QUARTER 1 JANUARY 2011

Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

What Muslim consumers expect

Miles Young

CREATE MARKETS INSIDE THE FIRM
Jules Goddard

CAN BIG COMPANIES BE RADICAL?
Kieran Levis

A NEW VIEW OF THE FUTURE MEDIA LANDSCAPE
C John Brady

MARKETING SOCIETY

First win the eye...

then the heart...

then the mind...

LM

LEWIS MOBERLY
BRAND DESIGN

hello@lewismoberly.com
www.lewismoberly.com
+44 (0)20 7580 9252

Appealing to Muslims

IN 1991 Stephen King wrote a prescient article predicting, among other things, the rise of the 'corporate brand' in coming years. And lo, this has indeed come about. In the past two decades we have seen an increasing emphasis on corporate rather than individual product branding. The contributing factors are many, not least of which is the influence of the new sectors – technology, whether electronic or digital – and the continuing importance of the service sector where corporate brands predominate.

Similarly, the growing significance of Asian companies adds to the increasing dominance of corporate brands. But even in the fmcg sector, the original developers and evangelists of the product brand, we are seeing international giants such as P&G and Unilever gaining publicity as corporations. Many large Western companies are now performing good deeds, particularly in developing countries where it is in their interest to be more intimately involved in local activities by responding prominently to local disasters or other issues.

The reasons underlying the consolidation of product branding strategies under a corporate umbrella were originally financial and practical. But a corporate strategy now has to answer to consumers' increasing sophistication and greater knowledge of how companies operate. Environmentalism has prompted people to want to know more about how companies make what they sell, what their sourcing and employment practices are, not to mention greater financial transparency. And fortuitously, as Jim Stengel notes in his Viewpoint piece, companies that devote themselves more to a higher ideal are appearing to reap financial rewards.

But perhaps the most unexpected development in this gradual movement of companies recognising a social responsibility, espousing a 'higher ideal' or simply cleaning up their act, is the awareness of what Muslim consumers look for in companies. Miles Young, in his cover article, describes not just the size of Muslim communities around the world – huge, and prosperous – but what they expect from the companies behind the brands they buy. And their expectations would bring joy to the hearts of environmentalists and critics of brash capitalism. To quote Young: 'Muslim consumers expect companies to conform to Muslim values of honesty, respect, consideration, kindness, peacefulness, authenticity, purity, patience, discipline, transparency, modesty, community, dignity.'

That Muslim consumers could nudge Western companies into being more honest, more socially conscious and more sincere is a very pleasing irony.

JUDIE LANNON, **EDITOR**
market_leader@warc.com

Market Leader

QUARTER 1, 2011

PUBLISHED IN ASSOCIATION WITH
THE MARKETING SOCIETY BY WARC

MARKETING SOCIETY

EDITOR
Judie Lannon

EDITORIAL BOARD
Roger Banks, Hugh Burkitt, Matthew Coombs, Martin Deboo, Paul Feldwick, Anthony Freeling, Roger James, Rufus Olins, Hamish Pringle, Laurie Young

EDITORIAL ADVISORY BOARD
Professor Paddy Barwise London Business School
Stephen A. Carter CBE Alcatel-Lucent Inc
Simon Clift Consultant
Hugh Davidson Cranfield School of Management
Martin Glenn Birds Eye Iglo
Sir Paul Judge The Marketing Council
Sir Chris Powell National Endowment for Science, Technology and the Arts
Richard Scase University of Kent at Canterbury
Mark Sherrington Quirk eMarketing Agency
Dianne Thompson Camelot Group

PRODUCTION EDITOR
Helen Devonshire

PUBLISHER
Matthew Coombs

ADVERTISING
Diana Pounsford

EDITORIAL & ADVERTISING OFFICE
Warc, 85 Newman Street, London WIT 3EX, UK
Tel: 020 7467 8137. Fax: 020 7467 8101
Email: market_leader@warc.com

SUBSCRIPTIONS
Subscriptions Dept, Marston Book Services Ltd, Unit 160, Milton Park, Abingdon, Oxfordshire OX14 4SD, UK
Tel: +44(0)1235 465574
Fax: +44(0)1235 465556
Email: subscriptions@marston.co.uk
Web: www.warc.com/marketleader

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

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

ISSN 1463-0877

The views expressed in contributions to *Market Leader* are not necessarily those held by the publishers or The Marketing Society.

Printed by Pensord Press

Copyright © Warc and The Marketing Society 2011. All rights reserved. Reproduction in whole or in part without written permission is strictly prohibited.

42

18

47

Market leaders

JANE ASSCHER is founder and chairman of 23red. She has been responsible for the strategic development of many innovative behaviour-change campaigns on a range of topics from health, vocational training, environment, financial education, and the digital divide.

C JOHN BRADY is a non-executive director at Aegis plc, having previously spent ten years as a director of McKinsey & Company.

JEREMY BULLMORE is a former chairman of JWT London and the Advertising Association and is currently a member of the WPP advisory board.

KEVIN DEHOFF is vice-president at Booz & Company. His work is focused on helping large companies select and build new capabilities to enhance their competitive position in existing and new markets.

TOM DOCTOROFF is North Asia area director and Greater China CEO, JWT. Educated in Chicago but with having spent more than a decade in China his expertise is in the cross-border management of brand architecture and brand building, as well as being a widely respected commentator on China.

JAMES FRASER is a strategic planner at Mindshare Worldwide specialising in how people engage with ideas in the digital space. He writes about the changing media landscape across a number of blogs, and acts as a new trend 'scout' for Mindshare's Scout network.

JULES GODDARD is a Fellow of London Business School. He was formerly Gresham Professor of Commerce and Mercers School memorial professor at The City University. He is currently research fellow of the Management Innovation Lab at LBS.

ALISON HARDY is a behaviour change specialist, Communications Directorate, at the Department of Health. She has created communication strategies for products from toothpaste to champagne. From 2006 she worked on NHS campaigns applying commercial sector marketing tools to influence health outcomes. Since 2008 she has led on the marketing strategy for childhood obesity.

MELANIE HOWARD is chair of the newly independent Future Foundation. She has been successfully forecasting trends for two decades and has worked with consumer, public sector and third sector organisations of all sizes. She holds several non-executive and advisory roles.

KIERAN LEVIS is the author of *Winners and Losers, Creators and Casualties of the Age of the Internet*. He is also principal of Cortona Consulting, which advises on strategy in markets for new media and technology. He has helped HP, Intel, the Open University and the BBC to evaluate new and volatile markets.

GANESH PANNEER is project manager at Booz & Company and has more that ten years of industry and consulting experience in strategy and product management for clients in the automotive and industrial sectors.

VIKAS SEHGAL is partner at Booz & Company. He was educated at Massachusetts Institute of Technology, Delhi College of Engineering, and the University of Chicago.

JIM STENGEL, former global marketing officer of Procter & Gamble, is the founder of The Jim Stengel Company. Its mission is to inspire brand and business leaders globally to rethink their marketing to achieve higher performance. The company aim is to ignite a movement among business leaders to change their behaviour and build their business model on bringing their brand ideals to life in all they do.

DICK STROUD is a consultant, lecturer and writer. He is the founder of the marketing consultancy 20plus30. Before launching 20plus30 he worked in the digital marketing industry. He was the founder and CEO of the strategy consultancy, Internet Strategies. Dick's early career included working for IBM and PA Management Consultants. His latest book, *The 50-Plus Market*, explains how companies must embrace the concept of age-neutral marketing to thrive among a rapidly aging population.

RORY SUTHERLAND is executive creative director and vice-chairman of OgilvyOne London and Ogilvy Group UK. He joined Ogilvy as a graduate trainee in 1988. After a spell as an account handler he became a copywriter in 1990, winning a few awards. He is president of the IPA and writes for the *Spectator*.

DAVID WHITING has been a marketing consultant and trainer for 20 years, working across categories in many countries. His early career included marketing roles at Boots, Nestlé and CPC before becoming marketing director at Duracell. He also worked for Saatchi & Saatchi, was a director of Added Value and has run many programmes for CIM.

MILES YOUNG is Global CEO of Ogilvy & Mather Worldwide, and has been with Ogilvy since 1982. He states that the company is not primarily in the communications business. It is in the talent business: finding talent, encouraging talent, developing talent.

To submit an article, email the editor at market_leader@warc.com

'I am confident that anyone reading this book will practice marketing better.

That's really the point of The Marketing Society and this book: a strong concept and product fit guaranteed. Go and buy it.'

Martin Glenn, CEO, Birds Eye Iglo

To purchase Marketing Excellence 2 at special launch price £29.99 (RRP £45.00) simply visit www.marketingexcellence.org.uk

MARKETING EXCELLENCE 2

34 award-winning case studies selected from The Marketing Society Awards for Excellence, representing some of the world's leading brands:

SKY+ BT BUSINESS NHS BLOOD AND TRANSPLANT MAGNERS CHANGE4LIFE ALLI O2 WAITROSE KFC MCDONALD'S HOVIS BRITISH GAS AUDI VIRGIN ATLANTIC DULUX SAINSBURY'S PEDIGREE THINKBOX HARLEQUINS MORE TH>N UPS WALKERS AVIVA EBOOKERS SHELL ARIEL MARKS & SPENCER ICI PAINTS CHANNEL 4 BRITISH HEART FOUNDATION KEEP BRITAIN TIDY WWW.MARKETINGEXCELLENCE.ORG.UK

MARKETING SOCIETY

in association with

Marketing

AVIVA

BT

Brainwaves

Our selection of light reading from around the world of marketing

Because marketers are worth it

BY WINSTON FLETCHER

HOW ARE you feeling today? Are you feeling noble? Even saintly? Probably not. Well maybe you should be. Because marketing – properly understood and executed – is a profoundly moral activity. But sadly, nobody knows it. Not even guys who work in marketing.

Guys who work in marketing are far too busy hustling and bustling, dodging disasters, having good ideas, having lousy ideas, achieving and missing targets and chasing their tails to have any time to think about the morality of how they earn their living.

Marketing as a moral activity? Bullshit, surely? Absolutely not. Marketing is the pivotal point where the needs and wants of human beings come face to face with the ability of other human beings to meet those needs and wants. It is the interface between demand and supply.

Marketing is not, as the public thinks, solely concerned with flogging branded goods. Yes, branding is intrinsic to the marketing of much food and drink, clothing and fashion, travel and transport etc, but marketing encompasses the whole sweep of life: the arts, sport, health, most kinds of leisure and pleasure, politics and government.

Marketing originated when people used all the persuasive wiles they knew to sell their wares in real market squares

A few essential activities fall completely outside of marketing, but not many. Marketing is the only profession whose full-time role is to minimise over-supply (waste), and avoid under-supply (scarcity).

Naturally the public does not realise any of this. Nor do economists. They all think marketing is simply a goody bag full of multipacks, loyalty cards, billboards, BOGOFs and similar trinkets. They think marketing is just a posh name for selling. Codswallop.

Marketing originated in the old market squares. Farmers and craftsmen took their wares to the market to sell them. Yes, when they got there they whooped and hollered and used all the persuasive wiles they knew, but the process didn't start in the market. The process started long before, when they identified, as best they could, what the customers in the market would want, and aimed to produce it, in the right quantities, and at prices that would provide them with a living, and the customers could afford.

Since then only one significant thing has changed. A new breed of marketing specialist has come into being to identify what customers need and want, and to organise the whooping and hollering. That's you. And if you are successful, your toil and trouble provide employment for national – and international – workforces. So all of society benefits. OK, maybe it isn't quite saintly. But it is admirable, honourable – and vital. It's time you marketing guys started blowing your own trumpets. Because you're worth it. ■

Winston Fletcher writes extensively on advertising and marketing.
Winstonflet@aol.com

DANGEROUS SUBSTANCE

'Sales promotion is the sex, drugs and rock and roll of marketing. Highly enjoyable, often effective in the short term but dangerous to the user and very difficult to control once the habit has started. Advertising offers a life of fidelity, sobriety and classical values.' ■

Source: Hugh Burkitt introducing House of Commons Debate 2005, quoted in 'Beyond Redemption', Lloyd and Spedding, 2010

This much I've learned

AMANDA MACKENZIE

The best advice I ever got ...
Use your head, trust your instincts and follow your heart.

The worst advice I ever got ...
The careers advisory service at London University said: 'You'll never get into advertising unless you are Oxbridge.'

Don't underestimate ...
Humanity. There is room for it every day, everywhere, even when you have to be tough.

Don't overestimate ...
Knowledge. Asking good open-ended questions gets everyone much further, faster.

The experience that taught me most ...
Carrying out a major brand change in the middle of the worst economic crisis for 70 years tested my resolve, clarity of thinking, tenacity and instinct. Just because I didn't have the right technical expertise did not mean that I could not contribute. Doing something like this does wonders for your confidence.

The most fun I had ...
All those times I have cried laughing, often at everyday silly things. There is a difference between taking work seriously and taking one's self too seriously.

The worst moment ...
I have a dreadful memory and I tend to forget all the bad stuff.

Peak career experience ...
There have been many marvellous moments, including visiting a school for countryside children in China, and sleeping out in the street for our global charity.

Amanda Mackenzie is chief marketing officer at Aviva. Amanda.Mackenzie@aviva.com

USE AN EIGHT-WORD MISSION STATEMENT

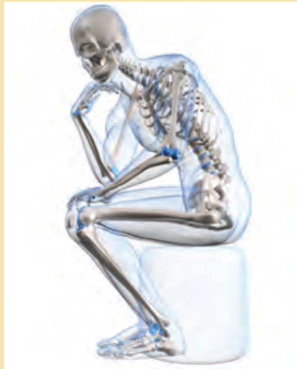
MOST COMPANIES, regardless of the sector, have a mission statement. And most are awash with jargon and marble-mouthed pronouncements. Worse still, these gobbledygook statements are often forgotten, misremembered, or flatly ignored by the frontline employees.

To combat this, Ken Starr, chief executive of the Mulago Foundation – a charity that channels investments to socially minded businesses – insists that companies he funds must express their mission statement in eight words or fewer. And they must follow this format: 'Verb, target, outcome.' For example, 'Save endangered species from extinction' or 'Improve African children's health'.

The mission statement is a key part of the approach, but not the only part. After the statement is agreed, Starr insists that the companies that get investment 'measure the right thing' and 'measure it well'.

How long is your company's current mission statement? Try getting it down to fewer than eight words using the 'verb, target, outcome' format. It's a good exercise to consider running, if only to start real conversations at your company about what you're doing, to/for whom, and toward what outcome. ■

Source: Report on PopTech Conference, 22 October 2010



Think about stripping your statement down to the bone

How to make blogs pay

HUBPAGES, FOUNDED in 2006, just gained its millionth page. It's a site where users create individual pages in the style of in-depth magazine articles about any subject, ranging from 'how to make your own yogurt' through to 'what's the best cat food'.

The site generates revenues each time a page is viewed, via Google's advertising program, allocating 60% of the proceeds to the author and 40% to HubPages itself.

Hubbers can earn hundreds or even thousands of dollars a month and retain full ownership of everything they create – which is a far cry from social networking models.

HubPages.com is now among America's most visited websites.

Source: Prospect, October 2010

BLOGOSPHERE TRENDS

AN IMPORTANT trend is the influence of women and 'mom bloggers' on mainstream media, and brands. Their impact is perhaps felt most strongly by brands, as this segment is the most likely of all to blog about brands.

The significant growth of mobile blogging is a key trend this year. Though the smartphone and tablet markets are still relatively new and most analysts expect them to grow much larger, 25% of all bloggers are already engaged in mobile blogging. And 40% of bloggers who report blogging from their smartphone or tablet say it has changed the way they blog, encouraging shorter and more spontaneous posts.

We've asked consumers about trust and attitudes towards blogs and other media: 40% agree with bloggers' views, and their trust in mainstream media is dropping. ■

Source: Technorati, State of the Blogosphere 2010

Ideas & issues

Most companies already have the necessary spectrum of character types and they can all play a vital role in online engagement

SOCIAL MEDIA STRATEGY

Use range of in-house personalities to make the most of online opportunities

FROM ORLANDO PLUNKET GREENE

IN THE Quarter 3 issue of *Market Leader* (p55), Julian Saunders signs off with the comment that 'maybe HR needs to hire not just the brainy types but also those who love to party'. He raises an exciting question as to whether effective social media participation requires a particular breed or personality to manage online social engagement.

In my experience any company that conducts a thorough online audit, identifying relevant online communities and the key commentators, quickly realises that there are many different and relevant audiences, all with very different interests.

Undoubtedly, it is a challenge for one single person or even one single department to effectively manage and engage this online space. This is not a scale issue but a voice and knowledge issue. That said, HR doesn't need to hire anybody. Most companies already have the necessary spectrum of personalities and voices.

Within a company there already resides the 'neighbourhood bore', the 'introverted expert', the 'storyteller' and they all potentially play a vital role in a company's online engagement.

Smart companies are already letting their entire workforce loose online because they appreciate that different employees have different roles to play in this dialogue. BestBuy has had huge success deploying its shop-floor staff online with 'GeekSquad'. Most major car companies now allow their designers to engage with relevant online auto fan communities and Microsoft now has too many in-house bloggers to count.

With many companies still understandably reluctant to fully unleash their employees in online engagement, a useful starting point is to identify and break down key online communities and stakeholders. From here specific personnel and departments can be empowered (with clear guidelines) to engage with relevant online communities.

So you might have the 'white coats' in the product development team engaging (as Julian calls them) the 'introverted experts' out there, as Canon did so effectively with extreme photocopying technology communities – yes, they do exist.

Going social is not a technological challenge. It is not about having an app strategy, a twitter, blog or foursquare strategy or even social media monitoring. Without a human voice you cannot get a seat at this table.

Businesses wanted, and real personality required. Here is a trick question: how many marketing-communications professionals does it take to recreate a genuine human voice for online engagement? Answer: social media success comes from passionate individuals and champions not committees.

Find the existing voices within the company and empower them. ■

orlando.plunketgreene@ itoiresearch.com

CRISIS MANAGEMENT

Learn to predict causes of the 'perfect storm'

FROM CHRIS GIDEZ

IN MANY respects, both the Toyota recall and BP oil spill incidents represented a 'perfect storm' crisis situation. A rare combination of factors have caused them to be definitive case-studies in crisis management.

The consensus view is that Toyota may have stumbled out of the starting gate, and this may have compounded the situation. But it was able to recover its balance in short order. Was irreparable damage done?

The final chapter in this book has yet to be written, so will Toyota earn kudos or criticism when all it is over?

On the other hand, in the initial hours and days of the Deepwater Horizon incident, BP was seen as doing a good job at handling the communications challenges. It was only after the extent of the spill was better understood, and the failure to stem the flow of oil, did sentiment change about the company.

For now, we can dissect the anatomy of these crises, and we can see that in many respects their trajectory was predictable and not surprising.

> The presence of a larger number of combustion factors simply increases the likelihood that the situation will escalate

GETTING THE FACTS

By examining various crises that have dominated headlines in recent years we can see common combustion factors that can cause a matter to ignite.

The presence of a larger number of these combustion factors simply increases the likelihood that the situation will escalate:

1. Does the situation pose a legitimate threat to the enterprise?

2. Is it a clearly defined, tangible, measurable risk? When a risk appears real rather than abstract, the issue has a greater likelihood of escalating.

3. Is there a sympathetic victim or set of victims? Cynical as it may sound, the media are far more interested in conflict where there is a vulnerable party, such as children, the elderly, the infirm or animals.

4. What is the scale of the problem? Together with the need for a sympathetic set of victims, this is perhaps the most significant combustion point. The wider the universe of affected people, the greater the crisis.

5. Does the risk or crisis represent a trend? Media love trends, particularly when they complement a matter of social interest.

6. Is there any hypocrisy? Politicians who espouse wholesome values or law and order, and then are caught cheating or breaking the law, are prime examples.

7. Irony is a cousin of hypocrisy. Toyota built its reputation around safety and quality, and BP spent millions of dollars convincing the public it was better than other oil companies.

The irony of their respective problems was not lost on the news media, politicians nor the public.

8. Are there compelling images? In this age of the internet, images can speed around the globe in seconds, and they last forever.

9. Is there an engaged social network? Another manifestation of the internet is the ability of millions of people to come together and start a conversation which, if ignored, can escalate into a crisis the traditional media will grab.

So, what are the lessons here? We can use combustion points as yardsticks to 'guesstimate' how severe a crisis may become, enabling us to plan accordingly. The greater number of boxes checked, the more severe the crisis is likely to be. ■

Chris Gidez is senior vice-president, Risk Management/ Crisis Communications, Hill & Knowlton. Chris.Gidez@ hillandknowlton.com

>

ENVIRONMENT

Sustainability is an elusive idea with few winners

FROM EMMA DAVIES

DESPITE THE extensive coverage of the idea of 'sustainability', less than half the population (44%) know that it refers to the environment. If you ask UK consumers what a 'sustainable company' is they're just as likely to say it's one that is financially viable. It's easy to understand their confusion and, in principle, their answer is not wrong.

The economic climate hasn't helped. People just aren't willing to pay a substantial price premium for sustainably produced goods. Factors such as value for money, recognised brand and good customer service are simply more important.

We asked people to name some 'sustainable companies' in a recent study among 1,000-plus UK consumers. All of the following findings are based on people who understand the environmental meaning of sustainability*. The sector that performs best is supermarkets. Six of the top ten most sustainable companies are supermarkets.

Therefore, in the eyes of consumers, the big retailers are doing well. It's easy to see why supermarkets lead the way. When people do their weekly grocery shopping, the businesses have ample opportunity to shout about their sustainability credentials.

Although as a sector supermarkets are all doing well, there are some that shout louder than others – and their message is hitting home. The Co-op and Marks & Spencer are seen as the most sustainable and environmentally aware supermarkets and they are seen as the most sustainable companies of them all with 32% and 22% 'sustainable' scores respectively. Up there with the supermarkets in the top ten sustainable companies are online retailers and services – led by eBay and Google. In fact, the entire sustainability top ten is made up of supermarkets and online retailers/services with not a huge amount of differentiation between the different sector players.

Supermarkets lead the way in the awareness stakes because they can promote their sustainability credentials every time customers buy groceries

These results aren't surprising if you think about it. Go to the Co-op's food website and within one click you're taken to a whole section about 'food ethics'; and you can't move in M&S without seeing one of its 'Plan A' posters. It is interesting that you see similar messages in other sectors but the messages just aren't resonating as well.

> Most people just aren't willing to pay a substantial price premium for sustainably produced goods

Take BP for example – a huge section of its website is dedicated to sustainability, and the company talks about it in its advertising, but it scored one of the lowest sustainability scores in our study – which was conducted before the oil spill in the Gulf of Mexico.

The energy sector scored the lowest 'sustainable' score in our study despite the fact that it can probably talk about renewable energy more easily and with more conviction than anyone else.

Some fmcg players also find themselves positioned as relatively 'unsustainable' – for example, 28% of people rated Coca-Cola as 'unsustainable' versus only 10% who thought it was 'sustainable'.

So what can other sectors learn from supermarkets? What makes a company 'sustainable' in consumers' eyes? Are they missing a trick or is it simply that consumers have a better relationship, and more frequent interaction, with supermarkets?

At a general level, the drivers of 'sustainability' are multi-faceted and consumers believe that for a company to be considered sustainable, it must show sustainable credentials across several measures. The key ones are being environmentally friendly (which in itself has many layers) and behaving responsibly as an employer. Supporting good causes is an influencing factor, as is being seen as an ethical company.

There doesn't appear to be a quick win when it comes to sustainability. It can't just be a second thought. And you can't communicate just one dimension of sustainability, otherwise the consumers won't see the full picture. If you want to improve your sustainability credentials you need to prove you're in it for the long haul. ■

* Incite's sustainability survey was conducted in April 2010 among 1,009 UK consumers. The study included 45 companies, covering eight sectors (supermarkets, energy suppliers, fmcg, banks, financial services, online retailers, technology and telecoms). Full details are available from Incite Marketing Planning – www.incite.ws

Emma Davies is an associate at Incite Marketing Planning.
Emma.Davies@incite.ws

TRIBUTE

Remembering the life and career of Professor Andrew Ehrenberg

FROM PETER FIELD

JUDGING BY the absence of coverage in much of the marketing and advertising press, the passing of Andrew Ehrenberg on 25 August 2010 was viewed as an unimportant event. This is a sorry indictment of the marketing and communications world and a regrettable continuation of its widespread rejection of his seminal work throughout a long career.

> Ehrenberg believed in looking for generalised patterns in large-scale empirical marketing data rather than highly selective experiments using limited datasets designed to support pet theories

Undoubtedly Ehrenberg's most important contribution to marketing was to nail the loyalty myth: the belief that a brand could fruitfully use marketing to persuade less-loyal customers to become more loyal and so enduringly increase its share of their category purchasing.

Those who have read his work will know that the way he did this was essentially very simple, although the maths he used were rather less so. By showing that the loyalty patterns of all brands across any category do not differ much (except slightly by virtue of the penetration of the brand) and that they can be predicted very accurately using a mathematical distribution (whether or not the brands had state-of-the-art CRM programmes in place) he demonstrated the futility of loyalty programmes.

BUCKING THE TREND

The laws of the market dictate brand loyalty levels, not the resourcefulness, of marketing. Yet, largely thanks to many years of ill-informed promotion by management consultants, many millions of pounds continue to be wasted on the pursuit of loyalty.

Perhaps just as important as this was to show that hard science and the scientific method have a valuable contribution to make to marketing effectiveness. Ehrenberg believed in looking for generalised patterns in large-scale empirical marketing data rather than highly selective experiments using limited datasets designed to support pet theories.

LEARNED BEHAVIOUR

Many practitioners simply don't believe in generalised patterns of effect. Instead, to them 'every case is different' and there is nothing to be learned from studying patterns of success. His work on buying behaviour, TV viewing and consumer price promotions ought to have convinced us all of the value of empirical observation, but clearly it has not.

The recent UK recession saw a lemming-like rush to price promotion on an unprecedented scale despite all the warnings emerging from the studies of Ehrenberg and his colleagues.

Why have so many marketers chosen to ignore Ehrenberg's brilliant work over so many years? I believe that it is not just because they didn't like what he was saying (many livelihoods are tied up in loyalty programmes), but was equally because they didn't like the way he said it.

I was struck, when I attended one of his seminars many years ago, by how uncomfortable his audience was with his curmudgeonly professorial delivery and idiosyncratic references to his favoured hypothetical brands Bingo and Bango.

It wasn't the kind of slick presentation that marketing audiences like and this Cambridge-educated statistician was not the kind of presenter they were used to listening to.

Set against the seductive patter of the management consultants, Ehrenberg was easy to ignore by the credulous legions of loyalty lovers in the world of marketing. But for those with open minds and the ability to grasp the truth of his work, his seminars were goldmines.

Marketing will be poorer without his sharp mind and tenacious pursuit of the truth about how markets work – but sadly it does not know it yet. ■

Peter Field is a marketing consultant.
peter.field@dsl.pipex.com

>

COMMUNICATION

Good 'choice architecture' retains control

FROM JAMES FRASER

THE QUESTION of how much control we, as marketers and brands, should hand over to the consumer in relation to our communications is an increasingly pertinent one.

While media theorists and Web 2.0 evangelists have been lining their pockets from brand managers who are eager to accept the fashionable and over-simplistic answer of 'all of it', we should consider this question much more carefully.

Handing communications to people to shape and influence themselves is a must in this new age, but the same is not true of control.

We are in the unique position where, through the construction of a well-thought-out 'choice architecture', we are able to exert a far greater level of influence over our fans, and as such control over our communications, than ever before.

Let's first consider two famous campaigns in which control was seemingly lost. Skittles changed its website to a Twitterfall, and the then presidential candidate of the US, Barack Obama, had a legislature platform – www.change.gov. In both cases, people's contributions were way off brief. Skittles received profanities and insults, and at change.gov people asked for legalisation of cannabis. This prompted many to argue that when given the freedom, people had blown it.

Even Clay Shirky, media theorist extraordinaire, questioned if there is a point at which too much control is given to the public.

Yet the problem we all face, including Shirky, is our understanding of what the term 'control' means. Control should not be a question of how much or how little we let people do something – an approach that stifles creativity, eats up resources, and generates resentment – but instead what framework of incentives can be constructed that rewards those who do the things we want, and penalises those who don't.

Choice architecture offers the illusion of freedom of choice while nudging heavily in the direction of conforming to your brand's objectives.

EXPENSIVE ERRORS

In the case of Skittles, the objective was to have entertaining and interesting things said about Skittles on the homepage through Twitter. Yet the incentives to swear, insult and ruin the feed were far greater (notoriety, amusement, etc) than saying something positive. The incentive was fame and amusement – the choice architecture had rewarded the wrong type of contribution.

Time for Change, Obama's pioneering legislative concept, failed not because too much control had been afforded to the public but because the incentive to pursue a niche agenda (the 'wrong' choice) was greater than contributing workable and realistic ideas for change.

> A tight brief enables us to identify correct forms of incentives and it sets people's imaginations free

WHO HAS GOT IT RIGHT?

Walkers' Do us a Flavour is an often-mentioned campaign. While it may seem like just a 'most votes win' mechanic, its success in a) generating hundreds of valid flavours, and b) creating an army of free advocates and sales promoters (people-powered marketing) was down to one simple aspect of the proposal – the winner's 1% share of their flavour's profit for life.

Without this reward the contestants would have been motivated solely by generating the greatest level of popular vote by a defined date (for the lump-sum cash prize). By rewarding those who did the 'right' thing, Walkers increased the volume of positive responses which 'drowned out' the wrong responses and starved negative submitters of their key motivation – notoriety.

Incentives are not necessarily financial. Indeed, the easiest way to shape the right incentives is through the issuing of the correct brief. Cadbury's Eyebrows inspired thousands of copied versions from people eager to join in the fun. Yet these weren't cruel or devaluing to the brand. Why? Because the brief was tight (wiggle your eyebrows) and the reward concrete and connected to the answering of the brief.

To make incentives worthwhile, it is essential to sort out the correct brief. To get the most from people the brief must be simple and obvious to execute. A tight brief enables us to identify correct forms of incentives and it sets people's imaginations free.

How could the Skittles campaign have been better? What would have happened if all the people who had said something nice were rewarded with a pack of Skittles? Not enough? Or what if the public could contribute and vote on a 'Tweet pic' that 'filled their day with colour', and those tweets with the most votes stayed on the homepage and the winner was rewarded on a weekly basis? Not perfect, but better.

Skittles could have generated a huge amount of positive buzz around the brand if there had been an adequate brief and if the brand had rewarded champions for making the 'correct choice'.

The question to ask is: how do we create good choice architecture? Fortunately, the answer is simple and twofold.

1. Brief consumers correctly. What are we asking them to do, and is this contribution framed in a way that is easy to understand and execute?

2. Construct incentives to reward your contributors for participating in a way that matches your objectives.

Too often, the real rewards and incentives (not those that are promised) are provided in a framework that is disconnected from the brand's objective. This is where the damage occurs. However, by following the rules, we can challenge the prevailing notion of control having been lost in our communications. It is possible to reassert the brand's identity across the online and offline worlds. ■

James Fraser is a strategic planner at Mindshare Worldwide.
james.fraser@mindshareworld.com

Method: innovative cleaning products

While researching his book, **Jim Stengel** visited a company that has successfully grown its image and profits. Here, he explains some of the unusual business ideas behind the brand

AS PART of the research for my book *Grow: How the World's Best Businesses Use the Power of Ideals to Outshine the Competition*, I am visiting a handful of companies that rank highly in the study I designed with Millward Brown Optimor and the UCLA Anderson School of Management. The study has a ten-year scope and highlights businesses that have grown their image with their consumer as well as their financial results. The brands that made the top of this list grow about two-and-a-half-times faster than the competition.

One of these companies is called method and it produces environmentally friendly cleaning products based in San Francisco, California. I wanted to find out what made it special and successful. Here are a few of the quirky titles that give a clue to the personality of the company: chief financial person against dirty (chief financial officer); head coach (chief executive officer); chief of retail health (vice-president, sales); disruptor (senior director, design); brand poobah (vice-president, brand experience); the laundress (general manger, fabric care).

The most important lesson I learned from the company is that success is all about the people behind the brand. Many companies say this, but the way that method brings this to life is simply amazing. The company urges everyone to 'bring yourself to work' so that each personality can make the brand better. But the most powerful story is about the recruiting process.

In my experience – and I have known companies that are terrific recruiters – this company sets a new standard. Everyone who is interviewed receives up to 12 interviews from people across the company, not just in the department for which they are applying. If the person makes it through the first round of interviews, they are given a homework assignment and asked to come back the next week.

The homework assignment is typically about how the recruit would address some of their business challenges, and what they would do to continue to keep the culture 'weird'. As they make a decision on a candidate, about 50% of the review is based on their experience, and the other 50% on whether or not the candidate is a cultural fit and how they handled the homework assignment. The percentage of time that the senior team spends on recruiting is staggering. And they make very few mistakes in who they bring into the culture. They realise that one bad hire is toxic.

I was also inspired by the level of passion and energy of each person I met. And it was authentic – it wasn't 'spin' for my visit. Most people came from other companies, many large fmcg companies. They came for the mission, and how this company treats customers, consumers and employees. They bring their best ideas and their best ideas are welcome. They are on a mission to inspire the revolution for healthier, happier homes.

This company has been mission-based since its founding nine years ago, but it continues to push it and ensure everyone in the company understands it. After my day of interviews, we went out for drinks and dinner, and the major topic of conversation was: 'Is our mission well articulated, well understood, well deployed, well activated?'

This brand is all about differentiation in a category that used to have few highly differentiated brands. They differentiate on mission, design, fragrance, sustainability, and efficacy. And, they get that balance right for their end consumers. Much as Steve Jobs at Apple does not go into a category he cannot disrupt, this brand never does anything that the competition has done, or is likely to do.

MAKING THE MOST OF THE MESSAGE

It is important to have a compelling story for your retail customer. I did a role play with the chief of retail health, George Shumny, where I was the customer and he was the salesperson. His story hit everything a customer looks for – differentiation, image enhancement, margin growth, and collaboration. And, importantly, this brand is not for every retailer, and they don't duck that.

There are few chief financial officers who see their role as chief storyteller, but Andrea Freedman, chief financial person against dirty, sees her role as keeping everything in perspective and keeping everyone's eyes on the 'horizon'. She sees herself as the person who keeps telling the story about what this brand is, what success is, and how they are making progress against it in the short, medium, and long term.

When I arrived at method, I walked into the lobby and there was a 'class' going on. The teacher was Dan Germain who is head creative at innocent, which is another fantastic story about brand ideal, mission, and outstanding performance. It is fascinating that these two companies are in totally different markets but both have a dedication to the idea of a brand ideal and mission. They have more in common with each other than they do with competitors in their own markets. ■

Jim Stengel is founder of The Jim Stengel Company.
contactme@jimstengel.com

When was the last time a subtitle made you cry?

Jeremy Bullmore reflects on the magical power of words and wonders why copywriters' efforts seem so thoughtlessly clumsy

THE MOST talented screen writers are those who are best at leaving things out; who know about inference and nuance; who can convey a character's character through hints and allusions; who have sufficient faith in the mental agility of their audience to infer, to complete, to get it. The most talented screen writers are those who, as they type, are simultaneously projecting the intended pictures on their internal screens, so that the ear doesn't duplicate what the eye will be doing.

In the much-quoted words of Arthur Koestler: 'Language itself is never completely explicit. Words have suggestive, evocative powers; but at the same time, they are merely stepping stones for thought.' (That last sentence of Koestler's is itself a lovely little illustration of the truth it's expounding: 'stepping stones for thought' coaxes the reader into an understanding far more telling than any ponderous explicit exposition could have done. But of course, you'd already got that, hadn't you? So sorry.) Koestler goes on to say: 'The artist rules his subjects by turning them into accomplices.'

The best poets use words to disguise the fundamental inadequacy of words. By that I mean that poets never expect the dictionary definition of words, their 'meaning', to be able to transport an inspired understanding from one imaginative mind to the minds of others. Words are used as allegories, metaphors, allusions – as stepping stones for thought – so that the capacity for shades of understanding and communication is not limited to the dictionary definition of available words but becomes infinite. The words that the best poets use paint pictures in the reader's mind. No, that's not quite right. The reader paints the pictures; the words are what prompts them. Poets don't need illustrators.

In October, the BBC transmitted a one-off drama called *The Song of Lunch*. It was a curiosity. It was billed as 'based on Christopher Reid's narrative poem' but it was more than based on: the poem was read in its entirety and tells the story of two former lovers meeting for the first time in 15 years. The words, like the words in any good poem, are evocative; and yet, inexplicably, the BBC had chosen, word by word, to replicate them visually. When the poem mentioned a mouth, you saw a mouth; a glance, a glance; a waiter, a waiter.

The producers of current affairs programmes have long referred to this lumpen custom as Lord Privy Seal: whereby the editor synchronises each of those three words with an image of a peer, an outside toilet and an aquatic mammal. This is precisely what *The Song of Lunch* did – and the result completely neutered the writer's skill. Instead of intensifying understanding, these plonking pictures denied the spectator all the rewards of completion. Subtleties and personal interpretation were effectively shuttered off. Christopher Reid, whose words they were, must have felt first flattered and then curiously deflated.

The subtitle is a curious beast. It's a visual element doing its best to compensate for the absence of an aural one. It helps basic understanding but precludes sensitivity. It's not the translator's fault: space is limited and inflection unavailable. But it's one of language's happier ironies that subtleties and subtitles should be almost-anagrams.

All these lofty musings have been triggered by the words in today's advertisements. Almost without exception, they are as leaden as subtitles. Take any ten commercials, strip away the pictures, and you'll be left with commentaries devoid of wit, nuance, allusion or originality. Nothing is left for an audience to complete; no stepping stones for thought here. Only the extraordinary technical ingenuity of the post-production houses saves these advertisements from featureless anonymity.

The words in print ads are no better. First-thought adjectives are shamelessly employed. Food is invariably delicious, beaches invariably fabulous. It's as if the specialist talent of the writer is no longer recognised; and indeed, perhaps that's exactly what's happened.

What do they teach them, I wonder, on those advertising courses? They certainly don't teach them about words; or if they do, they teach them very badly. It's easy to mock the old days, when copywriters were all poets manqué or had half-finished novels in their desk drawers; but they were a great deal more effective than most of today's writer/art director teams who take it in turns to be the writer.

It's clear that even the perpetrators of these turgid printed words don't think very much of them. They set them in blocks, reversed out of lemon yellow, seen more as a design element than as an irresistible invitation to engage further.

Some clients are happy to approve press layouts on the basis of headline and picture alone. What is dismissively called body copy is churned out only after approval has been obtained. Creative agencies should be ashamed.

The writers of leaden subtitles have many legitimate excuses. The writers of leaden advertisements have none. ■

Jjeremyb@aol.com

One day, this ad will save you time and money

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

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

Choice

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

Agency List

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

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

Reassurance

In an industry with little or no barriers to entry, it's reassuring that all IPA member agencies have had to undergo detailed financial scrutiny, demonstrate professional competence in the eyes of their peers, clients and suppliers, and meet the IPA CPD Accreditation Standard. IPA member agency employees are also well-qualified, with over 3,600 now holding the Foundation Certificate and over 1,200 our LegRegs qualification.

Criteria

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

Resources

Every IPA member agency has direct access to a wide range of services, including: the IPA Legal Team and online Contract Bank; the Information Centre and Effectiveness Awards Databank (IDOL); the Professional Development programme; expert financial, employment and management advice; an online intellectual property protection facility; and TouchPoints, the IPA's own media consumption study.

Effectiveness

For 30 years now, the IPA has run its Effectiveness Awards, designed to showcase and reward campaigns that demonstrate the commercial return from marketing investment. IPA members that have submitted Effectiveness papers are highlighted on Agency List, so you can choose an agency which has proven its ability to make money for clients. For more information: www.ipaeffectivenessawards.co.uk

Endorsement

It's therefore no coincidence that the lion's share of creative and media agencies on the COI roster are IPA members and that ISBA, representing the UK's largest advertisers, recommends its members use IPA agencies.

Search

Do keep this ad until it's time to find an agency: you'll save time and money by visiting www.ipa.co.uk

44 Belgrave Square
London SW1X 8QS
Tel: 020 7235 7020

IPA

Promoting the value of agencies

What Muslim co

In this exploration of the world of the Muslim consumer, **Miles Young** outlines the important features marketers should understand. It is ironic that the standards that Muslim consumers expect from companies and brands should be the drivers of enlightened Western practice: brands should be sincere, honest, friendly and committed to improving life. What's not to like?

THE MUSLIM market is bigger than the market in India or China, yet it receives a tiny fraction of the attention. And it is not just that the numbers are there, but the value is also. The GDP of the five large Middle Eastern countries is the same size as India's, but on a population that is one-third of it.

Most global enterprises, whether from the West or the East, have a BRIC strategy. But many are starting to look at the Next Eleven (N11) countries (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam) as having a high potential of becoming the world's largest economies in the 21st century along with the BRICs. And 53% of the population of the N11 countries are Muslim.

Muslim countries have some of the youngest populations in the world. There are more than 750 million Muslims under the age of 25, representing 43% of the global Muslim population, and 11% of the world's. But the numbers alone do not tell the whole story.

From the 1970s we have witnessed an Islamic Renaissance, perhaps as profound as its European counterpart of the 16th century. The reassertion of thought and culture that this has produced, at a time of technological change, means that this is an active, creative and innovative constituency, and one that is on the move. It is also one from which we in the West can learn.

There are two challenges that Western marketers face when contemplating this opportunity. The first is that global enterprises still operate within matrix structures in which the primary axis is geographic. However, the Islamic world is a powerful vertical segment that unifies attitudes and behaviours, but not always by geography.

This causes significant issues of sponsorship within organisations. Where does the Islamic conscience rest? I suspect it will increasingly be with global product management, another vertical function. Now if it is anywhere at all, it is within local markets in product management. In other words, the big transition needs to be from a local/tactical function to a global/strategic one.

The second challenge is the tendency of the marketing and advertising industry to see the Muslim market as just another segment. In this mindset, it becomes equated with 'greys' or the 'pink dollar'.

Of course, all these are valid targets for segmentation strategies, but the Islamic opportunity differs qualitatively. We are not looking at a segment that is qualified by one primary difference, be it age, orientation, language or skin colour, and then whether or not attitudes and behaviour vary from a norm. We are looking at an alternative norm, one where the starting point is Islamic identity,

nsumers expect

Western conventions do not always suit the Islamic market, but some commonly used brand concepts will be familiar to people who understand the faith and everything else is secondary. An American Muslim is a Muslim first and an American second. An American grey is an American first, and grey is a qualifier. Much of the conventional marketing canon does not cope intellectually with the Islamic opportunity.

GLOBAL LINKS

Despite the heterogeneity of the Muslim countries with majority or significant minority populations, Islam bonds their daily lives and consumption habits through the centricity of faith. Muslims' belief in the significance of Islam in their lives is pervasive.

> Global enterprises still operate within matrix structures in which the primary axis is geographic. The Islamic world is a powerful vertical segment that unifies attitudes and behaviours, but not always by geography

In the mammoth Gallup survey conducted from 2001 to 2007 in more than 35 countries the number-one response for more than 90,000 Muslims when asked what they most admired about the Islamic world was 'people's sincere adherence to Islam'. It is the word 'sincere' that needs to be added to the traditional lexicon of marketing practice.

At Ogilvy & Mather, we have created a branding consultancy, called Ogilvy Noor, staffed by Muslims from our offices around the world, to help global clients do exactly that. We define Islamic Branding as 'branding that's empathetic to Shariah values, in order to appeal to the Muslim consumer, ranging from basic Shariah friendliness to full Shariah compliance in all aspects of a brand's identity, behaviour and communications'.

In the West, Shariah has become narrowly associated with some of the harsh practices of Shariah law tainted by the extremist practices of radical Islamists. But Shariah values are in sharp contrast to that. Some of the values are honesty, respect, consideration, kindness, peacefulness, authenticity, purity, patience, discipline, transparency, modesty, community, dignity. Underpinning the working of Shariah in daily life is 'sincerity of intention'.

Although few non-Muslims would argue with any of these, the starting point for marketing and branding must be a consideration of the profound importance that Shariah compliance plays in the lives of modern Muslim consumers. We need to appreciate how their devoutness, regardless of its level of intensity, affects their lives as ordinary people just like everyone else.

We don't believe that there is such a thing as a Muslim brand. Nor is it particularly helpful to think of brands as having religious beliefs. The classic case was that of the 'Mecca Colas' – post 9/11 – which wore religion on their sleeves and on their cans. They failed on two counts. First, because they were not actually that sincere. They simply cashed in on a moment of political history. And second, because they misunderstood what it was to be a brand. They were merely carrying superficial badges.

We have just completed the first phase of study. The primary findings here emerge from four majority Muslim markets – Saudi Arabia, Egypt, Pakistan and Malaysia. However, they have been qualified and sense-checked in other, both majority and minority, markets.

So, what did we learn? While segmentations of Muslim consumers have been attempted before, they have often tended to merge into relatively simple scales of devoutness in terms of adherence to Islam on a scale of 'liberal' to 'conservative'. It seems more profound to look instead through the lens of the role that religion plays in their lives. On this level there are six nuanced segments that cohere into two rather different macro-groups. One we call a 'Traditionalist' mindset and the other we call the 'Futurists'.

CELEBRATING DIFFERENCE

The Futurists are young and this is the group that marketing and branding practitioners should be fascinated with and focused upon.

But at the start, it is very important to avoid the Western journalistic temptation to see these as just another version of Gen Y or Millennials. The Futurists are differentiated by the degree to which they see themselves as steadfast followers of Islam in a modern world. They are driven by a purpose that is very different from that of their peers. Global brands need to avoid seeing these consumers through Western eyes. Rather, they have an amazing opportunity to empathise with the cultural mores that mainstream journalism tends to at best misrepresent and at worst stigmatise.

In contrast to the Traditionalists, the Futurists are more individualistic. Their religion is their own choice, not just imposed on them. Their pride is intense, regardless of the extent to which they would be categorised as 'devout'. In the broadest sense they believe in 'struggle' – the struggle to remain true to their faith while carving out success in life. They believe in education and, with it, the right to ask questions – typically deeper and more probing about the intentions of businesses than the Traditionalists. They want to get ahead; as activists they see Islam as an enabler. They seek to integrate a more globalised lifestyle with their own culture, but do so without fundamental compromise. They value creativity, and they're global. Muslim youth in Lahore exchange Ramadan tips with youth in Dhaka and in Jakarta at the click of a keyboard. It's a flatter, wider Ummah (or community) they are creating, but one in which they feel strong responsibility to an Islam to help change things for the better.

MAKING THE CHANGE

One of the implications for us of Futurists is their attitude to halal (meaning 'permissible' and often associated with meat, but can refer to anything permissible in the Islamic faith), especially in majority Muslim markets. The Futurists are increasingly prone to question the details (ingredients in food particularly) behind what they buy. Where Shariah compliance is assumed to be a given, any maladroit behaviour or slip-up will get headline status – and the Futurists will be particularly unforgiving. The scepticism of Futurists means that a 'halal' logo alone is no longer enough.

In our research, Malaysian respondents tended to be the most discerning, being the most developed consumer market in relation to Shariah, and where Muslims live alongside non-Muslims. Increasingly, though, we believe Futurists everywhere will seek pure choices. In the frequent absence of facts, corporate reputation – and the apparent or not Shariah-friendliness of the corporate brand – assumes a critical importance.

We have derived a ranking of the relative importance of Shariah-compliance by product categories. At the top, food, dairy, beverages and oral care scored highest. In the second tier, consumers ranked fashion, personal care and 'regular' finance. In the third tier were airlines, resorts, financial and insurance products. The essential continuum is from body-sensitive to less so.

At the extreme end, Muslim consumers will tend to identify 'halal/haraam' (permissible/forbidden) as irrelevant to some categories, for instance software,

Brands need to appeal to both Traditionalists and Futurists; the latter believe in the right to ask questions about the intentions of businesses or even to imply a halal usage effect that makes it in effect compliant if the ultimate benefit of its usage is positive development for the community. 'If we use it for a good purpose then it is Islamic, and if we use it for an evil purpose, then it is not Islamic', said a Pakistani respondents.

GETTING THE BRANDING RIGHT

From all of this we can deduce a very specific role for branding in the Islamic future. Brands must inform, educate, and reassure the consumer about product quality through innovation. They must also demonstrate a proactive anticipation of their informational needs – the surest way of garnering trust. But facts alone don't make a brand. A brand is a relationship at an emotional level. And the Muslim Futurists are also an extremely emotional consumer group who want to be talked to on their own terms.

> Shariah values include honesty, peacefulness, authenticity, patience, discipline, transparency, modesty, community, dignity. Underpinning the working of Shariah is 'sincerity of intention'

One finding that may seem surprising in terms of traditional media stereotyping is that we have seen no clear-cut preference in terms of 'global = bad' or 'local = good' – or the other way round. Global brands, for instance, are seen clearly as leaders in quality and innovation, and are appreciated for their values. They have heritage and longevity. On the other hand is the lurking fear that they are cynical in their approach to Muslims – 'ticking the boxes'. The opportunity is for global brands to communicate their genuine Shariah-friendliness.

On the other hand, local brands evoke national pride, are seen as less profit-oriented, and are often formed on local insights. But quality worries persist, innovation is questioned, the information can be woefully inadequate, they are sometimes seen to be opaque – and their advertising is clearly recognised as not being of a 'global standard'. For local brands, quality, innovation and transparency are critical hills to climb.

We have been able to derive what we call the Noor Brand Index, a quantified ranking of brands' perceived Shariah-friendliness. All these brands are within the compliance zone, ie none are haraam. At the top of the index are Lipton, Nestlé, Nescafé, Nido and Kraft, two corporate brands and three product brands. Hot drinks and juice brands do well, reflecting their role in communal consumption. In each local market, local brands such as Boh Tea, Maaza, Al Rabie, Juhayna, all fare well.

The two poorest performing brands are HSBC and RBS. Global financial brands in particular suffer from a belief that they cannot in principle be Shariah-friendly. In spite of heavy investment in ethical divisions such as HSBC Amanah, they are contaminated by behaviours in non-Muslim markets.

Brands such as Nescafé and Lipton, on the other hand, represent a gold standard that any aspiring global player in this area would do well to study carefully. At their roots lie a holistic understanding of their consumers, and an active engagement with Islamic values throughout every element of the marketing mix and beyond, including the way employees are treated.

Overall, from a global perspective, we can hypothesise some important principles for the development of a robust Islamic marketing and branding sector.

First, while rules matter, they are not the whole picture. Intention matters more. In this light, the role of Muslims within global workforces in helping create intention becomes, in my view, very important. One very positive effect has been the huge surge of pride among our Muslim employees around the world. Second is the branding, when eventually the conditions for it are right, it needs to make no compromises in sophistication.

There are twin dangers here. One is that Islamic branding is seen as something worthy but fundamentally second-rate. But our Muslim Futurists, whether they be in Bangladesh or California, will demand better. The other is the argument from some Islamic academics that emotion in advertising is wrong. This is a minority view, but it should not advance or gain credibility.

Islamic branding can help bridge the divide between Muslims and non-Muslims. It re-humanises and gives respect. More than that, it should in time begin to show that the flow of ideas and creative capital can be two-way, and that the Islamic world is not so much a target as a resource for all things in which the new Muslim Futurists take pride. ■

Edited version of speech by Miles Young at the Inaugural Oxford Global Islamic Branding and Marketing Forum, July 2010.
miles.young@ogilvy.com

omobono
DIGITAL BRAND ENGAGEMENT

Relationships drive your business.

We drive your relationships.

Ask most businesses what their most important relationship is and they'll probably say the one between them and their customers.

But when you're selling into other businesses, 'the customer' is a complicated interaction of decision-making units. And there can be any number of external influencers that affect the purchase decision.

So businesses need to understand all these relationships and how to best influence them.

Omobono is a digital brand engagement agency. We've developed a communications planning model that allows brands to map the relationships between their customers, stakeholders, intermediaries and internal audiences. As a result marketers can identify opportunities to both enhance existing relationships and to foster new ones.

We work with large corporates and government, offering a unique combination of strategy, creative execution and robust digital delivery.

Our efforts have brought us three IPA Effectiveness Awards, a Webby nomination, a US David Ogilvy Award and The Drum Magazine's Marketing Services Company of the Year Award 2010.

To discuss how we can improve your business relationships, call Kayley Brooks on **+44 (0)1223 307000** or email **kayley@omobono.co.uk**

OMOBONO LTD ST GILES HALL POUND HILL CAMBRIDGE CB3 0AE UK. TEL: +44 (0)1223 307000 WWW.OMOBONO.COM

The Change4Life brand idea, created by M&C Saatchi, captured the imagination of the public

Recipe for success with Change4Life

Social marketing is complex and sophisticated and can be very effective. For example, the public sector behavioural-change campaign Change4Life, launched in January 2009, was a huge success and has lessons for the private sector. **Alison Hardy** and **Jane Asscher** explain

IN LATE 2007, the Department of Health assembled a team of marketers charged with developing a social marketing strategy to combat the rise in childhood obesity. This would be the first and most ambitious national campaign on this issue to launch anywhere in the world. We were fortunate enough to be among the first recruits to that team.

The group blended civil servants with commercial sector marketing, advertising and research experts. The planning and development took more than a year and involved ten specialist marketing and communications agencies, including media planning, advertising, direct and relationship marketing, partnership marketing, database marketing and digital communications.

The team members achieved a tremendous amount. We created a customer segmentation, to allow resources to be targeted to those families who most need help; we gleaned insight into why those families behaved as they did; created a new brand identity; provided 'products' (handbooks, questionnaires, wall charts, 'snack swappers') that families could use to change their behaviours; signposted them to services (ie dance classes, accompanied walks and free swimming); and brought together an unprecedented coalition of local, non-governmental and commercial sector organisations to help families change their behaviours.

Nearly two years, a change of Government and an economic crisis later, Change4Life continues. The campaign has won 15 industry awards including the Marketing Society's Award for Excellence 2010, for best new brand. Change4Life has expanded beyond its original remit (children aged five to 11) to include early years (under the Start4Life sister brand) and middle-aged adults. Multiple sub-brands (Cook4Life, Walk4Life, Swim4Life, Moreactive4Life, Muckin4Life, Bike4Life, Smallsteps4Life to name a few) have been launched, some by the department, others in partnership with other government departments and agencies and by commercial partners.

Stopping children from gaining too much weight requires fundamental changes for families – including the food they buy, how they prepare it, when and how much they eat, how they travel and how they spend their leisure time.

For families to trial and sustain lifestyle changes they need powerful motivation, coupled with access to services and support. A traditional government information campaign could not do this. Instead, we used marketing resources to inspire a societal movement, through which community leaders, teachers, health professionals, charities, leisure centres, retailers and food manufacturers could play a part in helping families change.

RECOGNISING THE CHALLENGE

Obesity is in the news every day. We knew from the research that, although parents were exposed to this coverage, they made no link between what they saw and their own children's weight gain. Academic research reveals that only 17% of obese parents whose children are obese recognise that their child has a weight problem.

The role for marketing was not to tell people obesity was a problem, it was to reframe the whole debate, so that people recognised it is a problem for them and for their children. Most children reach puberty at a healthy weight; the issue is that they are already exhibiting the behaviours (poor eating habits and sedentary lifestyles) that could make them overweight or obese in adulthood. Changing behaviours that are ingrained through decades of habit is difficult. Therefore, we set out to create a programme that would change behaviours in childhood, and, in the case of babies, establish positive behaviours from birth.

Our work was driven by a substantial body of research, both academic and consumer, collected during the 18 months before the campaign launched. In particular, five insights drove the development of the campaign:

1. People know obesity is an issue (93% of UK parents agree that 'childhood obesity is an issue of national importance') but do not realise that it is their issue (only 5% of all parents believe that their child is overweight or obese).

2. Parents routinely underestimate the amount of food that they and their children eat and overestimate the amount of activity that they do.

3. A host of behaviours that are thought of as unhealthy (eg long periods of watching television) are not perceived by parents as a risk.

4. Healthy living is perceived as a middle-class aspiration.

5. Parents prioritise their children's immediate happiness over their long-term health (the link between poor diet and sedentary behaviour today and future health outcomes is not understood).

BEHAVIOURAL SOLUTION

As long as these barriers persist, any conversation that a health professional, or anyone else, instigates about 'obesity' becomes a criticism of how a child looks rather than a concern about their health.

As we attempted to tackle these barriers, we focused our efforts on those families with children under the age of 11, whose attitudes and behaviours suggested that their children were at greater risk of excessive weight gain.

Segmentation highlighted that there were approximately three million of these families in England. For some of the families, this would be the first time that they attempted to follow a diet or healthy eating programme. When providing people with advice and information it therefore needed to be universal and easy to follow.

A panel of experts devised the eight behaviours that parents should encourage their children to adopt to avoid excessive weight gain. We promoted the behaviours, using people's own language and simple rules of thumb – five a day, 60 active minutes, 'me'-size meals – with tips to support people along the journey towards behaviour change.

We designed our programme specifically to create preconditions, identified by academic advisers as necessary triggers to drive behavioural change, to make people:

- be dissatisfied with the present and concerned that weight gain has health consequences;
- recognise that their families are at risk and take responsibility for reducing that risk with a positive image of the future;
- subject to positive environmental pressures via the campaign messaging (normalisation), know what they need to

> The marketing role was not to tell people obesity was a problem, it was to reframe the debate

>

The Change4Life campaign drew on expressions that were already familiar to the target audience and it encouraged the use of several simple rules of thumb

do to change, ie know the behaviours and be able to relate them to their lives; and

- believe that change is possible, believe that others around them are changing and know help is available for them to change.

Behaviour change is a long and complex journey and success depends in part on the services that people encounter in their local areas. We therefore started our programme with six months of engagement with local communities and local service providers. This included writing to every general practitioner and practice nurse, engaging with schools, with voluntary organisations and with local service providers.

We then set out to assemble a cross-societal coalition of workforces, government departments, non-government organisations, local activists and commercial brands, so that as our target audiences attempted to change their families' behaviours they would feel that everyone around them – the people, institutions and brands they trust – are supporting them.

The Change4Life brand and its sub-brands were made available to local and national partners, so that they could market their own products and services (ie accompanied walks, free swimming, gym sessions, dance classes, new play facilities, healthy school meals, recipe books and cooking classes) within the movement.

Families were invited to join Change4Life. They received a questionnaire that asked about a typical day in the life of each child. This enabled Change4Life to send them a personalised action plan with advice for each child. Some 200,000 of the most at-risk families were enrolled in a customer relationship management programme which provided additional continued support.

New products and offers were developed to prompt behaviour change: 250,000 'snack swapper' wheels were distributed to help parents negotiate with their children about healthier snacking, and seven million free swims were provided by local authorities.

POSITIVE RESULTS

The campaign exceeded all published targets, with brand awareness topping 90%. It helped parents make the link between the behaviours that cause excess weight gain and poor health outcomes. For example:

- 85% of mothers agreed that the Change4Life advertising campaign 'made me think about my children's health in the long term';
- 81% agreed it 'made me think about the link between eating healthily and disease'; and
- 83% agreed that it 'made me think about the link between physical activity and disease'.[1]

Brand metrics are strong, most especially being clear, trusted, relevant, adaptable to lifestyles and supportive – not judgemental.

Change4Life galvanised activity across communities. For example:

- 50,000 community leaders joined Change4Life as local supporters and used Change4Life materials to start conversations with more than a million people about their lifestyles[2];
- 44% of primary schools, children's centres, hospitals, GP surgeries, town halls, leisure centres and libraries displayed Change4Life materials[3]; and
- NHS staff ordered more than eight million leaflets and posters to distribute to the public.[4]

More than 200 national organisations (including Asda, Tesco, Unilever, PepsiCo, Kellogg's, Nintendo and the Fitness Industry Association) supported the movement by, for example, selling bikes at cost, providing money-off fruit and vegetables and funding free exercise sessions. Other government departments synchronised their activity and created new activity under Change4Life sub-brands (such as Swim4Life, Play4Life and MuckIn4Life).

Three of the main health charities (Cancer Research UK, Diabetes UK and the British Heart Foundation) ran their own campaign in support of Change4Life, and other non-governmental organisations, such as Natural England and Sustrans, also supported the campaign.

Early results indicate that families are already changing their behaviours. In our tracking study, 30% of mothers who saw the advertising (equating to more than one million mothers) are claiming to have changed at least one thing in their children's diets or activity levels as a direct result of Change4Life.

Actual purchases were analysed by dunnhumby (using the Tesco Clubcard database) of 10,000 of the families who were most engaged with Change4Life[5] and compared these to a demographically compatible control group. The analysis found a significant difference in the purchasing behaviour of the intervention group. Specifically, Change4Life families bought more low-sugar drinks, more low-fat milk, more fruit and vegetables, more dried pasta and fewer cakes.

The Department of Health has committed significant funds to Change4Life. In addition to the not-yet-quantified free activity provided by local authorities, the NHS and community groups, the Change4Life movement has attracted significant support and in kind funding from partners. For example:

- £1.5m from other government departments;
- £9m spent by national partners;
- £12.5m in free media space for the launch[6];
- £500,000 in free media around the sponsorship of Channel 4's *The Simpsons*[7]; and
- £200m in future commitments by Business4Life consortium.

Collectively, these give an ROI of £2.98 for every £1 spent.

WHAT ARE THE KEY LESSONS FROM THE PROGRAMME?

Reviewing the programme, we realise that there are some things that have been crucial to the success and provide useful learnings for marketers across both the private and public sectors.

- Put corporate social responsibility activity at the heart of an organisation's marketing efforts. With Change4Life, embedding the campaign within the broader policy context was crucial. This helped to bind the policy together and explain it to the public.
- Mobilise a network of national partners, across the commercial sector, non-governmental organisations and, if relevant, other government departments. The coalition of partners, as an embedded team, is the engine that delivers the campaign. With Change4Life the team opened a new range of money-can't-buy communications channels and, as the trusted voice, helped to change behaviour at the all-important points of influence, purchase or consumption.
- Engage at a grass-roots level via trusted local partners – in this case the NHS, schools, community groups and businesses.
- Consider engaging a number of specialist agency partners capable of working well together. Base a campaign on the latest evidence and behavioural insight, share the evidence base widely and seek external expert opinion to guide decisions where evidence is limited.
- Consider a big brand idea (rather than an advertising idea). The Change4Life brand idea, created by M&C Saatchi, captured the imagination of the public and made it possible to land some hard-hitting messages in an engaging and charming way. It also provided a rallying call for those already working in the area and inspired others, including marketing partners, to create great engaging content, tools and products. ■

> Early results indicate that families are already changing their behaviours; 30% of mothers who saw the advertising claim to have changed at least one thing in their children's diets or activity levels as a direct result of Change4Life

1. BMRB tracking study, Q1 2009.
2. Source: Continental Research survey of local supporters, December 2009.
3. Source: BMRB observational survey of community venues, 2009.
4. Source: COI/Prolog.
5. 'Most engaged' was defined as having joined Change4Life and responded to at least one of the CRM packs.
6. Source: Freud Communications.
7. Source: Freud Communications.

Jane Asscher is founder and chairman of 23red. www.23red.com
Alison Harding is behaviour change specialist, Communications Directorate, at The Department of Health.

Make markets

The indirect route to

An entrepreneurial spirit captures the imagination of employees and serves as an engine of innovation. Hierarchy can lead to bureaucracy and risk aversion and limited innovation. In this intriguing article, **Jules Goddard** describes a number of ways to redesign hierarchical organisations to release the internal entrepreneur

ON A RECENT business leadership programme at London Business School, a senior executive of one of Britain's major engineering companies described two different internal cultures in his organisation, each triggered by a different set of circumstances: one (the 'default' culture) was rational, structured, process-centric, rule-bound, careful, risk-averse, deferential and compliant; the other, when there was a crisis of some sort, was emotional, spontaneous, problem-centric, improvisational, courageous, communitarian and entrepreneurial.

I am paraphrasing his colourful description of how he and his colleagues would 'flip' from one behavioural style to another: 'When a crisis strikes and the reputation of the firm is at stake, we throw away the rule book; we dispense with procedure; compliance loses its hold on us; and personal fear of failure ceases to cramp our style.

'We're no longer "managers" or "bosses" or "process owners" or "function heads", we're problem-solvers, team-players, and human beings. We take our lead from the problem in hand, not from the command structure.

'Anyone who thinks he can contribute weighs in to help. Status, seniority and position lose their meaning. We become natural team players. No one stands on ceremony. We listen to – and build on – the ideas of others, we respect each other's thinking, and we invite customers and suppliers to join in, on the same terms.

'We're just normal people, with our mates, bringing our skills together to solve a shared problem. We do whatever it takes.'

The questions that most exercised this executive were: 'Why can't this be our standard way of working? Why can't we have the spirit of fire-fighting without the need for a fire? Or rather, how can we invent a surrogate fire that has the same heat but without the same collateral damage?'

Similar questions often get asked in advertising agencies and other professional service firms: 'Why are we at our best pitching for new business? Why can't we be as creative, as collegial, as effective and as fulfilled as this all the time? What different set of principles directs our activities when we are hunting rather than farming?'

The challenge that this article addresses can be stated in much the same way: 'What changes to the standard design of an organisation need to be made to release the entrepreneurial talent of its members?'

The secret, it seems, is to make much greater use of internal markets, to bring capitalism inside the business (on a selective basis), to place greater trust in the collective intelligence of employees, and to invite the marketing function to take on the job of redesigning the organisation to enable all this to happen.

IF HIERARCHY UNDERPERFORMS

Hierarchy makes innovation more difficult than it need be – or should be. For example, hierarchical planning distorts investment decisions in at least three ways. The range of investment alternatives under consideration at any one time is typically drawn from much too narrow a spectrum, mainly because of a strong bias towards overprotection of the legacy business that brought the company its original success.

In the absence of an efficient internal market, companies underprice their own resources, such as their talent, their internal funds available for investment, and their physical assets. These biases give the incumbent managers of the legacy businesses first call on these resources at discounted prices.

Because individual creativity cannot be 'commanded' into play, the nature

inside the firm

improve agility and innovation

of hierarchy has an intrinsic dampening effect on personal initiative and enthusiasm, with the result that the perseverance necessary to see an idea through to market success is rare.

The power of markets is to stimulate entrepreneurship – the activity that is recognised at the macro level of inter-firm rivalry, but less likely to be advocated at the micro-level of the firm itself. The competitive process, if applied within the firm, is usually rejected on the grounds that it would inhibit cooperation, harm coordination and inflict chaos upon the organisation.

Increasingly there is evidence that hybrid organisations, mixing elements of hierarchy and internal market processes, are a viable option. For example, Lloyds TSB has been experimenting with an internal stock market to rebalance the resource allocation process away from a closed, rather secretive and elitist activity and towards a more open, democratic and pluralistic 'conversation'. Competition, far from fragmenting the organisation, seems

In the quest to encourage constant innovation within teams, managers ask: 'Why can't we have the spirit of fire-fighting without the need for a fire?'

to have achieved a level of coordinated decision-making greater than that which typically results from imposing upon the many a small number of key decisions made by the few.

The charge that markets introduce chaos into organisational life is itself a form of hierarchical bias. In other words, the perception of chaos and confusion may well be subjective. From the vantage point of those in command, hierarchy typically feels like an ordered society, but to those under their command, hierarchy can seem arbitrary, unpredictable, impulsive, incoherent and disordered.

The two great virtues of the competitive process – as embodied in the market principle and as compared with hierarchical solutions – are as follows. First, it radically expands the range of options under consideration – by bringing a far greater number and diversity of people into the process. Second, it adjudicates between these ideas in a fairer, more democratic manner – by drawing upon the collective wisdom of the crowd rather than the judgment of an elite.


If employees are placed in competition with one another to come up with breakthrough ideas, they will find this challenge both motivating and fun

EXPERIMENTING WITH INTERNAL MARKETS

How does one begin the process of dismantling the more deleterious aspects of hierarchy and bureaucracy and in their place start to construct an alternative set of organisational principles? In particular, what is the best way of systematically and creatively testing the potential of internal markets to better solve the perennial problems facing all organisations?

There are many experiments that companies could conduct in the pursuit of viable alternatives to the reigning managerial paradigm. I shall give a sketch of three experiments in each of the three markets in which all firms compete – the market for talent, for customers, and for capital.

In each of these markets, the internal market solution should address a particular problem where hierarchical failure is rife, respectively: organising in teams around market opportunities; generating imaginative strategic ideas; and predicting competitive market response.

TASK TWINNING

Consider giving employees the right to share their responsibilities and accountabilities. In effect, managers (typically peers) could pool their talents by mutual agreement and combine their individual jobs into a jointly held, more broadly based work package. Both managers would now be jointly and severally responsible for what previously had been separate activities. They would have to feel that, as a team, they could create more value for the company than as separate jobholders.

One qualifying condition might be that any twinning of tasks would have to cross functional, departmental or divisional boundaries. For example, sales people would not be permitted simply to combine territories, whereas, for example, the combination of a finance specialist or a manufacturing engineer and a customer-account manager would be welcomed.

The hypothesis being tested is that most jobs are sized to a single person, creating the ultimate silo, and that only by rescoping work packages to cross critical organisational boundaries is it possible to break down myopic thinking. In combination, managers could not only learn from one another and actively seek out synergies but, more importantly, they could give each other the confidence and courage to act in a more decisive and less risk-averse manner.

PERFORMANCE TRANSPARENCY

People manage what they see. If they see waste, they eliminate it. If they see success, they imitate it. If they see opportunity, they exploit it. Part of the skill of management, therefore, is making things more visible, particularly things from which learning is possible.

Lean manufacturing makes inventory as visible to as many people as possible. Instead of being just a line on a set of financial accounts published at the end of the year and only for the eyes of senior management, it becomes something tangible to all and therefore an object of attention.

The experiment would explore the repercussions of making many things more visible to more people – not just salaries, bonuses, travel expenses, and 360° feedback, for example, but especially the links between personal actions and corporate results. If the traces that managers left behind them were made visible, people would infer the causes of success and failure, and learn from the experiences of others.

EXTENDED NETWORKS

In a world where the outsourcing of non-core activities has become a global industry, how about experimenting with the insourcing of the capability at the very core of any enterprise – namely the solving of problems critical to the future performance of the firm?

The hypothesis is that companies are missing a trick by limiting their creative resourcefulness to their own employees and failing to draw upon the voluntary skills and efforts of many experts around the world who are prepared to chip in and offer their ideas, motivated by the chance of winning big if their ideas are chosen.

New companies such as Innocentive enable companies to post difficult problems on the web and to invite thousands of volunteers (especially scientists, entrepreneurs and engineers) to come up with possible answers.

At root, the idea is that organisations, particularly in the future, will be much bigger and broader than the legal entity that currently defines the boundaries of the corporation. Organisations that succeed will be those that redefine themselves to include their customers, business partners, and many others as co-creators of wealth. The internet is making it much more feasible to tap into the collective knowledge of this larger, more extended, more virtual organisation.

PERSONAL BUDGETS

If every budget holder in a company had the right to invest, say, 5% of their budget in any opportunity of their own personal choosing, provided that the returns on this investment were published as openly as on the remaining 95%, would it not be interesting to know where managers chose to place their investments and whether or not the 5% outperformed the 95%?

> Tournaments are a type of incentive mechanism. They are particularly valuable when innovation is needed but is not forthcoming and when the organisation needs to be jolted out of its lethargy

This, of course, is a version of 'skunk works' made famous by 3M many years ago. Here was a pioneering process that encouraged employees, particularly scientists, to invest company time in their own ideas and initiatives. More recently, Google has adopted a similar philosophy with the aim of bringing out the entrepreneur in each of its employees.

The difference with this experiment is that managers are allowed, indeed encouraged, to invest corporate funds, not simply company time, in their own entrepreneurial initiatives.

IDEAS TOURNAMENTS

Tournaments are a type of incentive mechanism. They are particularly valuable when innovation is needed but is not forthcoming and when therefore the organisation needs to be jolted out of its lethargy, arrogance or complacency. A tournament is a contest where the rewards of winning are based on relative performance rather than on an absolute benchmark of quality.

Economists have shown that tournaments are more effective than traditional contracts under three organisational conditions: the motivation of employees to make an effort and generate ideas is either weak or difficult to measure; the quality of the ideas being proposed is easier to rank against each other than measure on an absolute scale; and there are many uncontrollable, extraneous factors interfering with performance.

The hypothesis being tested is that if employees are placed in competition with one another to come up with breakthrough ideas, as judged by their peers, or the entire workforce, they will find this challenge both motivating and fun. They will want to excel. They will go the extra mile to invent and 'sell' their ideas to their colleagues. They will find that it brings out their latent creativity.

EMPLOYEE PATENTS

Tournaments and their like are strengthened further if the authors of the winning ideas have a stake in the success of their ideas.

> Ownership of IP could belong entirely to the inventor(s) or it could be shared in some proportion with the company itself. Tests could be conducted to see whether money or recognition is the more powerful incentive

The hypothesis is that, if employees have (at least partial) property rights in the intellectual ideas they develop at work and make available to their employer, they will be motivated to have more – and better – ideas. Ownership of IP could belong entirely to the inventor(s) or be shared in some proportion with the company itself. Tests could be conducted to see whether money or recognition is the more powerful incentive.

Monetary returns could take the form of licence fees on the patent or trade mark, or commission on sales of products and services based on the idea, or dividends from ownership of an equity share in the idea.

SPREAD BETTING

One simple way of tapping into the collective intelligence of the workforce would be to make a prediction market in business performance. Every employee would be invited to bet on the future performance of each business unit, or each corporate project, or each new product.

By making a spread betting market in business outcomes, where employees could make money betting against the 'official' line (as defined by the strategic plan), the executive board would discover where the organisation as a whole believed individual businesses were being too ambitious or too timid – and therefore, implicitly, where resources were being misallocated.

Effectively, such a market would pit the collective wisdom of the workforce against the technical expertise of the strategic planners. From this experiment the firm would discover whose predictions to trust more – those of the generalist (the mass of employees) or those of the specialist (the elite group of strategists).

ANGEL INVESTORS

Rather than betting on outcomes, what about investing in assets? Imagine making a stock market in the firm's core assets, such as its established businesses, its new ventures and its research projects, and issuing to employees fixed amounts of either real funds or 'wooden dollars' to invest in a portfolio of in-company equities. It would be interesting to compare the value that this 'artificial' market placed on the key ingredients of the company's strategy with the value that the 'real' stock exchange placed on them.

If employees were allowed to play the internal stock market only if they invested their own money, would the result be any different? And of the two markets, which would be the more efficient?

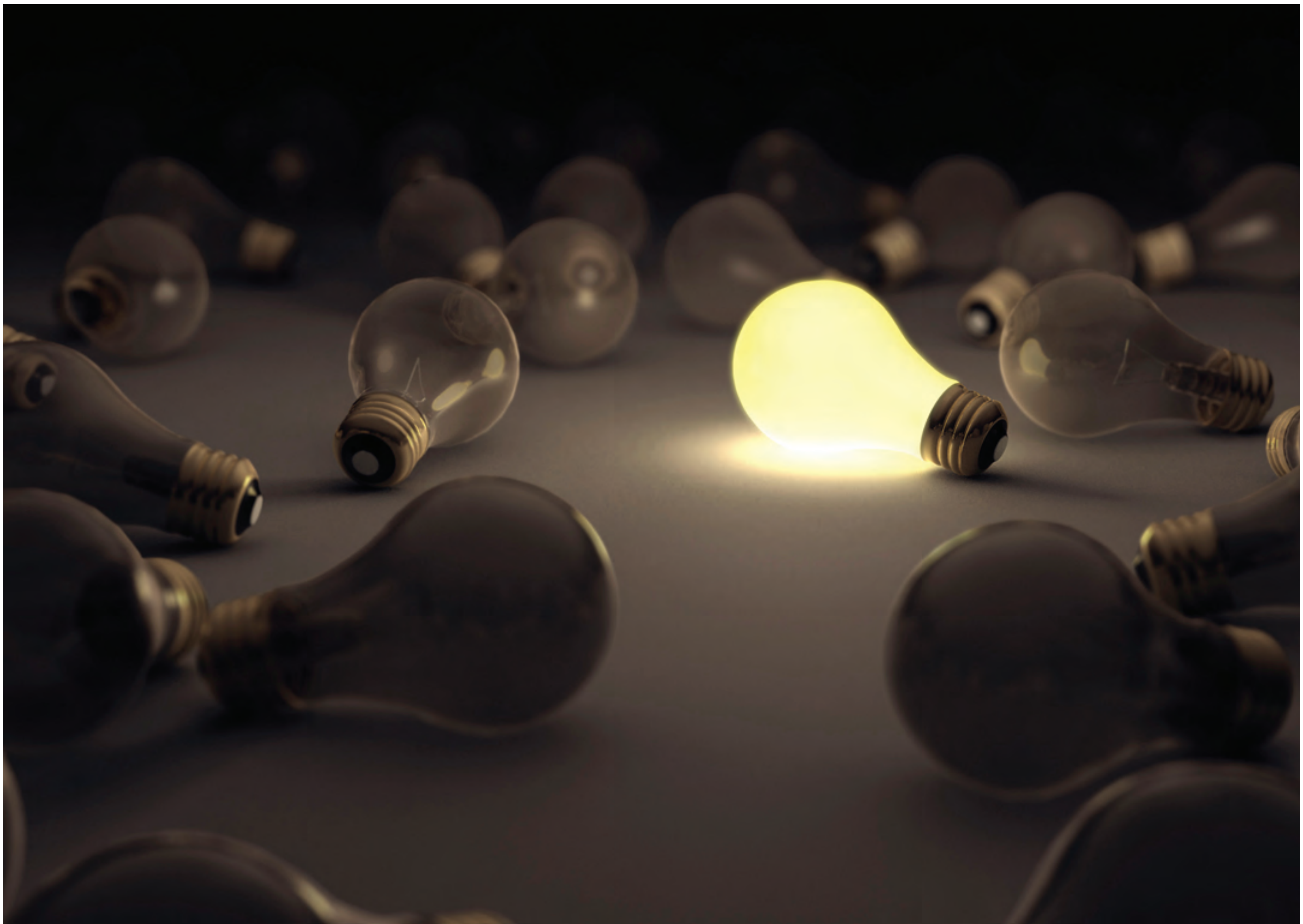
EMPLOYEE SYNDICATES

A related privilege could be that managers have the right to pool their personal funds to create larger pools of cash to invest either in fewer, bigger opportunities or in a more diverse portfolio. Valuable information from this experiment would include knowing who teamed with whom to create the best results. How large and diverse are the best performing teams? What were the assumptions underlying the membership of syndicates?

CONCLUSION

We recognise the power of markets outside the organisation to allocate resources efficiently and inspire entrepreneurialism. Introducing markets into the rigid hierarchies of traditional companies has the power to reap the same kinds of rewards. ■

Dr Jules Goddard is Research Fellow of the Management Lab at London Business School.
jgoddard@dial.pipex.com



Back to basics

Providing goods and services for emerging markets requires a radical rethink of product development. **Vikas Sehgal**, **Kevin Dehoff** and **Ganesh Panneer** describe how basic cars, telephones and refrigerators must be designed from the bottom up rather than being redesigned simply by removing features from more expensive versions

A **CELL PHONE** that makes phone calls, and does little else, a portable refrigerator the size of a small cooler, a car that sells for about US$2,200 (100,000 rupees). These are some of the results of 'frugal engineering' – a powerful and essential approach to developing products and services in emerging markets.

To get a handle on what frugal engineering is, it helps to understand what it is not. Frugal engineering is not simply low-cost engineering. It is not a scheme to boost profit margins by squeezing the marrow out of suppliers' bones. It is not simply the latest take on the decades-long focus on cost cutting.

Instead, frugal engineering is a philosophy that enables a true 'clean-sheet' approach to product development. Cost discipline is an intrinsic part of the process but, rather than simply cutting existing costs, frugal engineering seeks to avoid needless costs in the first place.

It recognises that merely removing features from existing products to sell them more cheaply in emerging markets is a losing game. That's because emerging-market customers have unique needs that usually are not addressed by mature-market products. The cost base of developed-world products, even when stripped down, remains too high to allow competitive prices and reasonable profits in the developing world.

Frugal engineering recalls an approach common in the early days of assembly-line manufacturing – Henry Ford's Model T is a prime example. But as industries grew and matured over the decades, and as consumers prospered to levels that few would have predicted a century ago, product development processes became hardwired

>

Assembly processes must address cost implications for products in emerging markets

and standard operating procedures worked against frugality.

In addition, the profit structure in mature markets reduced incentives for major change. Constant expansion of features available to consumers in the developed world, frivolous or not, has provided many businesses with their richest profit margins. Mature-market customers continue to accept price premiums for new features, which encourages companies to over-engineer their product lines – at least from the point of view of emerging-market customers. The virtual extinction of manual car windows in the US is an example of this process.

THEORY INTO PRACTICE

Frugal engineering addresses the billions of consumers at the bottom of the pyramid who are quickly moving out of poverty in China, India, Brazil, and other emerging nations. They are enjoying their first tastes of modern prosperity, and are shopping for the basics, not for fancy features.

According to CK Prahalad, author of *The Fortune at the Bottom of the Pyramid* (Wharton School Publishing, 2005), these potential customers, 'unserved or underserved by the large organised private sector, including multinational firms', account for four to five billion of the 6.7 billion people on Earth. Although the purchasing power of any of these new consumers as an individual is only a fraction of a consumer's purchasing power in mature markets, in aggregate they represent a market nearly as large as that of the developed world.

Attracted by the size and rapid growth of emerging markets – concurrent with a growth slowdown in the developed world – companies in a range of industries are establishing distribution and manufacturing operations as well as research and development centres in these regions. However, some of these companies may not fully grasp the challenges that competition in emerging markets entails. The prospect of high-volume profit streams may be enticing, but those profits must be earned in the face of lower prices, lower per-unit profits, and stringent cost targets.

In addition, too few companies realise how demanding emerging-market customers can be. They don't spend easily, because they don't have much to spend. They require a set of product features and functions that are different from their developed-world counterparts, but they still insist on high quality. Global companies, therefore, must change the way they think about product design and engineering. Simply selling the cheapest products or reusing technologies from higher-priced products will not cut costs enough and is unlikely to result in the kinds of products that these new customers will want to buy.

The central tenet behind every frugal engineering decision is maximising value to the customer while minimising non-essential costs. The term frugal engineering was coined in 2006 by Renault chief executive Carlos Ghosn to describe the competency of Indian engineers in developing products such as Tata Motors' Nano, the 'pint-sized' low-cost automobile. The Nano is not – like so many other low-cost vehicles – a stripped-down version of a traditional, more expensive car design. Like other newly engineered products selling well in emerging markets, ranging from refrigerators to laptop computers to X-ray machines, it is based on a bottom-up approach to product development.

Even global companies uninterested in the growth offered by the world's lowest-income consumers will have to pay attention to the lessons of frugal engineering. Products developed with this approach are beginning to compete with goods sold in developed countries – and that trend is likely to continue. Deere & Company, for example, designed and sold small, lower-powered tractors in the Indian market, but didn't begin selling such models in the US until an Indian company, Mahindra & Mahindra Ltd, beat them to it.

Meeting all these challenges will require a change in corporate culture. Some companies will be up to it, others will not. Successful frugal engineering involves new ways of thinking about customers, innovation, and organisation.

UNDERSTANDING THE CUSTOMER'S REAL REQUIREMENTS

The ultimate goal of frugal engineering is basic: to provide the essential functions people need – a way to wash clothes, keep food cold, get to work – at a price they can afford. Critical attention to low cost is always accompanied by a commitment to maximising customer value. The Tata Nano development team's decision not to include a radio on the standard model was not simply to avoid cost. The team understood that the typical Nano customer places far more value on extra storage space. Using what normally would be the radio slot for storage not only avoided cost but also added value. Such carefully calculated trade-offs, made at the product planning stage, serve the dual purpose of maintaining low costs and increasing the product's overall functionality and utility for the buyer.

The Nokia 1100 cell phone is another example. Experience has shown that when low-income people in just about any country begin to enjoy a bit of economic prosperity, one of their first purchases is a cell phone. Many new customers in emerging markets are agricultural workers who spend their days outdoors. When Nokia developers watched field-workers using mobile phones in India, they noticed that the intense humidity made it difficult to hold the phones and to dial. So the phone was built with a non-slip silicon coating on its keypad and sides. The handset was also designed to resist damage from dust that is common in arid climates and some factory environments.

The phones are otherwise basic. They can send and receive phone calls and text messages and the screens are monochrome. Because the phones lack fancy software, the power draw is smaller, so they can operate longer between charges. The only real extra is a tiny, energy-efficient flashlight that's proven popular in areas where power blackouts are common – ie in most rural villages and many emerging-market cities. At a price of $15 to $20, the Nokia 1100 is the best-selling cell phone ever.

> Carefully calculated trade-offs, made at the product planning stage, serve the dual purpose of maintaining low costs and increasing the product's overall functionality and utility for the buyer

Refrigerators provide another good example. Customers at the bottom of the pyramid can't afford traditional energy-sucking, compressor-driven refrigerators, not even the small, floor models that a Western business might have installed to keep drinks cold.

Rather than cut costs out of a bigger refrigerator, India's Godrej Appliances started with a clean sheet, closely observing the occupants of village huts. Most Indians, they noted, go to the grocery store every day. They do not buy in bulk. A refrigerator that could hold just a few items would be plenty. So Godrej

>

produced the ChotuKool, which translates into 'Little Cool' in English.

The top-opening fridge is 1.5 feet tall by 2 feet wide and has a capacity of only 1.6 gallons. It has no compressor, instead it uses a cooling chip and fan design similar to those that keep desktop computers from overheating. It can run on a battery during the power outages that are inevitable in rural villages. And, since rural Indians change residences frequently, the ChotuKool also comes with a handle so it is easy to transport. By keeping the number of parts down to around 20 instead of the 200-plus used in conventional refrigerators, Godrej keeps the price low too, at about $55.

BOTTOM-UP INNOVATION

Typically, when a well-established car manufacturer designs and builds an inexpensive car, the company's thinking is biased by decades of practices and procedures, and by its relationships with employees, customers and suppliers. The approach reuses existing designs and relies on existing components. In essence, these companies start with an expensive car and focus on ways to make it cheaper. That may count as a form of cost cutting, but it is not frugal engineering.

When Tata Motors engineers began creating the Nano, they were inspired more by the three-wheeled vehicles known in India as auto-rickshaws than by any existing car models in Tata Motors' line-up. Building on the bare minimum enabled the engineers to achieve their cost and price targets without compromising the essential functions of the car. If the Tata Nano had been designed on the platform of the then cheapest Tata car, it would have been twice the price.

Consider the conventional approach: decades' worth of engineering value is built into even the least expensive of today's automobiles. Components have steadily become more sophisticated, and often more expensive. The cost base, the design thinking and the very idea of what makes an automobile, all combine into a set of structural costs that simply go unquestioned. Reversing course is difficult, and few companies want to try.

For example, if you asked Western designers to come up with a low-cost wiper system for cars, it's unlikely they would challenge the fundamental architecture of two wiper blades. But it would be cheaper to place one blade in the centre that sweeps from end to end. India's auto-rickshaws have a single blade. Now, so does the Nano. The Nano also has just one side-view mirror, and the seats are not adjustable. This involves questioning the form and necessity of so-called standard features.

ORGANISATIONAL AGILITY

Frugal engineering needs companies to be open to organisational innovation. Three areas are particularly important.

Engineers at Tata Motors were inspired by the design of three-wheeled vehicles in India known as auto-rickshaws, which use minimum technology to provide the essential requirements of transport

1 Cross-functional teams. The Tata Nano was developed by a team of 500, mostly young, engineers. The team was significantly smaller than the teams of 800-plus typically employed by Western automobile makers. In fact, a team for a new platform like the Nano at a US or European car company would probably involve more than 1,000. To make sure that the project got the attention it required, Tata created a unit separate from the rest of the company.

In addition to its compact size, the Nano engineering team had another advantage over traditional engineering groups. It worked cross-functionally with other teams to maximise the chances of finding ways to keep costs low. When a legacy automaker such as General Motors launches a car, its marketing group might be five times the size of the Nano's marketing team, which was three people.

The computer chip that replaced the compressor in Godrej's low-cost refrigerator represented such a radical move that it probably would not have made it to the final product had the development group started with the standard operating procedures of the refrigerator industry. The procurement team instead raced to identify a low-cost component supplier while the manufacturing team quickly re-engineered the assembly line to handle chips instead of compressors.

Why would that kind of agility be difficult for a Western company? Typically, the more mature an organisation, the more rigid the functional silos. There tends to be little coordination between functions without an explicit effort from top management, which must either create a new structure for the team or use brute force to encourage communication between teams.

2 A non-traditional supply chain. When reducing costs, most companies focus on getting better prices from their suppliers. The problem with this approach is that the reductions can go only so far – cut too deep and the suppliers' margins are eliminated. Frugal engineering instead treats the suppliers as an extension of the enterprise. Such a lean manufacturing approach is not new, of course. But frugal engineering pushes the concept further, by demanding new levels of cost transparency, and by requiring that suppliers grant genuine authority to their representatives on the core product team.

A frugal development team must look beyond the usual, approved list of suppliers. The targets in frugal engineering projects are often so tight that conventional suppliers are unlikely to be able to meet the requirements for cost, quality, and timeliness of delivery.

At the same time, suppliers step up and become more involved in development projects. Traditionally, original equipment manufacturers (OEMs) dictate their requirements to suppliers; the suppliers ask few questions and compete on price. In frugal engineering, the game is different. OEMs and suppliers join forces to set cost targets and a cost structure. Rather than focus on individual components, they work together to optimise entire systems.

For example, the Nano uses a simple motorcycle-style speedometer and forgoes a tachometer in the instrument cluster, but it has a digital odometer. The costs saved on one were spent on the other, avoiding an analogue odometer and a tachometer that few customers would use.

Often, a higher-level commitment from suppliers has required a mandate from the supplier's chief executive officer (CEO). For example, Bosch CEO Bernd Bohr took on the cost-target challenge for the Nano and made sure Bosch came through by adapting a motorcycle starter motor to save weight and by finding a way to trim several ounces from the generator.

3 Top-down support. Nothing is more important to frugal engineering than commitment from the top – and not just from suppliers. A good example of frugal engineering is when Ratan Tata, chairman of Tata, said: 'I will design a car for $2,200. Period.' Also, at Mahindra & Mahindra, managing director Anand Mahindra publicly backed cost-control plans of Pawan Goenka, the company's automotive chief. Mahindra's personal support proved essential to keeping costs low.

A new automobile platform in the US might cost anywhere from $700m to $1 billion. Mahindra's Scorpio SUV was developed at a cost of $150m. The car may lack the sophistication and status of other makers' luxury models, but it's right for its market. ■

This is an edited version of an article that appeared in *strategy+business*, published Summer 2010, Issue 59.

Vikas Sehgal, partner, Booz & Company.
Kevin Dehoff, vice-president, Booz & Company.
Ganesh Panneer, project manager, Booz & Company.
www.booz.com

A new view of the future media landscape

Forecasting is always difficult in periods of disruption – and the communication environment is in just such a situation. **C John Brady** looks at three possible business models for the industry – powerful commodity volume media buyer; supercharged media planner; and the emergence of a comprehensive pure creative agency

THE MEDIA landscape – by which I mean the corporate topography of the industry (advertising agencies, media agencies, full marketing services firms, old media and new) – is adapting in response to the change all around us. But how will it look?

The most striking feature about the media landscape is how it has continually restructured itself over the past 50 years, in order to respond to forces for change, to innovate and to shape the value it delivers to its clients.

In the 1960s and early 1970s, there was the raft of mergers of small local advertising agencies to form bigger international firms. Then, in the 1970s and 1980s, there was the separation of media agencies (which did the planning and buying of media) from advertising agencies to bring more focus and reduce costs – ie separation either as independents or divisions within traditional advertising firms. The 1980s and 1990s saw more consolidation as the firms grew worldwide.

In the 1990s and 2000s, many adjacent services were added – for example, research, impact measurement, direct marketing – as the industry expanded its horizons, and full marketing services firms were created.

In the 2000s, further-flung independents (particularly in the BRIC countries) were swallowed up as the big groups went completely global, such as WPP's acquisitions in India and Aegis' recent acquisition in China. Yet, over the same period, we have seen the emergence of a plethora of new firms to address the phenomenon of digital communications, albeit many of them are now being swallowed up by the big boys.

BOUNDARY CHANGES

There have been ebbs and flows in this activity over the years. Perhaps the most formative changes have been around the inflection points of the 1970s and 1990s when media agencies and full marketing services firms emerged.

Where are we now? Are we in a period of relative stability, as we claw our way out of recession, or are we at another point of inflection when the landscape will restructure dramatically again? Most creative agencies now seem quite similar and the media agencies (bar Aegis, perhaps) look much the same. They all seem rather to have lost the influence they once had. Maybe it's time for change.

Let's consider three hypothetical press releases of the 2010s.

1. Forte Media Buying powers into marketplace:

'Today, the media world has been shocked by the launch of a new global media buying

Where are we now? Are we in a period of relative stability or are we at another point of inflection when the landscape will restructure dramatically again?

business, Forte Media Buying, opening simultaneously in 100 offices around the world and with ten mega-deals already in place with the top ten media suppliers, including Google and Facebook.

'Forte Media's goal is to provide super-low-cost media for big sophisticated advertisers who can do their own planning but want access to global buying power at minimum cost. Much of the buying process at Forte will be done by automated algorithms, cutting out the expense of hoards of young graduates doing it, in effect, by hand. It has already signed up three global consumer goods companies, and aims in the next 12 months to halve the cost of media buying and reduce media prices radically in this new world of massive oversupply (of media).'

2. Pure Planners' secret plans unearthed:

'A novel media-planning business has been secretly establishing itself over the past three months. Pure Planners is a firm led by boffins, and powered by an army of analysts in India. Its goal is to become a real strategic partner for their clients. It will provide a comprehensive integrated perspective, as others have with mixed success in the past, but it will do it quite differently – by leveraging technology to do it in an entirely data-driven way.

'It will do only three things – media research, planning, and impact measurement – albeit with a new level of analytical skill and financial rigour. It will provide detailed data on how clients' customers use all types of media (even social media), and how use of the different media (old and new) is interconnected. It will do media planning with the same in-depth analysis, claiming that it can deliver 50% extra impact for the same media spend, because of the deep understanding it has of the effectiveness of each type of media and their interplay. It will prove its effectiveness by measuring the impact with the same rigour.

'It will not do any creative work, but will demand a close relationship with the client's chosen creative agency which it will brief

>

All clients are not the same. Some are happy with a basic service and its low cost, while others see value in a more sophisticated service and will pay for it

The three hypothetical new models discussed could all coexist but would dramatically disrupt the current industry structure

as tightly as the client will. It will not do media buying: it argues that is a commodity business that it can subcontract to a few "partners" at competitive rates given the scale of business it will speak for.

'It intends only to open in the key 40 cities around the world, and will be selective about the clients it will take on, for it will not serve head-to-head competitors, given the competitive advantage it believes it will deliver. It will not be cheap, but it will deliver value. Its policy is not to name clients, but it is rumoured to have signed up a leading mobile phone company and global financial services business.'

3. Ovington, Pandit & Quangdou launch party:

'Last night saw the biggest agency party of the year. OP&Q celebrated its arrival with a party held simultaneously in its 15 offices around the world. In a throwback to the early days of the industry, this is an independent advertising firm staffed with top creative talent and led by its 12 senior partners – eight of whom are new media guys. By the way, the name is made up. There is no Ovington, Pandit or Quangdou. OP&Q wants to escape the syndrome of "names on the door", but does want to highlight its global credentials and the personal nature of its business.

'It claims it is re-establishing the intellectual independence that advertising agencies used to have before they became listed businesses (and staffed up accordingly), and will invest in being leading-edge on all aspects of creative content planning and design – and nothing else.

'It will integrate old and new media, and aims to deliver the "bright idea" that works across the lot. It will charge for ideas, not bodies on the job. It only wants to serve clients whose businesses need this level of sophistication; it has already signed up a major luxury goods company and a world-leading technology company.'

PARALLEL UNIVERSE?

The hypothetical trio above are like the Ryanair, the dunnhumby and the Dreamworks of the media industry. 'Amusing but crazy stories' you might say. But it all depends on whether we are at one of those inflection points or not.

The more sophisticated clients are on a mission to reduce costs as their procurement departments flex their muscles – they want more for less.

As they globalise their businesses, the same companies now want to be served by just two or three advertising and media agencies around the world – emerging economies included.

But digital communications have transformed the complexity of the marketplace – not only with the internet and its new media but also the burgeoning number of new digital channels in the old media.

With the emergence of all the new firms that deal with digital communications, the industry now looks very confused to clients who long for an integrator to provide an overview for them. Yet, dealing with old and new media separately is surely a development phase we need to work quickly through. Customers don't think that way; they see it as a joined-up journey. Why don't agencies?

DIGITAL DIRECTION

With digital technology there is the widespread hope that the industry – or at least certain parts of it – will become much more data-driven. No one has cracked it yet, but surely they must as the skill sets in the different industry roles diverge and develop.

Similarly, many people are talking about digital technology having the power to change the way simple jobs get done in the industry and hence make a step-change in costs. It has not happened yet, but surely it will. Just as profoundly, the economics of the different roles in the industry are also diverging increasingly – media buying may now need to be a global-scale business, but arguably creative businesses do not. The logic for role separation is therefore increasing.

In addition, the creatives are not happy that they are now playing second fiddle to the media agencies who are spending all the money. How long can that persist?

All clients are not the same either. Some (possibly in well-established consumer goods) are happy with a basic service and its low cost, while others (possibly in new, more complex consumer services) see the value in a more sophisticated service and are happy to pay for it.

Put together sets of these forces for change and you can make plausible arguments for any or all of the three fictional press releases set out above. But could these powerful forces for change be thwarted? Yes, for certain – cultural inertia, essentially, is the likely cause.

Some commentators argue that clients still don't really use new media much because they are stuck in a time warp, even if their new recruits personally use it all the time. They know how to commission the perfect 30-second TV ad but they don't yet know how to crack Google. The old media advertising men may still believe too much that the 'big idea' will conquer all and don't want to change. Frankly, some of them seemed just to miss the start of the boom in digital communications and allowed the young upstarts to move in.

The new media guys don't want to lose their independence for they feel they are the future. The media agencies are traders at heart; they are most comfortable doing what they know well. And who can argue they haven't been successful?

Cultural inertia – or institutional grooving – is not to be underestimated. It is hard to unlearn the winning ways of the past – indeed, maybe even unwise if they still hold some scope for further improvement. Change is disruptive and costly. Maybe the time isn't right for it now. But technological change, the like of which we are currently experiencing, often triggers points of inflection. Projecting the status quo into the future seems a high-risk assumption.

> The economics of different roles in the industry are diverging increasingly – media buying may now need to be a global-scale business, but arguably creative businesses do not. The logic for role separation is increasing

IMPACT ON VALUE DELIVERED

The real risk is that any potential restructuring of the industry, whatever form it might ultimately take, will not be a smooth transition. It will create winners and losers. As in the past, if companies are shaped correctly, then their ability to do their job will be transformed, and maybe they can regain that influence they once had. If not, then today's tensions and inefficiencies will only get worse.

The value delivered to clients, therefore, will be determined – as much as by anything else – by the anatomy of the companies that emerge, clients' abilities to recognise what they need and choose the right firms to serve them. ■

This is an edited version of a speech given at the Brand Finance Forum, October 2010.

C John Brady is a non-executive director at Aegis plc.
cjbrady@btinternet.com

DICK STROUD

Connecting with

older consumers

Apple's success with its iPhone and iPad has been the consumer technology success story of the year. **Dick Stroud** explains why these products are particularly relevant to older consumers and the implications this has for marketers

People in the 55-plus age group are taking advantage of developments to consume content – be it text, audio or video – wherever they want, in the most pleasurable way

THE STATISTICS of the growth in popularity of the app are staggering. Apple opened its online App Store in the middle of 2008. Within ten months the billionth app was downloaded. The same number again were downloaded by the end of 2009. In October 2010 the store contained more than 300,000 apps and has processed seven billion downloads.

While a quarter of all apps downloaded are free, they do generate significant revenue. In December 2009, the 58 million people who downloaded apps paid a quarter of a billion dollars for the pleasure.

The term 'app' has long been used by the IT community as shorthand for a computer 'application'. Since its adoption by Apple it has come to mean a bundle of functionality and content that you access via an icon on a touchscreen device – firstly the iTouch and iPhone and most recently the iPad.

There are millions of things an app can do, from playing Sudoku to finding the best train route home. If you can do it on the web you can do it using an app.

The combination of the app and the touchscreen, to create the smartphone, has resulted in a symbiotic relationship that has revolutionised the mobile phone market. In the 12 months to June 2010, the smartphone increased its penetration of the US market from 16% to 25%. In the same period, consumers in the five largest countries in Europe bought 57 million of the devices – a 38% increase on the previous year.

For many consumers, Apple and app are synonymous. This is a false conclusion because Google, with its Android operating system, has three times the European smartphone market share of Apple. Where Apple still dominates is the number of apps designed for its products, which is three times as many as for Google's operating system.

COMPETITIVE ANGLE

What of the Blackberry? The most recent data from Nielsen suggest that more than half the users in the US intend to swap to a smartphone.

The most recent phase of the app's evolution was marked by the launch of the iPad, a device with ten times the display area of an iPhone that developers can use for their applications. Reading the *Financial Times* on the iPhone was possible but it is a great deal easier on the iPad.

>

It is obvious that apps and their associated technology platforms create radically new ways for consumers to interact with each other and with companies. If marketers concluded that these developments were only relevant to the digital-native, younger consumer, they would be making a serious mistake.

For reasons explained in this article, the combination of apps and touchscreen devices is particularly suitable for older people. So much so that it provides marketers with a way of engaging with those older consumers who have felt excluded from web-centric communications.

WHY DOES IT APPEAL TO OLDER CONSUMERS?

The astonishing statistics of the success of apps are testimony to the technology's appeal. There are four main reasons for its particular relevance to older people.

1 Sensory: After a decade when manufacturers made portable devices as small as possible, with all of the dexterity and eyesight problems it creates for older users, the smartphone and now the iPad have reversed the trend and are bigger. For older people, larger keys and bigger screens are easier to use, especially when the luminosity can be increased along with the size of the characters. Being able to directly 'touch' the application, rather than having to use keys and pointing devices, is much easier for older fingers.

Voice input has been possible for years but the smartphone and iPad raise it to a new level of sophistication. Now you can speak your search words into Google and dictate your texts.

In short, smart devices make it easier to cope with the sensory decline associated with physiological ageing.

2 Cognitive: Even the most technologically adept can be confused by the complicated menu systems of the PC and mobile phone and the accompanying multilingual user manuals. For somebody with little experience or interest in technology, learning the basic controls of these devices can be a daunting task.

The user interface architecture of apps is far simpler. Each screen icon is a single application. Users see only the things that are relevant to them rather than an array of options that they need to navigate.

Cognitive ageing results in a condition know as the 'inhibitory deficit' which results in it becoming harder for older brains to filter out superfluous information. The one-application-per-app architecture helps people to cope with this condition.

3 Functional: It takes two screen touches and fewer than ten seconds to turn on an iPad and start reading the BBC news. This is at least ten times faster than doing it on a laptop and with far fewer interactions.

The immediacy of using smart devices is appealing to all ages and especially to older people who have not been conditioned to accept the limitations of PC architecture.

Two of the technologies that make smart devices really 'smart' are their connection to the internet and built-in GPS. The richness of the local content this delivers creates numerous new applications that can be especially relevant to older consumers.

The least visible aspect of smart devices is their use of microelectromechanical systems (MEMS). These tiny devices (for example, accelerometers and gyroscopes) enable the app to respond to the physical movement of the device. Countering the effects of a shaking hand and knowing when somebody falls are two of their applications.

SALES IN THE US OF THE AMAZON KINDLE AND APPLE IPAD AND IPHONE – BY PERCENTAGE OF OVERALL MARKET

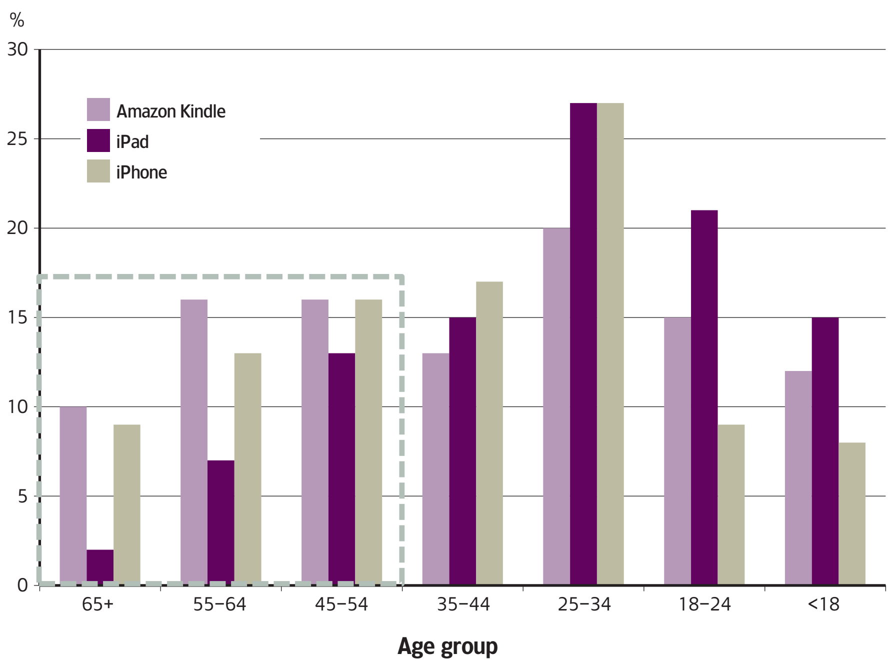


Image: Courtesy of Apple

Apple has continued to push the boundaries of technology to simplify access to content

4 Philosophical: When the iPad was launched it received a lot of criticism from 'techy' commentators who saw it as yet another tablet PC with an appeal limited to Apple devotees.

Apple sold more iPads, in the three months following its launch, than the worldwide sales of tablet computers, by all vendors, in the previous two years. Sales for 2010 are expected to top ten million. This suggests that there is more to the product's success than just Apple's brand reputation.

When interviewed about the reasons for its success, Apple's chief executive officer (CEO) Steve Jobs explained that the iPad was not for people inputting lots of data but for those who wanted to consume content, be it text, audio or video, wherever they wanted, in the most pleasurable way. This describes the requirements of many older people.

The iPad's success is not just about 'what' it can do but the enjoyment of doing it. We know that as people age they value 'experiences' more than 'stuff'. Apple seems to instinctively understand this and has, with its smart devices, made using a computer both functional and fun.

The future for older people could be app shaped. The market research about the sales of smart devices is limited and sometimes contradictory. There is general agreement that the 55-plus age group accounts for just under a quarter of the smartphone market and is growing in its share. The chart (left) shows research from Nielsen for the sales in the US of the Amazon Kindle and the Apple iPad and iPhone.

Nielsen estimates that 22% of iPads are purchased by the over-45s. In another report, Nielsen states: 'Over time, we believe the over-55s age segment will represent a significant growth opportunity … we should not underestimate the appeal of Apple's products as easily and intuitively usable devices for consuming content.'

The age demographics of Kindle sales, an e-book reader that was launched a year before the iPad, is now exhibiting a significant skew towards the older age groups with the 45-plus accounting for 42% of sales. This is not surprising since people in the 55-plus age group purchase, on average, twice the number of books of 25- to 34-year-olds.

Most reviewers believe that reading a book on an iPad, using the Amazon app, is a more pleasurable experience than using the Kindle. With sales of Kindle e-books greater than the combined sales of hardback and paperback books it suggests that the use of smart devices for book reading will be a major driver of sales.

Recent research of iPad sales in the UK, conducted by YouGov, revealed that the over-55s account for 20% of sales, approximately the same level as 35- to 44-year-olds. Two-thirds of iPad users are male, but YouGov discovered that the people thinking of purchasing the product were predominantly aged 55-plus and female.

Older consumers already represent a significant customer group for smart devices and one that seems set to grow in importance.

IMPLICATIONS FOR MARKETERS

If the challenge of integrating Web 2.0 and social networking into their organisation's digital strategy was not complicated enough, marketers must now embrace the opportunities enabled by apps and smart devices. These are four of the most important issues that marketers must resolve.

This is 'day one' of the evolution of apps and smart devices. In the next 24 months there will be significant price reductions in the hardware and an order of magnitude increase in numbers of apps. Already speculation has started about the functionality of the iPad 2.

The digital marketing intelligence website eMarketer estimates that in 2011, iPad shipments will reach 36 million devices. Although slow to respond, other vendors are beginning to ship competitive products that will accelerate the downward price pressure.

Soon, hundreds of millions of consumers will spend the majority of their digital time using apps on these devices. This is not a technology that can be ignored.

AN AGE-NEUTRAL TECHNOLOGY

Two of Apple's ads for the iPhone feature a dialogue between child, parent and grandparent. The US ad features a video conversation between father and son. This must be the first instance of a category-leading consumer technology product not being marketed exclusively to the youth sector. Apple seems to instinctively understand the age-neutral appeal of its products.

Marketers need to learn from Apple's approach and not pigeonhole the technology as an early-adopter youth product. Not only will smart devices be popular with the digitally literate older consumer but they are likely to be important in helping to reach the UK's nine million digitally excluded over-55s.

POST WEB-CENTRIC WORLD

In August 2010, *Wired Magazine* published a contentious article entitled: 'The web is dead. Long live the internet.'

Clearly the web is far from dead but the use of apps is likely to reduce the amount of time that we all spend accessing the >

web, and this will particularly apply to the older generation.

For instance, in October 2010 Amazon released its Windowshop app that it bills as a 'Top to bottom rewrite of Amazon.com – designed and built without compromise just for iPad'. Amazon is using the iPad's video and sound capabilities to add a new degree of richness to its shopping experience.

AARP has recently released three iPad apps replacing the need to access its website. The same has happened with the BBC, LinkedIn, Google, Skype, Sky – the list is extensive.

At the birth of the web, companies aimed to get their website bookmarked. Marketers should be in a race to get their apps on the home screen of consumers' smart devices.

CONTENT WILL DRIVE ADOPTION

The combination of the app and the smart device creates a new platform for the consumption of media. More importantly, these devices provide a mechanism for media companies to charge for their content.

Most newspapers and magazines have launched their own apps. The global commercial director of the *Financial Times* said 10% of new digital subscriptions to the newspaper's content have come through its iPad app.

News International has been at the forefront of apps deployment with *The Times* being one of the most innovative users of the technology. This is not surprising because, according to Nielsen, the subscribers to its content are more affluent and more engaged than the demographic of its open website.

Older people are ferocious consumers of written content. In the US the median age of magazine readers is 41 years, and the over-45s account for nearly two-thirds of all newspaper subscriptions

Older people are ferocious consumers of written content. In the US the median age of magazine readers is 41 years and the over-45s account for nearly two-thirds of all newspaper subscriptions. The age skew in the UK is equally pronounced. Older people watch more TV and listen to more radio than young people do.

Marketers need to be aware that older consumers, especially those in the highest socio-economic groups, will access more of their content (and advertising) using smart devices. The apps-powered smart device is as much a watershed in the way marketers engage with consumers as was the birth of the web. Unlike the web, this new technology will be as much used by the old as the young. ■

Dick Stroud is managing director of 20plus30.
dick@20plus30.com

Can big companies be radical?

Radical innovations almost invariably come from outsiders – revolutionary entrepreneurs whose style, culture and management are inimical to large, stable organisations. **Kieran Levis** illustrates how these kinds of organisations encourage the kind of divergent thinking that produces dramatic breakthroughs

Market creation offers something approaching a monopoly for a while but, sooner or later, others learn to match the capabilities and will make comparable customer propositions

JOHN KEARON is right that big companies are not good at the kind of innovation that creates new categories and markets, (see *Market Leader*, Quarter 4, 2010, p20). But the problem is broader than marketing science and the pursuit of short-term shareholder value.

Big companies very rarely sustain the kind of divergent thinking that produces dramatic breakthroughs. They are much better at the convergent thinking and analysis that finds solutions to clearly defined problems, and can be highly effective at incremental improvements to existing products and technologies.

Radical innovation, however, almost invariably comes from outsiders – the heretical, revolutionary entrepreneurs identified by Joseph Schumpeter a century ago as the main agents of economic progress. They do much more than dream up a brilliant new product – they develop radically new markets, organisations and business models.

In my research for *Winners and Losers*, I sought to establish the attributes common to businesses that had either created new markets or transformed existing ones. Of the 20 organisations I studied, the vast majority were recent start-ups such as Amazon, Google, Ryanair and Cisco. The main exceptions – BSkyB and Nokia in the 1990s and Apple in the last decade – were ardent practitioners of creative destruction. Like all market creators they had an outsider's iconoclastic mentality.

All my market creators were driven by a radical idea that turned out to meet a big market need. For Apple, it was 'insanely great' products; for Google, 'organising the world's information'; for Amazon,

>

> Radical innovation almost invariably comes from outsiders. They do much more than dream up a brilliant new product – they develop radically new markets

becoming 'the world's most customer-centric company'; for Sky, breaking the oligopoly that used to control British broadcasting. Conventional wisdom nearly always dismissed these ideas as irrelevant to what 'real customers' wanted.

The most important attribute of these businesses was developing, largely through trial and error, a set of organisational capabilities that none of their competitors could easily copy. Nobody has ever been able to match Apple for innovativeness. For years, no other search engine was remotely as good as Google's. Amazon survived the dotcom meltdown – when its share price plummeted from $100 to $6 – because its customer service really was the best. After a shaky start, Sky became the best-managed television company in Britain.

These distinctive capabilities enabled them to make uniquely compelling propositions to customers. If you're the only business able to offer it, you have something approaching a monopoly for a while. That's the prize that market creation offers, but it's nearly always a perishable one. Sooner or later, others will learn to match the capabilities and make comparable customer propositions.

These attributes are all rare – and they're not the only ones – but they are particularly difficult to achieve in large, successful organisations. They have too much at stake in defending the existing order against creative destruction. Their cultures don't encourage them to question existing ways of doing things and try new ones, many of which are bound to fail. They are optimised for execution not exploration and experimentation. They are not natural entrepreneurs.

Perhaps the most difficult attribute of all to achieve is the one I call disciplined entrepreneurialism. Few organisations, big or small, achieve this elusive balance between entrepreneurial spirit and management discipline. There's an almost inevitable tension between the often anarchic forces of creativity and originality and those of order, efficiency and professionalism. Creative people and organisations are frequently hopeless at practical tasks, while the highly practical often lack a creative spark. Too much brilliance with no discipline means products don't get delivered on time and costs run wild. Too much emphasis on efficiency and control crushes originality and inhibits experimentation.

NOT ALWAYS A PARAGON

Apple is now a paragon of disciplined entrepreneurialism, but in the 1980s it went to both extremes. From the start it had been a magnet for the brightest computer engineers in the country, much as Google became 20 years later, the place to work in Silicon Valley. But shortly after a sensational IPO in 1980, Apple's co-founder Steve Jobs engineered the

The culture at Apple became so overwhelming that even the toughest manager would come in to shake things up – and instead find himself two months later lounging on a beanbag

dismissal of Mike Scott, the CEO whose tough management style had ensured the effective launch of the Apple II, against all the odds, but had ruffled a few feathers.

Regis McKenna, a board member who had done more than anyone to burnish Jobs's public image, later felt that this was when things really fell apart. He says: 'Looking back, he was Apple's last chance to institute some kind of order. After that, the culture became so overwhelming that even the toughest manager would come in to shake things up – and instead find himself two months later lounging on a beanbag. The mistake everyone makes is assuming that Apple is a real company. But it is not. It never has been.'

In so far as anyone was now in charge it was the 25-year-old Jobs, who veered between being Apple's greatest asset and its evil genius. The company was almost torn apart by feuds between rival fiefdoms, with Jobs urging his team to be pirates and openly pouring scorn on the 'bozos' working on the Apple II, still and for years to come the company's cash cow. He championed two brilliantly innovative new products which both flopped – the ludicrously over -priced Lisa was a commercial disaster and the 'insanely great' Mac won endless plaudits but nothing like enough customers.

Before it achieved that, there was another boardroom struggle that failed to produce an effective leader. In 1983 Jobs had insisted on appointing as CEO John Sculley, a marketing professional who never quite grasped the dynamics of technology markets. But when Jobs tried to rectify his mistake and oust Sculley, the board, exasperated by the excesses of its sacred monster, backed Sculley and in 1985 Jobs himself was ousted.

Sculley could now turn Apple into an organisation with more of the disciplines of Pepsi-Cola, but the computer industry was a deal more complex and volatile than soft drinks. Many of his decisions were eminently sensible and premium pricing certainly helped to make Apple profitable for a while, but proved disastrous in a market commoditised by ever-cheaper clone PCs. Apple found itself marginalised by Microsoft and every year its market share got smaller. Sculley surrounded himself with professional managers rather than innovative technologists who might pose a threat to him. Despite eventually succumbing himself to the curse of the beanbag, he came close to squeezing the creative soul out of Apple.

Under his even less-inspirational successors, morale and profits sank steadily, and in 1997 market share hit 3% and losses $1.6bn. It was at this darkest hour that the former *enfant terrible* returned, having learned in his 12 years away how to lead creative companies.

Not only did Jobs give Apple its soul back, with the help of a superb chief operating officer, Tim Cook, he built highly effective teams. Universally acknowledged as the most innovative company in the world, its supply chain management is now ranked the most streamlined in the world.

EXECUTION VERSUS EXPLORATION

Only extraordinarily talented companies could risk modelling themselves closely on Apple. The beanbag may have been banished, but it is still not exactly a real company. One lesson is clear: no business can afford to let either wild creatives or hard-nosed suits rule the roost entirely. Balanced management teams are probably

Creative people and organisations are frequently hopeless at practical tasks, while the highly practical often lack a creative spark

>

the single most important ingredient in disciplined entrepreneurialism.

This is often encapsulated in partnerships between complementary individuals – Jobs, Wozniak and Scott in Apple's first flourishing, Jobs, Cook and Ives in its second; Ibuka and Morita over four brilliant decades at Sony; Omidyar, Skoll and Whitman during eBay's growth period; Page, Brin and Schmidt at Google; and most recently Zuckerberg and Sandberg at Facebook.

It is comparatively easy for fast-growing young companies to acquire professional management: the challenge is to avoid it squeezing out flair and creativity. Creative companies are oriented towards exploration and discovery. They make progress through trial and error, through pursuing many options simultaneously, through making lots of little mistakes and learning from them – what Eric Beinhocker calls deductive tinkering.

That is immensely difficult for mature companies, however many innovation initiatives they launch. They are optimised, not for exploration and experimentation, but exploitation and execution: they want to measure progress, eliminate redundancy and avoid mistakes.

The more they are optimised for handling well-structured operational problems the less likely they are to be able to tackle major creative challenges. Radical ideas threaten the status quo, are risky and seem to offer at best uncertain returns. The more successful the organisation has been in the past, the more the culture resists unorthodox ideas and points of view. It fails to learn.

As well as these cultural and existential obstacles to truly radical innovation, there are also strategic ones, particularly for technology companies. The author Richard Foster – when he was a senior partner at McKinsey – first showed that when the underlying technology of an industry changes, new entrants almost invariably have the advantage over incumbents. This is essentially the concept of the disruptive technology, later made famous by Clayton Christensen.

> As well as cultural and existential obstacles to truly radical innovation, there are often also strategic ones, particularly for technology companies. New entrants almost invariably have the advantage over incumbents

Incumbent firms concentrate on continuous improvements to the technology they and their customers know and like, on sustaining innovation. The opportunities in radically new technologies rarely look as attractive initially, and it is mainly outsiders who develop them and the organisational capabilities to commercialise them. The founders of these new firms are often individuals who leave large incumbent companies in frustration, and later become devastatingly disruptive competitors to them.

It was outsiders to the main IT industry such as Intel, Microsoft and Apple who produced most of the innovations that created the personal computer. IBM played an enormous part in making these strange toys respectable for businesses, but its PC venture was led by a maverick, Don Estridge, who refused to play the corporate game. IBM's top management persisted in viewing the PC as a sideshow to the mainframe, and failed to see that it was steadily overturning the familiar competitive landscape, where IBM had enjoyed such enormous competitive advantage.

SHINING EXCEPTIONS

Fortunately there are some shining exceptions to this rather depressing general picture, and IBM is one of them. In the 1990s it developed an entirely new and very profitable line of business, namely computer services, thanks to which its sales are still significantly larger than Microsoft's. Sony's invention in 1979 of the now-defunct Walkman was an inspired hunch, but built on long-standing capabilities and technologies. For four decades it was arguably the most innovative company in the world.

The most extraordinary exception to the general rule about big companies and radical innovation was Nokia. In 1992, Nokia was on the ropes, an unwieldy, 130-year-old conglomerate, with 187 ill-assorted businesses, best known in the Nordic countries for its Wellington boots and toilet paper. In the 1960s it had started investing in electronics and telecoms, but 30 years later most of its revenues still came from rubber, paper and cables. After a disastrous diversification into TV sets, the suicide of its CEO, and the collapse of the Soviet Union, Finland's biggest trading partner, it was facing financial disaster.

Powerful shareholders wanted to sell off the new-fangled, hi-tech businesses that were burning cash. But the board decided to appoint as CEO the man who had

just imposed some order on the chaotic mobile phone division.

Jorma Ollila came up with a strategy that stunned them. If mobile was to realise its growth potential, it would need enormous investment and the tightest focus. Ollila decided to apply creative destruction to the whole company – ditch all those old businesses and concentrate on mobile phones. He calculated that, by the end of the decade, sales could rise nearly fourfold to €12bn. The board was sceptical, but in fact revenues hit €30bn by 2000. And Nokia became one of the top ten brands in the world.

Unlike Motorola and Ericsson, the established leaders, Nokia saw that this was something completely different from previous generations of mobile phones. Digital technology made possible very much faster network growth, and tiny handsets, affordable by a mass market. Nokia had been the first to master this technology, but also the other capabilities demanded. This market would be dominated by consumers, wanting a variety of phones to meet their particular needs and tastes.

Nokia made itself a master of sophisticated design, branding and market segmentation. For the first time, it was a phone maker, not the network operator, who had the closest relationship with customers.

But, as happens to most innovators, Nokia became the complacent incumbent, being blindsided by new players it hadn't considered. Even Samsung, a former subcontractor, was creeping up on it with the first camera phones and clamshell designs. Now that components and software could be bought off the shelf, the barriers to entry were lower. Nokia was no longer the leading innovator, and it was slow to recognise demand for new kinds of phones. Since then, the BlackBerry, the iPhone and Google's Android have posed even greater challenges.

The crucial quality Nokia had in the 1990s was the ability to master entirely new capabilities, one shared by all the market creators I've studied who established industry leadership that lasted for a decade or more. But it's exceedingly rare. The only companies who stand a chance of coming up with new categories and brands are those that consistently cultivate new capabilities. ■

Kieran Levis is the author of Winners and Losers, Creators and Casualties of the Age of the Internet, Atlantic Books, 2009.
www.kieranlevis.com
kieran@kieranlevis.com

Nokia was in a position to recognise that digital technology would allow products that were completely different from previous generations of mobile phones – and it realised that tiny handsets would become affordable to a mass market

Technology that helps you to monitor yourself

Communicating with ourselves is now as important as communicating with other people. **Melanie Howard** describes a trend called The Quantified Self

SOME TECHNOLOGIES are so transformative that they continue to facilitate profound social change over decades. Miniaturised, interactive mobile technology – largely through the Trojan horse of the smartphone – is providing the means for a radically different set of behaviours. All such trends arise from a happy coincidence of human needs and technology enablers. The spread of information (accurate or not) about the possible effects of decisions we make on our health, wellbeing and the wider environment means that much consuming now triggers some degree of conscience.

The result is a phenomenon we call The Quantified Self. In a nutshell, it is the profound shift from people being the unwitting generators of data flowing from every action in retail and virtual environments, to being collectors and users of their own information.

Few 'real world' businesses have got on top of capturing and managing the streams of customer data effectively, with the obvious exception of Tesco. It has been the fast-growing internet giants – Amazon and Google – that have exploited their data to analyse and predict customer needs.

But now, data will be more accessible and usable from the moment it is created by the consumer.

TECHNOLOGY RULES

Importantly, the commercial response to this trend is quite unlike the first time that mobile adoption took off in the late 1990s – when text messaging spread like wildfire, spawning a new language structure that changed the social landscape and became the contact language of choice for a generation.

The difference today tells us much about the way in which the commercial world and technology providers have sharpened their game. The investment into how technology can meet consumer needs is now the norm. This remains so despite the recession, as Future Foundation's forthcoming report on The Future of Insight has found through research with more than 100 businesses.

The belief in the potential of new technologies is virtually unquestioned now. The healthcare field is the leading example of companies using the ability and willingness of consumers to monitor themselves. PruHealth provides discounts on insurance premiums in exchange for regular gym visits; iBP creates a blood-pressure record that can be sent to your doctor; and Glucose Buddy helps diabetes sufferers.

Clearly the big shift here will occur when wearable, interactive monitors become everyday items, spurred on by the success of Nike+iPod. Nike is investing heavily in creating a range of affordable body monitors that will record every vital sign and bodily function. The key issue will be making this data meaningful and available to both user and health provider.

SELF MONITORING

Future Foundation's consumer research has found that nearly two-thirds of Britons say they would use a monitoring device to constantly measure cholesterol or blood pressure, for example, but only a quarter would want to keep such a close eye on their alcohol consumption – so hedonism does have a future. In reality, 14% of smartphone users have already downloaded a personal health tracking app and 17% a lifestyle management or productivity-enhancing app. Our forecast is that 50% of the population will have smartphones by 2015 and that a significant proportion of these will be using such apps.

Energy too is an early beneficiary of The Quantified Self, spurred on by the move to compulsory smart metering that is part of the Government's response to climate change. All the major suppliers are making devices that capture and communicate consumption as it is happening, while Garmin is marketing a monitor for fuel efficiency.

While not exclusively about mobile technology, the launch of a personal data storage service, mydex.org, through a collaboration of public sector organisations – including the Department for Work and Pensions and three London boroughs – means the long-mooted benefit of citizens holding and managing their own data has taken a step closer to becoming a reality.

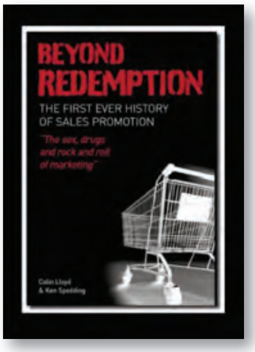
Inevitably, brands must devise ways in which people can put their own data to more intelligent, practical and visible use – deciding what information about themselves they want to store and use, and how much of this data they will be prepared to trade with brands and service providers in exchange for clearly articulated benefits.

Marketers who ignore the rise of The Quantified Self do so at their peril. ■

Melanie Howard is chair of the Future Foundation.
melanieh@futurefoundation.net

Three cheers for sales promotion

CLIVE MISHON



WHAT'S THE oldest profession in the world? *Beyond Redemption* unequivocally claims that it is sales promotion – Adam would never have eaten the apple without the offer of 'Free knowledge'. And so from the Garden of Eden to the online pastures of the Amazon marketplace we are taken on 'a journey' that not even Tony Blair could have conjured up in his recent tome.

Colin Lloyd and Ken Spedding (two highly successful doyennes of the promotions industry) cover all the ups and downs of an industry that has fought to protect its position as the most powerful form of marketing content against the misconceptions expressed by the newer forms of marketing disciplines. Such disciplines would have us follow the teachings of Marshall Mcluhan that the 'media is the message'. It is made clear that the well-crafted and creative promotional offers drive increased sales, not the media.

The book covers the history of the industry with emphasis on the past 50 years. It highlights successes such as Green Shield Stamps and the disasters, of which the Hoover Free Flights Offer gets top billing. However, to make it more than a textbook, *Beyond Redemption* portrays a time when the art of creating a great idea was more important than the planning sciences that drive today's process-driven briefs. It regales with tales of the people, that it calls the History Makers, who developed the industry. The promotional champions inspired great things to happen before the people in this industry were overshadowed by big corporations.

The subtitle for the book is "The sex, drugs and rock and roll of marketing" but there is little overt reference to any of these vices in the book. However, its launch coincides with the publishing of new research that shows that people's physical reactions to viewing great promotions match those reactions when viewing porn – so, reader beware of some hardcore images.

The informative examples of how promotions have changed our lives, linked to stories of how some campaigns were put together, makes for a gripping read in places. And it is all the more gripping with the inclusion of confessional anecdotes about when it all went horribly wrong. This may suggest that the pioneers of the 20th-century promotions industry lived close to the edge – maybe this is why it was titled *Beyond Redemption*. I couldn't possibly comment. ■

***Beyond Redemption*, Colin Lloyd and Ken Spedding, Sales Promotion Publishing (2010), £15**

Marketing's first ever iPhone apps

JUDIE LANNON

A BOOK recently reviewed here contained a Twitter version and a cocktail-party version. These two books go one stage further: they are marketing's first iPhone apps. Kevin Duncan's 'Greatest Hits' books – *A Masterclass in Modern Marketing Ideas* and *A Masterclass in Modern Business Ideas* – are available for easy access on planes, trains, in meetings or for a quick reminder while waiting in reception areas.

The utility of immediate accessibility is obvious, providing the material is worth reading, and Duncan has done a neat job of filleting ideas to the bone. Both books contain ideas not theories or elaborate intellectual constructions, so the titles are accurate.

I think *Marketing Masterclass* is the better of the two. Marketing is a narrower subject and hence the number of ideas that must be omitted in a small book seems less obvious. The ideas included cover a selection of current buzz thoughts that every marketer should probably at least recognise, if not use or even agree with.

The book is divided into chapters each with a main title and explanatory subtitle. 'Big Themes', for example, is denoted as Long Tails and Pirates and covers Adam Morgan's challenger brand ideas and Chris Anderson's long-tail theory. 'The End of Marketing' deals with the impact of the internet, the Cluetrain Manifesto and so forth. Another chapter, 'Love Marks and Buzz', is about brands and branding.

Business Greatest Hits follows the same format, covering the same general chapter headings but with different writers and broader emphasis.

This is obviously a personal selection and highly selective. This is inevitable and no bad thing. So many business books are little more than a chapter containing an idea stretched out, but these little books and their app versions save buying and reading books containing interesting, often stimulating ideas but whose contents rarely merit the length, or price. The apps are also available for the iPad and iTouch. ■

***Marketing Greatest Hits: A Masterclass in Modern Marketing Ideas* (2010), and *Business Greatest Hits: A Masterclass in Modern Business Ideas*, Kevin Duncan, A&C Black Publishers, 2010, £9.99 each**

Proud to be a marketer

HUGH DAVIDSON

TED LEVITT defined corporate purpose as creating and keeping customers. *Marketing Excellence 2* demonstrates how to do this with impact and imagination. It contains 34 case studies chosen from star winners in the Marketing Society Awards for Excellence, 2007–2010.

A wide range of topics is covered from familiar ones like brand revitalisation and customer insight to newer areas such as social enterprise, employee marketing, and sustainable marketing. Cases include many types of activities – from fmcg to retailing, telecoms to energy, fast food to insurance, NGOs to the public sector. Only banking fails to feature. Its practitioners could learn much from this book.

All case studies are readable but several stood out as excellent for me. O2 extended the brand by turning the much-derided Millennium Dome into the world's most popular music venue, while giving O2 customers special privileges and access. Customer retention grew significantly, and econometric analysis showed a 26:1 ROI.

Hovis and Kentucky Fried Chicken are classic brand turnarounds, through product development and compelling communication.

Shell demonstrated how to apply marketing principles to HR. Shell had to double its number of highly skilled recruits globally. It did so through sophisticated treatment of potential recruits as customers, cutting cost per recruit by half as well. Keep Britain Tidy used marketing to change public attitudes, cost effectively. It achieved a 31% reduction in litter – the marketing budget was only £238K.

There are numerous lessons to be learned from the book. Successful marketers are all-rounders – good at analysis and strategy, skilled in managing complex networks of stakeholders, but also imaginative. Great marketers have courage, and always seek to be different. It emphasises that brand revitalisation is about rediscovering the original appeal. Clear, quantified objectives and rigorous measurement, using econometrics when possible, are essential. Reading this excellent book made me proud to be a marketer. ■

***Marketing Excellence 2*, Hugh Burkitt, *The Marketing Society* (2010), £45**

Some of my favourite reads

PAUL FELDWICK

A BOOK that seems to me unfairly ignored in the current vogue for 'behavioural economics' is Robert Cialdini's *Influence: The Psychology of Persuasion*. Perhaps it was too early (1984), and perhaps it seems too simple to be truly clever, but its six main themes – social proof, scarcity, consistency, reciprocation, liking and authority – make it exceptionally useful.

Another book I find myself continually recommending to people is Timothy Wilson's *Strangers to Ourselves: The Power of the Adaptive Unconscious*. Like Cialdini, Wilson is a scientist who not only knows his field inside out but can explain it to the lay reader in clear, entertaining prose. The same is true of Daniel Schacter (*Searching for Memory*), Ernest LeDoux (*The Emotional Brain*), and Antonio Damasio.

Damasio's *Descartes' Error* is justly celebrated but, I suspect, not always actually read. It's the toughest of the books that I've mentioned because his subject – neurophysiology, or the way brain and body work together – is complicated. But all these books are worth reading, because together they will change the way you think about how people process information and make decisions. For anyone who works in marketing or advertising, that ought to be time well spent.

Alongside this shelf of psychology, I recommend two books that have had a powerful influence on my thinking about advertising. The first is *Pragmatics of Human Communication* by Paul Watzlawick and others (1967). Don't be put off by the dry-sounding title, because it's highly accessible. Watzlawick was a psychotherapist, who transformed the concept of communication from just the sending of 'messages', to everything that goes on between human beings.

The book shifts our focus from words to behaviours, from the content of what's said to how and why it's said, and to its consequences. And, although it never mentions advertising, it all makes huge sense applied to marketing communications.

Finally, one important book that is actually about advertising, though written by a journalist more than 50 years ago, is Martin Mayer's *Madison Avenue USA* (1957). *Mad Men* may be a great soap opera, but it never suggests the extraordinary intellectual energy and sense of exploration that was going on in US advertising in the 1950s. That was an era that still shapes our thinking and our behaviour today, and that every advertising professional should therefore understand. ■

China's Ruling Party really needs to let go

Is China serious about major economic reform? Probably not, says **Tom Doctoroff**

OF LATE, many propaganda pieces in the Chinese press have appeared extolling the importance of innovation, value creation and a fundamental rebalancing of China's manufacturing-led economy to a consumer-driven one.

However, a big question remains – does the government truly believe its growth model has reached its peak? The key strategy continues to be urbanisation which entails: a) massive infrastructure investment inland; and b) upgrading non-productive rural workers into higher-productivity manufacturing workers. The structure of the Government's gargantuan 2008 stimulus package is consistent with this framework. Factories are being built on hinterland farmlands, as are transportation networks to ship raw and semi-finished goods between lower-tier cities and the coast. The Party likely believes China can maintain its low-cost labour pool for at least the next decade.

Mobilisation of resources and scalification of markets remain core growth planks and this is inconsistent with any leap up value chains. That said, the Chinese model is appropriate for making an incremental crawl up the value ladder. China has been successful in industry after industry, ranging from green technology to autos. But no industry has had anything close to a paradigm shift in terms of setting global standards of innovation.

A CONSUMER ECONOMY?

In terms of stimulating consumer demand, the Government has done very little to relieve epic savings anxiety of both the middle class and the urban mass market. This would involve, most critically, fundamental restructuring of health care. Le Keqiang, Hu Jintao's heir apparent, is charged with leading the task force to address this need. But most observers are sceptical that insurance pools are deep enough or inclusive enough to fund significant health care reform.

To generate more innovation in state-owned enterprises, a key issue is corporate governance, or lack thereof. In China, shareholder rights are extremely weak. Goals of maintaining Party control and responding to the market are in opposition. Chief executive officers (CEOs) are judged in implementing the party line and competition is, at best, orchestrated from above, by the Party power.

The service sector, and modernisation of it, also remains a huge challenge. It is currently designed to respond to the needs of the masses. But the emerging middle class, whose needs are more sophisticated and require a greater degree of personalisation, have been ignored. Again, key service industries (health care, financial services, real estate, etc) remain 'strategic' industries that are vital to the Party's macro-management of the country. So, significant reform is nowhere in sight.

Corporate structure is a barrier for innovation. Large state-owned enterprises are burdened by byzantine hierarchies that preclude a bottom-up flow of new ideas and imperial CEOs who issue ambiguous instructions to generate anxiety and construct rival power factions to ensure that competition is horizontal, not vertical. There is also minimal investment in R&D and a dominance of short-term sales relative to marketing functions. I am not aware of any large local company that has an empowered marketing function. However, our experience with COFCO, China's largest food conglomerate, suggests it is trying to impose a 'framework' for innovation and brand development.

The local brands that have made the most progress moving beyond scale/huge market capitalisation and towards value creation are, relatively, independent of the state. These are the companies fuelling JWT's growth among local clients. But smaller private enterprises are starved of capital. When will banks begin lending based on objective assessment of return? Many doubt that day will arrive anytime soon.

Chinese companies are, rightly, focused on the China market and they are pragmatic. Recent cases, such as Geely's takeover of Volvo, is a vanity project. It is a misguided attempt to grab a part of the booming luxury-car segment. Lenovo could only go global via a takeover of IBM's international PC operations and results have been decidedly mixed. For the foreseeable future, 'international' Chinese brands will succeed only in emerging economies where the basic price-value equation of mainland goods remains a competitive advantage.

Underlying all of this is the slow progress on political reform. Despite having become the world's second largest economy, China is still a poor country on a purchase power parity (PPP) basis. Vast expanses of the country require strong central Government to continue the Middle Kingdom's Great Urbanisation Project. Having said that, even 'Friends of China' are right to encourage the Party to begin the process of institutional-based reform, because the day when it becomes a necessity, rather than a theoretical 'good', will arrive sooner rather than later. ■

Tom Doctoroff is North Asia Area Director and Greater China CEO, JWT.
tom.doctoroff@jwt.com

Is the financial services sector an open goal?

David Whiting looks at the sorry state of retail banking and speculates that it is time for competitors to shake up this complacent sector

THE BANKING SECTOR has recently been under greater scrutiny than ever before. Owing to its pivotal role in precipitating the global economic crisis, substantially greater regulation of its investment activities is a likely outcome. In the extensive discussion of the systemic arrogance and short-term thinking – among other failings – that created the financial implosion, there has been little discussion of how this mindset informs the retail side of banking.

It takes little imagination for a marketer to see in the everyday operations of most of the financial sector (insurance and pension companies as well as banks), that genuine brand loyalty is hard to come by. Instead, customers stay with providers on the basis of familiarity and inertia, while suffering irritation, confusion and anger. In addition, they are actively encouraged into a merry-go-round of brand switching through the short-term tactics of providers.

SINS OF THE FINANCIAL SERVICES SECTOR

Most financial providers appear reluctant to engage with the real needs of their customers, and marketing – as it is practised in most banks, insurance companies and other financial institutions – is often a parody of the concept. Such organisations frequently abuse customer loyalty by exploiting existing users while rewarding fly-by-night users, thus using customer inertia to turn established brand strategy on its head.

There are honourable exceptions, of course. Since its founding in 1989 by the Midland Bank, First Direct, with its clear 'direct' proposition, has built and retained an unassailable reputation for service and hence customer loyalty. The Co-operative Bank has built an ethical platform that has served it well in the current crisis, and positioned itself effectively for the future, attracting a customer base more upscale than its main high-street competitors.

It is perhaps no surprise that these two banks topped the customer-service poll conducted recently by MoneySavingExpert (respectively, 85% and 75% for 'great service'). Most banks received 'great service' scores of 33% or less of these levels, while 62% of Santander's customers rated the service as poor.

A pattern of perceived cynical behaviour by financial providers is the common experience of consumers, who consequently have little trust in them. Having mis-sold payment protection insurance for years (to a possible level of £2.7bn) and with more than one million complaints received and the subject of a crackdown by the Financial Services Authority, the banks are now seeking a judicial review to block reclaiming.

Transparency seems to be a foreign concept. For example, interest rate reductions that are not communicated and require an extensive search to uncover. Customers are rarely informed that they would be better off switching to a more appropriate product or account from the one with the higher premium or atrophied interest rate. At the same time, customers are bombarded with unsolicited junk communications based on unsophisticated and obsolete blanket direct-marketing practices. The negative impact of the activity, as opposed to the tiny response rate, is unlikely to be measured.

Not surprisingly, the Financial Ombudsman is receiving a record level of complaints about banks. In the first six months of 2010 the top five banking groups accounted for 47,507 complaints.

The frustrating experience of the majority is turned into a nightmare for the more vulnerable sections of society, such as the elderly, despite the fact that the latter are increasingly the wealthiest segment in society and that their ordeals will inform the opinions of family and friends. The relationship with a named individual at a local bank, who could be telephoned directly, and who knew them, has all but disappeared. The evident lack of appropriate segmentation means that the needs of these groups are not only neglected but are also frequently penalised, if not exploited.

MAKING THE MOST OF THE MARKET

The lack of marketing expertise can often be seen at a corporate level too. Companies in the financial services sector are frequently sold, merged, de-merged and bought again. At every stage, brands that have often taken a century or more to build – in a sector with low levels of brand equity to begin with – are tossed on to the scrap heap.

Meanwhile, consultancies are engaged, and paid huge fees, to come up with new brand identities that will then need massive promotional support to even build awareness, never mind positive attitudes, trust and loyalty. AMP spent six years during the 1990s, and £12m, trying to establish its brand in place of the acquired Pearl, London Life and NPI, before reverting to the original brands.

The root problem is, almost certainly, the fact that the marketing personnel, who may be both skilled and sensitive to consumer criticism, have little or no control or influence over the most important elements of the marketing mix, namely the service, the products on offer, the pricing (eg interest rate or annual premium policy) and place (eg bank opening hours and location). Marketers in many financial services companies do little more than control media communications, or a subset, using huge budgets on constantly changing creative strategies to little effect, supporting weak equities that may disappear at the next merger.

COMPETITION TO THE RESCUE

The UK banking sector is to be subjected to a year-long review by the Independent Commission on Banking. It is no surprise that a long-overdue revolution in the sector is stirring, encouraged by ministers who have pledged to open the sector to more competition. In a classic marketing scenario, it would appear that at long last newcomers have seen the potential opportunity represented by the ineptitude of most of the current players.

Walton & Co was launched in January this year, with the aim of opening its first branches in 2011 in the South East of England. The bank is planning to target small businesses that have struggled to obtain credit, and well-off consumers, offering a return to a more personal relationship with the branch manager, longer opening hours and free parking.

Other start-up banks include an initiative by the American Silicon Valley Bank, which is planning to open its first branch in London in 2011, and the Home and Savings Bank, backed by private equity firm Blackstone. The latter is launching as an online and phone bank with the intention of acquiring branches from those sold by the banks rescued in the financial crash. A venture is being spearheaded by Lord Levene, under the auspices of NBNK Investments. Its aim is to restore 'traditional personal banking', but it will need to acquire branches.

The retail banking sector is also being eyed-up by Virgin and Tesco, which not only bring blue-chip expertise in creating consumer-led propositions but also have experience in other financial service areas. Virgin Money has already obtained a banking licence, but has put off the launch until spring 2011. It intends to build a 70-branch network over a five-year period, offering current and savings accounts and mortgages, under the name of Virgin Bank. It may also look at acquiring branches in the same way as other ventures. Tesco is planning to become a mainstream lender, but its launch could be delayed by up to 12 months as a result of the FSA becoming tougher on authorisations.

The only new bank that has actually launched is Metro Bank. It is the first new UK high-street banking chain in about 125 years, using the strapline 'Love your bank at last'. It offers extended opening hours (8am until 8pm Monday to Friday) and treats for clients (and their dogs). It opened its first 'store' in Holborn, London, in July and will have three more by the end of 2010. It aims to open 200 branches across the UK within the next ten years, as well as offering internet and phone banking.

The physical barriers between customers and staff have been removed, as have 'stupid' bank rules. Debit and credit cards can be issued on the spot; and branches offer free-to-use coin-counting machines. Metro Bank's proposition is about customer service and convenience rather than being at the top of the 'best buy' tables, and it is targeting small businesses as well as a wide consumer base.

While most of these new banking ventures have yet to receive their banking licences, 2011 promises to be a fascinating year in the sector. The benefits of a return to the basics of a good experience for customers seem blindingly obvious to marketers in most consumer-facing sectors. Had it not been for the barriers to entry, the endemic complacency in the sector would have been shaken up years ago, but the financial crisis and the sheer gulf between customers' experience and their aspirations has produced a potentially game-changing situation.

The new players need to restore trust and create genuinely motivating brand propositions, and then consumers might overcome their inertia. If the new players begin to flourish, will the existing providers be able to raise their game and what will be the impact on other financial areas? It takes a newcomer to see the need for a genuine customer-led strategy. Is it any coincidence that the pattern is usually found when marketing has been misunderstood, disregarded or sidelined? ■

David Whiting is a marketing consultant and trainer.
dswhiting@whitings.plus.com

The retail banking sector is being eyed-up by companies such as Virgin and Tesco, which have blue-chip expertise and experience in other financial services

What game theory can teach us about brands

All transactions involve games. **Rory Sutherland** analyses the short versus the long game in business, and wonders if the instinct to prefer the long game in life may make women better marketers

IF YOU want to have a bad meal, it's very easy. Just go to a tourist restaurant. And if you want to have a really, really bad meal, go to a tourist restaurant with a view. The very worst meal I have ever eaten was at a tourist restaurant with a fine view of the Acropolis, the whole disastrous experience being exacerbated by the fact that the very bad food was very bad Greek food. I like Greek food at its best (the technical term for this is 'Cypriot'), but at its worst it barely qualifies as food at all.

Any tourist restaurant with a view will almost always disappoint. And no wonder, for such a place will be driven by a combination of very high property costs and a reliable flow of never-to-return customers. This makes it advantageous to them to rip you off as much as they can on the sole occasion in your life when you cross their threshold.

Essentially, in almost any transaction, there are only two games you can play: the long game or the short game. The long game is where you seek to build an ever deepening relationship with customers over time, thereby maximising your long-term profits through a series of mutually rewarding exchanges. Then there's the short game: that is a one-off trade, when it is in your interests to maximise short-term profits when you get the chance, since there's no future trade for you to lose.

In their defence, tourist restaurants have little choice but to play the short game. There is little hope of repeat business. And there is also little risk from bad word-of-mouth (though this is probably changing as online feedback sites such a Tripadvisor become more influential).

There are other reasons why companies might play the short game. Monopolies, for example, don't really suffer the risk of customer defection. Other businesses may sell a product where shortcomings may not become evident for many decades. Or may sell a product no-one ever seems to buy more than once – a timeshare, for example.

Since the degree of confidence you have in any transaction – and hence the amount you are prepared to pay – varies immensely depending on which game you suspect the other party is playing, people look eagerly for signs of reassurance that the people we are dealing with are long-game players. And sellers are equally eager to demonstrate their long-game credentials.

These take many forms. A bank's marble pillars are designed to signal long-term commitment. Someone who invests in marble halls is probably not planning to skip town tomorrow with my £2,000 savings. A high eBay approval score is another such proof point, because a reputation that has taken many years to build is not something you would tarnish for the sake of a quick buck. In short, we like to deal with people who have something at stake beyond the immediate transaction. A brand is a perfect example of this. It is something valuable that you stand to lose from playing the short game. This is what is sometimes described as the 'brand as bond theory' of brand value.

Interestingly, the signalling may work in both directions. Part of the reason loyalty cards may affect people's behaviour is that, for example, if I believe that BA knows my value as an individual, it is in my interests to travel with them regularly; knowledge of my value will encourage them to treat me better than if I spread my favours evenly. This may also partially explain why people are very loyal to online retailers. If all my business goes through one place, I will expect better treatment – provided they know who I am.

This game theory approach to brands is important for several reasons. First, it shows why brands are seen as a guarantee of product quality rather than a promise of it. And it explains how many marketing actions can contribute to brand trust even if they contain no overt message at all.

This game theory seems to operate at an instinctive level within humans – most of us sense signals (or lack of them) without being consciously aware of them. It also explains why women may make better marketers. In evolutionary terms, it is usually in the interests of men to play the short game (inseminate as many women as they can before scarpering); women and the Child Support Agency prefer long-game relationships, with men who stick around after conception.

An engagement or wedding ring was originally a marker – a guarantee of fidelity that is conceptually similar to a brand. A valuable commitment that long-game men happily make but short-game men don't.

"In the rich man's arms she fluttered
Like a bird with a broken wing
But he loved 'er and he left 'er
Now she hasn't got no ring." ■

Rory Sutherland is executive creative director and vice-chairman of OgilvyOne London and Ogilvy Group UK. Rory.sutherland@ogilvy.com

Take a look at the new warc.com

"Warc is like a Google for marketing people"

Professor Philip Kotler,
Northwestern University

www.warc.com

warc

Our bid to keep the brand as fresh as the bangers.

Friends, we live in the world of the celebrity sausage.

A trend which began when one man became obsessed with making the perfect banger.

We refer to the great Norman Parkinson who staked his reputation as much on his sausages as his photos.

A reputation we've been asked to make fresh, relevant and appetising.

Whether we've done so only time and supermarket listings will tell.

But we hope you agree we've made Porkinson's stand out in the pink and chilly part of the store.

If you'd care to see other examples of our work we'd be pleased to talk you through them.

It'll help us get to know each other and won't cost you a sausage.

jkr