

# Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

SPECIAL ISSUE: MARKETING AND SOCIETY

## Only consumers can make capitalism work

HUGH DAVIDSON



**LIVING IN THE MATERIAL WORLD: MARKETING AND MEANING**

Grant McCracken

**DIGITAL HAS TO BE GOOD FOR BOTH CONSUMERS AND BRANDS**

Michael Bayler

**BLOWING THE MARKETING TRUMPET**

Winston Fletcher

**OUT-BEHAVING THE COMPETITION**

David Jones





First win the eye...

then the heart...

then the mind...



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# What is marketing?



**MOST PEOPLE** in marketing or marketing services tend to find their jobs interesting and enjoyable and consider the question in the headline absurd. But largely because of confusion as to what marketing actually is and does, few appreciate just how important it is. Marketing is widely thought to be synonymous with selling, to be confined to advertising and communications, to be some kind of add-on function and, in some quarters, to be a malign influence. This issue of *Market Leader* is dedicated to examining why we think marketing is important – but also in the interests of broadening the subject, what the criticisms are.

Now that there is broad political consensus that capitalism is the most efficient economic system, the argument has moved on to what kind of capitalism we should strive for. Some years ago, Charles Hampden Turner and Fons Trompenaars published *Seven Cultures of Capitalism*, an analysis of how capitalism operates in seven diverse national cultures including Sweden, Japan and the US. Their thesis was that capitalism isn't value-free. How it is practised is a function of the beliefs and values of the culture in which it operates: from the individualistic, less regulated version practised in the US and UK to the more consensual capitalism of Germany and Sweden. The virtues of the former, eg innovation, are believed to be worth the downsides – primarily inequality.

But becoming like Sweden is fairly unlikely. Anglo-Saxon culture is not likely to change that dramatically and regulations will be tolerated only so far. But what could happen, as Hugh Davidson argues in this issue's lead article, is that consumers increasingly have the power to make capitalism work better. The marketing principle, properly executed, creates and guarantees fairness. Where it barely exists, such as in the financial sector, exploitation is inevitable. This argument is underlined by economist John Kay's Viewpoint piece.

David Jones describes how many companies are reshaping their strategies to serve customers, the environment and their bottom line. Michael Bayler paints an even more dramatic picture of consumer power in his analysis of the digital world.

Advertising is increasingly criticised for promoting an unhealthy, unhappy preoccupation with material goods. Jon Alexander and Rory Sutherland debate the two sides of the argument, while Hugh Burkitt argues that marketing needs rules, but these must be revised to accommodate changes in social attitudes and beliefs. Anthropologist Grant McCracken describes the role of marketing as 'managing meanings' in the form of brands – meanings that culture creates, moulds and transforms.

This is just the beginning of the debate: there is much more to say and we welcome contributions for publication in subsequent issues.

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# Market Leader

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# Yours Sincerely.

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# Brainwaves

Our selection of light reading from around the world of marketing

## There's nothing nuts about craving variety

BY WINSTON FLETCHER

**I DON'T** like peanuts. To coin a phrase, I eschew them. I have seen no quantitative taste tests, but watching people nibbling in bars suggests most people do like peanuts. So disliking them is just a personal quirk. It isn't important – to anyone but me. Still, strange though it may seem, I feel my nutty quirk is relevant to this salty issue of *Market Leader*.

Antagonists of marketing frequently claim we make people buy things they don't truly need. But one of the most basic, defining characteristics of human beings is their fondness for things they don't truly need. From their earliest days on earth, humans throughout the world wanted things they didn't truly need.

They taught themselves to bake bread, and to cook increasingly delicious nosh. They started to wear ever more glorious garb, to paint their faces and to navigate the mysterious oceans, often dying in the process.

What drove our worldwide ancestors to do such things? Who knows? But whatever it was, it sure wasn't marketing. You may think they were driven by God, or driven by Darwin – the survival of the fittest. Or whatever. But did the early humans truly need gourmet grub, fab finery, colour cosmetics and holidays abroad? No way. Did they want them? Not half. Otherwise they would not have spent so much time



**Peanuts: strictly for the birds in Winston Fletcher's opinion**

One of the defining characteristics of humans is their fondness for things they don't truly need

and taken so many risks to get them.

Which roundabout dissertation takes me back onto the peanut path. Humans can live without nuts. Yes, most of us enjoy nuts – even if I myself am a bit picky.

Nuts are nice, fairly healthy provender. But above all, nuts add variety to our diet, and variety is something humans do seem to need (as well as want) – and not just in foods and fashions. Like our predecessors, we want variety everywhere. As the old adage said: variety is the spice of life. In any sport, no two games are ever identical: that's what makes sports so fascinating. In the visual arts, think cave paintings. In narratives, think oral histories. In music, think bamboo instruments.

Few other animals like variety at all, none like it much. They eat almost the same things every day. They seldom change their appearance, and then only in preordained

ways. Some like to travel: many birds and fish wander vast distances – but again only along preordained routes.

Humans are different. Variety provides us with ways to express our differences – our personal quirks. Like my dislike of peanuts.

Today, marketing provides each of us with more and more ways to express our personal quirks. This may sound unnecessary, and deriders may carp at the wastefulness of affluence. Nuts to them all. Let them eat vapid sliced white bread. ■

*Winston Fletcher writes extensively on advertising and marketing.*  
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## This much I've learned

JILL McDONALD

### The best advice I ever got...

Make sure you are clear, not only on your strategy and tactics, but also your objectives and what you are actually trying to achieve – the 'why' – and then communicate this well.

### The worst advice I ever got...

There are more important things to worry about than the brand.

### Don't underestimate...

The value of having an opinion.

### Don't overestimate...

Always having the answer. **The experience that taught me most...** I was leading the relaunch of a soap brand and didn't check if the artwork had arrived at the factory. I had a nigging feeling they hadn't received it but presumed, wrongly, that someone would call me if they hadn't. The lesson? Always listen to that gut feeling and act on it.

### The most fun I had...

Was in the early days of my career with British Airways – great people, great brand and a job that travelled the world.

### The worst moment...

When I realised I had misplaced a zero in a business case presentation to a Finance Director – awkward.

### My peak career experience...

Being made chief executive of McDonald's for UK and northern Europe.

*Jill McDonald is chief executive of McDonald's UK and northern Europe  
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## 10 things ... we discovered this spring

**1** Lightning can contain enough energy to boil eight million cups of tea.

**2** Wearing a white lab coat helps you perform better in tests.

**3** In the UK, 34% of households have just one person living in them.

**4** A tweet by Jamie Oliver is worth \$3,250 (£2,044).

**5** The UK is the world's third-largest purchaser of human hair.

**6** The longest word ever used in the House of Commons is floccinaucinihilipilification. (It means 'act or habit of estimating as worthless').

**7** In Britain, 47% of households with a cat have at least one person educated to degree level, compared to 38% of homes with dogs.

**8** France is the second largest market for McDonald's in



the world (after the US), with over 1,200 franchises.

**9** A source in an FBI report described Steve Jobs as a "deceptive individual who is not completely forthright and honest".

**10** Of the 20 highest grossing films of the 2000s, only one (*Finding Nemo*) had an original screenplay and was not a sequel.

Brainwaves pages are edited by Elen Lewis, editor of The Marketing Society. [elen.lewis@gmail.com](mailto:elen.lewis@gmail.com)

## THOUGHT FOR THE DAY

### PROVERBS FROM AROUND THE WORLD



As they say in Liberia: 'Don't look where you fell, but where you slipped'

- A shroud has no pockets. (Scotland)
- No one is a blacksmith at birth. (Namibia)
- The absent always bears the blame. (Netherlands)
- One cannot make soup out of beauty. (Estonia)
- Bad is called good when worse happens. (Norway)
- When the mouse laughs at the cat, there is a hole. (Gambia)
- Under trees it rains twice. (Switzerland)
- Everyone is foolish until they buy land. (Ireland)
- Every head is a world. (Cuba)
- The only victory over love is flight. (France)
- Don't look where you fell, but where you slipped. (Liberia)
- Many lose when they win, and others win when they lose. (Germany)
- It is not economical to go to bed early to save the candles if the result is twins. (China)

Source: [futilitycloset.com](http://futilitycloset.com)

## FOUR TV ADS YOU WOULDN'T SEE TODAY

TV ads reflect the culture we come from, but sometimes they don't make us look good. From the dangers of women driving to smoking Flintstones, here are four ads from past decades that would never be run today

### Goodyear Polyglas Tires

This early 1970s tyre ad plays on a husband's insecurities about his wife driving alone. Cue Hitchcockian close-ups of a woman driving through a dark night to collect her husband from the airport. "When a woman's at the wheel, Polyglas means more than mileage," intones the voiceover. When she arrives, she immediately slides over into the passenger seat and lets her man take the wheel.

### Tab Cola

Model Elle Macpherson strolls on a beach in a red bikini. 'Tab Cola helps your beautiful shape,' coos the ad. As she passes a couple, the man gawks at her, prompting his girlfriend to pour water over his head.



### Winston cigarettes

Winston cigarettes sponsored the first two seasons of *The Flintstones* in 1960-1962. In one ad, Fred Flintstone and his neighbour Barney are watching their wives hard at work mowing the lawn. Fred: "They sure work hard don't they, Barney?" Barney: "We ought to do something." Fred: "How about taking a nap?" Barney: "I got a better idea... let's take a Winston break." Fred: "Yeah Barney, Winston tastes good, like a cigarette should"



### Jell-O

Jell-O's cringeworthy animated ad features a Chinese baby unable to enjoy the 10 flavours of Jell-O with chopsticks. That is, until he is brought a spoon. "Chinese mother bring poor Chinese baby great Western invention, a spoon!" the ad proclaims. It was very popular in 1957 and spawned two similar ads in the same series.

## Write better with rules

Elen Lewis says using constraints can inject magic and creativity into your business writing

**CONSTRAINTS** have a creative effect on language. Douglas R Hofstadter said: "I suspect the welcoming of constraints is, at bottom, the deepest secret of creativity." And it's true. They help you produce better writing and ensure you enjoy the process of choosing words.

Constraints can come in many different forms. French novelist Georges Perec wrote a novel, *La Disparition*, without using a single 'e'.

As part of a writer's organisation, 26, I have contributed to a project called 26 Treasures. I was paired with two treasures, one from the V&A, and one from the National Library of Wales and asked to write a 62-word poem, coined a 'sestude'. In the latest project, my poem will be exhibited next to Princess Leia at the Museum of Childhood. I get to write about *Star Wars*.

So what was the point of constraining the work to 62 words? Most importantly, it made it easier. Here was a

frame to work from – a starting point. Every word counted. I started picking the language apart. How could I make every word work harder? 'Darkness covers' in the first draft became 'darkness cloaks'.

The *Oxford English Dictionary* estimates that there are 750,000 different words in the English language. Yet the number of words an average person uses ranges from a few thousand to tens of thousands.

Another useful constraint that helps to hone choice of words is working through the alphabet from A to Z, beginning each sentence with the next letter in the alphabet. It's not as hard as it sounds: All I want to say is believe. Craft those words, dare. Everyone is liberated by constraints, finally.

Your turn. Take the opening paragraph of a presentation and rewrite the sentences using this constraint. You'll be forced to think precisely about the words you use. See where it takes you. ■

*Elen Lewis is director of The Business Writing Academy. Send your business writing thoughts and questions to [elen.lewis@gmail.com](mailto:elen.lewis@gmail.com)*

## Golden brands of 1988

Digging into The Marketing Society's archive of 50 golden brands: a year of 'Loadsamoney' and BT's Beattie's pride at her grandson's 'ology'

**CATCHPHRASES** from 1988 included Nike's 'Just Do It', 'Loadsamoney' from Harry Enfield and 'an ology' from BT's Beattie. The UK launch of *Hello!* heralded a new age of celebrity, where footballers' wives rubbed shoulders with European royalty.

It was the year Channel 4 came of age, replacing founding chief executive Jeremy Isaacs with Michael Grade. Grade was under a little pressure from his predecessor, who threatened to throttle him if he failed to respect the channel's remit. The previous year, Channel 4 had stormed into profit – an impressive £20m, just five years since it made its debut with teatime game show *Countdown*.

It was a stellar year for advertising. The MK II Volkswagen Golf's success was sealed as Paula Hamilton rejected the fur coat and pearl necklaces and kept the car keys instead. Then there was the award-winning Real Fires TV campaign. Set to the song *Will You Still Love Me Tomorrow?*, the dog kissed the cat, who kissed the mouse, all in front of a roaring fire.

BT's Jewish grandmother, Beattie, played by Maureen Lipman, made her first appearance in 1988, reassuring her grandson, who had failed most of his exams aside from pottery and sociology. "He gets an ology and he says he's failed... You get an ology, you're a scientist..." she cries.

## SNAPSHOT

**Books:** Peter Carey, *Oscar and Lucinda*; Salman Rushdie, *The Satanic Verses*  
**Events:** Lockerbie air crash; egg salmonella scare; sprinter

Ben Johnson stripped of Olympic gold medal  
**Films:** *Rain Man*, *Buster*  
**Music:** Bros sing *When Will I be Famous?*



# Jonah Lehrer explains how creativity works

**Elen Lewis** talks to Jonah Lehrer, author of *Imagine: How Creativity Works*, about how we can all be more creative

**If you were to isolate one key piece of advice on creativity, what would it be?**

That's a tough question. The single most important notion in the book is that we're all creative. It's not only a few geniuses who get access to the muse. We can all get better at creativity, and simply knowing that frees us up and gets the ideas bubbling under the conscious mind.

**Can we all be Bob Dylan?**

No. That's why he's so famous. It's the same with Pablo Picasso. Skills are not evenly distributed. Creativity isn't equally shared but we can all get better at it.

**What techniques do you use to unclutter your mind?**

I used to have the mentality that I needed to focus and would have a triple espresso.



**We can't all be like Picasso, but we can maximise our creativity**

Whereas now, I'll go for a walk, I'll take a bath, or I'll find a way to relax and leave my smartphone behind.

**Why did you choose to write about creativity?**

I was drawn to the mystery of it. That moment of insight that arrives when you least expect it to. And yet, as soon as it arrives, you know it's the answer. For a long time we've been blaming it on the muses.

So I wanted to know, how does a brain engineer these moments? But then the book spiralled out of the personal creative analysis into genes and groups and cities.

**Who was the most inspiring person you met during the book research, and why?**

There were lots of amazing people, but I think it was Yo Yo Ma. He is such a brilliant performer and it was a thrill

watching him perform in person. He told me how nervous he gets when he steps on stage. He remains calm by thinking of Julia Child, the chef who introduced French cuisine to America. Sometimes she'd drop a whole chicken on the floor during her live shows.

It was so inspiring to him the way she'd just pick it up, wipe off the crumbs and carry on. So now, he welcomes the first mistake in his performance because then he can carry on. It's an act of expression.

**It can be difficult to work creatively within a team. Any tips?**

The most popular way to work creatively within a team is to brainstorm, but it doesn't work. One rule of brainstorming is that no criticism is allowed, that imagination is meek and it will clam up.

But brainstorming holds us back and is less than the sum of its parts. Criticism leads us to come up with better ideas, more ideas, and frank and honest ideas. It's not superficial – there has to be a good debate and then you can dig deeper.

## EXTRACT FROM IMAGINE: HOW CREATIVITY WORKS

**EVERY** day at the Pixar studio begins the same way: a few dozen animators and computer scientists gather in a small screening room filled with comfy velour couches. They eat Lucky Charms and Cap n'Crunch and drink organic coffee. Then the team begins analysing the few seconds of film produced the day before, ruthlessly shredding each frame. (There are 24 frames per second.) No detail is too small to tear apart.

These crit sessions are modelled on the early production meetings at Lucasfilm, when Alvy Ray Smith, John Lasseter and Ed Catmull would meet with the animators to review their work.

Lasseter soon realised that the meetings were incredibly efficient, since everybody was able to learn from the mistakes of everybody else. Furthermore, the crit sessions distributed responsibility across the entire group, so that the whole team felt responsible for catching mistakes.

"This was a lesson I took away from the Toyota manufacturing process," Catmull says. "In their car factories, everybody had a duty to find errors. Even the lowly guys on the assembly line could pull the red cord and stop the line if they saw a problem. It wasn't just the job of the guys in charge; it was a group process. And so what

happened at Toyota was a massive amount of incremental improvement. People on the assembly line constantly suggested lots of little fixes and those fixes had a way of adding up to a quality product."

The harsh atmosphere of Pixar's morning meetings – the emphasis on finding imperfections and mistakes – may at first seem to contradict one of the basic rules of group creativity, which is to always be positive. In the late 1940s, Alex Osborn, a founding partner of BBDO, came up with a catchy term for what he considered the ideal form of group creativity – brainstorming. The most important

principle, he said, was the absence of criticism.

Brainstorming is the most popular creativity technique of all time. There's just one problem with brainstorming: it doesn't work. Keith Sawyer, a psychologist at Washington University, summarises the science: "Decades of research have consistently shown that brainstorming groups think of far fewer ideas than the same number of people who work alone and later pool their ideas."

*This is an edited extract from Imagine: How Creativity Works by Jonah Lehrer, published by Canongate.*

# Ideas & issues



## LEADERSHIP

# How core marketing principles help CMOs to be better leaders

FROM MHAIRI McEWAN AND ANDY BIRD

**A PARADOX** exists in becoming a marketing leader: the more senior you get, the less your time is spent actually doing pure marketing.

The functional skills and experiences that propel you to the top are not necessarily the ones that will help you succeed when you get there.

### ROLE EXPECTATIONS

The marketing director of a top global business recently estimated that as much as 80% of his time is spent working with people outside the

marketing function. Another senior marketer we spoke to argued: “In the role of CMO, you have one central challenge. Ultimately, the only way for marketing as a function to succeed is to make sure the whole company works as a marketing organisation. You have to shape the whole organisation so that it focuses on the consumer and you have to ensure that the business model is integrated with how you build your brands.”

Easy to say! But achieving this in practice is no

mean feat. It demands exceptional leadership skills to develop a clear vision, engage colleagues in breaking down organisational silos and establish new ways of working, decision-making and measurement. Importantly, marketing leaders must build the capabilities needed for the organisation to change in practice, deliver better customer value and drive brand and business growth.

The relatively short tenure of many marketing directors doesn't help since significant

changes take time to embed. Resistance to change can also be heightened when top marketers come from outside the company, without in-depth knowledge of its industry, business operations and culture.

### TIME PRESSURES

Another dimension to the challenge is that while the core functional marketing activities remain as critical as ever to business performance, CMOs have huge demands on their time and far less scope to focus personally on this aspect of their role.

Generating customer insight, driving innovation and building brands with brilliant communication are central to business and brand success and provide the foundation for marketing's influence within the organisation. The dilemma for top marketers, given that they have to rely on their team to perform these tasks, is this: how can they best build the marketing capabilities of their people and teams and equip them with the core marketing skills needed to deliver better customer value in a rapidly changing competitive landscape?

Headcount reductions within marketing departments mean fewer resources to coach people and enable shadowing on the job. A growing tendency towards functional specialisation also means marketers struggle to build up the ‘big picture’ of the way marketing works as a whole. Add to this massive pressure to deliver short-term results, and it's not surprising that marketing functions often feel ill-equipped to deal with the challenges they face.



**DELIVERING THROUGH OTHERS**

To succeed, a CMO must build the leadership skills needed to deliver through others – within their function, across the organisation and with the external agencies and suppliers so pivotal to their success. Their impact will depend on their ability to inspire, engage, coach and influence others to deliver tangible and rapid results for the business.

But instead of feeling intimidated by this challenge, their very expertise as marketers can serve them well. We see securing changes in people’s behaviour within an organisation as similar to the task of securing changes in the behaviour of customers. We believe CMOs should leverage the principles and practices of marketing as much internally as externally.

**APPLYING MARKETING PRINCIPLES**

Great marketing leaders start with a deep understanding of core business objectives. They find ways to set an inspiring brand vision and express it internally to provide motivation and purpose for everyone in the organisation, and for customers.

How else do they engage others? They segment the key internal communities and seek insight into the needs and motivations of stakeholders. They recruit influential advocates by explaining the benefits of change in ways that relate to the commercial agenda of the business. And they build marketing capabilities, not just in the marketing department, but in all functions where people contribute to the delivery of the customer experience.

Just as consumer marketing

**CMOs should leverage the principles of marketing as much internally as externally**

campaigns that rely solely on TV ads belong to the past, so too do marketing learning programmes that focus solely on traditional training activities. A strategic approach will change how people and teams work in practice, using an innovative blend of face-to-face, online and social channels that connects closely with people’s on-the-job work activities.

Just as effective marketing to customers requires a holistic organisational approach, the same is true internally – systems, incentives and rewards must be brought in line to support the employee behaviours required for success.

In conclusion, as marketers approach the C-suite, they may need to reduce their direct involvement in operational marketing activities.

But instead of seeing this as a loss, CMOs should take comfort from the fact that the functional skills they have built up will help them to move to a new level of performance, not just as marketers, but as broader business leaders.

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**MARKETING ETHICS**

**Every breath you take: adding ethics to the marketing mix**

FROM DOUGLAS GIMESY

**IN 1983**, The Police released the Grammy award winning song *Every Breath You Take*, with the classic verse: *Every breath you take/Every move you make/Every bond you break/Every step you take/I’ll be watching you*.

Nearly 30 years on, with the explosion of the internet and social media, these words couldn’t be more true: online has created a massive double-edged sword for the marketer.

For organisations that understand today’s ethical standards and try to ‘do the right thing’, this heightened transparency can rightly act to improve brand equity.

For those that don’t, every move they make increases the

risk that their brands will be proverbially tried, judged, and sentenced to death in a very public arena.

**CREATING A FRAMEWORK FOR ETHICAL THINKING**

So how can we ensure that the ethical ramifications of everything we do are considered deeply, that nothing falls through the cracks, and that we ‘do the right thing’?

One simple way could be to start formalising the issue in our strategic planning process and making ‘ethical considerations’ a sub-head of the ‘Ps’ in our marketing plans.

At least once this simple step has been put in place, a signal is raised to start

explicitly, proactively and seriously, thinking about this important aspect.

**FIRST THINGS FIRST**

1. Being legal does not mean being ethical, and being ethical does not mean being legal.
2. Making the claim “it’s a business decision” does not give someone ethical immunity.
3. While consequences can be important, some things can be deemed as unethical simply based on the motivation or act itself. For example, if someone lies but no-one believes them, whilst no harm is done, the act of lying could still be deemed by many to be unethical.
4. Doing nothing (an omission), when one could or should

have done something, can be deemed just as unethical as doing something (an act).

With these basic concepts in mind, let’s look at how some ethical considerations could be considered under the classic four ‘Ps’ of product, price, place and promotion.

**Product**

Most marketers develop or market products suited to defined market segments, as this (along with appropriate targeting and positioning) should help maximise sales and brand equity. In doing this, however, some very broad questions can be asked. For example:

- Does this product really align with the company’s explicit value set?
- Does this product help fulfil – or does it undermine – the company’s vision or mission statement?

If the answer is no to either of these, one could rightly say >



**The availability and price of pharmaceuticals can be an ethical issue**

the company has misled its shareholders, its employees, the public, and all other relevant stakeholders.

Similarly, is the packaging appropriate? Will it be deceptive by design or default to its target segment, and will it be appropriate for others who could be exposed to it?

Are the warranties, customer service or customer care, either promised or inferred, not only clear, but really deliverable?

### **Price**

Most marketers will consider the best pricing model to be one that boosts sales and profit but, depending on the industry and segment, the price set can also have significant ethical implications beyond the company.

A pricing model designed to increase profits, however, excludes consumers with low economic means, and may appear unfair when the product or service is not just desirable, but a necessity of life.

This type of issue is no more clearly demonstrated than in the pharmaceutical industry, where certain life-saving drugs may be priced at a level that only the

affluent can afford – in effect creating a form of economic discrimination with life-and-death health consequences.

Another example would be the pricing of utilities (eg water, gas, electricity).

### **Place**

The issue of where a product can be purchased along the supply chain may seem innocuous at first, but it can also pose significant ethical ramifications.

If a product is made too easily accessible, for example products of addiction and harm (such as tobacco, alcohol and internet gambling), the consequences can be negative.

Similarly, so can making a product available to market segments where a high probability exists that it may be used incorrectly or inappropriately.

Some may remember the famous case in Africa, where a multinational corporation made infant formula available to impoverished breastfeeding mothers. As a result, due to the mothers' financial constraints, limited access to fresh water, or both, the milk formula ended up being over-diluted (in an attempt to

make it go further) or mixed with contaminated water – the end result being significant malnourishment and sickness.

Conversely, not making a product available can raise ethical questions. For example, when an agricultural company makes one type of pest- or drought-resistant crop available to one country, but not to another, particularly if the latter is a third-world country with limited options.

Finally, withdrawing or deleting a product or service can also have far-reaching impacts, especially if this goes beyond the understood or expected product life-cycle and support.

### **Promotion**

When it comes to promotion, it's important to differentiate between 'bad taste' and 'unethical', as this often gets confused in the media and many online discussions.

Bad taste can typically be described as something unpleasant, inappropriate, or something that defies our cultural norms.

Unethical, however, denotes something that breaks the rules of the game, or has negative or unacceptable consequences. Making a false promise outside the acceptable promotional practice of 'puff-ery', or promoting a product or service that ends up causing physical, emotional, economic or social harm, can be said to be unethical.

Examples include promoting how fast a car can go, when clearly speed limits exist; forms of beauty advertising that set impossible standards and expectations, thereby impacting self-esteem; and offering finance to those who clearly cannot afford it.

The advertising component of the promotional mix gains the lion's share of popular culture's attention, and it probably doesn't require much more comment here. But

there are many other aspects of the promotional mix that can also have significant ethical repercussions.

For example, whom you promote to, is important. Marketing to the vulnerable may be deemed unethical as, for a variety of reasons, they may not have the ability to appropriately evaluate the offering.

And even if you decide there are no ethical concerns around who you promote to, there is still the question of how much information we should provide. When is it unethical to disclose too little information, or too much?

### **CONCLUSION**

The powers and abilities of effective marketers to impact and influence the world create unique responsibilities and considerations. Whether one feels the need to 'do the right thing' as it's good for our brands (and business), or simply because 'doing the right thing is the right thing to do', as Sting poignantly pointed out, we know that our customers are watching us, and will judge us accordingly.

In a pluralistic world, where conflicts of interest will always arise and trade-offs need to be made, there is no simple or single way to always determine exactly what the 'right thing to do' is. However, just stopping and thinking about it is surely a great start.

Given that many of us use the marketing mix as a framework for developing our marketing strategies, perhaps just adding to each of the Ps, a section on ethical considerations, would be a simple way to help ensure that we, and the organisations we associate with, do 'the right thing'.

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# People, plonk and placebos



The 'placebo effect' in medicine is a well documented phenomenon whereby the perception of effectiveness influences the actual physical experience. **Jeremy Bullmore** explains how branding works in a similar way

**PUT THE** same red wine into two identical bottles. Then apply two different labels. The first label, on Bottle A, looks like this:



The second label, on Bottle B, looks like this:



Then ask a thousand experienced wine drinkers to taste each wine, conscientiously rotating the order in which the wines are sampled: 50 per cent starting with a taste of Bottle A and 50 per cent starting with a taste of Bottle B. Then invite them, without conferring, to declare their preference.

The wine in both bottles will have come from the same vines in the same vineyard. They will have been harvested at the same time and will have been part of the same batch when bottled. Were you to analyse them in a laboratory they would be found to be physically identical, as indeed they are.

Yet in any such test, every time, there will be a significant preference for the wine in Bottle B.

So what's going on here?

World-weary sceptics won't be surprised. It's well known that all wine drinkers are snobs and poseurs. Some will refer to themselves as oenophiles. By claiming to prefer the wine from the Château label, they're parading their connoisseurship. It's simply a form of self-congratulation. Case closed.

An alternative explanation is rather more convincing – and a great deal more illuminating.

For decades, an essential stage in pharmaceutical

research has been the double-blind, placebo-controlled clinical trial. You give one group of patients a compound you want to test, and another group a dummy pill that has no active ingredients. Neither the patients nor the researchers know who is getting which.

Typically, between 30 percent and 60 percent of patients who have received the placebo report a substantial improvement in their symptoms.

The placebo effect, though still in part mysterious, is clear evidence that there exists an amazing complexity of mind-body interaction. Placebo treatment, measurably, changes the function of the brain. Expectation can and does affect actual therapeutic performance. Furthermore, placebos branded with a widely recognised trademark are even more effective than generic placebos. This is not just 'in the mind': they actually contribute more, and measurably, to the reduction of pain or anxiety or whatever condition the placebo has been claimed to alleviate.

More than any other form of measurement, placebo experiments demonstrate the real power of The Brand.

As long ago as May 1981, the *British Medical Journal* published (after the mandatory scrupulous peer review) the results of a study conducted by Alan Branthwaite and Peter Cooper: Analgesic effects of branding in treatment of headaches<sup>1</sup>. It was another classic double blind trial comparing not only the effects of placebo versus active ingredient on the reduction of headache pain but also the functional effects of branded versus unbranded tablets – and even of packaging.

Their findings were clear, significant and have never been challenged. To the pain relief contributed by the active ingredient, branding added over 30 per cent. The packaging itself (widely advertised and extremely familiar) had a consistent and measurable beneficial effect, enhancing the performance of both the dummy pill and the active analgesic. The study confirmed what many suspected: when ordinary people claim to find widely publicised products more effective than generic equivalents, they're not being conned by snake-oil salesmen. They're right.

And so it is with wine. A fancy label won't make plonk acceptable. Bad stuff will always be bad stuff, however prettily presented. But wine that's known to have come from a French chateau will actually give more pleasure to most drinkers than will exactly the same wine poured from an anonymous bottle. Nobody's been deceived or duped; at no extra cost, more enjoyment has been delivered. >



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There is also a link from Agency List to [www.allourbestwork.com](http://www.allourbestwork.com) where IPA members can showcase their work.



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For everyone in marketing, and particularly perhaps in marketing communications, all this clearly has huge implications; half-understood, perhaps, but strangely under-recognised.

### NOT ONLY THE MEASURABLE

As Stephen King pointed out as long ago as 1971<sup>2</sup>, all brands, whether products or services, deliver a blend of functional and non-functional satisfactions. And he went on to say: "...there is still a puritan streak in us which says it is wicked for people to have non-functional values, that they ought to buy brands for function and performance only."

Such views still exist: certainly in the minds of some academics and commentators, but not, interestingly, in the minds of the great consuming public.

The important word here is 'blend'. A brand is not just a product with lipstick on. A strong brand delivers a set of satisfactions as intertwined and interdependent as if they'd been whirled around together in a kitchen blender.

None of this is new; and none of it is evidence of a consumerist society corrupted by manipulative marketing. Several thousand years ago, axes were valued not just for their ability to fell trees and decapitate mammoths; from almost the beginning they were embellished and decorated and acquired symbolic value. And while the embellishments and decorations in no way improved an axe's ability to fell or decapitate, they greatly enhanced its appeal to its user – and hence its worth.

The remarkable Steve Jobs could accurately have described himself as an executive, an entrepreneur, a technocrat, an inventor, a designer – or any number of other designations. Instead, he chose to see himself as a marketing man. But he saw himself, not as the kind of marketing man whose task it was to sell more stuff more often to more people; he saw himself as someone whose task it was to provide the greatest possible degree of pleasure, of enjoyment, of satisfaction, of reward to those who owned and used his products. And he clearly made absolutely no artificial distinction

between the functional and the non-functional satisfactions that his products delivered. In the categories in which Jobs specialised, many of his competitors clearly believed that function was everything; that if an attribute couldn't be measured, it clearly didn't have a value. So if you got the price right, and the size and weight and speed and capacity and battery life and reliability right, then you've got a good product. And so, of course, you have; but as Steve Jobs proved, you haven't got a brand.

In thinking this way, Jobs was totally in line with his market; with his public. People have long believed that good tea tastes better when drunk from fine china. It probably does. And if you, personally, find that it does, then it certainly does; and that's the only thing that matters.

It's a pity that so much of the marketing lexicon implies a state of war between producers and consumers. We talk of target groups and campaigns and rifle shots; and think it makes us sound manly if we commit to pursuing all our objectives aggressively. The truth is so much more agreeable.

First to understand the complex set of satisfactions that make up a successful brand, and then to apply the technical wizardry and creative imagination to deliver them, implies a complete coincidence of interest between buyer and seller; between manufacturer and user. Everybody wins; except, of course, your less perceptive competitors. ■

*Jjeremyb@aol.com*

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# Capitalism need not be about greed and gambling



Without a more nuanced analysis of what capitalism is, there is scant chance of ‘replacing it with something nicer’, writes **John Kay**

**CAPITALISM** “should be replaced by something nicer”, one group of demonstrators demanded. The slogan encapsulates the incoherence of the protests at Wall Street and the City of London.

More than a century ago the sociologist Werner Sombart explained the lack of appeal of socialism in the US with the observation that “all socialist utopias have foundered on roast beef and apple pie”. The socialist utopias of Russia and China would later founder on precisely those issues. For roast beef and apple pie, today read iPads and Twitter. Protesters know capitalism delivers their mobile phones. Only a minority would renounce this material world altogether: which is how the *Daily Telegraph* could report that most went off at night to enjoy the sprung mattresses and showers that have replaced hay bales and water from the pump during two centuries of capitalist industrialisation.

The problem is not simply that we do not know what the protesters are for. It is that we do not really know what they are against, except those things that almost everyone is against – war, poverty, man-made climate change, and overpaid bankers and executives. The Dean and Canon Chancellor of St Paul’s, forced to resign as the cathedral found itself unable to take action, were victims of a situation in which many people disagreed with the protest but few with what the protesters said.

The incoherence results from a political void. Europe’s political left lacks any convincing narrative in the post-socialist world. The right tells a story in which greed is the dominant human motivation, government an incubus on the spirit of free enterprise. News ‘from the markets’ is not of new products and services, but of the fluctuations of the FTSE. This rhetoric views doctors and teachers as parasites, not producers, and has provided cover for an unhealthy expansion of the influence of established large corporations.

The problem is not simply that we do not know what the protesters are for. It is that we do not really know what they are against

This account of modern economies is so unappealing that many people reject it out of hand. Instinctive dislike of markets extends far beyond long-haired dropouts in St Paul’s Churchyard or Zuccotti Park. An intellectual class tends to feel that, if acquiescence in the unpleasantness of market economics is the price to be paid for the comforts of modern life, one must hold one’s nose. The apparent practical success of capitalism is matched only by the failure of its public relations. In their paean to the economics of Reagan and Thatcher, *The Commanding Heights*, Daniel Yergin and Joseph Stanislaw were nevertheless forced to acknowledge the limited appeal of the associated ideology. “Few people will die with the words ‘free markets’ on their lips.”

But such an account of the market economy is not only repulsive, but also false. Greed is a human motivation, but not a dominant one – and the institutions that most exemplified the philosophy of greed were those that imploded in 2007–2008. The goods made by workers whose motivation was purely instrumental were driven out of the marketplace by those of people who took pride in their work and of organisations which understood that complex assembly depends on teamwork. A semantic confusion leads us to use the word market to describe both the process which puts food on our table and the activity of gambling in credit default swaps. That confusion has enabled people to claim the virtues of the former for the latter.

Many of those who preach the doctrine of free enterprise loudest have succeeded by skills more akin to those of backroom politicians than of entrepreneurs. Mobile phone networks grew rapidly because a fortunate interlude of deregulatory fervour wrested a monopoly from incumbent fixed line operators.

The inventors of social networking sites resemble the occupiers of St Paul’s Churchyard tents more than the occupants of boardrooms. The besuited Winkelvoss twins, lobbying and litigating for a share of Mark Zuckerberg’s business, embody the deformed view of market economics which confuses business interests with free enterprise.

Perhaps the “something nicer” which should replace capitalism is a more nuanced – and more accurate – account of capitalism itself.

*John Kay is a journalist and author  
www.jobnkay.com*

# Only consumers make capitali

**Hugh Davidson** explains how a proper appreciation and application of the marketing principle and its values across all aspects of business would make consumer-led capitalism a model in which everyone had a stake and guard against future financial crises

**I**N THE *Financial Times* series 'Capitalism in Crisis', there were articles by leading politicians, regulators, financially-driven CEOs, philanthropists, economists, and even by 'Occupy London'. But not a word from marketers.

Failures in financial regulation, the flawed structure of banking, excessive risk-taking, conflicts of interest, toxic cultures, weak auditing, and the role of governments were all examined intelligently. But scarcely a word about customers or the circumstances which will empower them in future.

Past models of capitalism were dissected and future ones discussed. Many excellent points were made. Yet the most obvious one – that only customers can make capitalism work better – was not.

Customers are the essential lubricant for making capitalism work efficiently.

If they are informed, protected and empowered, they will engender and sustain a competitive environment where innovation flourishes, and organisations providing the best value will win.

Marketers view businesses through the prism of segments, brands and customers, rather than short-term financial ratios. The future of capitalism, and the development of a more effective version centred on customer empowerment, depends heavily on the vision and capability of marketers.

## FATAL LACK OF CUSTOMER FOCUS

The root cause of recent financial crises is lack of customer focus by banks, regulators and governments. Over-borrowing, sub-prime lending, excessive leverage and securitisation are merely symptoms of this larger malady. When the customer becomes invisible to product/service providers and regulators, trouble always follows.

Sub-prime lending in the US is a case in point. Banks made loans, often to



**Takers versus givers:** value extractors are hostile to consumers' interests and leave them worse off, whereas value adders understand that a more effective route to long-term profits is to better meet customers' needs



# ers can sm work

people with low incomes, and charged high interest. The loans were secured against homes which were often over-valued. These were then consolidated and treated like a block of frozen fish, cut into fish fingers. They were sliced and diced into fancy financial packages, rated AAA by credit agencies, then sold on by the banks to third parties. By then, no-one knew what these packages contained (at least with fish fingers you know whether they are cod or pollock). The link between borrower (customer) and lender was broken. The customers, unknowingly, were spread so thinly that they had become an invisible ingredient.

In his book *The Big Short*, Michael Lewis instances a Mexican strawberry picker living in California, who spoke no English and had an annual income of \$14,000. He was lent every penny he needed to buy a house for \$724,000.

Most marketers genuinely care about their customers. Those constructing and selling sub-prime mortgages appeared not to. The lesson is that, until banks put the customer at the centre of their business model, bigger and bigger financial crises will recur.

How have we got to this stage? After all, marketing has been around since the 1930s in the US and the 1950s in the UK. The Consumer Association (*Which?* magazine) was established in 1957, the Office of Fair Trading in 1973. In recent decades, regulators have made a positive difference to customers globally. Yet the world is still full of companies and whole business sectors that gouge, mislead and rip off customers – profitably.

Progress is being made in improving customers' lives on many fronts, but it is slow and patchy. According to the Michigan Business School Customer

Satisfaction Index, levels of American customer satisfaction have not improved in the past 20 years.

So which are the sectors and companies that extract, rather than add value to customers? And what can marketers, customers, regulators and consumer advocates do to change their culture?

## CAPITALISM ONLY WORKS IN CERTAIN MARKETS

'Companies and the customers who hate them' was the title of a seminal article in *Harvard Business Review* in 2007 by McGovern and Moon. It asked: "Why do companies bind customers with contracts, bleed them with fees and baffle them with fine print?" Its conclusion was: "Because bewildered customers, who often make bad purchasing decisions, can be highly profitable."

Companies with these characteristics can be termed 'value extractors', in contrast to those the Marketing Society would champion – 'value adders'. Value extractors are not a rare species. Many fine specimens flourish.

Capitalism works much better in some markets than in others. It is most effective in sectors with high frequency of purchase, low switching cost, straightforward products and



clear pricing. These conditions enable customers to exert leverage, develop good knowledge of alternatives and switch when they find better value.

Companies in these categories are mostly value adders, and include Colgate-Palmolive, John Lewis Group, FedEx and Google. Their organisations are built around meeting customer needs better, not because they love their customers, but because this is their best route to long-term profitability. They don't extract profits through hidden charges. They earn them by making people's lives better.

The originators of modern marketing – Procter & Gamble and General Foods in the US, and Unilever, Rowntree and Mars in the UK – marketed products. And, to date, capitalism, like marketing, has worked better in products than in services. But in most western countries, service providers account for over 70% of GNP.

While certain service providers, like Amazon, UPS, IBM and Skype, have dramatically improved customers' lives, many remain value extractors. They have selectively exploited the techniques of marketing, but never embraced its basic philosophy and values.

**VALUE EXTRACTORS UNDERMINE CAPITALISM**

Value extractors can be defined as companies that damage customers' future or exploit their weaknesses. Matt Taibbi's famous description in *Rolling Stone* magazine of Goldman Sachs is an exaggeration, but it captures the flavour of value extraction: "A giant vampire squid, wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money."

While, in most markets, there is a mixture of value adders and value extractors, one or the other usually predominates. Figure 1 (above right) shows some examples.

Some may be surprised to see 'City professionals' in the right hand column. While provincial professionals do much socially useful work for individuals and SMEs, many City firms have lost their professional ethos and become machines to maximise billable hours. City lawyers are responsible for crafting many of the contracts that disadvantage customers. The City professionals sector could be described as 'assistant value extractors'.

To better understand value adders and value extractors, let's examine the concept of the surplus. Companies generate a financial surplus, after meeting their customers' needs, paying employees'

**FIGURE 1: CULTURE AND VALUES BY MARKET SECTOR**

VALUE ADDERS	VALUE EXTRACTORS
FMCG	Investment banks
OTC medicines	Cigarettes
Supermarkets	Energy providers
Express delivery	Retail banks
Internet portal/search	Travel
Credit unions	City professionals
Venture capitalists	Hedge funds

salaries, and funding necessary expenses including marketing. The surplus will then be divided among shareholders/owners (dividends, share buybacks), employees (extra rewards), and customers (extra investment). These decisions are usually made unconsciously or informally, but they always have to be made. The results do not appear in financial accounts.

Value adders generally get this balance right. They think long-term and give priority to continuously improving the customer experience. That's how they generate long-term profits. Practitioners like DuPont were founded in 1802, Procter & Gamble in 1837, 3M in 1902, and Nestlé in 1905.

To paraphrase a comment by Peter Brabeck, chairman of Nestlé: "We could increase our profits by over \$1bn this year by cutting advertising and future investment, but we will not, because we are in business for the long-term."

Getting the correct balance in allocating the surplus requires the right values and culture, and good judgement. Tesco, a notable value adder over the years, has recently got the balance wrong by under-investing in UK customers.

Value extractors, by contrast, prioritise short-term profitability and senior executive remuneration, funding this model by debasing the customer experience. Common techniques used are deliberate complexity, tricky pricing, cost-driven customer service, use of small print, predatory sales techniques, and exploitation of customers' lack of knowledge and time.

Markets in which value extractors flourish have:

- Built-in complexity, often deliberate, making price and performance comparison difficult
- Low purchase frequency
- Need for specialised knowledge by customers

- High switching costs (money and time).

The major retail banks practise value extraction. Although their scale should make them low-cost operators, they rarely feature in 'Best Buys' for either saving or borrowing. While many frontline employees work hard to serve customers well, their efforts are inhibited by unfriendly processes, underfunded customer service, rates that favour new customers, and mountains of small print. These are mandated by senior managers addicted to short-term profit.

Many of them regard profit not as something to be earned by delighting customers, but as an entitlement. In 2010, when the Obama administration was considering a levy on banking to pay for the financial bailout, the *FT* reported one banker as saying "the bottom line is that we have a bottom line", and another warning: "If our costs rise, we will charge people more."

A classic article by Stephen King in 1985 posed the question: "Has marketing failed, or was it never really tried?" (*A Master Class in Brand Planning*, Lannon and Baskin, 2007.)

King identified four ways in which so-called 'marketing' was misapplied. Each is still alive and kicking today. He then specified the four characteristics of 'real marketing':

- Start with the customer
- Take a long-term view
- Harness all the company's resources to satisfy customers
- Innovate – be both better and different.

He concluded that where the principles of 'real marketing' are applied, they "seem to work". But he noted "far too many instances where it has never really been tried".

King's conclusions, 27 years later, remain valid.

This raises a third question. Can the value extractors, who have never



really tried marketing, survive in the long term? It is to be hoped that marketers, regulators, consumer groups, governments and consumers, too, will gradually ensure that value extraction becomes an unprofitable activity.

**REGULATORS CAN HELP... OR HARM**

Most regulation is focused on industries in which value extractors feature prominently. This is logical. There were 1.8 million customer complaints to banks in the second half of 2011, and one third of enquiries to Citizens' Advice Bureaux related to debt. Of customers who bought energy products on the doorstep, 90% said they would never do so again, and the energy regulator has accused companies of bamboozling consumers.

The ideal role of regulators is to:

- Protect vulnerable customers
- Create an environment where consumers are empowered to gain best value, through education, better information and simplification of product/service offers
- Impose such heavy penalties on offenders that value extraction becomes unprofitable.

This has to be done in a way that prevents bureaucracy. For example, the paperwork associated with opening a new current bank account can discourage switching and reduce competition.

Most regulators understand what needs to change. Making it happen is the challenge. A recent report by Consumer Focus, *Through Consumers' Eyes*, observes that five million people in the UK lack functional literacy, and 10 million have a long-term illness or disability. These groups in particular need protection.

The report proposes three steps to improve the lives of customers through regulation:

- Insist on greater simplicity by providers. The number of energy tariffs has almost doubled in the past three years from 180 to 300. Financial service and energy forms should be dramatically simplified and reduced in length – 74% of people have not read the terms of their energy contracts. The report says: "Regulators sometimes expect consumers to shoulder a heavy burden in making markets work... being a consumer should not be a full time occupation." Providers attach no value to customers' time, and have little respect for it.
- Use technology as a positive force in reducing complexity, enabling objective value comparisons, and publicising consumers' experiences.



**Consumer heroes and villains: retailer John Lewis (top) is seen as a value adder, while banking brands such as Citibank (above) are widely regarded as value extractors**

- Embed the interests of consumers by increasing their power in regulation and policy. To be effective, regulators need effective political support, strong powers, courage and skill in implementation.

**EXPECT LITTLE HELP FROM SHAREHOLDERS**

In theory, shareholders own companies, and act like owners. But during the second part of the last century, this theory became a fiction. In 1963, individuals owned 54% of the stock market, but by 2010 this figure had declined to 11.5%. In the far-off 1960s, the average holding period for a share was eight years. Now it's less than one year. By contrast, employees stay with companies for six years, customers often far longer.

Pension and fund managers now hold the majority of shares in the UK and US. Most focus on short-term performance. Many also have conflicts of interest through multiple relationships with corporate clients. While purporting to represent their own customers – pensioners and individual investors – they appear to have minimal contact with them beyond standard reporting and circulars.

Over the years, their record in robustly challenging company boards is unimpressive. Most prefer to operate in the shadows of the City with quiet persuasion. Lord Myners described them as "absentee landlords".

There are some exceptions, such as PIRC and CalPERS, who fight for the rights of their shareholders. And recent challenges to CEOs' and bankers' pay, such as Bob Diamond's 'diamond-plated' package, may herald a more involved approach.

However, in the triumvirate of stakeholders – customers, employees and shareholders – the latter are losing importance. This is partly because gaining and holding customers has become the most important challenge for any company, and partly because the concept of shareholder value has become perverted and discredited (see my article, 'Shareholder Value: The Enemy of Good Marketing', in the Q4 2009 edition of *Market Leader*).

While we can expect more activism from shareholders in future, this is unlikely to have much customer focus, and will be helpful, rather than decisive, in making capitalism work better.



**HOW CAN MARKETERS IMPROVE PEOPLE'S LIVES?**

This is a journey with five stages, starting from extracting value (Figure 2). Stage 1 contains only value extractors; stages 2 to 5 comprise value adders. Moving every company up by just one stage would enhance the future effectiveness of capitalism and improve customers' lives.

**EMPOWERING CUSTOMERS TO TRANSFORM CAPITALISM**

Future technology trends favour increases in customer power – better information through the internet, comparison sites, social networking and review sites. This will gain momentum. Customer advocates such as Consumers Union (US) and the Consumer Association (UK) are increasing their impact. Regulators are gaining additional powers, and using them more effectively on behalf of the customer, although sometimes impeded by lack of political support.

Some companies are also upgrading corporate social responsibility from a niche 'add-on' activity to a mainstream element in their vision for the future. Jim Stengel, the former global CMO at Procter & Gamble, illustrates this convincingly in his revolutionary book: *Grow: How ideals power growth and profit at the world's 50 greatest companies*.

What do marketers need to do? Here are some suggestions:

- **Simplify things for customers and respect the value of their time.** Why do banks send you 26 pages of small print conditions when you open a current account? There should be legislation to force service providers to confine all agreements to two pages of easily understood language, in larger print.
- **Help change the culture of organisations, so that the voice of the customer is heard in every decision.**

Marketers spend too much of their time on external communications and not enough on ensuring that the customer's voice is heard by all their colleagues.

Tim Ambler concluded that boards of directors devoted nine times more attention to spending and counting cash flow than to wondering where it came from. Jim Stengel describes how, at P&G, the CEO and senior executives spend a mandatory number of days doing fieldwork and working on the frontline with customers.

- **View regulators and consumer advocates as partners, not opponents.** Their objectives are similar to those of marketers – improving the lives of

**FIGURE 2: HOW MARKETERS CAN IMPROVE PEOPLE'S LIVES**

STAGE	ELEMENTS	WHO'S THERE?
1	<b>Extracting value from customers</b> ● Short-term bottom line ● Predatory tactics	● Investment banks ● Energy companies
2	<b>Giving priority to customer needs</b> ● Insights, innovation, fairness, efficiency	● Most FMCG companies ● Most retailers
3	<b>Making every employee customer-driven</b> ● Everyone serving customers or helping folks who do	● First Direct (HSBC) ● NFU Mutual
4	<b>Customer-led vision and values</b> ● A clear motivating and practical future vision focused on the customer	● IBM ● Discovery Channel
5	<b>Aligning the whole organisation to improving people's lives</b>	● Unilever ● Apple

customers. Marketers' rationale for this is different – they want to earn profits by doing this. But by engaging with regulators and consumer advocates, marketers can achieve common objectives, which are commercially realistic and unbureaucratic. Perhaps the Marketing Society, CIM and IPA should team up with regulators and consumer groups to establish a 'Hall of Shame' for value extractors, installing new winners annually at an appropriate event. It is also desirable to have more regulators and consumer advocates with a marketing background.

- **Use marketing skills to change cultures.** Marketers and agencies have proved adept at changing behaviour through public service campaigns. Regulators should invest in these skills to change the attitudes of value extractors.
- **Pass legislation requiring every quoted company to have two non-executive customer directors.** This is one way to create change in the value extractors. Customer directors would be qualified members of the public with some knowledge of the relevant market. Most would probably be women. Positions would be widely advertised and a randomly chosen panel of employees would select the new directors. (Their role is described on p33 of *Market Leader*, Q2 2010.)
- **Make customers partners in innovation via the internet.** This is already happening with new product/service development.
- **Help customers by adopting lean marketing, learning from the East.** Western customers will probably face flat incomes in the future as the West continues to lose share of trade to increasingly well-educated Easterners.

(In the 2009 PISA international tests for 15-year-olds in maths, science and reading, China, Singapore and South Korea were among the top five countries while UK/US came around 20th.)

The radical improvements in value which Westerners will need can be achieved by adopting lean marketing approaches from the East. Some global companies are already doing this.

- **Develop bold visions for improving people's lives through brands (eg Pampers) and companies (eg Apple).**

**HOW MARKETERS CAN LEAD CHANGE**

There is ample evidence (Jim Stengel's *Grow*, Collins & Porras's *Built to Last*, Collins' *Good to Great* and others) that patient, customer-driven capitalism works best. And that the frenzied short-term, bottom line version, powered by investment bankers and greedy CEOs, does not. Indeed, it fuels bubbles and financial crises that blight the lives of millions.

The task ahead is to further empower customers, regulators and customer advocates to make capitalism work better – by making value extraction unprofitable and putting the vision back into business.

Businesses need social as well as economic purposes, and should earn, not extract, profits from customers. Many companies are doing this already, but not enough.

Marketers are well placed to spearhead the necessary change, in partnership with customers and their advocates.

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# Living in the material world: marketing and meaning

Anthropologist **Grant McCracken** looks at marketing as the management of meaning in culture. He argues that the meanings carried by material goods come from the culture we live in and go into the goods that we consume in pursuit of identity, to help make choices and communicate with others. Marketing facilitates the movement of meanings from cultural artefacts to consumers via branding

## **MATERIALISM IS BECOMING THE VILLAIN OF THE PIECE**

Increasingly it's the explanation we resort to when things go wrong. Drugs on the rise, divorce rate up, kids dropping out of school? Must be our love of consumer goods. The case against the consumer society is the new orthodoxy, a staple of classroom, cocktail circuit, and media commentary. We have found a new flag in which to wrap ourselves. We have found a new incendiary for our 'searing' acts of social criticism. Most of all, we've got ourselves an all-purpose explanation for the ills of contemporary life.

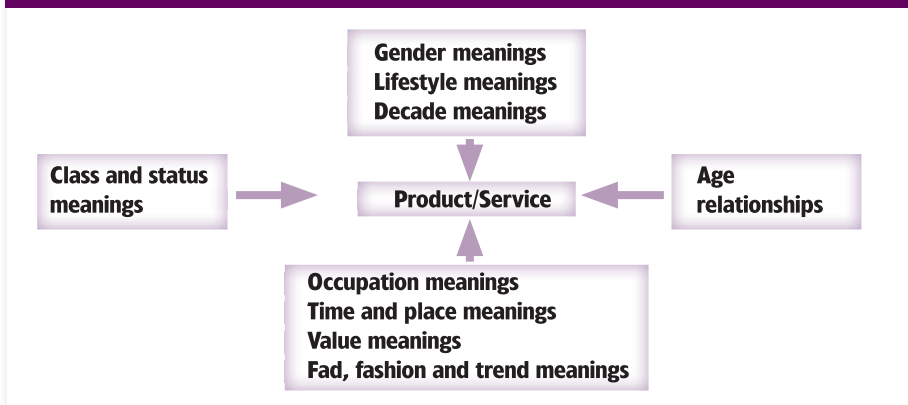
This argument is familiar and widespread. It says modern, Western societies, driven by the engines of marketing and materialism, have developed a soul-destroying obsession with consumer goods. It says these goods have turned us away from high culture, from real >

Subcultures express their rejection of mainstream society through consumer goods in the form of clothes, hairstyles and accessories





**FIGURE 1: MARKETING AS MEANING MANAGEMENT**



spirituality, from the ideals of community, self-sacrifice and a common good. Goods are shackles for the self. We all know the argument well enough to sing it by heart.

This argument is a dangerous misrepresentation of the facts. It is, in my opinion, alarmist, accusatory, rich in assumption, poor in research, and almost entirely wrong. It creates alienation where none is necessary, self-loathing where none is warranted, and it sends our collective misgivings rabbiting off in all the wrong directions.

**CONSUMER GOODS ARE AN IMPORTANT MEDIUM OF OUR CULTURE**

They are a place where we keep our private and public meanings. Cars and clothing, for instance, come loaded with meanings – meanings we use to define ourselves. We are constantly drawing meanings out of our possessions and using them to construct our domestic and public worlds. Shackles of the self? In Western societies, the reverse is true. Consumer goods are one of our most important templates for the self.

Why do goods play this role? In our society, individuals are free to construct the self. We no longer presume to tell people who they must be. Increasingly, we leave them to make this choice for themselves, to choose how they will define their gender, age, class and lifestyle.

Goods help us make this choice. They help us make our culture concrete and public (through marketing and retailing). They help us to select and assume new meanings (through purchase). They help us display new meanings (through use). And they help us change meanings (through innovation). Goods help us learn, make, display and change the choices required of us by our individualistic society. They are not shackles but instruments of the self.

This does not mean the consumer society is above criticism. Let us note, for instance, that goods do contain stereotyped meanings. They contribute to the confines we place upon the self-definition of women, immigrants, the elderly and the young. But let's remember that this could not be otherwise. When goods reflect the meanings of our society, they must necessarily reflect the benign meanings and the imprisoning ones.

And let us remember that goods help to destroy stereotypes. Every protest group in our society creates new constellations of clothing to repudiate old meanings and establish new ones. The history of feminism in North America represents, among other things, a continual repudiation and reinvention of our material culture, as women refuse sexist clothing and create outfits that give voice to a new view of gender. Goods are both the prison and the keys to the cell.

Let us also grant our love of goods is sometimes wasteful. Certain patterns of consumption must change, and they will. But those who suppose we will become a society of plainness and simplicity are simply wrong. The abundance, the diversity and the obsolescence of consumer goods is not driven by marketing deception or our own giddy disregard for the state of the planet. It is driven by the objectives of our culture. Some of the reductions we are now contemplating are necessary and possible. Others are simple pipe dreams that misunderstand the nature of the consumer society – our society.

And let us remember that goods will propagandise for the green society. 'Green' meanings are even now being loaded into goods, and it is in this form that they will help to colonise consciousness and achieve a more ecological society. This is a bitter irony for some of the green enthusiasts but it is as it should be. This is what our culture does.

Let us also grant that materialism relates to selfishness. This too must change, and it will. But it cannot change until we understand why goods mean so much to us. Simply to say that we are driven by selfishness, vanity and greed is not useful or illuminating. It is time to take a more intelligent view and to see that consumer goods capture us because they capture the meanings with which we construct our lives.

**SHOULD GOODS BE VILIFIED?**

Hippies, intellectuals, and ecologists think so. But why is it that hippies always have to wear very particular jeans and sandals to engage in this hostility for material objects? Why is it that intellectuals must flaunt their affection for tweed coats and peculiar headgear? Why is it that the greens must wear Birkenstocks to declare their good intentions?

All of this is plain enough. These anti-materialists are using materials to define the group and the self. They are using consumer goods to fashion an identity. They depend upon on material culture to make their culture material.

Consumer society is not an artificial and catastrophic social invention. It is a culture with its own systematic properties. And we are not devouring beasts who treat with the devil. We are creatures who depend on the meanings contained in the material world.

We are constantly drawing meanings out of our possessions and using them to construct our domestic and public worlds. Shackles of the self? In Western societies, the reverse is true



# BIRKENSTOCK®

*Made in Germany • Tradition since 1774*



**Birkenstock: paradoxically a means of expression through consumer goods of a culture that rejects consumerism**

## MEANING MANAGEMENT: AN ANTHROPOLOGICAL APPROACH TO THE CREATION OF VALUE

So let us now turn to the role of marketing in the management of these kinds of meanings.

As a practical and an intellectual enterprise, marketing turns, to some extent, on the question of value. Value is the basis of price. It is the fount of profit. The firm is designed to create and capture value. This concept of marketing is widely accepted. It serves as a powerful foundation for our understanding of what marketing is, the identification of the problems marketing must solve to serve the business community, and the intellectual agenda that directs the academic's interest.

But do we have an exhaustive definition of value? I believe not. Some value comes from cultural meaning. Marketing, I argue, generates value partly because it generates meaning.

One of the things the marketing manager is managing is meaning. Meanings are party to the marketing process at several points. This aspect of value, I believe, has no systematic part

in most marketing calculations. It makes a cameo appearance when we talk about brands and advertising but it is more foundational than this.

The idea of meaning as value needs to be made a more systematic part of the marketing model (Figure 1). This model says that every product and service is made up of its physical properties, functional features and cultural meanings.

These meanings come from somewhere. They come from culture – from movies, fashion, television, subcultures, fads and trends, etc. And they are captured for the product or service through delivery vehicles, some of which fall within the marketing envelope – packaging, advertising, promotion, placement, sponsorship, etc.

And meanings go somewhere. They end up in the life of the consumer. In this case, the product has delivered value because it has delivered meaning. This is what the consumer is, in part, why the consumer is buying the product or service – to obtain the meaning contained in it.

The consumer has access to many meaning sources beyond the ones

provided by marketing. But the ones provided by marketing are vital to the self-invention or self-completion of the individual. This is one of the reasons why meanings add value. We do not have the full inventory of cultural meanings and delivery devices that would allow us to deal with this question in detail, but it is possible that there are some kinds or degrees of cultural meanings that are available to the individual only as a consumer. And it is, survey or no, manifestly clear that certain of the meanings that most people treat as essential to full participation in the contemporary world come from this source.

Consumers could find other sources of this meaning, and sometimes they do. But this 'outsourcing' comes at a cost. At the least, this is a self-imposed marginality. Without the meanings made available by the marketing system, the individual is, for some social and cultural reasons, incomplete, or at least pallid.

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# Digital has to be both consumers

The challenges faced by marketers as digital media, mobile and data accelerate are driven by important shifts in the location of power and control of value. **Michael Bayler** examines the role of information in marketing, questioning a number of problematic assumptions and providing pointers for the way forward

**T**O WHAT extent, as the population of digital space has exploded, can we truly say that business has benefited from being massively “joined up, accelerated and turned on its head”?

My own work in sectors that have suffered from the corrosive impact of the unfettered web – in particular music, advertising and film – has led me to believe that, ultimately, certain industries are exposed to the commoditising effect of the online revolution in direct relation to their relative vulnerability to information.

## HOW POWER BEGAN TO MOVE TO THE CONSUMER

Let me explain by giving you some context, in the form of a little history.

Long ago, when Facebook was a glint in nobody’s eye, the packaged holiday business began to be, as we called it, unbundled. And a small but determined form of consumer power entered the market, nourished by a new depth and richness of information and propelled by equally new computing technologies.

Gigantic brochures would thump onto doormats everywhere soon after New Year as their production shifted from laboured cut-and-paste to database and desktop publishing, joined by the introduction of an often-forgotten interactive tool, the call-centre.

Consumers, thus equipped, began to tweak the rules, swapping the jet-ski for the karaoke or perhaps the extra bedroom for the beachside location.

The package holiday business always

relied entirely upon a rigid framework of services: a tightly-wound value chain made up of volume, discount and perhaps above all, minimal management costs. A well-oiled, while rarely luxurious, production line of sea, sun, sand and sangria. Introduce customer choice and you introduced cost, complexity and care. Above all, you all threatened the value chain itself.

The industry eventually bowed to the pressure, and you could feel a new choice, flexibility – perhaps even a kind of humility – enter the picture.

From direct access to airline and hotel booking systems, through the explosion of budget flights, across to opinion sites such as TripAdvisor, information has, on one hand, utterly transformed the consumer experience of travel, and on the other, blown away the structure, margins, security and predictability of the industry. (Note, by the way, that it was the in-parallel obsessive unpicking and reassembly of the air travel value chain that enabled Stelios to pioneer the wafer-thin margins that launched easyJet.)

We live so close to this transformation that we can lose track of its importance. Let’s back up a little and ask: what is actually happening here?

## HOW INFORMATION DISRUPTS MARKETS

Web 2.0 was never just about the now-familiar list of enabling technologies and entrepreneurial (often social media) success stories and spectacular crashes. Its crucial intervention was to shift not



Value chains are like dominoes. Once one piece goes down, the fragility of the structure takes over

merely the language of value, but first the distribution, and most compellingly, the very creation of significant amounts of value, from business across to connected consumers.

Let’s examine how information, driven by an explosion of processing power and connectedness, has transformed the business environment and replicated the case of package holidays across all kinds of sectors.

Imagine a vice – the sort you find on a workbench. A big one, with connected consumers on one side, and the new technology giants, such as Google and Facebook, alongside the more prominent Web 2.0 suppliers, on the other.

# good for and brands



These two sides have, since the late 1990s, evolved an entirely symbiotic relationship: I give you a steady flow of transformational innovations, you give me your attention, your advocacy and your loyalty. The more you give me, the more I'm able to invest in the next wave of transformational, empowering services.

Google – the company that overturned the \$500bn business of advertising – launched with the simplest of web pages, whose white background and single search box epitomised pure consumer-centricity. It was an obsession with consumer value – then mostly unconditional, somewhat altruistic, certainly magical – that built the house of Google. And its explosive constituency of millions upon millions of daily users rewarded it in kind.

Over time – and it's happened very, very fast – the two sides of this vice have pulled together, exerting an irresistible and destructive pressure on the industries caught between them. Music has attracted most of the publicity – often because of the celebrity of its artists.

But looking more closely, we see that all media-related business, marketing

services, healthcare, banking and financial services, real estate and plenty more have felt the cold breath of information on their necks. Most recently, retail has been suffering from 'showrooming', where consumers browse in comfort, then use smartphones to get instant price comparisons with ecommerce sites. No sentimentality there, then.

## SQUEEZED VALUE CHAINS BECOME UNSTABLE

Imagine classic value chains – they look like a line of boxes with a point at the consumer end – being squeezed in the same way as we saw the package holiday being unbundled.

Under this increasing seismic pressure – this is the important part – bits begin to pop out of the value chain. And the problem with value chains is that they're rather like dominoes. Once one piece goes down, the fragility of the structure takes over.

What happens next is that the sector in question, under pressure from all that information, devolves from being a stable value chain, or set of value

chains, to becoming a hostile ecosystem. Relationships are disrupted, margins are eroded, logistics are pulled apart. Uncertainty hits hard. And who likes uncertainty? Not investors, for a start.

And while it's the chain that's broken up, of course it's the value that falls away, like old cement, as the bricks of previously robust business models are prised apart by information wielded by empowered, joined-up consumers. Empowered by who? The Goliaths of the online era: the technology giants.

## HOW MOVEMENTS IN POWER PROFOUNDLY IMPACT VALUE

Category killers such as Google, Amazon, eBay, Expedia and, more recently, Facebook share one crucial, rarely recognised attribute. They each provide connected consumers with a different 'sense-making window' into the chaotic cultural and commercial ecosystems that the web has created in unpicking, one by one, the industries most exposed to the corrosion of information. In a sense, they enable consumers to construct their own personal value chains.

The technology giants are the market-makers – indeed, the king-makers – of the entire online economy. They have taken the lost commercial value of the fractured value chains that information deconstructed and flipped it across into the willing, not entirely complicit, hands of billions of connected consumers.

The immediate implication on the business side is huge: not only do the location and control of value need revisiting but the very nature of value itself comes into question. Asking "what business are we in now?" is rarely a frivolous comment today.

This is, again, about power. It's also about accepting that information is not intrinsically our friend.

## WHAT ARE THE IMPLICATIONS FOR THE NEW ADVERTISING?

Consumers, we gather, pay for their empowerment with precious attention, and by permitting access to their data. In various forms, this gets sold to marketers, to exploit in what has been envisioned as a perfect fit between advertiser and consumer. But is it? Let's unpick this model and see who wins and loses.

The critical assumption has been that data is good for advertising, and more data is better. This needs challenging. The notion that a targeted ad is a better ad is far from proven, either in terms of industry revenues or, far more



## The notion that a targeted ad is a better ad is far from proven, either in terms of industry revenues or, far more vocally, consumer receptiveness and predisposition

vocally, consumer receptiveness and predisposition.

It's often forgotten, but as Rory Sutherland reminded me recently, advertising was, even at its most primitive, always about a fair exchange of value. Looking at the four stakeholders of the traditional advertising model, the audience, the programme producer or rights owner, the channel and the advertiser: everyone used to more or less get what they wanted.

But this was predicated on a relative scarcity of media and an ocean of available consumer attention. Today, we have an infinity of decent content vying for the connected consumer's attention. And here is where the original media guru, Marshall McLuhan, writing in 1967, has something to tell us: "All media are extensions of some human faculty – psychic or physical."

His (often misunderstood) vision of media has come back to us, now reinvented by the radically different behaviours of the connected consumer. By media, he meant all forms of empowering tools, not merely print, radio and television. He saw them as outbound from the consumer into the world, transforming resources that extend both our bodies and minds into the world around us.

McLuhan was living in a world of passive consumers. Fast forward to now and we see how the internet has transformed these passive consumers into active, connected ones for whom digital has become a vehicle for interactive engagement, self-expression and co-creation.

These outbound, tribal consumers now seek – and value – not just content to watch, but ownable, shareable, above all, meaningful experiences. In other words, when we move our brands into digital, social and mobile channels, the traditional consumption-based model of broadcast media can no longer be applied.

### WHY IS THIS IMPORTANT?

These cultural shifts begin to explain why the new model may not be as self-evidently effective as we are led to believe. Let's look first at the consumer experience in the old versus new media environment.

Think of it this way. When interruption was just about acceptable, the ad experience was a bit like a vaguely familiar man stopping you on the street and telling you a joke. Good joke = good outcome. Bad joke = didn't matter too much. We lived to fight another day.

The so-called 'relevant' experience of targeting, mistakenly thought of as better for the consumer, is markedly different. In this scenario, a slightly unbalanced individual approaches you, again, but stands too close, blurt a message in your face as if you've known each other for years. Worst of all, he knows your name!

Chances are that with all the misplaced excitement about the targeting, the creative is also pretty awful. In this case, bad joke told by unknown nutter = very bad outcome.

As consumers, we are all well aware of just how dissociative this very common encounter can be.

### THE NEW 'NEW' MEDIA

Up until Google upset the cart with search, the essential value exchange of "you get the content when you watch our ads" just about worked.

Why? Precisely because the advertising was 'aligned' with an inbound, consumption-based media model. This remained the case into the early days of online display advertising.

Fast forward to today, and while search retains its crown with 50% of an annual UK online spend that's heading for £5bn, mobile and social advertising are underperforming, both in terms of meaningful consumer engagement and hard revenues.

Let's look at this more carefully, focusing briefly on that gifted problem child, mobile.

While smartphones are everywhere and consumers are clearly open to brand-linked experiences, services and appropriate promotions via mobile, there remains a brutal disconnect between the cheerleaders of mobile advertising, the revenues that are appearing and, above all, the inability of the vast majority of mobile consumers to see value in advertising to the handset.

Smartphones already hold 50% of the handset market. And smartphones are the first – ever – rich media experience to be almost entirely outbound. They are extensions, if you like, of the hand, eye, ear, skin, mind and, of course, voice. Also of our intellect, will and expression.

This means advertising to mobile that's inbound and thus interruptive (no matter how theoretically 'relevant') tends to erode any notion of value exchange. As a result, it is tangibly, lastingly irritating in a way that even the most excruciating TV commercial never was.

As always in marketing, a dysfunctional model that fails to deliver value to the consumer, simply fails.

### POINTERS TO THE WAY FORWARD

Marketing is, at its core, concerned with the creation and delivery of value, while advertising is about its communication. I'm coming to suspect that data is nowhere near as central to the communication of value as it so clearly is to its creation and delivery.

Deep consumer-centricity and data-based profiling – especially behaviourally-based targeting – are from Venus and Mars. They demand careful distinction.

Traditional consumption-based – inbound – models of advertising still have a valuable role to play in the lives of connected consumers. However, freed and empowered by extraordinary new technologies, they are increasingly disposed to use outbound media for self-expression and co-creation: these behaviours are here to stay – in fact, they are growing vigorously. If he who pays the piper calls the tune, then intelligent, sensitive alignment with consumer mode is, surely, Job One in terms of our investment in data and analytics.

Brands are now living in places where advertising finds it increasingly hard to exert influence. An always-on consumer, the social dynamic, and most recently, the explosive mobile internet and the smartphone revolution, have removed from our hands some of the key levers of power and value. Our response to this challenge must be both realistic and smart.

One thing is clear. What advertisers should be doing is aligning offers with what they want to build – recognition, empowerment and, above all, genuine mutual value.

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# Out-behaving the competition

**David Jones** describes the evolving social landscape in which companies and brands will operate. Good behaviour will be required by more discerning consumers, placing demands on companies never previously experienced. Marketing is the gatekeeper of consumer opinion – and the enabler of products and services – that will succeed in this environment

**B**EFORE the financial meltdown, the fastest-growing trend in business was the move towards social responsibility, and the economic crisis has only served to accelerate this. The world saw all too clearly that the ruthless pursuit of profit at all costs almost led to the total collapse of the global financial and economic system.

Today, many businesses that understand that the philosophy of ‘profit for profit’s sake’ is no longer the key to sustainable success are actively seeking to change how they operate. Doing well and doing good are no longer seen to be mutually exclusive.

Overall, the crisis has magnified consumers’ expectations that companies should give back as much as they take. Their voice is already highly influential and will only become more so. Social media has given people an amazing tool to keep business honest, to share information and above all to create movements to support or bring down those businesses, leaders or governments that they do or don’t ‘like’. And all at dramatic speed.

There is overwhelming evidence that the way in which companies go about their business is becoming more important than ever. A study carried out in 2010 found that 86% of consumers believe it’s important that companies stand for something other than profitability.

## THE THREE AGES OF SOCIALLY RESPONSIBLE BUSINESS

While business is starting to take seriously the need to behave according to a different standard, it wasn’t always so. Previously, a company’s image was often its key concern, rather than its reality. Words spoke louder than actions. If we examine the path that led modern business to this new reality, it can be broken down into three ages, which fit broadly into three consecutive decades.

### The Age of Image, 1990-2000

The first age – the Age of Image – lasted from around 1990 to 2000.

Businesses used the growing interest in how companies went about their affairs and what they stood for, especially in an environmental context, to create new communications strategies.

These were, on the whole, designed to establish or alter the image of their businesses in the consumer’s mind – rather than genuinely changing how things were done. As the Dilbert cartoon >

Corporations can no longer get away with ‘greenwashing’ as phony ecological and CSR policies are rapidly denounced online





says: ‘We didn’t do it to help the planet; we did it to look like the sort of company that cares about that sort of thing.’

The terms ‘greenwashing’ and ‘nicewashing’ were coined to describe cynical attempts by companies to mislead the public about their environmental performance and ethical commitments.

In 1992, Greenpeace published a ferocious report entitled *The Greenpeace Book of Greenwash*, which eviscerated companies including DuPont, General Motors, Shell and Dow Chemical, among others, for co-opting environmental terms and using them for their own ends. Despite this, some companies continued to cosmetically enhance their images with claims and marketing campaigns that did not necessarily reflect reality.

**The Age of Advantage, 2000–2010**

As consumers grew more and more vocal, and more digitally empowered, some of the smarter and more progressive companies realised that there could be genuine competitive advantage to be gained from really delivering on the promises of the Age of Image. And hence we saw the arrival of the second age – the Age of Advantage (2000–2010).

Here we saw companies setting out to genuinely make their business more socially responsible, in order to gain an edge. Walmart transformed its business during this period. Others, such as Marks & Spencer and Toyota, leapt ahead of their competitors by genuinely tackling their impact on the world around them. New companies that placed better business as a central tenet, such as Whole Foods and Burt’s Bees, began to make a significant impact, delivering on consumers’ expectations.

In the Age of Advantage, many business leaders recognised and accepted the need for business to change. In fact, almost three-quarters of business leaders (73%) questioned in a global study in 2010 believed in the edge corporate social responsibility gave them and even more (79%) accepted it as a business cost.

**The Age of Damage, 2010-present**

I believe we are now heading into the third age – the Age of Damage. If the first age was about creating an image but not delivering on it, and the second age was about the genuine delivery by the few, then the third age is poised to be an era during which businesses that are not socially responsible will suffer damage as a result of this failure. Consumers now

know more about companies and expect more of them. Not only that, they will now act against those that do not come up to their standards.

Unilever CEO Paul Polman is well aware of this: “Those companies that wait to be forced into action, or who see it solely in terms of reputation management or CSR, will do too little, too late and may not even survive,” he warns. Polman is committed to improving Unilever’s sustainability performance, but not at the expense of growth, and he intends to double the size of the business while halving its environmental impact (*Market Leader*, March 2012).

Polman’s goals are seen by many to be ambitious, but they are also the symbol of a new era in which companies focus on both their results and the impact of those results. Other companies that have occupied this space in the past decade have seen clear benefits. General Electric says it has spent \$5 billion in the first five years of Ecomagination, its programme to develop clean technologies for the future, but adds that a staggering \$70 billion has already been generated. General Electric CEO Jeffrey Immelt says: ‘Ecomagination is not an advertising ploy or marketing gimmick. GE wants to do this because it is right, but also we plan to make money while we do so.’

Marks & Spencer launched Plan A in 2007, making 100 commitments to tackle climate change, waste, raw materials, fairness throughout its supply chain and health issues over five years to 2012.

The retailer anticipated investing £200 million over the period to achieve these targets but, according to its ‘How We Do Business’ reports, the plan has already broken even; in 2010 it added £50 million in profit and in

**In the third age, businesses that are not socially responsible will suffer damage as a result of this failure**



**Burt’s Bees: recognised advantage of more**

2011 a net benefit of £70 million. This is in addition to an energy efficiency improvement of 23%, 94% of all waste from stores, offices and warehouses being recycled and major progress in terms of sustainable sourcing.

**MARKETING IN THIS NEW WORLD**

**Someone changed the questions**

If the world of business has entered a new and dramatically changed environment, then the changes and challenges confronting the marketing world have been even more dramatic. The ‘social’ consumer is driving business to be more socially responsible.

So how should marketers react in this new world to create successful and trusted brands? Leroy Stick, aka @BPGlobalPR, provides a very succinct answer: “You know the best way to get the public to respect your brand? Have a respectable brand.” This should be the mantra for every marketer in the coming decade. For today’s consumers, actions really do speak louder than words.

For those looking for a slightly more in-depth answer than Mr Stick’s, the following ten points (abridged



### socially conscious business practice

for this excerpt) represent my views on the key changes taking place and guidelines for creating successful brands in the social age.

#### 1. From image is everything to reality is everything

In today's open world, it's incredibly difficult for a company to pretend it is something it is not. Someone, somewhere, will find out and share that with the world. The key to today's successful social brand is to create or identify the best possible reality, to share that with as many people as possible and to actually make that reality better in the first place.

#### 2. From consumers to prosumers

The key driver in this change from image to reality is the changing consumer. We're moving into a world where 'prosumers', or influential, marketing-savvy, engaged consumers, are much more important. If the rules for the past century were about advising the all-powerful brand on how to better interact with people, the rules for this century are about how a brand must behave to ensure it doesn't incur the wrath of the all-powerful consumer.

#### 3. From employees to advocates

It isn't only prosumers who have an incredibly enhanced ability to influence. Employees can be a highly positive or negative force for a brand too. If they believe passionately in a business and brand, they will become powerful advocates. This is particularly relevant given the fact that many people entering the workforce today say they would prefer to work for a company whose values they believed in for a lower salary than a higher-paying firm they viewed to be less socially responsible.

#### 4. From buying attention to earning it

In the 20th century of Don Draper's *Mad Men*, TV was still relatively novel, TV audiences captive and an entire media industry focused on buying people's attention. Today you can still buy media, but you can no longer buy attention. You have to earn it. And the successful social brand focuses much more on earned than bought media.

#### 5. From 'talking at' to 'listening to'

While generating earned media is often about sending a message out, the power of social media for receiving messages should not be underestimated. One of my early bosses said to me, when advising me on how to be a good account manager: "David, you have two ears and one mouth and you should use them in that proportion."

I have probably failed to follow that advice at too many points in my career, but if it is great advice for a career, it is even better advice for the social media world.

#### 6. From controlling to collaborating

Marketing used to be all about control. Our focus was on policing brands, like gatekeepers, ensuring rigorous and ruthless adherence to what the centre had deemed to be the brand guidelines. This was especially true as brands extended their reach and became global. In today's world, I would argue that the best marketers will be those who collaborate the most, not those who control the most.

#### 7. From local to global

Technology and social media have dramatically shrunk the world and made people realise that we are all connected – we are global citizens, genuinely impacted and affected by global events. National boundaries are less and less

important. This is equally true for brands. Whether a brand is deliberately social or not, it is a fact today that there is no such thing as a local brand that can truly be contained locally.

#### 8. From who to where

If the focus of marketing used to be all about 'who' we were targeting, we are entering an era in which 'where' we are targeting them will be more important. And here I mean their exact physical location, rather than their country.

To date, we have had, on the one hand, the virtual world of digital – with its cool, sexy and exciting image, but little in the way of actual sales – and on the other hand the old world of bricks and mortar, which was often seen as 'boring' but had the major benefit of billions of dollars of sales. With the possible exception of Amazon, the connection between digital hype and tangible sales delivery has not really happened before. In the next generation, the two will come together.

#### 9. From discrete targeting to open access

Companies used to be able to target different audiences in different channels, often with different messages. As an extreme example, they could announce record profits to their shareholders while explaining to consumers the need for fees to go up and to their employees the fact that there would be no pay increases. Social media has put an end to that. Everyone has open access to everything. In real time. Tweets and posts are read by employees, shareholders, customers and the media alike.

#### 10. From profit to purpose

If business and marketers now need to take more interest in where consumers are physically, consumers are becoming increasingly interested in where businesses are in their plans to become more socially responsible. Massive shifts are taking place as the social consumer demands that businesses become more socially responsible. Consumers want to buy from brands that share their values and beliefs. And they will punish those businesses they view as irresponsible.

● *Adapted from Who Cares Wins: Why Good Business is Better Business, by David Jones, published by FT Press, 2011*

*David Jones is global CEO of Havas and co-founder of One Young World*



# Can marketing mu

The waistlines of the West are getting larger, with increasing numbers of people in the US, UK and Australasia described as clinically obese. There is a consensus that environmental cues, which include food marketing, play a key role in our eating habits. **Dr Suzanna Forwood** and **Professor Theresa Marteau** explain how labelling food as healthy may have unintended consequences



**M**ARKETING methods are broad and include advertising as well as ‘below the line’ activity, such as how a product is labelled, portioned and pitched to a particular eating event. They also encompass how it is priced, promoted and placed within the retail environment. This article focuses on just one aspect of marketing: how a product is labelled and the influence this has on our subsequent food behaviour – something that psychology can help us to understand.

Our eating behaviours, sensitive as they are to environmental cues, are likely to be readily influenced by marketing efforts. It should be noted, though, that much of the data needed to study these effects systematically is held within the food industry, making progress in this field challenging.

Studies show that individuals will eat more when watching a programme that includes food ads – not specifically those foods that are advertised, but rather a similar class of food. So while the brand in question may not always see changes in sales, the viewer of the ads may see changes in their waistline.

Very recent evidence has shown that physiological responses to food can be

quite dramatically affected by how a food is labelled. Drinking a milkshake labelled as ‘indulgent’ and high in calories causes a larger fall in ghrelin, the gut hormone signalling hunger, than consuming a milkshake labelled as ‘sensible’ and low in calories. This finding is all the more remarkable because the actual milkshake consumed had the same number of calories for all participants in the study – the only difference was the label. Thus our impression of a food as portrayed on its label can alter our hormonal response to the food as well as our behaviour.

So if marketing is contributing to our obesity problems, how does it fit as part of a solution? Recent research can give us some insights into the nature of the problem and potential solutions, from stricter regulation of food marketing to positive action that the industry could take.

## REGULATING MARKETING

One option is to regulate marketing of foods more closely. Bearing in mind the central, pervasive and wide-ranging role of food in human culture, an outright ban on all food marketing would be politically, economically and socially unpalatable, not to say impractical. But there might be mileage in more circumscribed regulation

of specific food marketing activity.

Some examples of increased regulation of marketing are already in use. These include limits to marketing of certain products, for example the recent banning in the UK of ‘junk food’ advertisements during television programmes targeted at children. Evidence from Ofcom has shown that this ban has successfully reduced the exposure of children to ads for foods that are high in fat, salt or sugar.

A study of a similar ban on television advertising aimed at children in Quebec assessed the behavioural impact by comparing food purchases in French-speaking families with English-speaking families, where US television channels with adverts were still being watched. This again provided some evidence that such bans can reduce the consumption of high-sugar children’s cereal.

## LABELLING ‘BAD’ AND ‘GOOD’

The provision of information to the consumer is often seen as a legitimate means of attempting to alter choices, particularly when trying to reduce consumption of a product for which there is strong evidence of adverse consequences from its consumption.

A graphic example of this is the health

# Do we make us lean?



level since the wider cultural significance of a red stop signal may be important in making these labelling strategies effective. The jury, however, is still out on whether, and when, traffic light labelling does shift purchasing and consumption in a healthy direction.

An alternative to the use of these negative signals for 'bad' food is using positive signals to encourage the choice of 'good' foods. Can associating healthy food with positive emotion improve the health profile of our food choices? While the negative signals are the domain of legislators and regulators, associating products with positive emotion is the everyday business of the food marketing industry, and it makes a good deal of

bubble-and-squeak, roly-poly pudding or spotted dick, and the Italian names for pasta shapes, such as 'butterflies' (farfalle), 'spindles' (fusilli), 'little worms' (vermicelli) and 'little string' (spaghetti).

It is a strategy not lost on the food industry, with fun brand names being ubiquitous. And even among healthier foods, brands that don't take themselves too seriously (such as Innocent) will gain appeal from being perceived as fun.

Would such a strategy really work to increase consumption of healthier foods? The conventional wisdom is that foods high in fat, salt and sugar are inherently more palatable than healthier alternatives. But there is little evidence to support this notion. In fact, a recent study asking

## Pairing high fat food with graphic illustrations of the negative consequences of obesity could alter responses to these foods

warnings seen on cigarette packets. There is laboratory evidence to suggest that pairing food with similarly graphic illustrations of the negative consequences of obesity could alter responses to high-fat foods as well. In psychological terms, the mechanism is very simple: the food is associated with a strong negative emotion – the negative health consequences of obesity – which is then brought to mind each time the food is seen, thereby altering subsequent food choices away from unhealthy options and towards alternatives.

Graphic images similar to those seen on cigarette packages are unlikely to be seen any time soon on foods high in fat, salt or sugar (though the Department of Health tried something close during the Change4Life campaign in 2009), but other statutory and voluntary health labelling is on the increase. Traffic lights – labels that visually signal low, moderate or high levels of fat, sugar and salt in foods – are increasingly seen on food packaging as a voluntary measure taken by the industry. It is again hoped that these will change purchasing and consumption by giving consumers information in order to make healthy decisions.

These may also work at an associative

sense to harness their behaviour-change expertise to improve our collective diet.

Remarkably little scientific research has been devoted to the use of positive emotional signals, though we plan to explicitly test the relative effectiveness of positive signals attracting us towards good foods, versus negative signals deterring us from bad foods, in some of our future experiments.

One rather touching study suggests that those positive signals might be, and that they could be very effective. Any parent with ambitions to see their child eat well will appreciate the challenge of feeding them vegetables.

This study succeeded in getting a group of pre-school children to eat more chickpeas, edamame beans and lentils by telling the children that the food was something fun ('roly-poly poppers', 'emerald dragon bites' or 'teddy bear's porridge') rather than something healthy ('nutrition bits', 'veggie beans' or 'healthy stew'). And once the children have tried the foods ten times, other studies have shown that even initially unpalatable vegetables can become liked.

The use of fun names is an ancient strategy to make everyday food more appealing. Think of toad-in-the-hole,

people to rate the appeal and desirability of a very large set of images of ready-to-eat foods taken from the internet shows that fruits are rated as more appealing and desirable to eat than any of the other food categories (including snack foods, mixed dishes and dairy foods).

From a neurobiological perspective, a food will be judged on its combined sensory properties, so a food low in salt will always pack a smaller punch than an identical product that is higher in salt. It is simply a weaker sensory experience.

But there are other sensory properties to a food, independent of fat, salt and sugar content, which may also have a bearing on its appeal. Fruits, for instance, have a wide range of intense sensory attributes – bright colours, acid flavours and very distinctive textural qualities, including crunchy, juicy and smooth, may explain their high appeal despite the absence of fat and salt.

So why are efforts to promote healthy foods often so ineffective? One possibility is that marketers favour the use of health as a primary message when promoting







Labelling foods as 'low calorie' or 'diet' may be counterproductive in reducing obesity

healthier foods. The psychological research would suggest that they may be doing this at some cost.

### THE 'HEALTHY' LABEL PARADOX

Labelling that signals 'healthiness' is now a pervasive part of our food environment, with 'healthy-living', 'diet' and 'low-fat' product lines being the mainstream in all food retail outlets. This is another example of a situation where the provision of information to the consumer is seen as advantageous – the consumer has the choice between a standard and healthier equivalent product.

But there is growing evidence of the paradoxical effects of 'healthy' food labels. For instance, in several studies, individuals ate more calories when a food was labelled 'low-fat' as opposed to 'regular', and failed to be aware of this extra intake. These effects are particularly marked in those who are overweight. One of the mechanisms involved is guilt-reduction, guilt being an emotion that constrains eating, particularly in those who are overweight.

Perceived progress towards a healthy eating goal is another psychological process that influences the food we eat. Merely considering a healthier item on a food menu can leave a person feeling they have achieved a healthy eating goal without needing to choose it, instead having the perverse effect of increasing the chance that an indulgent item is selected. This is particularly the case for individuals with high self-control, who are less likely to choose the indulgent item when the healthier option is not present, but much more prone to choosing it when the healthy item is present.

Another demonstration of the effect of perceived progress towards a healthy eating goal occurs when individuals are asked to sample a food. Those told that they were tasting a "new health bar containing high levels of protein,

vitamins and fibre, and no artificial sweeteners" tended to report more hunger after eating the sample than those told that they were tasting a "chocolate bar that is very tasty and yummy with a chocolate raspberry core".

Paradoxically, the 'health bar' group also reported more hunger than another group who were merely asked to have a look at the snack bar and not eat any. Sampling a 'health' food can make you hungrier than not eating anything. These effects may be due to the impact of the labels on physiological processes such as ghrelin, as well as emotional processes

## Eating foods labelled as healthy or low fat can leave us feeling more hungry than eating the same foods without this label

such as guilt reduction.

We know that taste is the primary purchasing criterion for food in high income countries. It has also been shown that among North Americans, the less healthy an item is portrayed to be, the better is its inferred taste, the more it is enjoyed during actual consumption, and the more likely it is to be selected in choice tasks. So by making health the primary attribute of a food, marketers may actually be making a food product less appealing.

Finally, the meanings evoked by the same food differ between people. Not surprisingly, all dieters associate an apple with a weight loss goal. Intriguingly, successful dieters view the apple as

fulfilling a tasty eating goal as well as a healthy eating goal. So learning to associate apples (and indeed other nutritious foods) with taste might be more potent for weight loss than learning to eat apples (and other nutritious foods) to fulfil a weight loss goal.

### CONCLUDING COMMENT

The fundamental answer to the obesity epidemic is for people to eat fewer calories. If marketing serves the corporate purpose of driving up sales, there is a compelling logic that it must be driving up consumption, so a ban on all food marketing could be what we need. But in the absence of such a ban, there is much room for marketing to contribute to a solution to obesity.

Acknowledging the power of food marketing would be a useful start – the evidence for the role of marketing is, however, largely held within the industry, and is not available for wider scientific or public discussion.

Research from the behavioural and neurological sciences has explored many existing and potential strategies to help individuals lose weight or avoid weight gain, indicating less and more promising approaches. The use of 'diet' formulations of standard products, labelled to signal the health-promoting or weight-loss potential of the food, is a dominant strategy in the food industry.

While this looks helpful to both the consumer and the policy maker, the scientific evidence suggests that it is unlikely to contribute much to preventing or reducing obesity – and may actually make matters worse.

A more fruitful direction that is supported by the evidence, and is being practised by a minority in the food industry, is to promote intrinsically healthy foods as fun and tasty, with any health claims being secondary. Products promoted in this way also have potential appeal beyond 'weight loss' consumers – another point in their favour.

Making nutritious food fun, tasty, appealing and fundamentally mainstream is something the food industry can do to take a step in the right direction to reducing our waistlines.

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# Why the game of marketing needs rules

Rules in a free market economy are difficult to frame in order to be both fair and, perhaps more significantly, to be effective. But they are clearly needed and **Hugh Burkitt** deftly analyses the different factors that influence rule makers, making the important point that these rules change and evolve over time to reflect society's concerns

I have always hated authority – I think it comes from having had a severe and rather frightening nanny – and I have always believed that freedom of individual choice is an excellent thing. Indeed, I believe in a society where there is the maximum freedom of choice for everyone.

I also believe that it is morally right for all organisations to be focused on serving their customers – rather than serving themselves. How hateful it is flying with Alitalia (well, it was 25 years ago, when I last flew with them and vowed never to experience their appalling customer service again). And how infuriating it is to stand in a queue outside the Balham Royal Mail sorting office at midday on a Saturday and be told the staff have decided to close for the day with your parcel from Amazon inside.

In principle, it seems to me that the pure philosophy of marketing – identifying and satisfying customer need – is a highly moral activity, but I can't help noticing that we haven't yet acquired the adjective 'Royal' in front of The Marketing Society's name – and when I invited our present prime minister to speak to our annual conference when he was leader of the opposition, I was told

by one of his close personal advisers that he wouldn't because it would be bad for his image.

The problem, I suppose, is us marketers. It is a quest for profit, rather than a Hippocratic oath, which drives marketers to serve their customers. According to economists, the first thing that marketers will do – if they get the opportunity – is distort the free market by creating brands and cornering as much of the market as they can at a premium price. So we need rules to keep markets competitive, and we also need rules to stop marketers behaving in all sorts of despicable ways that humans sometimes will if they think they can get away with it.

I am not saying that marketers are any worse on average than any other class of human, but if you need reminding how an apparently moral group of citizens will behave badly if they think no-one is watching, may I remind you what MPs did when left in charge of helping themselves to their own expenses.

## RULES REQUIRE CONSTANT MONITORING OF SOCIAL ATTITUDES

Exactly how far the rules of marketing should go to protect competition and consumers will cause endless debate, and

the rules will change over time as society's attitude towards some things becomes more relaxed and towards others becomes more hostile. In *Mad Men*, the near universal habit of smoking immediately catches the eye, as does the subservient role of women, and it really was much like that when I first came into marketing.

At Collett Dickenson Pearce, home of the brilliant Hamlet and Benson & Hedges campaigns, we generously offered our clients king sized fags at the start of a meeting, not plastic beakers of water. We also had very few female staff doing anything in the office other than making life comfortable for their male bosses.

When the founders of the Football Association met in London in 1863 to draw up a definitive set of rules for the beautiful game, one of the hot topics of debate was whether or not to allow the manly practice of 'hacking' – that is the deliberate kicking of an opponent's shins. A member of the Blackheath Club forecast with surprising accuracy that: "If you do away with hacking, you will do away with all the courage and pluck of the game, and I will be bound to bring over a lot of Frenchmen who will beat you with a week's practice."

Hacking was not allowed by the FA's rule makers and would now receive – if spotted – an immediate red card. But going back into marketing history, it is not hard to find ads that today look just as out of place as hacking. A brief search of the internet under "Ads of the past you'll never see today" turned up the following:

"The Kenwood Chef does everything but cook – that's what wives are for."

"Christmas morning – she'll be happier with a Hoover."

"More doctors smoke Camels than any other cigarette."

And – can this ad really be genuine? – a picture of a mother and baby with the headline: "For a better start in life, start cola earlier." It was placed by the The Soda Pop Board of America, apparently based in Chicago.

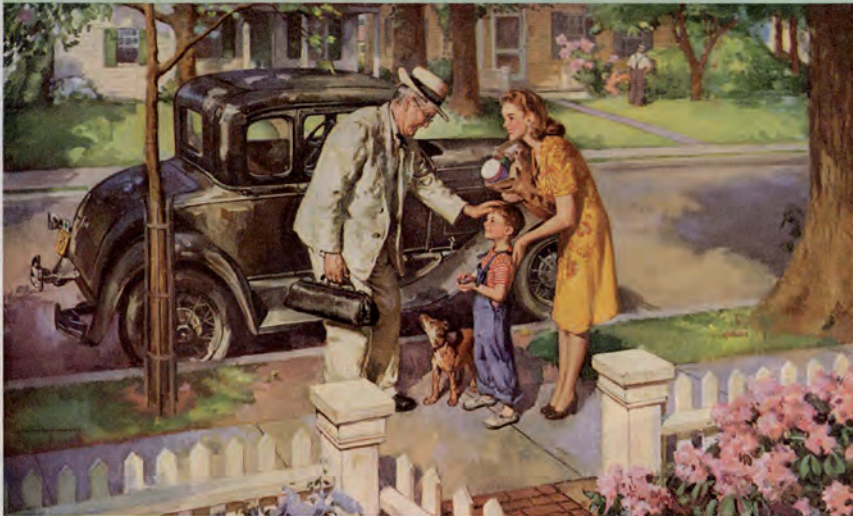
The marketers' bible – the *British Code of Advertising Practice* – is not a thing generally read aloud on any day of the week, or much revered for its lofty prose, but as it has been written and rewritten, not by lawyers, but by generations of marketers, it is in fact a thing of great wisdom and simplicity.

It lists the things you absolutely cannot promote, which is a short but succinct: tobacco, guns, breath-testing devices, betting systems that promise you can win

In principle, it seems to me that the pure philosophy of marketing – identifying and satisfying customer need – is a highly moral activity

## The doctor makes his rounds

• Wherever he goes, he is welcome... his life is dedicated to serving others.  
Not all his calls are associated with illness. He is often friend and counselor... he is present when life begins, watches it flourish and develop. His satisfactions in life are reflected in the smiling faces of youngsters like this one below, and of countless others whom he has long attended.  
Yes, the doctor represents an honored profession... his reputation and his record of service are cherished possessions.



According to a recent Nationwide survey: **MORE DOCTORS SMOKE CAMELS THAN ANY OTHER CIGARETTE**

• "What cigarette do you smoke, Doctor?"  
That was the gist of the question put to 113,597 doctors from coast to coast in a recent survey by three nationally known independent research groups.  
More doctors named Camels than any other cigarette.  
If you're a Camel smoker, this definite preference for Camels among physicians will not surprise you. If not, then by all means try Camels. Try them for taste... for your throat. That's the "T-Zone" test (see right).

**CAMELS** Costlier Tobaccos

### Your "T-Zone" Will Tell You...

The "T-Zone"—T for taste and T for throat—is your own proving ground for any cigarette. For only your taste and your throat can decide which cigarette tastes best to you...and how it affects your throat. From the experience of many millions of smokers, we believe Camels will suit your "T-Zone" to a "T".

R. J. REYNOLDS TOBACCO CO. Winston-Salem, N.C.



The Chef does everything but cook—that's what wives are for!

games of chance, pyramid promotional schemes, prostitution and sexual massage.  
And there is a longer list of other things that marketers must approach with care. But do consumers really need any protection from themselves? Can't they make their own mind up about what they choose to consume?

Over-enthusiastic consumption of things we like is causing considerable health problems in the UK. A recent *Guardian* article claimed that: "Diabetes threatens to bankrupt the NHS within a generation." Ninety per cent of diabetes is Type 2, which is closely associated with obesity. And a finger of blame is increasingly pointed at foods containing high fructose corn syrup, which food manufacturers add to a great variety of products to make them taste nicer.

This form of sugar has been described as "the poison lurking in pies, bread, sausages and cereal", and some American academics have gone so far as to call for sugar to be regulated as a toxin. Concerns over sugar in our diet now feel rather like the early days of concern over the effects of tobacco back in the 1950s.

Alcohol also comes under regular attack from the medical profession, which is hardly surprising given the rapid rise in deaths from liver disease – up by 25% in the past decade. The Royal College of Physicians has called for a minimum retail price for alcohol and a move towards a total ban on all broadcast advertising for alcohol brands.

### MARKETERS AND SOCIAL REFORMERS: A HEALTHY TENSION

Here we run into a classic misunderstanding between brand marketers and social reformers. People whose job it is to make advertising budgets work, know how hard it is to persuade any consumer to do anything. I do think that brand advertising >



Shock tactics: many 1950s ads would be considered entirely unacceptable today



## We can be proud of having an industry system of self-regulation in the British Code of Advertising Practice, and the Advertising Standards Authority to enforce it

can help switch a consumer from asking for one brand of beer to asking for another when at the bar. But I really don't think it was advertising that made him or her go to the bar in the first place.

The category of alcohol that has grown by far the most strongly in the past 30 years is wine, which has had very little advertising spend behind it. But wine consumption has been helped by its reduction in cost in real terms, and there is no doubt in my mind that the price of alcohol is a strong influence on total consumption over time. However, whether enforcing a minimum price in supermarkets would necessarily cure the social ill of weekend binge drinking is a whole other question.

Personally, as a marketing enthusiast, I would always rather see good social marketing techniques used to discourage this particular form of irresponsible drinking, rather than see the government intervening directly with new rules on pricing. Ultimately, binge drinking as currently defined is a social activity, and I am quite sure it is possible to influence this through changed social attitudes, just as it has been possible to change attitudes in my lifetime towards drinking and driving.

Many marketing companies now wisely have their own marketing codes, which go beyond the requirements of BCAP or their own industry rules. I have been a member of a small advisory group for Mars chocolate for the past three years, which was set up to help the company assess all its marketing activity against its own code, which includes the prohibition of any marketing activity directed at children aged 12 and under.

In the same way that attitudes towards the role of women in society have changed, attitudes towards marketing to children have also changed in the past generation. Perhaps because so many mothers now go out to work, leaving their children in the care of others, parents are more sensitive about the influences on their children. And David Cameron, whose only proper job before he came into politics was as a PR man for Carlton TV, is very alive to the mood of the nation

on this. Hence his call for an end to the "commercialisation and sexualisation" of children. When the Advertising Association recently conducted an investigation into this, it didn't find a great deal to object to in the real commercial world, but parents' concern should be noted.

### STATUTORY REGULATION VS SELF-REGULATION: A DELICATE BALANCE

Elsewhere in this issue, Hugh Davidson has written a fine piece on the importance of regulation to protect the consumer – especially in the energy and financial services markets. He argues that marketers must understand and embrace regulation. If I may return to my sporting analogy, it is important not just to play the game strictly by the rules, but to play the marketing game in the right spirit.

One thing we marketers can be proud of is having an industry system of self-regulation in the British Code of Advertising Practice, and the Advertising Standards Authority to enforce it – which actually works. In the years I served on the ASA Council, I came to the conclusion that the complicated financial services laws produced by Parliament to protect the consumer were less effective when it came to advertising than our own code. Financial services ads are awash with small print and disclaimers which lawyers love, but which merely obscure matters for the reader.

Looking forward, I think that marketers will need to be acutely aware of changing attitudes in society, the scientific truth about discoveries on health, and increasingly the need for all of us to lead more sustainable lifestyles.

For the past five decades of the Marketing Society's existence, most marketers have been able to pursue the maximum consumption of their brand with little thought to the effect of that consumption on either individuals or society as a whole. Marketers in the next generation are going to have to think much more about how they can encourage their consumers to consume more wisely.

Ultimately, I believe marketing is as important a principle to defend in our society as democracy, and just as valuable. Marketing is consumer-led democracy in action. But like democracy, it needs rules of engagement which are carefully and continually reviewed.

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*Hugh Burkitt is chief executive of the Marketing Society*

# East versus West: brands and the cycle of sophistication

Although marketing practices are increasingly similar around the world, the way consumers respond to brands differs dramatically. **Dominic Scott-Malden** describes how consumers in the West view brands with a mixture of sophistication and cynicism, in contrast to the newly emerging middle classes in developing countries, who are wholeheartedly enthusiastic. How long will this last?

**B**RANDS are the footsoldiers of capitalism, carrying the philosophy and culture of 'consumerism' across the world.

In this article, I start with the hypothesis originally put forward by Guy Murphy, global strategy director of JWT<sup>1</sup>, that while we in the West are having doubts about many brands, in much of the world brands are riding a wave of enthusiasm. In the West, we have moved from a state of general enthusiasm about brands to being more 'knowing', more sophisticated and more critical of brands.

I will build on that hypothesis by suggesting that brands have an immediately accessible light side but also a (generally neglected) dark side, which becomes more apparent over time. As brands move from being more product focused to being more image focused, they have to communicate in a different way but they also become more vulnerable.

I believe digital communications will accelerate that process. Brands will have to get used to having every aspect of their product and image analysed, attacked and criticised, especially in the digital space. Many brands may be 'found out' and become 'contaminated'. However, this is not an apocalyptic prophecy of doom for brands. Provided they have nothing sinister to hide, transparency will lead to a more sophisticated and ultimately healthier relationship between consumers and brands.



**Pop artists such as Andy Warhol were quick to recognise the artistic quality of brands**

Brands guarantee consistent quality in an uncertain world

## BRANDS' LIGHT AND DARK SIDES

Brands exist, at least partially, in the mind of the consumer, not the producer, so they are what we think they are. But I would pull out three things about brands – perhaps a mix of the obvious and less so.

I would argue that brands have always had both a light and a dark side to them. In meetings with brand owners, at conferences, in research and in advertising, we tend to focus on the light side of brands. Sixty per cent of consumer brand conversations in the UK are positive, according to word-of-mouth specialist Keller Fay Group, and more than one third of those conversations are recommendations to try or buy.

On the light side, brands guarantee consistent quality in an uncertain world. You can trust them to perform. That may seem a pretty basic observation but back in the 1960s in the US, in the 1980s in the UK or right now in the BRICs – Brazil, Russia, India and China – that is the fundamental guarantee that drives the growth of brands.

Perhaps less obviously, brands have an artistic quality. Andy Warhol and the pop art movement recognised it most famously in the US in the 1960s. Brands can be beautiful objects of desire that are at home in an art gallery, a design museum, a supermarket or on display in a backlit bar. From Apple to Smirnoff, one of the reasons many brands appeal so strongly to the subconscious as well as the rational mind is that they look and feel good. Even in functional categories such >

as medicine, buyers of painkillers talk of the ‘shiny, glossy packaging’ and ‘sweet-like’ qualities of brands such as Nurofen. When people talk of brands being ‘iconic’, they are expressing an essentially artistic admiration for brands and subconsciously comparing them with religious icons.

Brands are political. In the right context, they can represent Western values of freedom, democracy and choice, and ultimately they add up to a lifestyle. When I was researching US brands in Moscow and St Petersburg in 1993, they represented the freedom and choice that people had been denied for so long. Western brands carry Western values with them.

Some companies/brands are taking corporate and social responsibility to new levels: Unilever’s Sustainable Living Plan and Nike’s Better World, for example. Both aim to do more good and less harm in the world, particularly when it comes to sustainability.

But there has always been a dark side to brands. Luxury brands personify the obscene juxtapositions of rich and poor across the world; so there are people spending the equivalent of £2,000 on a Louis Vuitton handbag in India while outside in the street children are begging. Brands throw the contrast between rich and poor into high relief in a way that can ultimately contribute to revolution. Conspicuous consumption in a poor country can have a profound effect – as a contributor to the Arab Spring, for example.

On a more everyday level, they represent the forces of consumerism and materialism, which people in the West have always questioned but are now questioning more than ever. Books like *Affluenza* by Oliver James are just the tip of an iceberg of anti-materialism in the UK. People are questioning whether they should devote their whole lives to the task of earning money to buy and own brands in a Faustian bargain – selling their souls for an idea of happiness that owning the right brands may fail to deliver.

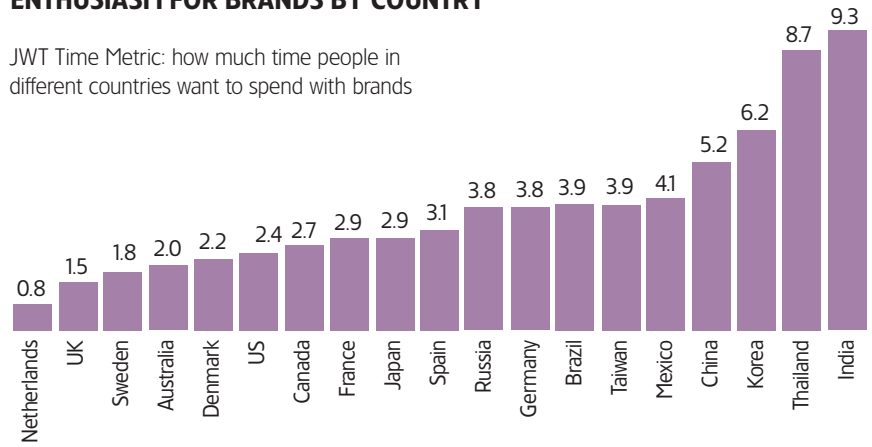
**ENTHUSIASM FOR BRANDS VARIES ACROSS THE WORLD**

There appears to be a cycle of sophistication that individuals, societies and, ultimately, the world will go through in response to brands.

The thesis put forward by Guy Murphy (Figure 1) demonstrates a dramatic variation in enthusiasm for brands across the world. The Netherlands, UK and

**ENTHUSIASM FOR BRANDS BY COUNTRY**

JWT Time Metric: how much time people in different countries want to spend with brands



Source: Millward Brown/JWT 2008. Millward Brown’s Brand Z survey gauges brand enthusiasm by asking, for each of 10,000 brands, whether it is a brand that people would like to spend time with. Amalgamated into a metric for each individual country, this creates the Time Metric: a score of how much time people from each country want to spend with brands.

**Figure 1**

US, for example, tend to be at the less enthusiastic end of the spectrum, while the BRIC nations tend to be towards the more enthusiastic end. This analysis was undertaken several years ago but the pattern is widely endorsed by our recent research in those countries<sup>2</sup>.

I suggest this is a cycle of growing sophistication (Figure 2). Stage 1 is the Discovery phase, when brands are essentially new and exciting, and more and more people within the community are starting to buy them.

This is the phase that the emerging middle classes, with their ‘eager consumers’, are going through in countries such as the BRICs, in spite of the world recession.

To the BRIC list originally devised by Goldman Sachs, commentators increasingly add South Africa, which is seen as the gateway to Africa as a whole, where the same combination of natural resources, entrepreneurs and eager consumers means it is widely viewed as the next region for economic growth, albeit from a low base.

**GOLDEN AGE FOR BRIC BRANDS**

We therefore are seeing a golden age for brands in the BRIC nations today, and we may do so in Africa within the next 20 years. These regions all have a growing lower middle class, moving to the cities, earning wages, with (some) money to spend, and they are able to afford brands for the first time. People further up the class pyramid are growing in affluence, buying brands regularly, and the wealthy at the top of the pyramid are buying

luxury brands to demonstrate their status.

Among the BRICs and other emerging nations, there is massive enthusiasm for consumerism and brands of all kinds. There is open adulation of brands and very little criticism of any kind. In a sense, brands can do no wrong. It’s a parent/child relationship: the brand ‘positions’ itself the way it wants to be seen and broadcasts to its audience. People believe brand stories, brand motives are trusted, and the fundamental guarantee of consistent quality can be proven.

Characteristic of some of these countries is a massive market in fakes. On the one hand, this could be a problem because if the fakes are good, they could undermine the brand. But poor quality fakes reinforce the brand’s superiority and prove that people want those labels, even if they cannot afford them.

But this golden age for brands in those markets may not last long.

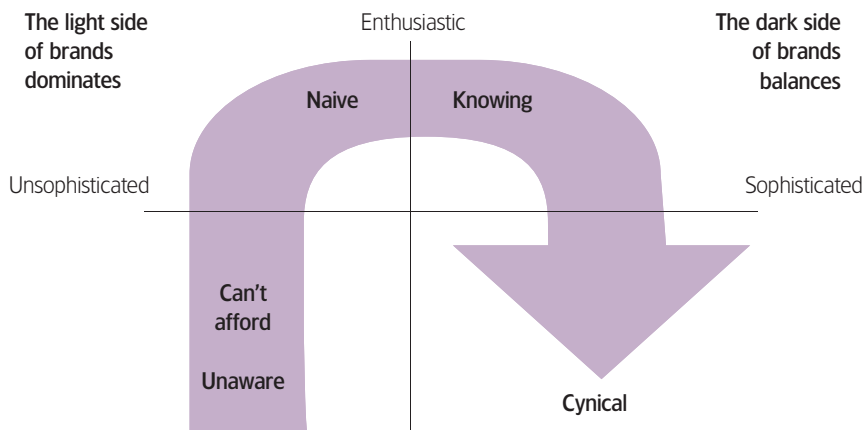
**THE SOPHISTICATED BRAND ENVIRONMENT**

In a more sophisticated brand environment, people know how it’s done. TV programmes such as *The Apprentice* and *Dragons’ Den* show executives creating brands and inventing brand stories. People have come to realise that brand images are as carefully manufactured as the product.

People don’t really believe brand stories. For example, beer lovers know that in common with some other ‘foreign’ beers, San Miguel is brewed in Hereford, not Spain. It says so, on the bottle: ‘Brewed under licence in the UK.’ If you



**THE CYCLE OF SOPHISTICATION**



**Figure 2**

look at review sites such as Caio on Bing, San Miguel is described as a ‘forgery’ by one reviewer for this reason.

People become suspicious that branding is about charging more for ‘the image’. The relationship between brand and price is not clear. People bring up their children not to believe what ads say, and to be wary of commercial motives – ‘they just want your money’.

Increasingly, individuals use brands to differentiate themselves and show discernment. Authenticity is prized and people are looking for smaller brands with more personalised credentials.

The result is polarisation and fragmentation, with individuals thinking other things are far more important than brands – still loving and revering some brands (such as Manchester United, or Apple) but sceptical about others. It’s an environment where brands need to work harder and think differently, and where brands, if they try to lie, will increasingly be found out. It’s an environment where brands may need to get used to cynicism.

**THE CYCLE OF DISILLUSION**

Stage 1, the ‘discovery’ phase, will eventually give way to stage 2, the ‘knowing’ phase, as it has done in the West. There is no predicting when this will happen, but it will happen one day, and probably much faster in the emergent world than it has in the West, because cycles tend to accelerate with greater availability of information. As the novelty of brands wears off and brands become more commonplace, naïve enthusiasm for them will start to wane.

Typically, and crucially, brands start to lose their first *raison d’être*: to guarantee consistent quality versus the local competition. When all products generally deliver to a reasonable standard, differences between them grow smaller, and brands get taken for granted. The added value comes increasingly from the image, rather than the product: brands promise image, status and fulfilment of roles (‘be a good mum’), rather than performance.

The brand’s story and personality become more important than its function, and the marketing battle is to try to embed the brand’s story into the mind-space of the population – to make it the automatic choice within its category.

**DIGITAL WILL ACCELERATE THE CYCLE – EAST AS WELL AS WEST**

According to Rory Cellan-Jones, the BBC’s technology correspondent, the most important story of 2012 will be the spread of internet access to the next billion global users. One main characteristic of the BRIC countries is the younger generation’s love of ‘online’.

As we know, people shop differently online. They find it easier to research and compare different brands. Above all, they are strongly influenced by user reviews. Now they can quickly find out about a brand, what the media says about it and what other customers say about it. There was always word-of-mouth but now, good or bad, word-of-mouth is on speed. Google and/or Amazon has become an instant first response to any decision-making process.

Brands can be put on trial online, in the court of public opinion. In advertising you can say what you want; in the media it’s up to the journalist; but online it’s beyond any control. In January 2012, the iPad was under attack for being made in China, using low-cost, virtually ‘slave’ labour: a classic example, if true, of the ‘dark side’ of brands becoming available for all to see.

**BRANDS WILL HAVE TO GET MORE INTERESTING**

Brand leaders will need to realise their potential: to lead their categories using big ideas that are entertaining, interactive, tweetable and long lasting.

Of the 10 top-rated digital campaigns of 2011, according to *Campaign* magazine, some were TV ads that were then accessed with lots of hits on YouTube, while others had looked at what was popular on YouTube (such as dancing weddings, Angry Birds and ‘stunts’) and used that medium for their brand.

What they all had in common was that they were highly entertaining and engaging – sufficiently so to be passed on by people who chose to watch them.

On the one hand, brands will have to learn to be defensive – to face their ‘dark side’ before they get found out and to make sure there are no skeletons in their cupboards.

On the other hand, they will need to learn to be welcoming, interesting and entertaining guests online.

In a more sophisticated world, consumers will have a far greater sense of who brands really are and this transparency will lead to a more realistic and ultimately healthier relationship between consumers and brands.

Ironically, by subjecting brands to the fire of consumer interrogation, the digital world may actually rescue them from the cycle of cynicism to which they might otherwise eventually succumb.

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● *Author’s note: thanks to Julian Boulding, president of TheNetworkOne, for his help with researching this article.*

# Does marketing contribute to society's ills?

**Jon Alexander** accuses marketing of sleepwalking society towards a precipice and believes marketers need to think more about the wider impacts of their work. **Rory Sutherland** defends conspicuous consumption, arguing that status-seeking is innate and a competitive economy is required to promote a healthy variety in the ways in which people express it

## JON ALEXANDER'S CASE FOR CHANGE

**T**HE ATTITUDE of the marketing industry to criticism is often an exasperated “not us again!”

We look back to *The Hidden Persuaders* in the 1950s, and sigh that the debate has not moved on. It goes in cycles – the critics start quiet, the rumble rises to a brief crescendo, and then fades away into irrelevance once more.

The rumble is starting to be heard again. But this time I think it is different, for two reasons. First, because this time there's a wider round of soul-searching starting as the financial crisis staggers on, and as China and the East rise in influence. Systemic change is on the agenda, in which every industry will operate fundamentally differently – including, but not limited to, marketing.

And second, because this time, insiders like myself and a whole generation of rising leaders think that marketing has now gone too far.

My view is this: the people who work in marketing could be major contributors to the systemic change we need to see in the world. But at the moment, we are doing more to trap society on its current path to disaster than to facilitate creative change.

Path to disaster sounds dramatic, and perhaps it is. But we know that the current pattern of society, the pursuit of economic growth at all costs, is inherently unsustainable. We are already seeing food and water crises starting to take hold around the world, as well as in our own

backyards, caused and aggravated by a potent combination of population growth and climatic change.

In this context, we in the UK are market leaders in an industry in which fundamental change is inevitable. The gravitational pull of continuing as we are is strong, and danger signs can always be ignored. After all, the other big players are following the same path. But market conditions will change. Our only choice is whether we lead the change and invent the new, or wait for crisis to cripple us. The financial crisis is merely the first round of shockwaves.

### CREATIVITY IS NEEDED

The people who work in marketing could be a major part of this change. This is because what is most required is true creativity.

True creativity is not measured in industry awards, such as Lions and Pencils. Indeed, true creativity is not rewarded at all, at least not in a way that can be anticipated before the event. True creativity lies in finding a way through what the great systems thinker Gregory Bateson called the ‘double bind’ – a situation that current patterns of thinking cannot resolve, and which requires a leap to a whole new level.

We are in such a situation today. Tim Jackson, a professor of economics and former UK sustainable development commissioner, frames the double bind like this: growth is unsustainable, but any alternative to growth is equally unstable.



In other words, a society has emerged that depends on growth for stability – and yet growth itself is destroying that society.

This is where my first point comes in: the people who work in marketing could be major contributors to systemic change. Double binds require a leap to solve them, a new way of thinking to be found. They require creativity and comfort with uncertainty. People who work in marketing have these skills. We recognise and value the creative leap, not just the rational analysis. And we have the ability to work with uncertainty as a valid way to solve problems. Yet the only people working on these issues today are civil servants, economists and scientists.

And what are we doing in the meantime? Frankly, not anything constructive. This is my second point: at present, the main contribution of marketing people is to crack the whip of growth, driving society's chariot ever harder towards the precipice. We keep our heads down and devote our creative efforts to the pursuit of Lions and Pencils – rewards that recognise increasingly perverse behaviour.

“We don't know where the consumer is going to be any more, so we have to be everywhere. Ubiquity is the new exclusivity.” These are the words of an agency CEO in the US, quoted in the *New York Times* last year. Just think about what she's saying for a minute. The market is pervading every aspect of our lives, expanding our consumer consciousness at the expense of all other ways of participating in society. And this expansion is the type of behaviour we most reward. Not



**Commentators on last summer's riots observed that these were the world's first consumer riots, as people tried clothes on before looting them**

Communities Panel expressed concern at the impact of excessive consumerism on the young people involved. There is a degree of inevitability. If people are told that to participate in society is to consume, they will do so by whatever means necessary. If they have no money, that will mean looting.

My prescription for marketing to benefit society, then, is twofold. First, let's put some limits on where marketing can go in people's lives now, before it is too late. We might profitably start with childhood, and give our children a chance simply to be children before they become consumers. Second, let's remember what creativity really is. That's what we're here for, after all.

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only are we all consumers now; we are all consumers all the time. So what is a society doing to itself when it tells its members that their primary role is as consumer?

**THE DARK SIDE OF MATERIALISM**

The answer from recent research in social psychology is this: when people are thinking in the mode of consumers, primed and prompted by marketing messages on all sides, we are more materialistic, less concerned about the wellbeing of others, more concerned about our status relative

to others, and less happy in ourselves.

A dark picture, and one we are seeing played out in Britain. A recent UNICEF scorecard placed the UK 24th out of 24 industrialised nations for childhood wellbeing. A follow-up ethnographic study that compared British children to those in Spain and Sweden identified childhood materialism as a principal factor.

Several commentators on last summer's riots observed that these were the world's first consumer riots, as people tried clothes on before looting them. The Riots and

**RORY SUTHERLAND RESPONDS WITH A DARWINIAN DEFENCE OF CONSUMERISM**

It was a Norwegian-American oddball genius, Thorstein Veblen (1857-1929), who coined the famous phrase 'conspicuous consumption', and who has given his name to a class of products called Veblen goods<sup>1</sup>.

A successor of his at Cornell is Professor Robert H Frank. I recommend reading *The Darwin Economy*, his recent critique of consumerism (he proposes, among other things, that taxation be shifted from income to consumption). It is a very cogent argument.

Interestingly, Frank is an ardent Darwinist. So was Veblen. Both believe that economics should be founded on Darwinian principles.

I've always thought that, if you are going to spend your time reading business case studies, you should start with the best one

there is – the greatest start-up of all time: the story of life on earth.

And to some extent, we have already absorbed the idea that animals increase their fitness over time through natural selection. Many businesspeople probably see their role as one of facilitating and accelerating a kind of Darwinian process – closing down underperforming divisions, while investing more in areas which deliver an advantage.

This model is Darwinism as nature's accountant, concerned with cashflow, survival and efficiency.

**DARWIN'S OTHER IDEA: SEXUAL SELECTION**

But, as Frank points out, Darwin actually had not one, but two astounding ideas. Evolution is not

one-dimensional. For, as well as the accountancy function, Darwin also recognised a marketing function. It's all in *The Descent of Man* and *Selection in Relation to Sex*.

It is not enough for many organisms to eat, breathe and die. They also need to earn the attraction (or in my case, amused tolerance) of someone else, ideally of the same or greater genetic fitness in order to breed. Hence considerable resources are directed towards signalling genetic fitness (along with other attractive qualities, such as commitment, altruism or sociability) to the opposite sex. The pursuit of pure efficiency often takes a back seat to reputational considerations.

One way of displaying genetic fitness is through costly handicaps. This is the peacock's tail theory. The theory suggests that, in the mind of the peahen, any male bird which can still function while carrying a huge decorative



burden on its back must be pretty fit (in both senses of the word). So breed with that one. The peacock's tail is a Veblen good.

The problem this creates for Darwinian economists such as Robert Frank is an interesting one. If animals get involved in runaway signalling competitions, it causes resources to be excessively directed towards a kind of competitive arms race. There is a feedback loop at work, where

bull elk acquire ever-larger antlers – since their very costliness defines their status. This seems an unassailable objection.

There are surely areas of consumption in an economy where this is true. High-end property would seem to be one obvious area, along with jewellery, art and wine. It is simply a case of rivalrous consumption where resources are unproductively burned in pursuit of a kind of unending one-upmanship. An unwinnable game.

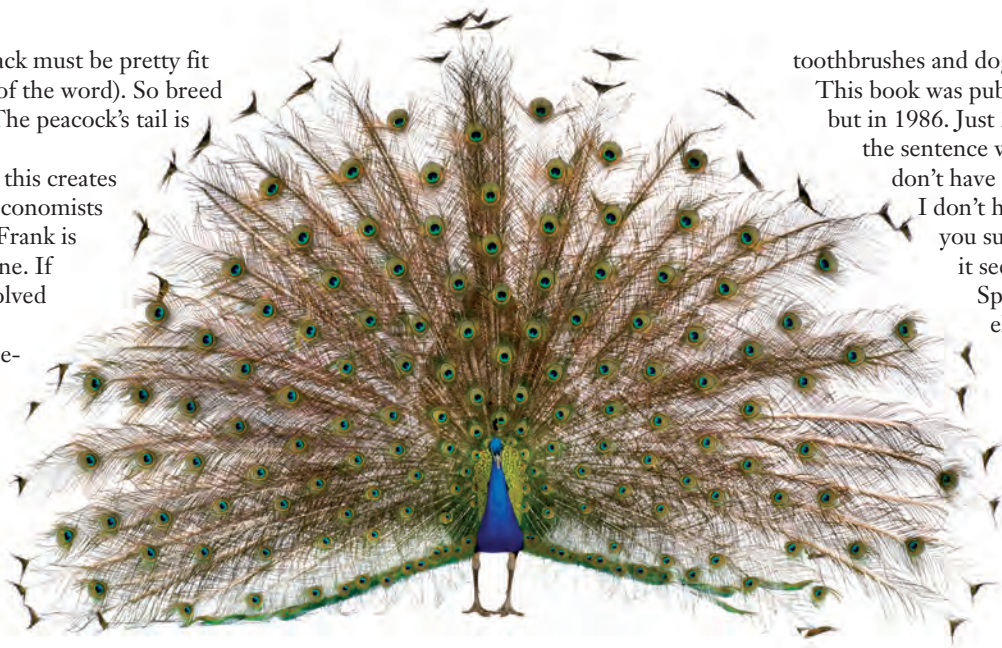
Yet some later thinking on sexual selection suggests that it's not always as simple as this. Instead, it seems, much 'progress' in evolution happens obliquely – it delivers sexual advantages first, and only later provides material individual or social advantages.

So alongside the peacock's tail and the elk's antlers, we should also consider the human brain.

Many evolutionary experts attribute the origins of human intelligence to sexual selection. Language, poetry, humour, music – and, indeed, altruism – arose from our inner marketing function long before they proved their worth to finance. We developed brains (and needlessly large vocabularies) to build relationships long before they became useful for building railways.

Feathers and wings on birds, too, it is believed, evolved and grew for purposes of display before they proved useful in flight.

Geoffrey Miller in *The Mating Mind* puts it like this... “[To work,] evolution needs something like a venture capitalist. It needs something that can protect the very early stages of an innovation against the ravages



**Any male bird which can still function while carrying a huge decorative burden on its back must be pretty fit... The peacock's tail is a Veblen good**

of a competitive market and the laws of bankruptcy, by extending it a line of credit. Sexual selection works as evolution's venture capitalist.”

**IN DEFENCE OF CONSPICUOUS CONSUMPTION**

Now here, I think, is one good Darwinian defence of conspicuous consumption. Yes, some luxury goods are pointless and wasteful. But most of these will become outmoded and déclassé (if you want a really good laugh, look at an upmarket magazine from the 1970s – their idea of classy food looks disgusting to us now). But many Veblen goods are capitalism's R&D. Some of them go on to deliver spectacular benefits to a far wider part of society.

Jacqui Waugh has just sent me a superb dissertation on advertising, which quotes a book called *Understains: The sense and seduction of advertising*. Its author, Kathy Myers, believes advertising drives “the weak-spirited public... to acquire unnecessary objects like dishwashers, electric

toothbrushes and dog hoovers”.

This book was published not in 1956, but in 1986. Just 26 years later, I read the sentence with bafflement. I don't have a dog Hoover, since I don't have a dog, but if you suffer from allergies, it seems a good idea.

Spending £100 on an electric toothbrush is cheaper than a single extra trip to the dentist. And the idea of the dishwasher as a pointless item is deranged.

Not smelling revolting was a status symbol once.

“Who's he?” “Dunno, probably a king or something.” “Why do you think that?” “Because he hasn't got shit all over him.” is an exchange from that seminal sociological treatise, *Monty Python and the Holy Grail*.

This nature lesson suggests that advertising can, at its best, help people redefine what 'status' means – to direct the pursuit of status away from activities which have no positive externalities towards positive-sum games. The best advertising does this already. ‘Think small’, perhaps the most famous advertisement of all time, did this: buying a Beetle was a countercultural status-play in response to the excesses of 1960s US car design (reverse signalling is the technical term). Dove does the same – making beauty an intrinsic good, rather than a positional good.

Creativity challenges the status quo of status. Ads which merely restate a paradigm (ie most luxury goods and fashion advertising, which are not produced by advertising agencies at all) are creatively very dull. Apple, now a dominant player, not a challenger, has begun producing relatively lacklustre work. ‘Think similar.’

Status seeking is innate. But the best advertising, at least in a competitive economy, can help to promote healthy variety in the ways people express it.

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*1. Veblen goods are a class of commodities where demand (to some degree) increases with price, often because their principal function is to display their owner's wealth or, in the case of gifts, generosity.*

# The pursuit of happiness

**Vincent Rousselet** observes that a growing body of literature is devoted to the measurement of human happiness in addition to the traditional economic metrics. Especially in recessionary times, marketers should heed these findings and consider their implications in planning strategies

**I**N THE first episode of *Mad Men*, Don Draper reminds us of a fundamental marketing principle: “Advertising is based on one thing: happiness.”

In the name of happiness, then, marketing and advertising are undeniably at the root of many strange propositions. Some of those are simply peculiar, such as selling a cup of Kopi Luwak coffee for £70 (available in London since last December). To most of us, it’s a surprising price to pay, but presumably someone is paying it.

Other marketing practices are questionable, although quite legal. I remember, many years ago, talking to an alumnus of my business school – I was a graduate at the time and he was a global executive of a major drinks company, based in Paris.

Looking back on this, I am surprised how easy it was to be taken in by the ‘drink responsibly’ line of argument he used. Perhaps the bottle of champagne he gave me as I left his office had something to do with it.

Fast forward a couple of decades and alcohol promotion, particularly to minors and using social media, remains a hot debate today. Other offerings are, frankly, sinister. In the *Mad Men* era, it was smoking, supposedly innocuous to human health; now it is the PIP breast implant scandal. So perhaps marketing has gone off-course somewhat,



**Customers exist for civet coffee at a price of £70 a cup – unlikely as it seems**

losing sight of its moral compass.

At the same time, capitalism appears to be in serious crisis. In Europe, the first month of 2012 alone saw news of France and Austria losing their triple AAA rating with Standard & Poor’s, and

UK unemployment reaching a 17-year high. The UK and Spain are both now in a double-dip recession and numerous downward trends are being experienced by other major economies in the world.

What’s more, there are few signals that the headwinds are going away in the short to medium term. In fact, there is hardly a day when the *FT*’s headlines do not scream the urgent need to reform the system.

Are the two trends connected – the capitalist model running out of steam and the marketing discipline losing its way? Could it be that we, as marketers, have forgotten about the true meaning of happiness in an unending quest for profit and growth targets? Not happiness that gives its name to a perfume bottle or a fast-food meal for a quick high, but happiness that is genuinely felt and sustained individually and collectively.

Let’s broaden the question and ask whether people and economies can be successful not just because they are rich, but because they are happy. As recession looks to be here to stay, should marketing as a profession not rethink its role, and the tools and techniques it uses? In other words, what does marketing in a recession era look like? And can it make the world happy?

Let’s first get something right. There is happiness and happiness. Forget ‘Open happiness’, ‘Happy Meals’ and the other over-commercialised uses of the word. Michael Porter writes about creating shared values<sup>1</sup>, Bill Clinton calls for the alliance of capitalism and charity and Umair Haque talks convincingly about ‘economics for humans’<sup>2</sup> and ‘thick value’. These thinkers are trying to redefine capitalism to reignite growth, but a growth that is defined



differently and where the happiness of the individual and the collective has a central place.

**THE JAPANESE EXPERIENCE**

Take Japan as an example. I visited Japan eight times in 2011 for a total of almost three months. We know about the ‘lost decades’ of Japan – 20 years of anaemic economic growth. To make things worse, the country had a particularly difficult year in 2011, with the earthquake, tsunami, nuclear catastrophe, recession, deflation, being overtaken as the second largest world economy by China, a corporate governance scandal and a change of Prime Minister.

While I was there, I observed the enormous resilience of my colleagues, their families and the population at large. Then, in December, the Japanese government announced an intriguing plan to develop a ‘happiness index’ that will

**During times of uncertainty, customers tend to gravitate towards familiar brands**

complement the more traditional GDP and export indicators.

An odd thing to do at the close of Japan’s ‘annus horribilis’? An overt attempt at making the Japanese people feel better? Actually, in thinking about happiness seriously, the country is in good company.

Over 40 years ago, Robert Kennedy declared: “The gross national product measures everything except that which makes life worthwhile.” Not surprising, perhaps, coming from the country where the pursuit of happiness has been enshrined in the national ethos since its Declaration of Independence in 1776.

**THE GROWING ‘HAPPINESS’ LITERATURE**

Dig a little more and an entire body of literature and statistical analysis has developed over the past 20 years to complement, or even replace, GNP with Gross National Happiness.

The Kingdom of Bhutan was the first to implement it in 2005. In a separate effort, the Paris-based think-tank OECD shows Denmark, Canada, Norway, Switzerland and Sweden taking the top five spots in its

2011 life satisfaction index. Researchers in the US, Canada, Belgium and the Netherlands are also active in the field. France has announced its intention to monitor its citizens’ happiness and, in the UK, so too has prime minister David Cameron. Instead of wealth, income, consumption and trade, researchers in the happiness field put the spotlight on health, wellbeing, job satisfaction, the environment, personal achievement, social contact and, of course, love.

Mention love... and the French are at it. Brittany-based technocrat Pierre Le Roy has assembled since 2000 a Global Happiness Index, based on 40 criteria grouped into four categories: peace and security, democracy and human rights, quality of life, intelligence and culture.

Go back further, to 1972 – the year before the first Oil Shock. Antoine Riboud did not know it then, although he probably foresaw it, but it was to be the final year of three decades of uninterrupted post-war growth that the French know as the ‘Trentes Glorieuses’; average annual growth during the period was 5%.

The founder and president (between 1966 and 1996) of what would become Danone chose 1972 and Marseille to present to his peer group of French business leaders a vision for sustainable development that respected the value and happiness of the workers.

Quoting philosopher Raymond Aron and his notion of “disillusion with progress”, Riboud emphasised that “there is only one Earth and we live only once”.

His approach has been incredibly influential, not just at Danone but across many French companies, national and global, who incorporated in their approaches and processes – including their marketing – a distinctive regard for customers and employees as individuals, each deserving to enjoy a happy life.

**CHANGES TO MARKETING?**

So now that recession – or flat growth at best – is back, and we’ve established that happiness is a serious matter, what needs to change in marketing? And what needs to be the same? If two of marketing’s primary roles are to drive growth and to build brands, both these missions are going to be much more difficult to achieve.

With unemployment of 2.8 million predicted across the UK in 2012, disposable income will reduce. Levels of savings will likely drop as households use their financial reserves to cope. Turn



to the B2B market and risk aversion, lack of visibility and low confidence in economic upturn conspire to delay and depress investments. In a recent paper, Rita Gunther McGrath<sup>3</sup> shows that the number of companies consistently growing annually by 5% over a five-year timespan dropped by half in the period 2005-2009 compared with the five preceding years. The impact of the Great Recession has been sorely felt, and there is no real reason why this should stop under a low/no GDP growth scenario.

**Encourage retention**

This should encourage many marketers to refocus their efforts on customer retention, rather than acquisition. An illustration of this was an incredibly successful direct marketing campaign I ran when working for American Express in the early 1990s. Targeting Amex Corporate Card applicants who had previously been turned down for credit rating reasons, but since reassessed positively, the campaign achieved double digit conversion rates that I had not seen before, nor have since, sadly.

Meeting personally some of the card members at a later event, it was clear that the two-step retention campaign had made them deeply happy by the end of the experience.

**Examine segmentation**

What is behind this example, and what really makes it stand out as a success story is, of course, segmentation. Reading Laurie Young’s book, *The Marketer’s*





Bhutan was the first country, in 2005, to establish a Gross National Happiness index

*Handbook*<sup>4</sup>, one is struck by the continued applicability and relevance of this key technique. In the same week as France lost its AAA status, Rolls Royce Motor Cars announced 2010 as its best year ever. Investigating further the geographic segments the firm had been pursuing, China was revealed as its largest market, overtaking the US. This is likely to be a metaphor for what the new world economic order will be before the end of the decade: despite national recessions, sectors may be saved by segments outside their borders.

### Brands should think positively

Another basic tool in the marketing kitbag that remains highly relevant in a recession is branding – but with a twist. Marketers will also find it harder to build new brands.

But there is also evidence that, at times of generalised uncertainty, customers tend to gravitate towards familiar brands. Experimenting with new providers, even in what may be a familiar category, is likely to be resisted by customers and be more costly for brand owners.

Based on this insight, brand deployment at Fujitsu has been primarily aimed at our 175,000 employees. The 75th anniversary of the company in 2010 gave us the impetus to create a new tagline – ‘Shaping Tomorrow with You’ – and it was natural to evidence this by ensuring that all employees could live that promise before investing strongly in any substantial media campaign.

Other multinationals have been much

more overt than Fujitsu in linking their messaging in times of recession with happiness. In line with the mark left by Antoine Riboud, some French examples are worth mentioning. Accor, the hospitality group, has long used ‘We build smiles’ as its tagline, while drinks group Pernod Ricard says it is a ‘Créateur de convivialité’.

Carrefour, the multinational retail company, is a particularly interesting case study. In 2009, it reintroduced in France the ‘positive’ campaign it had run for almost 10 years from 1988. Under the banner ‘The positive is back’, it re-energised its customer base with a very familiar slogan, updated to suit the times and its new store formats. Notice how the word happiness is not used, but is implied and contextualised in an active form – we can build, create and engage, and this leads to happiness.

### Keep a finger on the pulse

Finally, a recession is also a fantastic opportunity for marketers to assert their strategic and research skills, beyond what can be sometimes an exclusive (and arguably narrow) attention given to campaign execution and marcomms. Who apart from marketers are better placed, through customer insight and research, to set expectation for what is achievable for the enterprise?

Chatting the other day with an ex-client, now a friend and the MD of the UK arm of a multinational firm, our conversation turned to expectation management. It became apparent to

her that the objectives set on the UK business by the US parent were almost inconceivably disconnected from the reality of the local market.

Through careful use of customer, competitor and market research, driven by her UK marketing director, she has been able to rectify the perception of her management and set more achievable targets (and ultimately make her team happy, whilst redefining what marketing is about in the company).

In many B2B markets, such as IT and technology, where I operate, this analysis and data which has enhanced the company’s knowledge about its environment and used internally first can be repurposed without much effort for an external audience in the form of thought leadership.

Marketers in a recession should therefore think about reorienting in a number of domains: retention rather than acquisition, nurturing the brand rather than launching new ones, deploying strategic analysis skills as well as comms.

### MARKETING A HAPPINESS INDEX?

If they happen to find a spare moment in the midst of this necessary and, I believe, salutary adjustment to a marketing fit for our recession era, there is one more thing marketers can do. That is to work on raising the awareness of the Global Happiness Index.

To catch up with its older brother, the Gross Domestic Product, and its cousins the balance of trade and the balance of payments, the Happiness Index needs some serious communication support. It has statistical rigour, it has political support widely around the planet, from Tokyo to London. It needs a good marketing campaign, aiming to make the world happy. We are after all both marketers and individuals.

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# Blowing the marketing trumpet

**Winston Fletcher** believes that marketing is both misunderstood and undervalued. In this article, he spells out the benefits that marketing provides as the major player at the pivotal interface between supply and demand. Thus it is of critical importance to the efficient and cost-effective provision of goods and services, benefiting organisations, customers, the economy and society

**T**O THOSE who work in marketing, its benefits – both for customers and for businesses and other organisations – seem blindingly obvious. Yet those who work in marketing also know how few outsiders have any idea of what marketing truly does, how it functions, and what it achieves.

This is partly because marketing is a complex and diverse process, and is still developing. Its scope varies from company to company, from industry to industry. It tends to be far more advanced in product manufacturing organisations than in either service organisations or business-to-business organisations. As with many other complex processes, definitions vary and are notoriously imprecise.

In this article, I will focus on marketing as it is generally employed in large, advanced organisations.

People outside marketing almost always confuse marketing with marketing communications. This is as wrong as it is to confuse surgery with forceps. Like forceps, marketing communications are specialised tools. And, like surgery, marketing uses a

variety of specialised tools to achieve its results. But as with surgery, no matter which tools are used, it is the results that matter. I believe the ultimate results of modern marketing to be both beneficial and ethical, and will aim to show they are of clear economic and social value. Not every marketing campaign will generate all these beneficial results – but many do, in many circumstances.

The essential benefits of marketing are well-known – even if they are constantly disputed by antagonists. Marketing helps organisations – not just businesses, but organisations of all kinds, from charities to campuses, from museums to medical centres – to grow: today, marketing is at the heart of organisational growth.

To achieve this growth, the marketing process is twofold. First, it helps organisations identify their customers and potential customers, and their requirements. Second, it attempts to persuade customers and potential customers that what the organisation offers will meet these requirements. To do these jobs, organisations use the relevant marketing tools. They use

market research to try to ensure what they offer will be wanted and liked by customers; they use persuasive marketing communications to interest customers in what they are offering. Offering customers what they want and like, and informing them persuasively of its availability, generates demand, which in turn generates employment and economic wealth; all these are unequivocal benefits for economies and societies.

However, marketing also contributes further crucial, often unique, benefits in other social and economic areas, and these contributions are understood little, or not at all. Moreover, they are seldom seen as being directly related to marketing.

Three such areas are: first, sustainability; second, the pivotal interface between demand and supply; and third, managing customer segmentation. Like all the links in the marketing chain, these three benefits interlock. But as they are separate and distinct, we will consider them individually.

Naturally, marketing does none of this on its own. Marketing and marketers must constantly work alongside appropriate

specialists, departments and consultants, both within the organisation and without. Marketing is, by its nature, part of a team effort. (To stretch the surgical analogy a mite further: marketing is at the heart of growth, but hearts need brains, lungs and all the other parts of the human organogram to work with them.) And naturally, in any organisation, marketing reflects the strategy and objectives of the organisation and is – in the last analysis – controlled by the organisation's CEO and board (who may or may not be sympathetic to modern marketing).

Not all marketing is successful. Like every organisational activity, marketing involves risk. Marketing achieves its objectives frequently – but not always. Neither is all marketing morally defensible. Like every organisational activity, marketers must take account of the ethics of the society in which they operate. Sometimes they don't. Nor, above all, do many of the organisations that claim they employ marketing truly employ marketing. They use the word marketing as a fig-leaf to cover up a lack of customer focus and a greedy rush for short-term profits.

But my point of departure is that, when properly employed, marketing is generally beneficial to society – except where there is irrefutable evidence that proves otherwise.

Nor, finally, is any of this intended to suggest that marketing and marketers do what they do because they are especially philanthropic, less still saintly. As implied in the previous paragraph, there are bad guys in marketing as there are everywhere. And the good guys simply do what they do to earn their living. But when it succeeds, the nature of the marketing process – akin to Adam Smith's 'invisible hand' – intrinsically generates widespread benefits. It is as simple as that.

**SUSTAINABILITY**

The role of marketing is to help organisations grow by providing customers with what they want and like. But more importantly, marketing must ensure these benefits continue long-term. Longevity equals sustainability, and the top management of any socially responsible organisation will ensure its marketing strives for sustainability. Sustainability is not new. No organisation aiming to succeed long-term has ever invested in plant, and processes, and people, without intending to be around for quite a while. The leading Victorian

entrepreneurs aimed for, and in many cases achieved, sustainability. However, the concept of sustainability has changed, as our knowledge of the consequences of how quickly we deplete resources has grown. Growing populations and growing affluence now burn up resources at an exponentially growing rate. Consequently, humanity is learning, albeit tardily, how swiftly resources can be exhausted, unless far greater emphasis is placed upon the vital importance of sustainability than has been the case in the past. Still, wise and responsible organisations have always looked to the future.

For an organisation to achieve sustainability, it must provide what customers want and like, both now and in the decades to come; and its customers must pay a realistic price for what they get.

The realistic price must include a surplus over short-term costs – a profit margin – to fund future investment and growth. If this realistic price is unacceptable to customers, they will not

longevity. Thus they are ideal marketing tools with which to deliver sustainability.

Much marketing literature emphasises too heavily the role of customers in determining prices and specifications. In reality, the final specification of what is offered is a balance between what customers want and what the organisation can provide at prices that customers find acceptable. Customers may want a Rolls Royce for a couple of quid; unfortunately, a Rolls Royce cannot be made for a couple of quid. Managing the pivotal interface between demand and supply is now a basic marketing function.

To reconcile the needs and requirements of both sides, true marketers must face both ways. They must aim simultaneously to sustain both supply and demand. No other discipline in modern organisations specifically carries out this balancing role.

Once upon a time, evaluating the needs and requirements of customers, and the prices they were willing to pay, was done by inspired producers with a gut feel for

**The role of marketing is to help organisations grow by providing customers with what they want and like. But more importantly, marketing must ensure these benefits continue long-term**

buy: what is not bought generates no jobs and creates no wealth, making the organisation unsustainable. If, on the other hand, the price is uneconomically low, the organisation's resources will be consumed to fund the deficit, again making the organisation unsustainable.

One of marketing's foremost roles is to ensure prices are realistic for both customers and suppliers, in both the short and long term, thus giving the organisation a sustainable financial framework. This is another key economic and social benefit.

And one of the best ways of doing all this is to build successful brands. The main purpose of building brands is, almost by definition, sustainability.

**THE PIVOTAL INTERFACE**

Naturally, the interface between supply and demand does not solely relate to price. It relates to value: the interaction between the price and the specification of what is being offered. The specification will be both tangible and intangible – physical and perceived. Brands encompass physical and perceived specifications, as well as

their marketplace. Often this evaluation (to wit, 'haggling') occurred face-to-face, literally in a marketplace. Inspiration and gut feel continue to play crucial roles in the marketing process. But, as everyone knows, marketplaces have become infinitely more complex than they were.

Consequently, since the 1930s, almost all types of organisation have come to employ market research to explore customers' requirements regarding specifications, prices, and much else. Such market research is intricate and subtle. Only those who know nothing about it believe any fool can do it. The disastrous mistakes made by amateur market researchers are legion (and contribute grievously to many people's cynicism about market research).

Managing market research demands experience and expertise. And managing market research is a marketing function. Marketing is the discipline that is expected to know – must know – more than any other about the organisation's customers.

The situation is less clear-cut on the other side of the pivotal interface: supply. This is partly for historical reasons – most >



long-established organisations were built by individuals with supply skills, and their successors often still hold the most senior positions – and partly because controlling all aspects of an organisation's supply chain can nowadays entail expert, highly fragmented, scientific, engineering and legal knowledge. Marketers therefore tend to be less closely involved, personally, with the supply side of their organisations' operations.

Far-sighted organisations are, however, seeking to integrate their marketing and supply-side managers into working units, to ensure the interface operates as seamlessly and effectively as possible.

The fact remains that marketing is now the major player at the pivotal interface between supply and demand – and is thus of critical importance to the efficient and cost-effective provision of goods and services, to the benefit of both organisations and customers, to the benefit of both economies and societies. Nowhere is this clearer than in the management of customer segmentation.

### MANAGING CUSTOMER SEGMENTATION

The management of customer segmentation is a rapidly growing, valuable and underestimated part of modern marketing. The benefits of customer segmentation for both customers and organisations are seldom appreciated. Insofar as it is analysed at all, customer segmentation is widely and cynically thought by outsiders to be a manipulative way for organisations to boost sales, and to be of minimal value to customers. This could hardly be more wrong.

People's detailed tastes, preferences and requirements differ. That is hardly contentious. Moreover, most people wish simultaneously to be the same as other people in certain ways and to differentiate themselves in many others. That, too, is hardly contentious – but it is a powerful and innate human characteristic (and can no doubt be explained by evolutionary forces). Removing individuals' ways to express their individuality has long been either a punishment (prison) or a way to force them to conform (armies, religions, totalitarian autocracies). But most human individuals want to be individual, much of the time.

Unfortunately, the mechanisms of mass supply initially necessitated uniformity. Uniformity costs far less than diversity. Though Henry Ford did not say "You can have any colour you like as long as

## Marketing has developed as a unique process, which carries out valuable functions of immense benefit to customers and organisations alike

it's black", the phrase encapsulates a vital truth. Changes and modifications meant extra costs. Mass supply was inherently inimical to individuality – or at least, it was before computers.

Computerisation, more than anything else, has radically reduced the cost of modification in countless areas of mass supply, for both goods and services. Hence, we now live in an era of staggering variety in almost every sphere of human activity, but especially in food and clothing – two unarguably fundamental human needs.

Today, the relevant problem for organisations is: which modifications do customers want, in sufficient numbers to make them viable and profitable to provide? And how much are they willing to pay for them?

These questions can only be resolved by supply interfacing with marketing. Sometimes the proposed modifications will come from the marketers' market research: "Our research shows a large number of people would want this modification if we can provide it." Sometimes it will come from the expertise of R&D technologists – from the men in white coats: "We could modify the product in these ways, if that would interest customers." Neither side can (or should) manage the process alone.

Naturally – as the cynics claim – organisations would not produce modifications unless they believed these would contribute to their growth and be profitable. But equally, such modifications would not contribute to growth and be profitable if customers did not want them. And sometimes customers do not want them, and they fail, hard as the organisation may try to promote them.

Customer segmentation can be thought of as a sub-sector of new product development, and in some

ways it is. But it serves a different purpose, both for organisations and for customers. It is an exemplary demand/customer pivotal interface.

### SUMMARY

Over the past 100 years or so, marketing has emerged and developed as a unique process, which carries out valuable functions of immense benefit to customers and organisations alike. No other process fulfils these functions, though some large organisations still carry them out without employing professional marketers.

Marketing helps to inform organisations of what customers want and like, and helps to inform and persuade customers that what they want and like is available. These are major benefits in themselves, and they spawn further major benefits: employment and wealth.

Moreover, marketing is a continuing process, which must generate employment and wealth that are sustainable. This can only be achieved when organisations work within a sustainable financial framework, which, among other things, involves the generation of sufficient funds for future investment and growth.

To operate within a sustainable financial framework, there must be a balance between supply and demand, at the pivotal interface where price and specification are determined. Both must simultaneously benefit customers and organisations. Marketing is the only process which operates at this pivotal interface, facing both ways.

In today's marketplaces, where the extensive demands of people's motley tastes are increasingly fulfilled, marketing is the key player in evaluating precisely what different groups of customers require, and how large these groups are. Here, marketing works in close collaboration with the supply side to evaluate whether customers' requirements can be met within a sustainable financial framework.

Today, then, marketing carries out a range of integrated functions, which together help people to realise their preferences and wants sustainably, and to engender employment, wealth and future investment. To me, those sound like valuable contributions to society – and well worth blowing our trumpet about. What do you think?

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# Quest for the real thing



**Melanie Howard** describes how the modern world of illusion and image is driving people to seek a more authentic reality

**THE FUTURE** Foundation has been monitoring an aspirational trend we call Authentiseeking for more than five years now. Born of a confluence of three other long-term trends in our stable – Ethical Consumerism, Local Preference, and the Simplification of Complexity – this is about a powerful urge that many people feel to get in touch with what they believe is a more ‘real’ world.

The idea of what constitutes an authentic, unmediated way of living is, of course, a fascinating construct to explore and one that has multiple components. It is also driving a demand for new services among marketers and innovators from firms in our line of work, thus creating a strong business-to-business angle to consider.

For example, business people have an increasing desire to get out of the office, away from the computer and to be exposed to raw and unpredictable experiences, including debates, lectures and tours. The IPA recently took agency heads to China and Silicon Valley as the most effective way of learning what is really happening.

The idea of consumer safaris that provide direct access to curated experiences in the same physical space as craftspeople, and niche services targeted at specific consumer groups, is gaining momentum. One example is the Liminal Space, run by artists and designers in London. People can choose from myriad events, debates and tours, such as art tours with House 7 (organised by the Soho House group) and high level debates with Intelligence Squared, which provides privileged access to the intellectual and cultural coalface for those needing ideas, inspiration and insights.

For many consumers, Authentiseeking is about a return to a more natural mode of existence – in harmony with nature and our ‘true selves’ – as an antidote to the consequences of mass production and the consumer society in an increasingly urbanised world. Rural sociologists from Newcastle University, working with us on a Defra-funded scenario project on the future of the countryside, described it as ‘symbolic rurality’, by which they meant the idealised image of the countryside that we all carry around in our heads, and want to be there for us, even if we find it almost impossible to leave the city these days.

More than 50% agree that they feel a need to be closer to the country, rising to two-thirds among the baby boomer age group. This certainly contributes to a desire for second homes, although fewer than 10% actually own one. And it doubtless drove the much-heralded ‘downshifting’ trend that was widely discussed by journalists in the

quality press in the late 1990s – although by our calculations, only 7% of people could ever have afforded to seriously consider this option.

There is also a more challenging explanation of the Authentiseeking trend. Jean Baudrillard, the recently deceased French social theorist, described daily lives in the modern world as becoming a negation of reality as we once understood it. With proliferating communications channels, now filled with signs and symbols constructed to communicate and promote the products and services of the consumer society, he argued that we effectively live in a simulacrum that simulates physical and emotional reality. But, being an ersatz representation, it is less able to satisfy our real needs.

The growing amount of screen time that each of us is now devoting to the range of digital devices we own could be accentuating the potential scope and depth of the simulation.

We spend more than 10 hours a week on average online and nearly half of the UK population is extending that through ownership of a smartphone. It is no surprise that many express the need to get away from it all – from the 60% who agree that they sometimes want to just switch off their phones and computers, to the 40% who now define luxury in terms of relaxation and escape, rather than material goods – suggesting a wish to get behind the façade and reconnect with our true self.

Clearly this creates a challenge for marketers and advertisers – how can we communicate a brand’s authenticity using the complex language of signs in the digitally facilitated world that is creating the simulacrum itself? No wonder semioticians are becoming more a part of the toolkit of insight and analysis.

Jack Daniel’s current advertising is a good example of how the emphasis on the real, the slow and heritage can work for a smaller niche brand. Divine chocolate puts the accent on its co-owning grower community – ethics and authenticity are mutually reinforcing. Oxfam offers visits to overseas projects as a prize for supporters in a regular draw and Asda now provides live feeds from webcams in farms and factories around the world.

Authentiseeking may be well established, but it is gathering momentum in response to the spread of digital interaction and our long-term responses to the reality of living in the urbanised consumer world. ■

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## A few of my favourite reads

MARTIN HAYWARD



Although not strictly a book, I need to initially reference the importance of *Marketing* magazine to my early interest in the subject. It used to arrive in the post for my father, but caught my imagination as a teen with its tales of advertising and new products. I'm pleased to see my own children now reading a variety of business publications that come through the post for me. It will be a shame if this serendipitous learning is lost if magazines continue to migrate to online-only entities.

The first book that truly put me on the path to the world of advertising was another serendipitous event – bought on a whim from City University library, from the bin of outdated editions of books they wanted to be rid of. *Spending Advertising Money* by Simon Broadbent cost me 20p, but led to a dissertation on the subject and a focus to find a career in this exciting world of big spend and big suits. After arriving at Ogilvy & Mather, I found a constant array of new books to pursue, notably *Competitive Strategy* by Michael Porter.

And then I discovered the future was even more exciting than the present. *Competing for the Future* by Gary Hamel and CK Prahalad was

the book that for me established the dangers of short-termism, and inspired me to challenge the thinking of clients more robustly. This simple analysis at the beginning of the book has great resonance even today: "In our experience, about 40% of senior executives' time is spent looking outward, and of this time, 30% is spent peering three, four, five-plus years into the future. And of the time spent looking forward, no more than 20% is spent attempting to build a collective view of the future. Thus, on average, senior management is devoting less than 3% (40% x 30% x 20% = 2.4%) of its energy to building a corporate perspective on the future." The short-termism of so many organisations has led to so many of the issues we are all facing, and paying for, today.

For a while, I worshipped at the altar of Gary Hamel, but on hearing him speak for the third time over a number of years, but still with the same jokes and the same asides, I felt that even Gary had fallen into the trap of short-termism. ■

*Martin Hayward is the founder of Hayward Strategy and Futures*

## A book for rational optimists

JUDIE LANNON



**AS EDITOR** of a business journal, I am daily inundated by business books, the vast majority of which hit the bin after a few pages.

Why? The most charitable view is because the main ideas could be condensed into a 5,000 word article. But, of course, a book needs to comprise at least 50,000 words, so the idea is stretched, inflated and rephrased until it reaches the requisite length.

Most have titles that begin with 'How to...'. Like the acres of publications on bookshop shelves marked 'self-improvement' and 'dieting', hope springs eternal and there will always be markets for people to read about things they will never do.

A rare exception has just landed on my desk and it is a joy to read. Titled *Uncommon Sense, Common Nonsense*, it is a collection of 73 pithy, contrarian and thought-provoking essays, few of them more than 800 words long, each providing a swift kick at the cant and humbug of so much marketing and management literature.

The authors, Jules Goddard and Tony Eccles, each with a lifetime of business school teaching and consultancy with some of the world's most well-known companies to back up their opinions, question many widely-held notions.

In addition to the fine selection of witty and profound quotes sprinkled liberally

through the book, each title is an aphorism in itself and neatly sums up exactly what the essay is about. They include: 'Winning is a singularity, whereas losing conforms to a pattern (the opposite of Tolstoy's dictum that happy families are all alike but unhappy ones different in their own particular way); 'Winners are motivated more by meeting a need than a target'; 'A strategy is not a plan of attack, but an idea under study'; 'An organisation's "bullshit quotient" is directly proportional to its disregard for the truth'; 'Incompetence explains performance difference better than competence.'

The subjects focus mainly on management strategy, culled from the examination of the many winners and losers the authors have worked with or observed. The contempt for the mediocre, the complacent, the bureaucratic, the conformist and the risk-averse is apparent on every page. At the core is a respect for talent, energy, creativity and ingenuity – characteristics required of marketers as well as managers. ■

*Uncommon Sense, Common Nonsense: Why some organisations consistently outperform others, Jules Goddard and Tony Eccles, Profile Books Ltd, £12.99 (paperback),*



# Case histories need broader audience

LAURENCE GREEN

**"TELL THEM** and they'll forget; show them and they may remember; involve them and they'll understand." This old Chinese proverb is quoted by Lorna Hawtin in one of the commentaries included with the 21 case studies that form the bulk of this, the IPA's annual Effectiveness Awards 'best of'.

Offered up to underscore the increasing importance of experiential communications in the IPA's winning case studies, it happens also to serve as both a sideways endorsement and something of a challenge to this weighty tome, the *Wisden Cricketers' Almanack* of the advertising world.

Effectiveness papers are, by their nature, rarely a good read. (They are rarely a good write, either, but that's by the by.) Their authors are, of course, pleased as punch with their campaign metrics, and rightly so: the effectiveness zealot will find plenty to admire and to learn from this year's batch of so-called 'limited budget' case studies.

This zealot's personal favourites show how comms paid back by leveraging new or improved distribution for the brands in question, rather than just creating consumer predisposition (the improbable bedfellows in this regard are Walkers Crisps and Marie Curie Cancer Care).

More concerning, however, for its publishers and

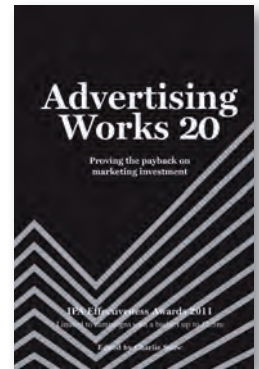
our industry alike is whether a book like this can ever find purchase – literally or otherwise – among the broader audience that this estimable Awards scheme would ideally engage and inspire: our clients and advocates; their sceptical colleagues in sales and finance; the industry's mavens and tastemakers; the creative community, even (why not?).

For all the attempts to add value here and there – to show so that they may remember – the abiding impression is of the orthodox 'telling' of our effectiveness tales. A blizzard of black and white bar graphs that will struggle to create the involvement that the Chinese propose will lead to understanding.

Like the aforementioned *Wisden*, the *AdWorks* series is, I fear, in danger of prioritising continuity of look and feel over relevance and fizz. Of working forward from its case studies, not backwards from its readers. Traditionalists will be thrilled; new audiences unmoved.

Somewhat ironically, then, and despite the best intentions of its authors and contributors, it is – ultimately – a book that sets out to make the overall case for brand investment but does so less effectively than its component parts. ■

*Advertising Works 20, IPA/Warc, £125*



# Sailing in dangerous waters

LAURA MAZUR

**EARLY** medieval maps used dragons to represent the dangers of the unknown world. Hence the title, which is an apt analogy for the uncharted waters facing today's organisations.

As the authors of this intriguing book point out, there is a lot more for corporate navigators to worry about than the slow and painful recovery from the financial crisis. Environmental and energy challenges, the growing and ageing global population, major shifts of economic power and the impact of technology, from 'info' and 'cogo' to 'bio' and 'nano', must create feelings of unease in even the most complacent of senior executives.

Based on their expertise in helping companies deal with uncertainty and renewal, they argue that in this unforgiving and Darwinian business environment, being agile enough to adapt rapidly is the only way to avoid extinction.

But how? Here's where this book departs from the usual model by being two books in one. The first is a story: a fictional case study of a \$1bn organisation, FutureParts Vehicle Supplies. The chief executive is all too aware that, while he might be a calm and steady hand at the tiller, he has little idea how to 'future-proof' the company for the following decades.

Enter his energetic and enthusiastic marketing

director and chief technology officer, whose marketing and engineering background gives her a broad understanding of market evolution. She is charged with spearheading what they call the Columbus project and hires a small team to figure out just where the company should go, and where it shouldn't.

Written like a novel, this first half fleshes out the characters to describe the journey the company takes to renew itself. The second half is the 'how-to' bit. Echoing each chapter of the case study, it carefully explains when, where and how to use the various tools used in the story and, equally importantly, when not to. This stretches from organisational insight, to horizon scanning and scenario planning, innovation, roadmapping and actually making it happen through the right people and resources.

Following this book's precepts just might make the difference between an organisation successfully navigating choppy waters or sinking forever beneath the waves. ■

*Here be Dragons: Navigating an uncertain world, Gill Ringland, Patricia Lustig and Rob Pbaal, with Martin Duckworth and Chris Yapp, The Choir Press, £11.99*



# Bonuses, Bungles and Brand



Brands that mess up in the US must understand the American public to regain trust, advises **Allyson Stewart-Allen**

What common factor do Barclays, WPP, BP, RBS, NewsCorp and Costa Cruises share? They're all under the spotlight by US shareholders for brand damage as a result of misjudged bonus increases, lapses in ethics or operational bungles which lost them the trust they invested heavily to earn in America.

Two leading British banks, Barclays and RBS, each awarded significant payouts to their executives despite calls not to by American institutional investors. Both Bob Diamond at Barclays and Fred Goodwin, formerly of RBS, had significant US operations under their purview yet seemed deaf to the costs to their brands in one of the world's largest financial services markets.

The Occupy Wall Street movement, which triggered copycat sit-ins in London and other leading financial centres, should have sent signals that this new form of grass-roots consumer activism is not just temporary grit in the oyster but a more permanent reflection of the assertion by American consumers of their right to choose listed brands.

American owners of WPP stock are now less enamoured with the business's remuneration committee proposal that Sir Martin Sorrell enjoy a 500% of salary maximum bonus payout from only 300% in times of austerity for its American clients and consumers.

Others with European operations affecting their American operation are News Corporation, whose leaders Rupert and James Murdoch have appeared before Parliament and a government-backed enquiry. During this time, NewsCorp's headquarters in New York City has had protesters in front of its doors 24/7 while the company aims to explain to American institutional investors and customers its ethical standards and allegations of phone hacking and police bribery in Britain.

Then, of course, there's the Costa Concordia cruise disaster, after which European executives incompetently explained the sinking off the Italian coast of the vessel, owned by the world's largest cruise line, American brand Carnival (ironically named, given the circus surrounding its media management).

And we all know the story of Mr Hayward wanting his life back two years ago, while Gulf coast shrimpers wondered when their livelihoods would return too.

What all these examples share is the significant loss of trust from their American investors and customers as a result of not understanding the

context, culture and communications needed to save their sinking reputations. According to the Edelman Trust Barometer 2012, an annual study from this PR firm examining levels of trust in companies and industries by geographic market, there's a lot of ground to make up by these European companies there. When asked 'how much do you trust business to do what is right?', only 50% of the American respondents gave their trust.

So what are the implications for Europe-based Messrs Murdoch, Diamond, Sorrell, Hester, Hayward and Foschi to regain trust from US consumers and shareholders?

- **Communicate the 'how':** have your leaders volunteer information about how decisions are made – the rationales that incorporate the views and values of those constituencies, assuming you've tested those rationales first to find the connections (if there aren't any, you'd better find some).

- **Identify the 'who':** fielding top executives to rebuild trust is a must for customers, staff, investors, media and all the other stakeholders. First, though, make sure these leaders have the agility and cultural awareness to deliver their messages the American way (we want emotion, hand-wringing, even tears, rather than the stoic Anglo-Saxon approach).

- **Show us the 'what':** demonstrate action that plays to Americans' preference for 'ready/fire/aim' approaches, rather than fence-sitting deliberation. Show your plan for regaining their trust, what contingency plans you've put in place, how you'll implement the plan and how you will engage them.

- **Be clear about the 'where':** decide which online and offline media you will use to keep these US publics informed about and aligned with your plan of activities. Which of your ecosystem partners are included in your communication? Which have credibility in the US that add to your message, and which detract?

While American trust is no different from British, Italian, French or Japanese trust, how you go about rebuilding it does depend on understanding the place. Doing your homework on what works well there pays huge dividends, as many international brands in the US have learned the hard way.

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# Marketing's critical role for the export drive



In this extract from his recent speech to an audience of marketers, Chinese ambassador to the UK **Liu Xiaoming** outlines the priorities for British exports to perform more effectively against our European competitors.

**AS YOU** know, boosting growth is a core objective of the UK coalition government. As part of the plan, top priority has been given to expanding exports to China and other emerging economies. This policy effort is paying off.

British exports to China increased 28.8% last year. Despite the high rate, the volume was just US\$14.6 billion. It made up only 3.1% of total British exports. I say 'just' \$14.6 billion as comparison with other export markets strongly highlights the potential of boosting China-UK economic co-operation.

You may be familiar with one comparison with the BRICS countries – Brazil, Russia, India, China and South Africa. The UK's total exports to all the BRICS countries is not as much as Britain exports to Ireland.

Another way to look at the potential is this. In world country economic size, China ranks second and Britain is seventh. Given the size of our respective country economies, clearly the figure of \$14.6 billion points to the immense potential for increasing trade.

Analysis of the top 10 British export products to China shows only a modest share in the Chinese market. China buys a lot more of these products from Germany. Again, this comparison shows great potential.

So how to increase British exports to China? I personally suggest the UK step up efforts in the following three areas.

First, export more high-end products to China. Significant opportunities lie in the economic strategy that the government has set out. An important part of China's effort to shift its growth model is to boost consumption, in particular consumer spending. In the twelfth five-year plan period, which is between 2011 and 2015, China's imports are expected to reach \$8 trillion. Some bold analysts have even put it at \$10 trillion.

Britain will have to compete with other countries in this huge marketplace. To win the competition, you need to outdo others in branding, design and technology. Maybe I am being too frank, but Britain needs to learn from France and Germany in marketing and product promotion. Here are some examples:

- Louis Vuitton, or LV, is much more famous in China than Burberry.
- Sales of Scotch whisky in China hit a record high last year. But sales of French wine are way ahead of whisky.
- Branding is key in China. BMW is translated

as 'precious horse' in Chinese and Land Rover as 'tiger on land'. Although in Chinese culture, the tiger is much more powerful than the horse, BMW is hugely more popular in China than Land Rover.

Second, export more technologies to China. Another way of restructuring the Chinese economy is industrial upgrading. With advanced technologies, China will be able to move up the value chain.

The UK is a world leader in science and technology. But there are constraints in the UK to exploit these strengths, with a population of 60 million. China, with a population of 1.3 billion, could make some British technologies much easier to commercialise. For example, Britain has developed many technologies in renewable energy, low-carbon economy and environmental protection. These will generate huge economic and social benefits if used in China.

In terms of high-tech exports to China, Britain comes fifth among EU members after Germany, France, Italy and Sweden. Perhaps this ranking suggests Britain is being too 'conservative' with the international exploitation of its strengths in science and technology. The opportunities are there in China but success needs open minds and keeping pace with the changing times.

Third, the UK needs to export more products from the creative industries to China. The creative industries are a speciality of Britain. They contribute 7% to the British economy. That is as much as the financial sector. Creative industries are a most dynamic sector and will be a great global growth area in this century.

China wants to turn itself from a production base into a design centre. To achieve this goal, it needs to develop creative industries with a powerful momentum. In recent years, the value added from creative industries in China has grown at an annual rate of over 17%. That is much higher than that of China's GDP. The creative industries have become a major source of growth for China.

Both China and Britain have great pride in their distinctive cultures. Our economies have a lot to offer each other. So co-operation between us in culture and creative industries is blessed with a solid foundation and great potential. It will become another highlight of our economic co-operation.

*The full speech may be found at: [www.chinese-embassy.org.uk/eng/EmbassyNews/t928158.htm](http://www.chinese-embassy.org.uk/eng/EmbassyNews/t928158.htm)*



# How to train elephants, drink less and lose weight



**Rory Sutherland**

explains why it is easier to change behaviour by using simple rules than by using rational argument

**“AND JESUS** went into the desert for forty days and forty nights, and there ate modestly of a low-calorie diet, with some special low-fat falafel, which he had found at a shop just off the Jericho bypass.”

You don't get that in the Bible. In fact, biblical folk don't diet at all. They fast. Religious law, you'll notice, tends to be binary and prescriptive – it isn't generally quantitative at all. “Don't eat between dawn and dusk.” “Don't eat pigs ever.” “Don't eat meat on Fridays.”

There may be a good reason for this. When was the last time you broke the speed limit? Unless you live in London – in which case it may have been simply impossible – I would be willing to bet it was the last time you drove a car. Yet when was the last time you ran a red light on purpose? Even at pedestrian crossings where there isn't a pedestrian in sight for miles, we mostly wait for the amber light to start flashing.

Binary laws are somehow harder to break than quantitative ones. Running a red light 'feels wrong' in a way that driving at 37mph doesn't.

Somewhere in France, someone has spotted this distinction. They have installed a speed camera which, when you pass it, automatically records your speed. Yet, when you are in excess of the speed limit, it doesn't take your photograph, or even fine you. No, what it does is turn the next set of traffic lights to red. And for a slightly annoying length of time.

The model of the brain promoted by Daniel Kahneman (in his language, called 'system one' and 'system two') has been more poetically described by the psychologist Jonathan Haidt as “a rider on an elephant”. He chose to depict the system one brain as an elephant quite deliberately, in preference to using, say, a horse or a kitten, for several good reasons. Quite simply, with all the will in the world, the rider cannot get an elephant to do something which it does not want to do.

The rider can, however, train the elephant – a bit. But it is far easier to train the elephant in simple code. “When x, do y”. That kind of thing. What the elephant isn't so hot at is “when x, do y, but only up to a point”.

What is so interesting about all this is that many of the more bizarre rituals and habits of religion make a lot more sense once you realise they have been designed with the elephant in mind. Our modern world often suffers from a rationalist fallacy, where methodological neatness,

mathematical expression and an idea of 'efficiency' triumph over any considerations of psychological ease or wellbeing. This, at least, is the thesis put forward in Haidt's latest book, *The Righteous Mind*. (In many ways, Haidt is the anti-Dawkins, using his appreciation of Darwin to further a greater appreciation of religious observance, rather than to denounce it.)

This understanding has, of course, enormous implications for marketers. But it applies to any kind of attempted behavioural change – including the design of legislation, dietary advice and so forth. Perhaps what the world needs is less rational argument and more arbitrary universals.

So instead of trying to limit your alcohol consumption by counting units, perhaps it is easier to train your elephant not to drink on two days of the week. This will be less rationally perfect than the government's advice, but easier to obey.

- It is habitual – and habits, unlike quantities, become ingrained.
- It is socially contagious – if your friends choose the same days as you do, you will reinforce each other's commitment, rather than undermining it.
- Your decision not to open that bottle today will be taken when sober – a decision to stop drinking must be taken when drunk.
- You give your body a few days off to recover.
- It offers an early warning signal – if you find it hard not to drink for a day, you probably have the beginnings of a problem.
- Your wife or husband can police your efforts without needing to follow you everywhere with a calculator.

The same applies to dieting. After years of failing to lose any weight at all, I have simply given up all carbohydrates. The great advantage now is that I can simply shop for my diet. Since I don't buy any bread, there is none in the house. So far it is working well – with none of the endless self-policing a low-calorie diet requires.

So what Britain needs now is less government and far more powerful religious authorities. My hope is that the next Archbishop of Canterbury will be a militant. His first effort should be to declare Fridays an email Sabbath, and practising Anglicans can then enjoy at least one day of relative sanity at work. ■

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- Appetising food shot?  Yes  No
- Tempting offers?  Yes  No
- Campaign slogan?  Yes  No
- Company typeface?  Yes  No

## Do your packs tick all the right boxes?

When Ocado asked us to create branding across all their products they encouraged us to challenge the accepted rules of pack design. So out went steaming dishes,

happy faces and even the brand name. It came soft colours, simple titling and a family feeling created around the swirl and curl of the Ocado logo. True, we don't have to compete

on supermarket shelves but we do in the kitchen cupboard.

And the lesson, we think, is clear. It is possible to create branding without 'the branding'.

