity was less apparent. Now there were two sorts of luxury – the inaccessible and the mass. The factors that bound them were 'an additional creative and emotional value for the consumer' and the promise of quality – which was occasionally fulfilled.

The rise of accessible luxury stoked a fascination with the sector that generated books, documentaries, magazines and even celebrities. For what was Paris Hilton if not a goddess of accessible luxury, sent to entertain the masses?

The trend also provoked suspicion that the word 'luxury' had become devalued. The journalist Dana Thomas argued as much, forcefully, in her 2007 book *Deluxe: How Luxury Lost its Lustre*. 'The luxury industry ... has sacrificed its integrity, undermined its products, tarnished its history and hoodwinked its consumers,' she wrote.

'In order to make luxury "accessible", tycoons have stripped away all that has made it special.'

'Luxury' had become a synonym for 'overpriced' – so-so products sold at huge margins to pay for the glitzy marketing that surrounded them. Those who worked in the trade began casting around for alternative terms.

Tyler Brülé, founder of the upmarket magazines *Wallpaper* and *Monocle*, offered 'über-premium', which he described as 'a blueprint for the new luxury'. The idea was to take luxury back to its original form, 'sourcing the rarest raw materials, reducing the number of items made, and [returning to] single-door availability'.

London department store Selfridges also rejected the L-word when it launched a space devoted to premium products in September 2007, instead christening it the Wonder Room.

The credit crunch and ensuing global financial crisis heralded a new phase. As the economy spiralled into recession, most consumers were forced to cut back on luxuries – accessible or otherwise. But the concept is too alluring to be banished altogether.



Objects from the analogue era, such as vinyl records, are becoming rare, even treasured

## THE REHABILITATION OF LUXURY

The word 'luxury' has so many potential meanings – and can be adapted to such a wide variety of circumstances – that it flexes easily with the times.

Right now, conspicuous consumption is out of fashion. The logo-driven excess of the past decade is being looked upon – at least in the Western world – with distaste. And so luxury is showing us a gentler, more discreet face. Quality has become a watchword again. Authenticity is all the rage. A rehabilitation process has begun.

### 1. Treasuring

'Emilie is more interested in embroidery than marketing,' wrote a friend of mine on her Facebook status update recently. When I remarked on this a few days later, she told me that she was not entirely joking.

Emilie is a nightmare to go shopping with: she scrutinises every item of clothing like a forensic scientist, tugging at it to see what gives.

Now she refuses to buy expensive pieces unless they show some form of creativity beyond the advertising campaigns that have made them 'desirable' – hence her enthusiasm for embroidery. 'I want things that I will treasure.'

'Treasuring' is in vogue. There is a renewed appreciation of the handmade. Craft is respected. At the Milan Design Fair in 2009, Italian brand Fendi teamed up with the organisers of the Design Miami exhibitions and invited designers to create 'craft punk'. Participants were invited to work 'low-tech design magic' on discarded materials from Fendi's production process: leather, fabrics, plastic decorative elements and metal.

Visitors could watch the live creation of sculptures and installations – such as animal figures made from scrap leather and wire. Embroidery, collage and old-fashioned printing techniques were also on show.

As the design blog Unbeige commented, that's what you get when 'you mix design, innovation [and] a shaky global economy'. ('Design Miami teams with Fendi for Craft Punk in Milan', 14 April 2009.)

Only in that climate, too, would we have seen the creation of the Authentic Luxury Association, set up by individuals from the worlds of environmental concern, luxury branding and design.

'Luxury must be something meaningful and lasting. It is our conviction that superior social and environmental performance is becoming a defining aspect of elite design, quality and consumer experience.

'It is our conviction that luxury can lead, not lag, in the transition to a fair and sustainable world.' ([www.authenticluxuryfoundation.org](http://www.authenticluxuryfoundation.org))

## 2. Social Luxury

At quite an early point in your life – around about school age – you realise that society is riddled with cliques. If you're not in the right one, you're simply not in. Concierge services set great store by the fact that they had excellent contacts. You may not be able to grab a table at that hot restaurant, or get invited to an exclusive party at the Cannes Film Festival – but they could get you in because they knew the right people.

Wealthy aspirants are aware that 'status' is about more than just logos. After all, anybody can buy an expensive handbag – but what use is it when you're freezing in line outside a club instead of sipping cocktails in the VIP area? Not only that, but the circles of power have become less visible.

The elite are not who they used to be. They are not politicians or bankers – they are stylists and gallery owners, restaurateurs and DJs. The rules of entry are vague and breaking in is much harder.

Some luxury automobile brands – Lexus, for one – already sell concierge services with their cars. Other luxury brands will soon offer access to elite social networking help when customers spend a certain amount.

## 3. Analogue Snobbery

The world is becoming digital. Pretty soon, like the fabricated universe depicted in *The Matrix*, it will be composed entirely of zeros and ones. That's a pretty alarming thought – but it only partly explains analogue snobbery. The other explanation is that technology is becoming common, and thus inexpensive. Objects from the analogue era are growing rare – treasured, even.

You go over to your hip friend's apartment and he puts a crackly vinyl disc on his record player. Nearby a collection of albums lovingly hunted down on eBay – of course, he tells you that he never stopped buying vinyl – sits proudly on display. Similarly, when I was at a party the other day, a selfconsciously 'cool' girl took my picture on a battered analogue camera.

'It's getting harder and harder to find the film,' she sighed.

Newspapers and books will become the next icons. Everyone accepts that news has migrated online and that printed newspapers are facing extinction. Those that survive will become more expensive, and they will adopt some of the attitudes of luxury brands.

They will distance themselves from the web by saying that their cultivated readers appreciate the time it takes to peruse a well-written article. They will portray their journalists as wordsmiths – craftsmen.

They will tell you that they use traditional printing techniques and paper from sustainable forests. Many magazines have already positioned themselves as glossy coffee table publications.



Nokia's Vertu

#### 4. Disruption from Asia

If the luxury giants have become sluggish and predictable, there are opportunities for others. Nokia cleverly filled a niche with Vertu, its luxury mobile phone.

There is a similar Chinese brand called Veva, launched in May 2008 by Qiao Xing Mobile. The slender Veva phones come in gold-plated and crystal-studded versions.

The convention is that Asian markets are consumers rather than producers of luxury goods. But what if a new wave of luxury brands were about to emerge from Asia?

In fact, Asia has a history of bringing disruptive ideas to the luxury market. The group of avant-garde Japanese fashion designers that rose to prominence in the 1980s included Yohji Yamamoto, Issey Miyake and Comme des Garçons, launched by Rei Kawakubo in 1973.

Kawakubo's Dover Street Market concept store in London (in which designers are invited to set up 'creative spaces'), her temporary 'guerrilla' stores around the world and her unashamedly synthetic fragrances make her brand a model of alternative luxury.

This brings us neatly on to Shanghai Tang, the upmarket fashion brand started in 1994 by David Tang. Based in Hong Kong, it now has branches all over the world. It originally made tourist-friendly takes on Mao jackets and cheongsam skirts, but lately it has been channelling a more contemporary version of Chinese culture. Another interesting Chinese brand is Qeelin, styled as 'China's first luxury jewellery brand' ([www.qeel-in.com](http://www.qeel-in.com)).

Its jewel-encrusted pandas may not be to everyone's taste, but the brand has apparently been given the seal of approval by fashionistas like Marc Jacobs and Mischa Barton.

Chinese students can study fashion and luxury brand management. French business school HEC runs an 'Advanced Management Program in Fashion and Luxury' with Tsinghua University in Beijing.

#### 5. Guilt-Free Luxury

The word 'luxury' can have negative connotations. In *War and Peace*, Tolstoy describes how Napoleon's entire invading army vanished into Moscow as if absorbed by the streets. It was ruined by a familiar temptation.

'The men who had recently made up an army drained away all over this wealthy, deserted city so richly supplied with goods and luxuries.'

Luxury, in this interpretation, should be resisted by the pure of spirit. But the notion of 'authentic' luxury offers an alternative approach.

Patrizia Pressimone, director of architecture at the Paris department store Printemps, said: 'Luxury is an aesthetic pleasure. It is a form of evolution, a sign that we have learned how to enjoy life beyond the basics.'

The next time we covet something, it may help to remember Patrizia's theory that the pursuit of luxury has contributed to art and culture – and perhaps to civilisation as a whole.

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## In search of authenticity

[James Gilmore](#) and [Joseph Pine](#)

The world of business is fast realising that creativity is too valuable to be left to the creatives. Whether the challenge is to craft new and improved products and services, or to imagine whole new business opportunities, the sometimes formulaic manner of management thinking is being questioned in these globally competitive, fast-moving and often disruptive times.

This article is based on *Beyond experience: culture, consumer & brand*, a report by Arts & Business on developing Pine and Gilmore's ideas from their books *The Experience Economy* and *Authenticity*.

The report recognises that it is not just the commercial creativity of designers that is valuable in business – it is the cultural insight and capital of the arts that matters too. In a world now well supplied with high-quality, well-priced goods, how can companies better meet consumers' needs?

The value of authenticity in art, be it a painting, a performance, a novel or a composition, exemplifies a dynamic that exists in business as well.

### AUTHENTIC OR FALSE?

Authentic or false, bogus and phoney? That is exactly the dimension on which more and more consumers evaluate what companies offer them, as they increasingly see the world in these terms, and want to buy or consume a real product or service from someone genuine.

Why? And why now? Because of the shift to the 'experience economy'. Goods and services are no longer enough; what consumers want today are experiences – memorable events that engage them in an inherently personal way.



Fair-trade practices are an example of influential authenticity

But in a world increasingly filled with deliberately and sensationally staged experiences, consumers will choose whether to buy or not based on how real they perceive an offering to be.

Whenever experiences come to the fore, issues of authenticity follow closely behind. Think of Disneyland. No place before or since its opening in 1955 has provoked more debate on authenticity within modern culture, nor has any other business sparked more controversy on the effect of commercial activity on the reality of contemporary living than the Walt Disney company.

Or think of coffee. Starbucks earns several dollars for every cup of coffee, far and away above the few cents the beans are worth, precisely because it has learned to stage a distinctive coffee-drinking experience centred on the ambience of each place and the theatre of making each cup – resolutely shaping how real consumers perceive it all to be.

Yet now, as with Disney before it, Starbucks faces relentless scrutiny from both highbrow social critics (in books and articles) and everyday consumers (in visits and blogs) on how real or unreal they deem the company and its places to be. For many, what once seemed unique and so authentic now seems ubiquitous and inauthentic.

Art criticism today similarly flows not only from traditional sources but often from consumers and even from the artists themselves – focusing increasingly on issues of authenticity.

Some of the art of British graffiti artist Banksy exemplifies this well. In clandestinely displaying his works alongside masterpieces in the Louvre, Tate Modern and Museum of Modern Art, his art (the performance art of sneaking his works past security and on to the walls) certainly calls into question just who it is that deems some art real and other art fake.

While authenticity has long been the centre of attention in art, it is now time for companies understand, manage and excel at rendering it.

Indeed, 'rendering authenticity' will one day roll as easily off the tongue among executives and managers as 'controlling costs' and 'improving quality'. When consumers want what's real, the management of the customer perception of authenticity becomes the main source of competitive advantage – the new business imperative.

An examination of the progression of economic value over the past two hundred years puts the contemporary desire for authenticity into perspective. Several centuries ago, at the height of the agrarian economy, when the trading of natural commodities was the major economic activity, the dominant consumer sensibility was simply availability.

Cost did not emerge as the dominant factor until the industrial economy, when mass production drove down the price of nearly every tangible commodity. In turn, with the rise of the service economy, as consumers increasingly purchased intangible services, quality emerged as the dominant consumer sensibility.

Today, at the dawn of the experience economy, in which consumers increasingly seek venues and events that engage them in a personal and memorable way, authenticity has become the concern when purchasing.

## **CHOICE AND SELF-IMAGE**

In industry after industry, authenticity of experiences has overtaken quality as the prevailing purchasing criterion, just as quality previously overtook cost, and as cost once overtook availability.

No longer content with available, affordable and excellent offerings, both consumers and business-to-business customers consider how well choices conform to their self-image. What they buy must reflect who they are and who they aspire to be, with lightning quick judgments of 'real' or 'fake' hanging in the balance.

Managers across all industries need to add to their expertise an understanding of what their customers (or patrons) consider real and fake about their offerings – or at least which elements influence such perceptions.



Organic soap appeals to those attracted to natural authenticity

This applies not just to experience-stagers but to those selling any kind of economic offering. Transformation is the fifth and final offering in the progression of economic value. It occurs when companies use experiences — as in 'life-transforming experiences' — to guide customers to change.

Businesses are only at the early stages of figuring out how to render authenticity — think of it as the late 1910s for controlling costs after Henry Ford invented the system of mass production, or the 1970s after Taiichi Ohno put together the Toyota production system based on the tenets of quality. But one thing we do know: no matter the business, art can be central to any company's appeals to authenticity.

## **FIVE GENRES OF PERCEIVED AUTHENTICITY**

In examining the way businesses meet this new-found desire, we have identified five genres of perceived authenticity. Each represents a lens through which different people tend to judge offerings as real or fake, and decide what is or is not authentic to them.

### **Natural Authenticity**

People tend to perceive as authentic that which exists in its natural state in or of the earth, remaining untouched by human hands – not artificial or synthetic. The essence of natural authenticity resides in the infusion of elements or properties of nature into an offering. Growers of organic foods appeal to this genre of authenticity in forsaking pesticides and fertilisers, as do numerous soap manufacturers, which make soap by hand in slabs using only natural ingredients, such as goat's milk and kiwi seeds, using little packaging and exposing the soap so one can see and touch the bar.

Think of your favourite or most frequented Starbucks – its earth tones, eclectic music, functional furniture, aromas and tastes – it all represents an appeal to natural authenticity.

## Original Authenticity

People tend to perceive as authentic that which possesses originality in design, being the first of its kind; not a copy or imitation. The key to original authenticity lies in having an offering precede in time or depart in form from other offerings of its class.

Almost everything Apple designs – from the iPod to the Genius Bar in its Apple stores – seeks to appeal to this genre. Even its slogan, 'Think different', is originally ungrammatical. Original authenticity encompasses decades-old brands well identified with their categories, such as Hoover and even Disney, generally recognised as the originator of the theme park industry (even though De Efteling in the Netherlands in fact preceded Disneyland by three years).



The Walt Disney company has provoked huge debate on authenticity within modern culture

Goods with a particular design aesthetic, services which use unique processes as well as truly new-to-the-world offerings that flout accepted norms in an industry (think of anything from the Virgin mind of Richard Branson) appeal to original authenticity.

## Exceptional Authenticity

People tend to perceive as authentic that which is done exceptionally well, and executed with human care.

The distinguishing characteristic of exceptional authenticity is a concern for shaping an offering to the unique or unusual preferences of those to whom it is offered.

Any company that encourages its people to genuinely care about customers and respond to their individual needs appeals to exceptional authenticity. Such businesses include Lexus with its 'Relentless pursuit of perfection', Harley-Davidson's special motorcycle lines for police officers and fire-fighters (not to mention the local rides and programmes it supports via its Harley Owners Group, or HOG club), or any mass-customised offering such as personalised M&Ms.

## Referential Authenticity

People tend to perceive as authentic that which refers to some other context, drawing inspiration from human history, and tapping into our shared memories and longings.

To appeal via referential authenticity, an offering must refer to something already perceived as authentic.

Iconic experiences such as downing a pint of beer in an English pub, sipping coffee with a Sachertorte in Vienna, participating in a formal Chinese tea ceremony, eating sushi in Japan, having a sauna in Finland or taking in a baseball game in the United States all exhibit referential authenticity, drawing their inspiration from long-practised cultural rituals. Successfully appealing to referential authenticity requires thematically creating, or recreating, a certain sense of familiarity with the past.

## ARTS & BUSINESS:

The art of rendering authenticity relevant to business is a very rich seam of thought and takes the original Pine and Gilmour work to another level, with valuable insights for companies.

For more information on the Arts & Business report, or how your brand can become more authentic, please contact: Tina Mermiri, research manager (editor and co-author of *Beyond Experience: culture, consumers brand*) [tina.mermiri@artsandbusiness.org.uk](mailto:tina.mermiri@artsandbusiness.org.uk)

## Influential Authenticity

People tend to perceive as authentic that which exerts influence on other entities, calling human beings to a higher goal.

The crux of influential authenticity comes down to imparting meaning into an offering and calling people to a higher purpose.



The Chinese tea ceremony represents referential authenticity

The interest in sustainability in building construction for homes, offices and factories stems from this genre, as do fair-trade practices and any of the 'three-word offerings': free-range chicken, dolphin-safe tuna, shade-grown coffee, pesticide-free fruit, low-carb diet, conflict-free diamonds, and the like.

More significantly, the Eden Alternative movement in elder-centred communities appeals by seeking to eliminate the loneliness, helplessness and boredom so endemic in the nursing home industry.

Companies also appeal to influential authenticity when they offer transformation services like GlaxoSmithKline's Committed Quitters programme.

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## How to avoid the most interesting trends of 2010

[Robert Passikoff](#)

There is little doubt that marketers tend to be trend conscious. It's even fair to say they tend to be trend driven. But the question remains, what role should trends play in the creation of a brand or marketing strategy? How do they support, or interfere with branding efforts?

Let's examine a few trends recently predicted:

- more companies will be moving with the culture
- consumer identities will be tied more closely to technology
- luxury and what it stands for will remain in flux
- winning brands will innovate and differentiate
- age cohorts (prime timers, baby boomers, generation X and generation Y/millennials) will play different roles in redefining traditional concepts about work
- with the internet, more people will never leave their homes.

In the spirit of full disclosure, I made up that last one. But by the time you got to it you were probably already wondering, 'How exactly am I expected to react to those particular pronouncements?' and 'How do they help me position, or strategically plan for, my brand?'

How, indeed? The first five statements deal with actual marketing and social trends, researched and published shortly before the end of last year.

There are many more pronouncements like these. But this crop seems emblematic of the trends that traditionally bombard marketers and advertisers at the start of each year. They are regularly positioned as 'consumer insights' useful for moving brand marketing and advertising forward. The problem is that they may be interesting – but are they leveragable?

While fodder for cocktail party rumination, these trends provide little insight into how consumers will behave within the category where your brand competes. Nor do they offer guidance for innovating and differentiating.

To that add the need to profitably engage consumers with your brand. Even the best demo graphically segmented social trends do not supply such insights.

John Locke, regarded as one of the most influential of Enlightenment thinkers, said, 'No man's knowledge can go beyond his experience', and within that declaration lies the secret of how 'trend' material can be best applied. The right kind of knowledge isn't a single trend but how those trends influence consumer perceptions, behaviour and expectations.

Consumers shop for what they consider the product or service that best meets – or exceeds – their expectations. Unless marketers understand what truly matters most to consumers they are doomed to a brand-centric world view in which trends are interesting, but not constructive.

Understanding how shoppers approach a category is the only platform upon which effective brand strategy can be built and trends usefully incorporated. Only the consumer-centric view lets a brand see what is driving loyalty in a category – allowing it to act strategically.

### TRENDS ARE CATEGORY SPECIFIC

People don't buy colas the same way they buy mobile phones; nor wireless services or airline tickets the way they buy bottled water. But still many agencies, research houses and marketers seem willing to trade product and category specificity for the comfort of cross-category, generalised trend observations. Doing that may be helpful for creating averages or 'norms', but has nothing to do with how people really behave.

We recommend viewing trends within the context of the 'category ideal'. Creating an ideal is a natural process based on experience, desire, knowledge and expectations. Factoring in the emotional side of the category-specific decision process is essential to understanding if a trend actually has any role for your brand. Properly configured, a category ideal will describe the drivers that consumers use to view, compare and buy in your category, and the levels of expectations they hold.

A category ideal should also identify the relative contributions that attributes, benefits, values, image and trends bring to your category.

There is a long list of very interesting trends that have come and gone, because they have not addressed consumer expectations. If you aren't able to meaningfully leverage a given trend in your brand's category, you should probably ignore it – no matter how interesting it seems.

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## The quickest way from A to B can be the long way round

[Rory Sutherland](#)

For me, one of the most important books to be published all year will be *Obliquity* by John Kay, the economist and *Financial Times* writer. I am sticking my neck out here since at the time of writing, it has not yet been released. So I am recommending it on the strength of a 700-word article by the author, which he wrote several years ago.

Nevertheless I am looking forward to the book on two counts: first because I look forward to reading it, and second because I look forward to the effect of other people reading it – especially since, given the author's credibility (he was one of the few people to predict the banking collapse), this is a book that will be read by finance directors as well as normal people.

What is the book about? At the simplest level, it makes the fairly obvious point that the best route to point B from point A may not be a straight line. In fact, the best way to reach point B may involve spending quite a bit of your journey heading off at some tangent to the route which appears quickest – or even in the opposite direction. One geographical example is the Panama Canal, which has its Atlantic entrance some way to the west of its Pacific one.

Kay believes that this same principle applies to many aspects of human activity. In business, it is not the firms which set out nakedly to make money which are ultimately the most profitable. Nor is it the greediest people who end up richest. The best way to become happy is not to set out with the aim of being happy.

Kay – who gains additional respect from me as a leading enthusiast for behavioural economics – is giving scientific credibility to the notion that the best way to achieve your goals may be to set off in pursuit of something else.

This raises the question of whether the best way to build brands is to set out with the single-minded intention of brand creation. I suspect brands are much better when they are a by-product of beliefs, principles, goals, ideals, achievements) than when they are a product – just as, in terms of human fame, Margaret Thatcher's is a different kind to Paris Hilton's.

Of course in certain circumstances most people understand this instinctively. All but the most crass individuals know that the way to start a relationship with the opposite sex is rarely by unrelenting pursuit. This is what makes romance such an interesting subject for novels – the fact that seduction is the oblique form of persuasion. The phrase 'I persuaded her to sleep with me' is not one which often accompanies the start of a lasting relationship.

However, while even finance directors appreciate the value of obliquity in their personal lives, in the forums of business and government it is rarely given any weight. This is not helped by the present requirement to justify every action in terms of an immediate payback.

In the past few years a culture of direct pursuit of short-term shareholder value has created a hyper-rational cast of thinking, and a hyper-rational cast of people, whose philosophy and approach is deeply inimical to marketing and brand creation – and ultimately value creation.

Sometimes this nuance-free form of thinking manifests itself as 'physics envy' – a deeply felt reductionist desire to create a system of business measurement and control which resembles the workings of a simple machine. It has been bolstered by the efficient-markets hypothesis, the idea that financial transactions tell you all you need to know about your customers, and that all business information can be contained on a spreadsheet. And by moronic approaches such as the Boston Matrix, which assumed that a company created value in the same places it made money – forgetting that most businesses practise intelligent cross-subsidy.

When Woolworths focused on selling high-margin toys and neglected to sell low-margin cotton reels, it didn't end up with bursting tills but with empty shops. A little obliquity would have helped.

This post-Friedmanite consensus in business is one which I hope this book will challenge. The previous approach effectively gave power to people in organisations to misrepresent cost-cutting as value creation. *Obliquity* makes the point that the best way to create long-term value is not necessarily to pursue short-term gain at the expense of anything else.

But it is also of value to agencies in talking to marketing folk. Previously we always felt a bit nervous suggesting that a dancing animatronic goat may actually sell more cheese than an alphabetic listing of its ingredients. Now we can simply say 'obliquity' and give a sly little nod.

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