QUARTER 3 JUNE 2011

Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

High growth firms: the vital 6%

Stian Westlake

INNOVATE TO ACCUMULATE

David Simoes-Brown

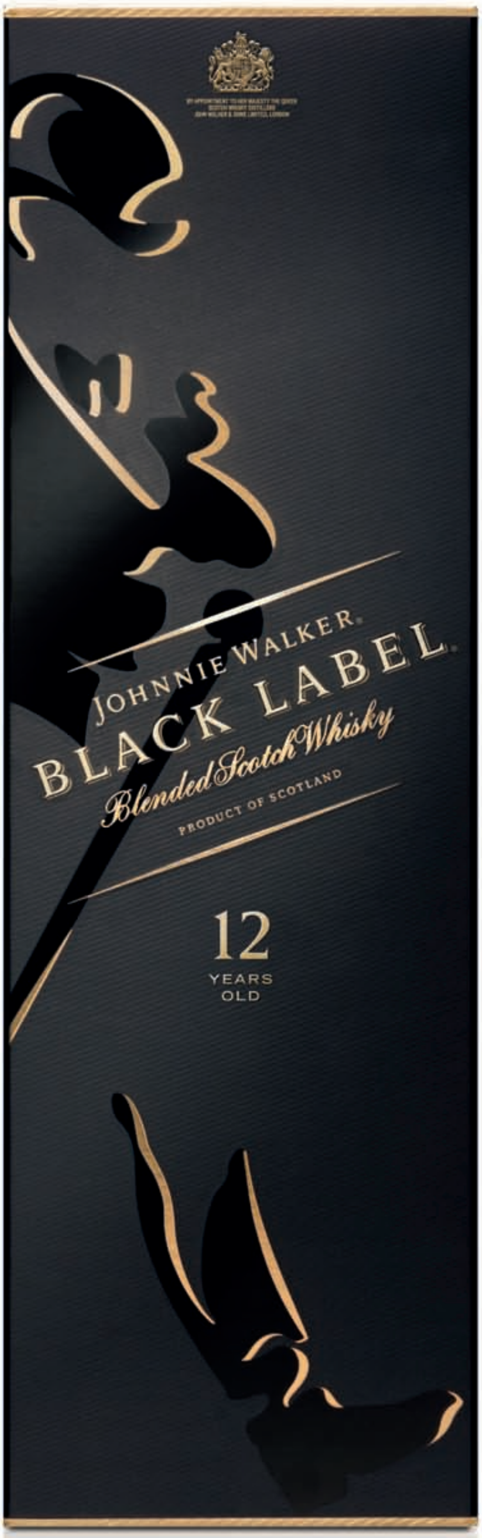
THE SUPERIOR WAY TO GROW

David Cowan

INNOVATE FASTER, CHEAPER, AND WITH LOWER RISK

Anthony Freeling

MARKETING SOCIETY


JOHNNIE WALKER.
BLACK LABEL.
Blended Scotch Whisky
PRODUCT OF SCOTLAND
12
YEARS
OLD

Where will growth come from?

THERE IS no more important subject for government, economists and business people than stimulating economic growth and this issue deals with several key areas.

Conventional wisdom about what sectors are the front runners in growth turns out to be not entirely correct as Stian Westlake describes in the cover article about the 6% of businesses that deliver disproportionately high growth. These are the types of businesses that government policy needs to target and they are not necessarily high-tech or electronic. They are spread across a number of sectors and have several common characteristics. Not surprisingly, innovation is the most important common feature and in this respect, David Simoes-Brown's analysis of open innovation underlines the rewards that come from partnering with outsiders. There are risks, of course, but they are far outweighed by the rewards of sharing innovation with partners that are able to supply resources, skills, and insights and offer the freedom so often circumscribed by the inhouse stage-gate funnel processes.

But looking for growth need not require the expense, risk and time that innovation typically requires. Simply a better grip on existing business can reap rewards as David Cowan describes in his critique about how many companies fail to analyse their own data purposefully and hence miss opportunities for organic growth that a more forensic analysis would provide.

A spectacular example of big company growth is illustrated by Camillo Pane, UK general manager of Reckitt Benckiser (RB), in this edited version of his Marketing Conference presentation from last November. In RB, the whole is definitely greater than the sum of the parts, having grown dramatically in recent years employing good old-fashioned brand marketing with speed and decisiveness. Speaking of which, Anthony Freeling takes issue with traditional marketing processes as ponderous and time-consuming in our fast-moving age, offering a fresh approach to marketing – called agile marketing – which is faster, cheaper and ultimately more effective.

The role of marketing, as Hugh Davidson outlines in his Viewpoint piece, is critical and, as he points out, the majority of levers for added value growth are either directly and solely the responsibility of marketing or are shared with other functions. Is marketing really living up to its potential in this regard? If, as observed by many, the marketing function is becoming boxed into a silo called 'communication' the potential influence in adding value is inevitably diminished.

Judie Lannon

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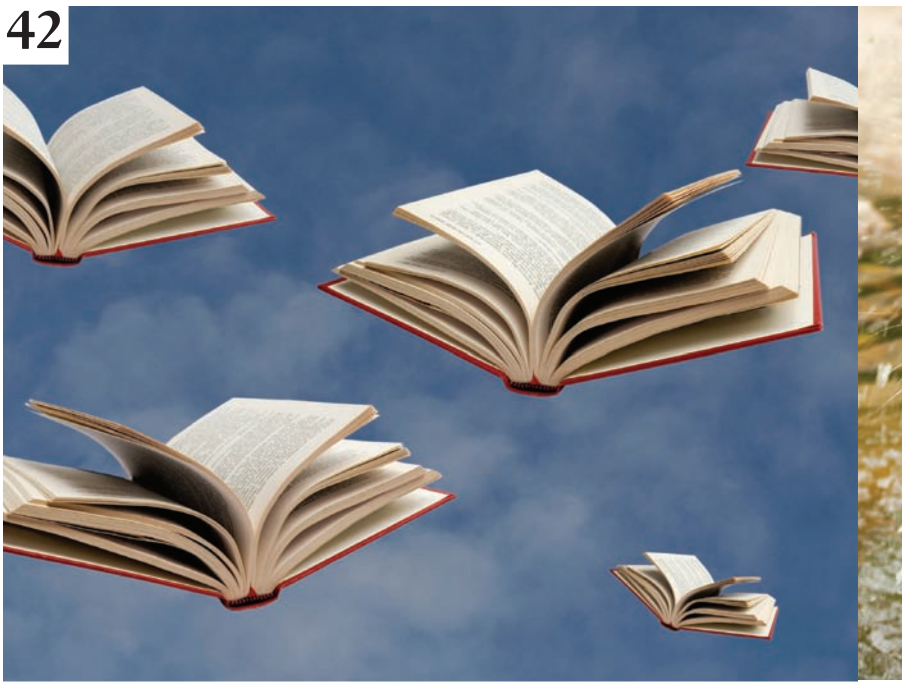

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COVER STORY

Market leaders

CHRISTIAN BARNETT joined Coley Porter Bell in 2008 from Y&R/BrandBuzz NY where he was Executive Director of Strategic Planning. He previously worked at RCKR/Y&R in London. Notable clients over the years include Lego, Virgin, BBC, Ford, AT&T, Quaker, Burt's Bees and Burger King.

FRANCESCA BROSAN is chairman and head of strategic planning at Omobono, the creative and digital agency and B2B specialist. A former board director of WCRS, Brosan's particular interest is the role that digital communications play in driving business relationships.

VICKY BULLEN has been CEO of Coley Porter Bell since 2005. In addition, Vicky has led some of the agency's largest pieces of business, such as Masterfoods, Cadbury's, Kimberley-Clark and Unilever. Vicky also sits on the Ogilvy UK Group Board.

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

DAVID COWAN specialises in helping large businesses grow organically. Businesses such as Unilever, United Biscuits, Volkswagen, Carphone Warehouse, Vodafone, BT and many others. Previously he was a pioneer of the advertising Account Planning movement at Boase Massimi Pollitt now DDB London.

HUGH DAVIDSON is a former chair of The Marketing Society, and author of *Offensive Marketing* and *The Committed Enterprise*. He has worked at senior level in more than 100 categories across 17 countries for P&G, United Biscuits, Playtex International, and Oxford Strategic Marketing, which he co-founded.

ANTHONY FREELING was formerly the leader of McKinsey's European Marketing Practice. He is now a director of Ashridge Strategic Management Centre and research director for the Coca-Cola Retailing Research Councils in Europe and Asia, and a Fellow of Hughes Hall, Cambridge. He is the author of *Agile Marketing*.

BEN HAYMAN is managing director of Promise Consultancy. He is a specialist in brand strategy and leading thinker on how companies can become more innovative by co-creating with customers and staff.

MELANIE HOWARD is chair of the 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.

MARTIN KORNBERGER currently works at Copenhagen Business School and lives in Vienna. Trained as a philosopher, he researches and teaches about practices of organising, strategising, accounting and marketing, and explores how they shape the economy and society at large.

CAMILLO PANE is general manager of RB UK, which is one of the primary fmcg non-food companies in the UK, responsible for iconic global brands such as Finish, Vanish, Dettol, Nurofen, Air Wick, VEET, Strepsils, Durex, Scholl and many more. He is vice-president of the PAGB, the UK OTC trade association, and a member of Bocconi Alumni.

JULIAN SAUNDERS founded The Joined Up Company in 2003. He was editor of *The Communications Challenge* (APG 2004) and blogs at joinedupthink. Previously he was CEO of Red Cell advertising, executive planning director of McCann-Erickson and planning director at Ogilvy.

DAVID SIMOES-BROWN co-founded 100%Open, the open innovation agency, in 2009 and counts Orange, E.ON, Virgin Atlantic, Lego, Oxfam, P&G and InterfaceFLOR as clients among others. He came from NESTA where he led the Corporate Open Innovation programme. He has a background in communications, branding and innovation at Moving Brands, as director of Seymourpowell Foresight and as planning director of the Burkitt DDB advertising agency.

ALLYSON STEWART-ALLEN is director of International Marketing Partners and co-author of *Working With Americans: How to Build Profitable Business Relationships*. She serves as a senior advisory board member of New York's Business for Diplomatic Action, the group helping to improve the reputation of US business and brands abroad.

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 former president of the IPA and writes for the *Spectator*.

STIAN WESTLAKE is executive director of policy and research at NESTA, the UK's national endowment for innovation. He and his team do research on how the UK can become a more innovative place.

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

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Brainwaves

Our selection of light reading from around the world of marketing

Meetings? There are better ways to pass the time

BY WINSTON FLETCHER

MEETINGS, AS everyone knows, are cul-de-sacs down which creative ideas are often lured and then quietly strangled. Or as professor J K Galbraith said: 'Meetings are indispensable when you don't want to do anything.' And when you don't care about the matters under discussion, you soon lose the will to live.

The only way to alleviate the pain (and stay sane) is to play games. A good game for two or more is 'Drag in the word'. Before the meeting each of you gives the other a silly word. The first to drag their silly word into the meeting wins. But beware: silly words that look difficult to drag in often aren't.

Take hippopotamus, for example. Hippopotamus looks difficult but is easy-peasy, thus: 'With this BOGOF we'll lap-up sales faster than a hippopotamus in a muddy pool.' Marshmallow is far trickier, unless you are in a confectionery meeting. Placenta, parsnips and pantaloons are also all good.

There are only three rules. The words must be in the *Oxford English Dictionary*: no inventing. The words have to be used in a relevant way, not yelled as expletives such as: 'Pantaloons, dammit!' Third, if anyone but the players spot a word has been dragged in, the dragger bites the dust.

A nice adaptation of 'Drag the word in' – devised by Jeremy Bullmore – is 'Invent a proverb'. In this game, each player's first task is to invent a false proverb that sounds like a real one, tried and trusted, wise and meaningful. But the false proverb must have no meaning at all. The players then swap the false proverbs, and the first to drag theirs into the meeting is the victor.

> The only way to alleviate the pain (and stay sane) is to play games. A good game for two or more is 'Drag in the word'

Here are some exemplary falsies: 'You don't need to look through the glass of an open window', 'Success is only failure in reverse' (or vice versa), and the ancient Arabic 'Only a foolish camel piles the last straw on its own back'.

And you score double if your falsie has marketing overtones, viz: 'A strong brand can be worth twice its value', 'Never sniff at a supermarket trolley', and the topical 'There's no point in online shopping when you've already got your wellies on'.

If you can't invent a proverb you can always try 'Half my advertising is wasted but I don't know which half', which game-players have been using for centuries, though it has no meaning whatsoever.

If you prefer to play alone, use your handheld, if it's handy, and have a shot at Angry Birds (the Prime Minister's favourite), The Moron Test, Cut The Rope, Golfshoot, or a million more. Otherwise if you don't play games, you'll just have to doodle. But beware. To expert eyes your doodles may reveal more than you realise. ■

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

This much I've learned

CILLA SNOWBALL

The best advice I ever got …
Business is about relationships.

The worst advice I got …
I was once told that great creative ideas emerge from conflict.

Don't underestimate …
The importance of being obsessive about customer satisfaction.

Don't overestimate …
Setbacks. There will always be the opportunity to find education in adversity.

The experience that taught me most …
Being the agency new business director, where I learned all the above.

The most fun I had …
Was winning the Sainsbury's repitch in 2005.

The worst moment …
Was actually doing it.

My peak career experience … Right now, being in the best agency group in town.

Cilla Snowball CBE is group chairman and group CEO, AMV.BBDO
snowballc@amvbbdo.com

HERITAGE VERSUS TECH

MILLWARD BROWN'S BrandZ Top 100 ranking of the Most Valuable Global Brands revealed that among the many tech-savvy brands there are other heritage brands.

Coca-Cola is celebrating its 125th anniversary, and is sixth in the global ranking of brand value – worth $73.8bn.

Five heritage brands in the Top 10 have all been in the Top 10 since 2006. IBM is third, worth more than $100bn. McDonald's is in fourth place valued at $81.1bn. Marlboro at number eight is worth $67.6bn and rose 18% in the past year. GE, valued at $50.4bn is in tenth place. Luxury brand Louis Vuitton appears at number 26. Established in 1854, its brand is valued at $24.4bn, making it the world's most valuable luxury brand.

Technology and telecoms brands make up one-third of brands in the Top 100, accounting for nearly half the $2.4 trillion total value. So how do heritage brands survive? Coca-Cola leverages social media; McDonald's, with a 23% increase in its brand value this year, is including healthy options. IBM, founded 100 years ago, saw its value increase 17% and is finding its mainframes are back in fashion to support cloud computing.

Keeping relevant to consumer needs is a challenge for every brand and something for the newer technology brands to remember as they grow.

Pink Lego? whatever floats your boat

AS WE learn more from neuroscience, sociology and behavioural economics, two themes keep appearing that have a major impact on the field of communications and building brands.

The first is that we are, essentially, feelings-driven organisms that simply have the gift of intellect and conscious thought which allows us to post-rationalise our decisions.

The second is that feelings develop pragmatically, intuitively. The more we do something or experience something that's good for us (ie nurturing, exciting or pleasurable), the more the associations of that experience strengthen in our minds.

So pink has become the colour that little girls – in general in the Western World – aspire to owning. About 200 years ago pink was not specifically a girl's colour but it has become so via association with things designed to make little girls feel good. Think Barbie, think My Little Pony and now, pink Lego.

And there's strong evidence that associations with colour can actually be modified. If you take a random sample of people and ask them to rank colours in order of preference and then repeat this exercise having given them coloured drinks that are flavoured (sweet v bitter, for example) it is possible to change their preferences. The associations of bitterness can affect one's liking of blue, a colour that nearly all of us like. The science supports the notion that little girls are conditioned to like pink, just as they are conditioned through play to be more appreciative of 'softer' relationship-based things whereas boys' games focus them on problem solving and spatial awareness.

Perhaps we are more impressionable than we like to think. And this got me to boats. When I was a boy I was horrified when my father ordered a brand-new Rover 2000 (all the rage in the seventies). There were some cool, groovy colours on offer – all very Biba and Mary Quant. Instead he chose a colour that sat somewhere in the grey-brown spectrum. It was simply the dullest colour I'd ever seen.

I now realise that he chose it because it was the colour of HMS Kenya – a naval cruiser he'd served on in the North Atlantic convoys. In mid-life he chose a colour associated with the heroism, excitement and testosterone of his late 20s. I wish I'd understood that when I was a boy. ■

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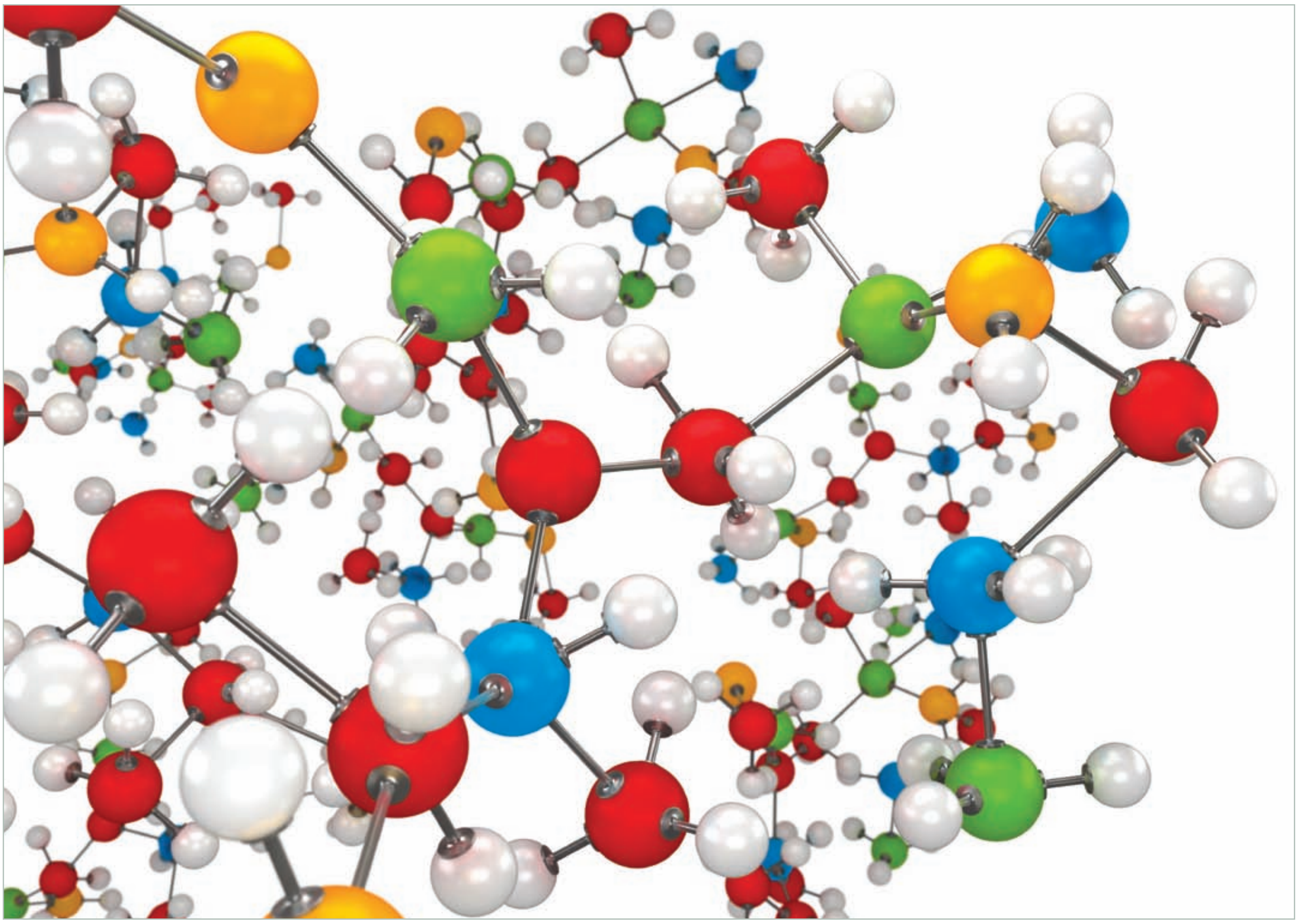
Ideas & issues



SOCIAL MEDIA

Ten principles of social marketing

FROM MICHAEL BAYLER

THERE ARE ten simple – but not always obvious – social principles that I've found useful while working in digital media for the past 20 years.

Before we dive in, let's look briefly at how and why the well-understood potency of consumer word-of-mouth has been massively scaled and accelerated by connectedness, to create the monster we call social media.

SEGMENTING CONSUMERS BY NETWORK BEHAVIOUR

Connected consumers don't just think and behave differently today compared with 'pre-web' times, they use their connectedness in widely diverse ways. We can view the three major profiles as readers, authors and actors.

The huge majority – readers – are relatively passive in their behaviour (the received wisdom puts these people at some 90% of the overall population).

The authors are most active on sites such as Facebook and Twitter: they use social networks as publishers.

The actors – most evident in visual and audiovisual forums such as YouTube and Flickr – literally perform for their tribes. For them, social networks are a stage.

Authors and actors – simply because they're connected and communicating – can have a significant impact on the way a tribe of consumers perceives a brand.

With reference to cases that have demonstrated – most of them by accident, a very few by intent – the beginnings of what has become 'best practice' in social media, here are ten principles, examples, and practice to help get you started.

1 Listen before you speak. No matter how iconic your brand, or how inspired your insights or creative work, social consumers and their tribes must be listened to carefully in order for you to intelligently join and participate in the conversation.

Tiger Beer in Malaysia began its successful engagement campaign, 'Limited-Edition Stand Out', with a focused listening programme. It collected and analysed discussions and blog posts in local social media, not just uncovering powerful, up-to-the-minute insights about the target consumer, but identifying the bloggers whose opinions were most influential.

Carefully brief and use an approved tracking service before, during and after your engagement tactics.

2 It's not your story, it's theirs: help them tell it. In social networks, the primary motivation for users is not consumption of content, it's self-expression. They're trying on new identities, sometimes every day. Their networks are like playpens, in which they can test and refine these identities. This is about tribal display, call and response, and it's often more serious than it looks.

Sony Bravia's celebrated 'Bouncing Balls' ad – an early example of a niche consumer tribe co-opting a brand and building powerful engagement – was ignited and sustained for literally years, by the creative passion and playfulness of (mostly) amateur, connected designers.

Brief your agencies to help your target consumers to self-express more creatively, more richly, to more people, or just to have more fun doing it. This is their story, how can you help them tell it?

3 Feedback, always feedback. A golden rule of consumer engagement is that self-expression without feedback is empty. When connected consumers express themselves, this is only one half of an equation that demands balancing with comments – such as 'likes' (as on Facebook) and, above all, validation.

Bailey's pioneering 'Shang Wenjie' campaign in China culminated in a massive concert by this national star, a potent symbol of female empowerment. It was streamed over broadband to millions of young aspirational women. But the essential and easily overlooked engagement piece of this remarkable event was the online chat facility that joined up millions of real-time discussions among the audience alongside the content.

Wherever possible, build real-time, meaningful feedback mechanics into every engagement tactic.

4 Recognition is crucial. Take on board the social consumers' powerful need to be acknowledged for who they are: you're on their turf. This means that your readers, but especially your authors and actors, need to be handled according to their profile. This is difficult and it can be costly to get right, but you must be aware of the issue and take steps not to get it wrong.

Nike+ has evolved powerful automated mechanisms for recognising its runners. From designing a personal avatar, to tailored suggestions for workout programmes based on running data from the sensor, each tool deepens the user's sense of identity and belonging.

Ensure that, wherever possible, listening tools and consumer profiles are used to optimise recognition, and brief your agencies on the need for meaningful, brand-relevant recognition mechanics.

> We can view the three major profiles as readers, authors and actors

5 Rewards are crucial too. It's not just about reward from your brand, it's personal to the consumer, it's on their terms, it's genuinely impactful and significant to their profile.

With a powerful set of recognition tools in place and in use, Nike+ now has an impactful and intimate platform for personal reward. For runners, this is of course based on the achievement of goals. A simple system of goal planning, with tracking and medals, voice-over congratulations from sports stars, including Tiger Woods and Lance Armstrong, and printable certificates, are examples of meaningful, memorable, and shareable mechanics.

Brief your agencies to extend your recognition mechanics into your reward programme, and to align both of these key engagement elements intelligently with the consumer behaviour you're seeking to encourage.

6 Add value by enabling. Pre-social brand advertising has, one way or another, been about: 'We (the brand) do stuff, you (the consumers) watch.' This tradition has been powerfully subverted in social networking online, to become the norm.

From the frivolous, frothy 'click campaign' to the serious, time-consuming creative endeavour around Sony Bravia Balls, this consumer is looking for enabling and active platforms, not passive spectacle.

Axe/Lynx, with its popular and intrinsically viral click campaign, enabled a cliché ('hopeless males getting the attention of unattainable females') to evolve into a daily platform for funny comment, competition and sharing about all aspects of young male life.

Find the values and behaviours that your consumers are keen to enact: align them with the overall brief objectives.

7 Trading places. We can take the enabling platform thinking further. In our *X-Factor*-obsessed world, when we bring willing consumers onto the stage and help them to strut their stuff – great, average, or 'so bad it's good' – something special occurs.

When the audience become stars – and, even more powerfully, when stars become audience or the 'witnesses' of the consumer's personal and tribal self-expression – a powerful engagement dynamic is created. Baileys was able to use Shang Wenjie, the star of *Chinese Idol*, in this way, to 'witness' the emerging identity onto the global stage of young, educated Chinese women.

Brief your agencies – especially when your strategy involves professional performers – to create and build in 'subversive performance' opportunities.

8 Think useful. Consumer engagement driven by entertainment or novelty (like a quirky video on YouTube) can be attractively explosive, but fizzle rapidly with little genuine brand attribution. A useful, consumer-relevant and brand-credible utility can establish real, sustainable permissions to get, and stay, engaged.

As an example, we only have to look at the runaway success of mobile apps, to see how their increasing utility brings brands and connected consumers together. >

Even where your campaign is based around entertainment, brief your agencies to seek and deliver useful, shareable gifts from the brand.

9 Use events intelligently. Without a highly consumer-relevant point and a focus, branded events can veer dangerously close to 'nice party, who invited the suits?' territory. Rather than using star performances – or so-called exclusive content – to try to ignite brand engagement, focus on the consumer behaviour you're seeking to encourage. Use the experiential work to incentivise, recognise and reward it.

Tiger Beer both incentivised the 'Limited-Edition Stand Out' campaign's authors and actors, and concluded its successful engagement campaign with a first-of-its-kind standout blogger party.

When briefing the event component of your campaign, try to look at it as the icing: stay focused on the 'cake' of the core campaign objectives.

10 From brand monologue to hosted discussion. Above all, engagement is to do with conversation. Rather than dominating or interrupting, brands that ignite, support and add value to 'conversations that matter', are able to achieve powerful access and permissions among connected consumers.

Dove's iconic Campaign for Real Beauty tapped into a huge 'fresh cultural truth' that ignited lively global discussion around the timeless area of female identity, meaning and self-worth.

By enabling and distributing the discussion among consumers/stakeholders, Dove came to own the subject area, creating a powerful and very intelligent marketing success story.

Again, ask yourselves and your agencies: what – and where – is the conversation to which we can add genuine value? ■

Michael Bayler, managing director, Bayler & Associates mbayler@me.com

TECHNOLOGY

Are you a technoholic?

FROM KEVIN DUNCAN

TECHNOLOGY CAN be a wonderful thing, but it can also be a curse. If you're dependent on your phone, computer or other devices to run your life, then you may be addicted (or e-dicted).

It's time to tame your technology and get your life back. Whether you are totally ruled by machines or just feeling the tide turning against you, now is the time to act, and regain control. It's time to confront the problem and make some resolutions that change things for the better.

There are five main areas that need attention: thinking, talking, communicating, doing, and being. Of course, they are all interrelated, but they are worth breaking down so we can see how they can affect our relationship with technology.

THINKING

We don't do enough of it, even though it's completely free. Events overtake us. We need to rediscover the art of thinking clearly and use it to improve our quality of life.

Thinking takes time and requires a bit of peace and quiet. We can't think properly if we are distracted, and distraction comes in lots of ways. If you are trying to think and you are constantly interrupted by inbound alerts, you may never crack the problem. It doesn't work if the phone keeps going, or an email, text or instant message comes in, or if we are trying to multitask and not making a good job of it. So, we need to create space at certain times to think properly.

TALKING

We do too much of it, often without having thought first. We talk too much rubbish, and not enough sense. It's time for a new, more considered approach that reflects what we feel more accurately and makes it easier for others to understand us.

If we don't think, then there is a very strong chance that the quality of our talk will suffer. This works in two directions. First, people who don't think first tend to talk nonsense in any medium.

> We need to create space at certain times to think properly

Second, the person who has to listen to the resulting drivel is either frustrated or hasn't a clue what the other person is talking about. Neither state of affairs is good.

People who blurt out rubbish without thinking create the impression that they don't think much, and are also lousy communicators – so nobody wins. Many people claim that they can't work out what they think until they talk it through. This may be true, but at least they should have the courtesy to alert the other person that that is what they are about to do.

The recipient of an outburst (the wafflee) has the right to know what they are in for (from the waffler). Talking straight affects how well you can communicate through your technology.

COMMUNICATING

We have so many methods of communicating available to us that we frequently choose the wrong one. We need to use the right medium for the right message, and a clear understanding of the suitability of each for the task.

Communicating is a broader skill. It includes talking (in person and on the phone), email, text, instant messaging, social media, presentations, and much more. Communication is two-way, and can rarely be achieved by a monologue, unless you happen to be the president making a speech, and even then there is plenty of room for misunderstanding.

This means that listening is crucial if communicating is to be successful. Choosing the right medium is absolutely critical. How many times have you chosen the wrong medium for the message? It happens all the time, and the more technological options we have, the more baffling it becomes.

DOING

We do far too much of the wrong stuff, which often means we do not have enough time left for the right stuff. We need to be able to distinguish between what matters and what doesn't to make better use of our time.

Doing is the action part. Without it, nothing happens. Writers do not sit waiting for inspiration to strike. They sit and write until something emerges. Anyone can have a great idea, but it is worth nothing unless it gets done.

In that respect, execution has become one of the most valuable traits in the modern world. People mistakenly think of execution as the tactical or menial side of things. They are wrong. People who get seduced into concentrating on the so-called bigger picture usually fail to deliver.

In 2000, 40 of the top Fortune 200 company chief executives were dismissed because their organisations had failed to do what they promised. There should never be a gap between thinking and doing. Technology can fool people into thinking that something is being done, when in fact it isn't.

BEING

We can all be better. We should define our own characters, not allow them to be defined by our possessions or technology. Having a better life starts with knowing what you are all about, and emanating that style.

Existence, and the quality of it, is the essence of life. So it must be worth making sure that what we are suits us. Our self-determination and self-esteem may be enhanced by technology, but they certainly should not be ruled by it.

Getting your attitude to your technology right and having a balance leads to less stress and a more fulfilled life (see box, right). It starts with good thinking, emerges as well-considered talking and communicating, and manifests itself as doing, which leads to high-quality being.

And if you believe the words of René Descartes – 'I think, therefore I am' – then the cycle from thinking to being is complete. ■

Kevin Duncan is the author of Revolution – a book, app and Facebook forum.
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NEED A REVOLUTION?

Do you ever interrupt a conversation with your partner or children to take a call?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Do you check emails for several hours every day?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Does your desire to stay in the loop distract you from the people who matter most?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Have you ever used technology to avoid talking face to face?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Have you ever failed to notice what someone was doing or saying because you were concentrating on your phone or computer?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Have you ever regretted sending a text or email?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Have you ever communicated the same point using more than one method or device?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Have you ever become deeply angry and frustrated by technology?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Do you find yourself distracted by social media sites when you should be doing something else?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Have you ever been the victim of an online scam?
❑ Never ❑ Occasionally ❑ Off and on ❑ Always

Scoring

Give yourself 5 for each 'Always' answer.
Give yourself 4 for each 'Quite often' answer.
Give yourself 3 for each 'Off and on' answer.
Give yourself 2 for each 'Occasionally' answer.
Give yourself 1 for each 'Never' answer.

What your score means

If you scored 10–20, you are not *e-dicted*, and have superb willpower.

If you scored 21–30, you are fairly under the cosh. If you scored 31–40, you are definitely *e-dicted*, but you can pull out of it.

If you scored, 41–50, it's amazing you've had the time to read this far, considering the amount of time you spend using technology. You are very *e-dicted*.

BEHAVIOURAL ECONOMICS

The mind is flat: the illusion of depth in human behaviour

FROM NICK CHATER

MARKETING AND advertising are often based on the assumption that people have 'deep' attitudes and beliefs, that determine their choices of products and services; and that the function of marketing and advertising must therefore be attitude change. Research in behavioural economics, and social and cognitive psychology, suggests, however, that such apparent 'mental depths' are illusions created by our own minds. The real origins of consumer choices are often surprisingly shallow.

MAKING THE DECISION

When we choose a car, vote, or make a moral choice, we certainly imagine ourselves driven by deep motivations and desires. But one of the insights of modern behavioural science is that this feeling is almost entirely an illusion. Rather than consulting our inner selves, we are rather desperately attempting to figure out, on the spot, what we should do and feel. Rather than drilling down into some stable bedrock, we cook up a credible-sounding story about our behaviour.

For example, suppose I ask how much TV you watch each night. I might give you options such as (a) 0-15 mins, (b) 15-30 mins, (c) 30-45 mins, (d) 45-60 mins, (e) more than 60 mins. Suppose you consult your 'inner statistician' and select (c).

However, I might have asked you if the answer was (a) 0-1h, (b) 1-2h, (c) 2-3h, (d) 3-4h, (e) more than 4h. Your inner statistician should look deep within your experience, and select (a).

But there is no inner statistician, peering into your mental depths – indeed, there are no mental depths to peer into. Instead, with either set of options, you actually think: 'Help, I've no idea! I suppose I watch a bit less TV than the average person; and these options probably cover the population at large. So perhaps I'm a (b).' And you do this both times. Even though the answers are wildly inconsistent.

> We cook up stories about what we want by considering what we normally do

This phenomenon is called prospect relativity[1], and perhaps it doesn't really matter much when applying it to how much television I watch. However, the phenomenon is ubiquitous. We can be induced, by similar trickery, to favour wildly risky investments (if the others are even riskier) or stodgily safe ones; to favour fuel efficiency over performance in a new car, or the reverse; to focus on quality, or price, when in the supermarket.

There is no point trying to figure out what consumers want, and providing it because we don't know what we want ourselves.

There are limits to our flexibility and confusion. As I mentioned, one way that we cook up stories about what we want is by considering what we normally do. If I usually buy quality audio equipment, I have some evidence that this matters to me so I'd better do so when next in the store.

I'm like an author flicking back in my manuscript to remember a character's hair colour; to be consistent, I have to check what I like and feel, and stick with it.

Experiments on choice blindness by my collaborator Petter Johansson show this process in operation very neatly[2]. Johansson asks people to choose which of two faces they think is most attractive; and then by a conjuring trick, presents the person with the face they didn't choose, saying 'tell me why you chose that one'. The shocking things are that: (i) people don't notice the switch; (ii) they are perfectly happy to provide an explanation for choosing face B, a few seconds after actually choosing face A.

What does this mean for marketing and advertising? Don't try to look deep inside your customers, or your employees, or yourself. Do focus on the moment-by-moment processes of consumer choice – every effort counts[3], and even the slightest mental or physical barrier may push the consumer towards one choice and away from another. And remember that my best guide to what I want now is what I (think I) chose before, and my second-best guide is what I think other people are choosing. ■

1. Stewart, N, Chater, N, Stott, H P, & Reimers, S. (2003). Prospect relativity: How choice options influence decision under risk. Journal of Experimental Psychology: General, 132, 23-46.
2. Johansson, P, Hall, L, Sikström, S, & Olsson, A. (2005). 'Failure to Detect Mismatches Between Intention and Outcome in a Simple Decision Task.' Science, 310, 116–119.
3. Institute of Practitioners in Advertising. (2010). *We are all choice architects now*.

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EDUCATION PROGRAMME

The Institute of Practitioners in Advertising (IPA) and Warwick Business School have recently announced a strategic partnership in the field of behavioural economics (BE).

This includes the BE Fast-track Executive Education programme, the BE Incubator as a facility for lab- or web-based experimentation for IPA members and their clients, and the BE FastStream – a facility to offer placement and recruitment opportunities at IPA member agencies to the top Warwick graduates and postgraduates. Rory Sutherland, former IPA president, says: 'The industry has been very good so far at capitalising on the insights generated by behavioural economics by translating them into some remarkably new and fresh ideas.

'I sincerely believe that, through this partnership with a leading business school, the continuing stream of academic findings in this area can supply the industry with a regular supply of fresh insights into human behaviour, allowing us to create more valuable and effective ideas for clients – without necessarily waiting for a brief.'

B2B

Survey: What's working in B2B digital channels?

FROM FRANCESCA BROSAN

IN THE recent study conducted by Omobono, in partnership with The Marketing Society and Circle Research, B2B marketers gave digital channels a resounding thumbs up*. This was both in terms of their overall importance in delivering marketing priorities and in terms of their effectiveness in doing so.

No surprises here; we live in a digital world, with colleagues and customers spread throughout the UK and across the globe. Digital channels, in all forms, are now essential for communication.

The challenge has now become: 'How can we use digital channels to reach our audiences appropriately?' At its best, the online space becomes an extension of the actual experience of the company. As Mark Terry, digital development manager of Edenred, puts it: 'We're becoming an online company in terms of our service delivery. Our digital marketing activity has to mirror the company's excellence in this field, and is seen as critical from senior management down.'

At its worst, the digital world can be detrimental to a business, according to Stuart Newland, global offer development manager at Castrol. He suggests that in B2B marketing 'too many businesses use digital channels in an attempt to "be something to everybody", which is more of a B2C thought process. In B2B we can't spend time with everybody.'

LACK OF BENCHMARKS

The question that B2B marketers frequently face, however, is that sometimes it's hard to know what excellence, or even best in class, looks like. While case studies abound for consumer-centric digital marketing, a constant cry from the B2B marketing community is how difficult it is to find out what others are doing. Perhaps this is unsurprising as so much B2B activity is either heavily reliant on industry-specific channels or is selective in its targeting and closely guarded for fear of competition.

But the upshot is that marketers find it hard to benchmark their activities, know if they are doing the right thing, or if there is something else that might work better. It's a constant challenge for all levels. 'Even big businesses like Castrol struggle to know whether we are doing the right thing,' according to Newland.

The report, *What Works Where in B2B Digital Marketing*, sets out to establish what the marketing priorities were for senior B2B marketers, and how they were spending their time and money in pursuit of common goals. It also explored how effective the chosen digital channels were felt to be, as well as the ways in which success was measured.

Finally, respondents were asked to articulate the significant barriers faced in achieving their goals.

THREE TOP CHANNEL PRIORITIES

The first finding is that there are huge similarities in terms of behaviour. Most B2B marketers are investing the bulk of their budgets and time in three core areas – website development, email marketing and social media.

Websites. This is no surprise. The significant amounts of money invested in corporate websites (more than 30% of budgets and nearly the same percentage in time) reflect the central importance of having an engaging web presence that adequately reflects the company's skills and expertise.

Email marketing. Although the bane of the recipient's life, this still allows a level of targeting accuracy and timing not available from other channels. Mark Terry views email as underrated, but admits that it's important to look at the inbox from an audience's perspective. He says: 'Email is great for blasting out a message quickly but is often misused, due to its relative ease, with too much content and far too much volume. All too often people don't think about whether the messages coming from a company are consistent.'

Social media. The appearance of social media very near the top of the list confirms how far this channel has established its role in B2B, an area that has traditionally lagged behind B2C in terms of new marketing activities. It is felt to be the third most effective medium in terms of budget allocated, reflecting how the world has changed in recent years.

More of a surprise was its performance when judged against specific marketing priorities. It tops the poll for effectiveness in terms of 'raising brand awareness' but lags behind email for 'deepening customer relationships'. This result is somewhat unexpected given the immediacy of social media and its capability for conversation versus the structure of an outgoing 'do-not-reply' email campaign.

This highlights one of the interesting discoveries stemming from the research: while channels have changed, their use still seems to be based on established behaviours.

MOBILE LACKS APPEAL

One other unexpected finding from the survey was that mobile is not yet seen as providing real value. Despite the fact that every year that passes is 'mobile's year' according to the media, B2B marketers look unconvinced.

A tiny proportion of their budget and time is being allocated and perceptions of effectiveness are weak. SMS and MMS in particular are not felt to be suitable channels for B2B marketing messaging.

MARKETING PRIORITIES

The report reveals that customer engagement is critical, with nearly 80% of respondents putting 'deepening customer relationships' as one of their top three. Also within the top three, 'building thought leadership and developing the brand positioning' rank highly.

> The challenge is that marketers are struggling to deliver joined-up marketing

Interestingly, the channels seen as being of 'lesser importance' – online video, podcasts and webinars – are perceived as performing strongly against many of the top priorities, particularly thought leadership.

Given that a far smaller proportion of digital marketing budgets are allocated to these channels, along with microsites (smaller sites dedicated to a particular initiative, campaign, topic or business relationship), they are one of the areas in which B2B marketers might do well to invest further.

The report suggests that 'getting buy-in internally' and 'lack of resources' are significant issues for B2B marketers. It's perhaps the case that 'newer' methods are seen as key tools in B2B but, until a technology is more established in the marketer's toolkit, justifying an ROI internally is much harder. This is echoed by the fact that email marketing and website development, both rather 'old' technologies now, are getting more of marketers' budgets. The longer-standing techniques are perhaps more accepted by stakeholders, finance and the C-suite.

'LIVING THE BRAND' IS LOW PRIORITY

As a marketing priority, 'Ensuring the organisation is living the brand' came lowest of all, with only 13% of respondents marking it as a priority, and no one putting it first. Given the apparent importance of building customer relationships and brand awareness, it seems contradictory that such low importance was given to engaging the internal audience with the business.

Perhaps marketers are struggling with budget and resource issues, and one of the impacts is that they simply cannot cover all the bases. The marketing effort does not join up the external and the internal. This leaves a disconnect between the business and marketing goals, which should align.

Ruth Rowan, UK marketing director of BT Global Services, says the most important thing that Global Services marketing has been doing is working with the sales force, supporting their conversation with the end client. For her, linking marketing and sales is critical to success.

INSUFFICIENT ATTENTION TO RELATIONSHIPS

The deepening of customer relationships isn't always reflected in channel behaviour. There is more evidence that marketers are continuing to push messages at their customers rather than enabling them to explore and access the information themselves.

JOINED-UP MARKETING STILL LACKING

So it looks like the challenges for digital B2B marketers are not the digital channels themselves. They are using a range of tactics, maintaining a sane balance of time and budget and have clarity over what's working – at least in terms of being able to track analytics and leads generated.

The real challenge is that marketers are struggling to deliver joined-up marketing that links top-line objectives with corporate behaviour.

CONCLUSION

Not surprisingly, time and money are at the top of the list of barriers to success. But what is surprising is that the most important priority for B2B marketing – getting internal alignment – is not a top priority.

As Caroline Taylor, vice-president of marketing, communications and citizenship at IBM UK suggested at the inaugural Marketing Society B2B event: 'B2B marketing should be holistic, align your marketing goals with your business goals.'

If B2B marketers work alongside those people in control of the purse strings toward the same goals, then lack of resources and coordination should be far less of an issue. ■

* *What Works Where in B2B Digital Marketing* was conducted with more than 70 senior B2B marketers, with responsibility for more than £33m budget in April 2011 by Circle Research and in partnership with The Marketing Society. Available from http://omob.co/hZzG82

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INSIGHT

How to define and drive competitive advantage

FROM DAVID SMITH AND ADAM RILEY

THE ROLE played by customer insight professionals should determine their position in the organisational structure.

Melanie Howard provides an interesting starting point for thinking about the positioning of customer insight teams within organisations (see *Market Leader*, Q2 2011, p34). But as we reflect upon potential restructuring solutions there are some issues that spring to mind.

Before we settle on a 'think tank' model, or see the 'chief insight officer' as the marketing director's insight consigliere, we must ask ourselves: what outputs and impact are we trying to achieve? When we talk about an insight team, do we mean a team that provides meaningful insight, or is this just a fashionable term for providers of data and information?

These are not the same thing but, importantly, they are both perfectly valid roles.

DEFINING TERMS

What struck us in Howard's feature was that 60% of organisations in the Future Foundation's study reported distributing 'insight' at least once a week: 25% claimed to do this every day. Like 'perpetual motion' this sounds too good to be true. It suggests that some organisations are conflating insight with data.

An insight is a discovery about consumers, or the market, that drives competitive advantage, and generates value. Insights are rare and precious. Until we unravel this confusion, debating how, and where, to position the insight team is running before we can walk.

When considering what we want from our insight team and where it is best positioned, it is worth asking what you want from your team. What kind of behaviour will best support you as a marketer? To help think about this, below are four fundamental roles that can be played by customer insight professionals.

The fact finders: unearth 'killer stats' – a critical stepping-stone to insight that could create value. Fact finders provide useful data and may even go further and deliver 'information': data that is structured and organised in patterns or frameworks. But making the connections between these 'patterns' and their business significance is left to someone else.

The wide-angled business lens: work with multiple information sources – often of varying robustness. They join up the dots to see the 'big picture' and interpret the business implications of past patterns and shapes. Having this 'wide-angled business lens' adds context to information and shows why it is relevant to the business and identifies the implications of the information. It's about the what, how and why. This 'wide-angled lens' skill helps the business make informed evidence-based decisions by reducing risk (pushing up the probability of making the right decision).

The insight strategist: insight professionals with the skill set to go beyond filtering information through the 'wide-angled business lens'. They contribute to the strategic conversation that is the catalyst to creating insights. Insights do not drift down from the muse. The 'aha' moment is the product of a powerful combination of 'data-rich thinking' and 'strategic dialogue'.

Only by understanding the organisation's strategic direction and capabilities are you able to identify if you have an insight from which the organisation can make money. So, insight professionals who can be the 'voice of the consumer' and strategically engage with stakeholders to frame the organisation's choices offer powerful support to decision-makers.

The most ambitious organisations, however, may go one step further by encouraging their insight professionals to be the driving force in galvanising the organisation to constantly do things differently.

The insight intra-preneur. This person is goal oriented, problem centric, improvisational, entrepreneurial and courageous. Creative companies are oriented toward exploration and discovery so the insight intra-preneur helps them challenge the status quo.

They move beyond framing choices within the current horizons of the organisation to offer insight that may challenge this fundamental direction. The insight intra-preneur is a 'change agent' who is comfortable bringing new ideas forward and promoting their execution. They know how to help the organisation channel its resources to deliver more successful outcomes.

So, where should we position the customer insight teams within the organisation? You should let the role you want it to play drive this decision. Insight professionals who have the skill set to power their organisation's growth should be closer to the throne than those who tinker at the edge of value creation. Those who can contribute to the 'strategic conversation' may operate more effectively in the 'think tank' model.

Insight professionals who can step up to be an insight intra-preneur will add the most value by having high-level access to the marketing director and board. ■

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Marketing skills help to build profitable growth

Hugh Davidson advises marketers to spend less time on communication and more of their time on the levers of growth

THE FIRST question a head hunter should have for any aspiring marketing director is: 'What have you done to generate profitable growth for the organisations you have worked for?' If the answer is not wholly convincing, end of interview.

Growth is on the government's agenda as never before. But growth has always been top of most companies' agendas and we need to think about the role that marketing could (and should) be playing in building profitable growth.

First of all, it's worth looking generally at the main levers for generating profitable growth, and which department has the most skills to drive them. The table below lists 12 levers and the skills required for them, with no attempt to prioritise; they are all important in one way or another.

Of course, these activities cover only the development aspects of people's jobs. Like everyone else, marketers spend most of their time on housekeeping and maintenance, doing the things that are necessary to keep organisations going on a day-to-day basis. It's always the shortest-term and least-important aspects of a business that have the tightest deadlines, and make the most noise.

But looking at these 12 levers for profitable growth, one can draw some conclusions.

- Half are the primary responsibility of marketing. And marketing is importantly involved in most of the remainder.
- People in finance have few skills either in generating profitable growth, or in raising productivity. Their skills lie in raising capital, managing cash and data, communicating with the City; M&A; and cost reduction. These are important, but much less so than generating profitable growth. It remains a mystery to me why so many CEOs have a finance background.
- Marketers seem to spend a vast amount of their time on communications, worrying whether or not they are doing enough about the internet, and on promotions, in addition to housekeeping. In my career, I've spent much of my time on the wrong things. It could be an interesting exercise for marketers to consider: how much of their time is absorbed on housekeeping rather than on the levers of growth; and how much time is spent on each of the 12 individual levers, and whether this allocation should change. Lack of time on M&A has always been a glaring weakness of marketers. They have never got to grips with this, and so the responsibility is left open for finance. That's why 60% of acquisitions fail.

Marketing's extraordinary potential for generating growth continues to go unrecognised by the wider world and, it seems, even by marketers themselves. Too many are allowing themselves to be boxed into communication silos, or chasing the latest trend in social networking. Too few are widening their skills or evangelising their capabilities and influence within the organisation.

Companies need many more marketing-trained CEOs and many more marketers on main boards as well as non-executive directors. Focusing on the 12 levers of growth will help make this happen. ■

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12 LEVERS FOR GENERATING PROFITABLE GROWTH:

THE TASKS	THE SKILLS
Which existing markets or segments should receive priority or be exited? Which new ones should be entered?	Marketing and CEO
How could existing products and services be improved?	Marketing and operations
What new products and services should be developed?	Marketing and operations
Can we increase growth by repositioning our existing brands?	Marketing
How can we build growth and profit by reorganising the brand/product range?	Marketing, operations and finance
How could resources be reallocated into areas of most profitable return?	Marketing and finance
How do we prioritise existing distribution channels and exploit or develop new ones?	Sales and marketing
How can we enhance customer relationships through better segmentation, targeting, networking, and tailored propositions?	Sales and marketing
What cost reductions can we identify that would feed back into better customer value?	Finance and marketing
Where are the opportunities in mergers, acquisitions or partnerships?	CEO and finance
How could quality and productivity in operations and the supply chain be improved? What should we contract out, and where?	Operations and finance
How do we source more funds at lower cost, and manage working capital more effectively?	Finance and CEO

The incalculable benefit of not going backwards

Jeremy Bullmore argues that reinforcing existing attitudes may provide the greatest return on communication investment, despite being the most difficult to measure

LET'S INVENT a market: an established, low-tech, low-cost, repeat-purchase market. Let's call it the greeby market.

Greebies are used in more than 80% of households and are bought, on average, every three weeks. There are five competing national greeby brands, with market shares ranging from 36% to 9%. Most big retailers have their own-brand greebies. By volume, the total greeby market has been almost static for the past ten years.

Every year, the five companies making greebies draw up their marketing plans and hold sales conferences. Every one of those companies allocates significant marketing funds and sets its annual marketing objectives. And every one of those objectives is set in terms of some measurable market gain: more sales, more share or more both. In 2012, most of their conferences will be called Going for Gold!

Yet, if the past ten years are anything to go by, some of those companies are going to be disappointed. Certainly, they can't all come first; they can't all do better than each other. There's not enough room on that centre podium for all five contestants.

When concerned observers – both inside and outside marketing companies – think about the purpose and value of marketing expenditures, it is this apparent futility that strikes them most. All that effort, all that time, all that money: but to what end?

In 1975, at a market research conference, Stephen King delivered a paper called 'Practical Progress from a Theory of Advertisements'* and in it he challenged the common assumption that all advertising worked in a similar way. For example, one typical and much-followed model was called AIDA and it held that all advertising, irrespective of purpose, must begin by attracting **A**ttention before arousing **I**nterest which in turn creates the **D**esire that finally leads to **A**ction. It was Stephen King's strong belief that no one model made universal sense and that different advertising campaigns worked in markedly different ways.

So he concentrated his attention not on advertising generally – which is no more than an available channel of communication – but on the many different roles that advertisements can play. And he invented a simple way of distinguishing between them that he called a Scale of Immediacy.

At the very top of this scale, the clear purpose of any advertisement is to achieve immediate action. It's long been called direct response. It sets out to get people to pick up a phone, to write out a cheque, to click on 'confirm': it's about as immediate as it gets. No intervening stage or process is required: ad leads directly to action. Transparently easy to understand and marvellously easy to evaluate, this most immediate function of advertising is seldom contentious.

But as the Scale of Immediacy progresses, the expectation of immediate action becomes more and more remote: from 'Seek Information', through 'Modify Attitudes' until we reach the least immediate of them all which King calls 'Reinforce Attitudes'. And it's this last role for advertising that has always generated more than its fair share of academic squabbling, social unease, creative posturing and financial directors' bewilderment.

It also possesses a couple of characteristics that make it unlike any other and to which we shall return. Most commonly employed by brand leaders in repeat purchase categories, the purpose of advertising campaigns designed to Reinforce Attitudes is primarily one of brand protection.

To quote King: 'This is one of the most common and fundamental roles for advertising; yet because it is mainly defensive and is dealing with the stability and intensity of attitude, it is always going to be very hard to measure.' It is indeed infuriatingly hard to measure; it makes the indisputable certainty of an online sale confirmed or a cheque received seem wonderfully concrete. As Henry Higgins (or indeed Lord Leverhulme) might have said: 'Why can't all advertising be like that?'

FEEBLE OBJECTIVES

Advertising designed mainly to confirm existing users in the wisdom of their existing choice suffers from another huge disadvantage. As an objective, it doesn't sound very manly.

Let us say you are the marketing director of the brand of greebies that already enjoys a 36% share. Your first responsibility to your board will be to continue to reinvigorate that brand's salience – its fame, its relevance, its wantability – and thus protect its margins. In other words, you will want your advertising to be at least as positive an influence on profit as on sales volume. You will also, with such a healthy brand share, be keen to repel raiders; to fight off challenger brands and deter any ambitious newcomer from invading your territory.

These are all extremely respectable – indeed, commercially essential – objectives. If your R&D department continues to ensure that your particular greeby's functional performance continues to be competitive, then the right advertising backed by the right amount of money will certainly help you achieve them. The trouble is, such wholly

Not all products can be the winner; and when observers think about the purpose and value of marketing expenditures, it is this apparent futility that strikes them most

admirable objectives may not go down a storm at your national sales conference. Marketing's favourite word is aggressive. All objectives have to be pursued aggressively. Setting out to reinforce existing attitudes (with absolutely no mention of any incremental behaviour) lacks a bit of bite.

'By the end of this year, guys and girls, thanks to your own quite extraordinary efforts and after the expenditure of a record-breaking marketing budget, I am utterly confident that we shall be able to report that we haven't gone backwards.'

All around you, your competitors are inspiring their workers into Going for Gold; and you're attempting to whip your own team into a frenzy of enthusiasm for going nowhere. No wonder one of the most valuable roles for advertising goes relatively unhonoured. But, however unhonoured, this role for advertising offers creative challenges, creative opportunities and creative rewards unlike any other: and they stem from its very nature. Much advertising (though not as much as some have claimed) very properly sets out to convert: from non-user to user or from occasional user to regular user. And advertisements aiming for a conversion effect naturally tend towards the rational; competitive verbal claims often play a major part.

When setting out to reinforce existing attitudes, however – when the aim is to raise a brand's profile, differentiate through style rather than function and inspire irrational affection in the hearts of millions – then emotional factors should always be predominant.

Seventy years ago James Webb Young** called this function 'adding a value not in the product'. When putting a definitive rational argument for a brand, the conventional, paid-for advertisement faces little competition from other forms of marketing communication. But when the goal is the bestowing of an almost indefinable personality on to an inanimate object, then today's marketing director has a vast and colourful box of toys from which to choose.

INFLUENCES AND ATTITUDES

Attitudes are affected more by simple association than by argument. Brand values are absorbed unconsciously rather than noted and remembered. It's not so much persuasion as anthropomorphism. Great packaging, almost certainly under-rated as a contributor to brand equity, has always worked this way. Today, and particularly for this specific marketing need, marketing companies and their agencies are faced with a range of choices both exhilarating and deeply daunting.

The traditional, paid-for advertising campaign is probably still the standard-bearer; but it needs an inspired creative approach. Moreover, its commercial logic may not be immediately apparent and almost by definition it will be formidably difficult to pre-test and pre-justify.

But sponsorship – the right sponsorship – can do this job as well; and so can branded content; and so can product placement; and so can stunts and events; and so can thoughtfully designed PR; and so can a precisely tailored presence on social media. As always, a brand's choice of medium will itself say something important about that brand's personality and its attitude to life. Reinforcing and reinvigorating attitudes, over a great many years, may provide a marketing company's most profitable return on its communications investment; but that return may never be totally measurable.

And because of this harsh fact – and because it's not overtly aggressive, because it deals more with the emotions than with the reason, and because much of it is designed to protect rather than conquer – it is this category of brand communication that provides the fiercest test of marketing talent. In no other aspect of marketing is personal judgment both so critical and at the same time so exposed. ■

* *Practical Progress from a Theory of Advertisements, Market Research Society Conference, 1975. The resulting paper can be found in full, with an introduction by Simon Clemmow, in* A Master Class in Brand Planning: The Timeless Works of Stephen King, *edited by Judie Lannon and Merry Baskin, John Wiley and Sons Ltd, 2007.*

** How to Become an Advertising Man, *James Webb Young, NTC Business Books, 1963.*

This article first appeared in the latest WPP Annual Report and Accounts.

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

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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 4,000 now holding the Foundation Certificate and over 1,200 our LegRegs qualification.

Criteria

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

Resources

Every IPA member agency has direct access to a wide range of services, including: the IPA Legal Team and online Contract Bank; the Information Centre and 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 over 30 years, 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.

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High-growth fir

High-growth businesses have become big economic news. **Stian Westlake** describes the findings from work done by NESTA examining the characteristics of such companies and how they continue to thrive in difficult economic conditions. This has important implications for government policy.

THE UNCERTAIN recovery has put economic growth at the top of the political agenda. However, some companies continue to grow and there are important implications for government policy to help promote these kinds of companies. NESTA's 2009 research summary *The Vital 6 Per Cent* highlighted the importance of the small number of fast-growing businesses that between 2002 and 2008 generated most of the employment growth in the UK.

These businesses can be found across all sectors, and include established firms and start-ups, small businesses and large ones. This finding has attracted the attention of policymakers and commentators, and has become an important part of the debate on economic growth in the UK.

High-growth businesses remain vital to the economy, despite the recession, and the government's policy for fostering economic growth needs to have high-growth businesses and their particular needs at its heart.

Analysis of newly available business records shows that growth businesses still matter: a very similar number of businesses experienced high levels of growth in the period 2007–2010 as over the rest of the past decade. And these businesses continue to account for a disproportionate amount of job growth.

Businesses that had demonstrated high growth before the recession were less likely than other firms to become insolvent when the recession took hold. This suggests that some of the characteristics of businesses that achieve high growth may also be responsible for their resilience in tough times.

However, a new analysis (*Research Summary: Vital Growth*, March 2011) highlights the challenges these businesses face. It suggests that high-growth firms

ms: the vital 6%

both have a greater need for capital than lower-growth firms and may be assessed as having a lower credit rating by the kind of systems banks use to make commercial lending decisions. This is especially concerning given the sharp decline in risk capital funding seen in the UK since 2008. So, we asked what an economic policy geared to the needs of high-growth businesses should look like, based both on interviews with high-growth companies and economic research. In particular, the answer focuses on what policy can do to support one important factor that many growth companies have in common: their innovativeness.

PRIORITIES FOR GOVERNMENT POLICY MAKERS

The summary identifies several conditions associated with innovation and growth that should be priorities for economic policymakers. These include:

- Removing the obstacles to growth, such as excessive regulation of highly skilled immigrants and land use in dynamic clusters.
- Ensuring access to finance for growing businesses, especially venture capital and expansion capital, which are particularly important for growing businesses.
- Investing in a skilled and creative workforce.
- Using research and university funding, and planning policy, to encourage strong and wide-ranging networks between researchers and businesses that encourage the flow of knowledge and information.
- Harnessing government procurement to provide a market for innovative offerings from business.

Over the coming months, NESTA will be working with growth businesses, researchers, investors and policymakers to investigate these areas in more detail.

THE IMPORTANCE OF HIGH-GROWTH BUSINESSES TO RECOVERY

The Chancellor of the Exchequer, in an article co-written with Google's Eric Schmidt in November 2010, highlighted the importance of the small minority of

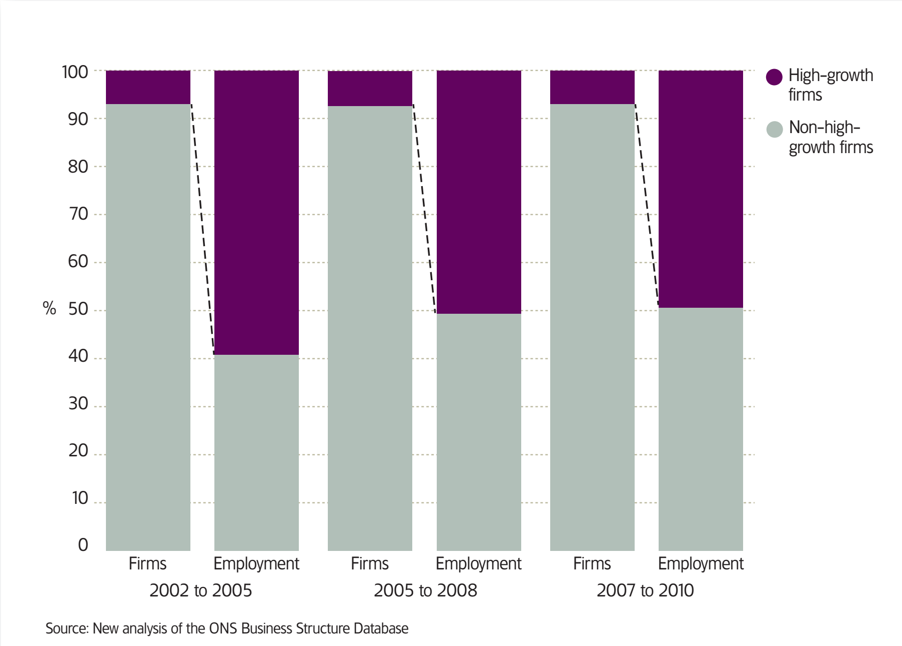

Figure 1: Percentage of high-growth firms and percentage employment

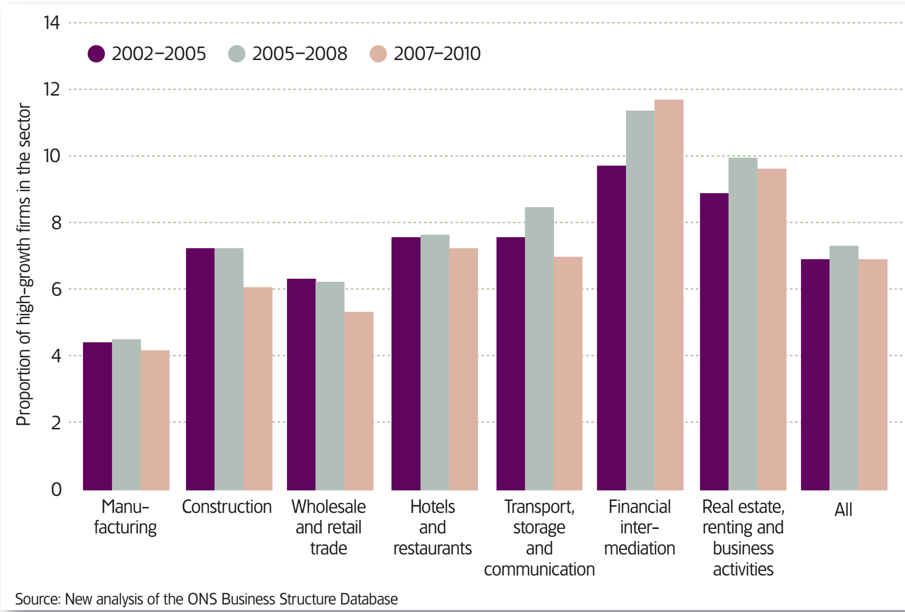

Figure 2: Percentage of high-growth firms and percentage employment

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CASE STUDY: BROMPTON BICYCLES

Brompton Bicycles is a type of company once thought extinct: a manufacturing company. Based in Brentford, London, where it makes the folding bikes for which it is famous, this 30-year-old company has seen recent sales growth of 25 to 30 per cent per year.

Explaining its recent success, managing' director Will Butler-Adams says: 'It's a combination of the right people with the right business in the right environment – few companies get all three. It's a great product and the reason it is good is because it is unique – the bike design is steeped in IP.' Despite this, the company is not a big fan of the recently announced Patent Box. 'That's fine for Glaxo down the road, but how do you attribute revenue from a bike to a patent anyway?'

It has taken Brompton 20 years to expand from 24 employees to 120, many of whom are trained on site – it can take 18 months to become a trained brazer, making the frames. Now the company is looking at another big change, a move from its 22,000 sq ft site to a new 45,000 sq ft factory. 'It would cement the brand in Brentford, and it's a huge risk for us, but a risk we think is worth taking. The banks are willing to lend, but we have never wanted to give up control of the company. It's really important that the company is owned by engineers, and we're committed to the long term. We could really do with some help to get us through this next period of growth.' ■

fast-growing companies. This was echoed by the Prime Minister in his speech on economic growth in January 2011, in which he argued that these businesses – the 'giants of the future' – were central to economic growth.

These comments are supported by a long tradition of academic research into high-growth businesses and a recent surge of interest in policies for how they can be encouraged from a range of developed countries, and international organisations such as the OECD.

This should come as no surprise: the economic contribution of high-growth firms has been nothing short of remarkable. NESTA's 2009 research summary *The Vital 6 Per Cent* analysed the records of all UK companies between 2002 and 2008 and showed that the 11,000 businesses that generated 20% or higher average annual employment growth over a three-year period were responsible for creating 54% of new jobs.

SURVIVING THE RECESSION

Analysis of newly released UK business records shows the continued importance of growth businesses. Despite the deepest recession in 80 years, many companies still experienced high growth. In the period 2007 to 2010, the number and share of UK businesses growing at over 20% per year remained broadly similar to that in the periods 2002–2005 and 2005–2008.

High-growth firms still account for a disproportionate share of job creation, generating half of new jobs created by firms of ten or more employees between 2007 and 2010. This suggests there is a robust relationship that holds through good times and bad.

Companies continue to find routes to high growth, even during the recession.

The research also looked at the high-growth businesses after their period of high growth, during the recession. How did a track-record of growth affect their performance in bad times? The analysis suggested that higher-growth firms were subsequently more resilient: they had markedly lower insolvency rates than their slower-growing counterparts during the recession. There is also some limited evidence that these firms are more likely to grow in sales in the two years after the growth period than non-high-growth firms, consolidating their growth by improving productivity.

Not only do high-growth businesses appear to require more capital, there is some evidence that they may have difficulty obtaining it. When grouped with non-high-growth businesses that have similar credit scores, high-growth businesses have lower insolvency rates than their non-high-growth counterparts. This is true in particular for the lower grades, where credit is more likely to be refused or highly priced.

These findings suggest that a small number of fast-growing businesses represent the most important source of growth in recessionary times. But the analysis also suggests that these firms may have specific difficulties in accessing finance, particularly during the recession. Policies for high-growth firms should create an environment where more companies aspire to and are able to achieve growth.

WHAT GROWTH COMPANIES ARE, AND AREN'T

Given the importance of high-growth businesses, it is unsurprising that policymakers are interested in doing what they can to encourage more of them and to help those that exist to grow further.

However, this is easier said than done. Developed countries have put in place many programmes to support the corporate success stories of the future, but few have delivered results.

This is partly because of the vexed nature of government-provided business support in general. But it is also because of a deeper mistake: high-growth businesses are hard to characterise and identify, so it is easier to target companies based on some other characteristic, hoping it is a good proxy for growth potential. This may have led policymakers to direct their energies to unproductive areas, and miss the real opportunities.

THEY ARE NOT JUST TECH COMPANIES

Some of the most startling high-growth businesses of the past decade have been technology companies, specifically internet companies. The allure of these businesses, and the goal of creating a British Google or Facebook, is an admirable one. But the Silicon Valley tech company is not representative of the majority of high-growth businesses.

NESTA's analysis of growth companies from 2002 to 2010 shows that they are distributed across the economy, from mining to banking.

A cursory look at any listing of growth businesses – such as the *Sunday Times* Fast Track 100 – confirms this. Alongside the odd company clearly identifiable as high tech, you will find logistics providers, facilities managers, professional services firms and traditional-looking manufacturers.

Although high-tech businesses are not the only ones with potential for high growth, research by NESTA has demonstrated the importance of healthy high-tech businesses to a sustainable recovery. The UK has many strong high-tech firms, which are occasionally overlooked in an excess of British self-deprecation. But they are only part of an overall growth picture that depends just as heavily on businesses that innovate in other ways: new services, new business models, and new processes are often as important to growth businesses as new technology. Even within these high-tech companies, innovation in business models, services and processes may be just as important as the technology behind the products.

The implication of this is that encouraging high-growth companies is not a matter of picking high-tech sectors and using public money to back them. Indeed, these sectors on their own are generally responsible for relatively small numbers of jobs. High growth can come from anywhere, so the entire system needs to be responsive to the demands of innovative companies with the potential for growth.

THEY ARE NOT JUST START-UPS

It is also important to appreciate that new companies are not the only ones that grow rapidly. For every burgeoning start-up, there are many growth companies that built the foundations of their growth over many years. For example, folding-bicycle manufacturer Brompton is 30 years old (see case-study box, left).

Some of the world's most dynamic and disruptive high-growth companies have grown quickly, right from the start. It is important that the UK does what it can to ensure that it provides a supportive climate for these businesses. But most start-ups are not like this. Most start-ups start small and either stay small or die. They are not based on disruptive business plans and have little ambition to grow. Even those that do have ambition to grow often take a long time to build up the technology and support to finance that growth.

Analysis of the progress of all businesses founded in the UK in a single year bears this out. Of the 221,731 businesses founded in 1998, for instance, two-thirds had vanished by 2008, and of those that remained, only 10% had more than ten employees, and 7% had seen at least one year of high growth.

The 150,000-odd start-ups of 1998 that failed over the next ten years, and the 70,000-odd that did not grow beyond 20 people, were generally not unlucky Googles. New work examining small businesses that fail to grow, or fail entirely, observes that the majority of these businesses lack the competitive positioning and underlying competencies to achieve it.

This means that the government needs to think very carefully about any policy that involves spending money to encourage new businesses indiscriminately. Such policies may have beneficial social and cultural effects (for example by encouraging people to start small businesses rather than being unemployed or take low-value jobs). But even if such a policy works, generating more businesses that do not have the potential or ambition to expand is unlikely to lead to economic growth.

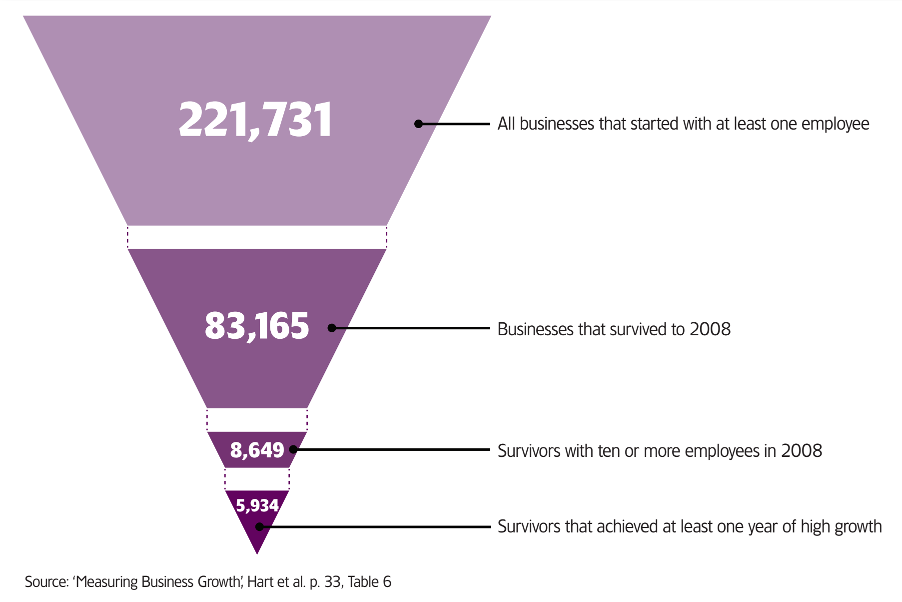

Figure 3: Businesses started in 1998

DEFYING PREDICTIONS

If high-growth companies were easy to identify before they grew, the role of government (and for that matter, of venture capitalists and other private investors) would be simple. Unfortunately, this is not the case. We have already seen that the idea of betting on growth sectors is problematic.

Past performance is also an unreliable indicator: today's high-growth firms are unlikely to be tomorrow's high-growth firms. Looking again at the 1998 cohort of start-ups, less than 40% of all the start-ups that achieved growth above 20% in a single year had another episode of high growth in that decade.

This is a salutary reminder that high growth is not an intrinsic characteristic of some businesses, but a stage that some companies will go through, and others will not, either because they do not aspire to it, as is the case for the majority of single-person enterprises, or because they can't achieve it.

This means that government's job is not to identify high-growth firms and then channel support to them, but to create the conditions where businesses that have the potential to grow can do so.

COMMON FACTOR: INNOVATION

If past performance and sector are not good predictors of high growth, what is? Researchers have made a number of attempts to analyse this and have identified a few factors that may be associated with higher growth. These include the age of the firm, the human capital of the entrepreneur or their gender, the firm's exporting activity and its networks, or the degree of competition in the industry. But frequently these effects are small or questionable and even when they are clear, do not offer a clear guide for policy.

An exception is innovation. Earlier work by NESTA and the National Institute of Economic and Social Research has shown that for UK firms, being innovative is strongly associated with high growth, with innovative businesses growing twice as fast as non-innovative ones.

The implication of this is that by improving the way policy supports innovation, we can help support high-growth firms, even if we know that the government struggles to identify them. The finding is consistent with the specific policies recommended by many of the growth firms that NESTA works with and that we have interviewed in creating this summary. ■

This feature is based on a summary of the NESTA report. The full report, *Vital Growth*, including all references is available at www.nesta.org.uk/publications

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Innovate to accumulate

'Open innovation' is making the transition from being the latest business concept to the mainstream of business practice. **David Simoes-Brown** describes how it promises to provide a short-cut to growth, offering a cost-effective method of sourcing new products and services

MANY INNOVATIVE and successful companies are discovering how to co-create new value with consumers, suppliers and customers. Yet there are fundamental differences in culture, skills and the approach to intellectual property when innovating with others.

Open innovation was first written about in 2003 by Henry Chesbrough, a professor at the Haas School of Business, and defined as: 'A paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology.' In practical terms, this means innovating in partnership with those outside your company by sharing the risks and sharing the rewards.

WHY SHARE RISKS AND REWARDS?

Innovation is a long-odds game and typically fewer than one in 100 new technologies or ideas that are invested ever make any significant money back. Innovation is also an expensive process. It can account for up to 15% of a firm's turnover. This expense, and the odds against success, are the reasons why sharing risk is a good idea. You can shorten the odds by adopting a part-developed product or releasing intellectual property for others to develop. Your collaborators will often be funding product development, saving you money, time, or both.

While sharing risk is self-evidently a good thing, many firms are more reluctant to share the rewards of successful innovation. Those that do are persuaded for two main reasons.

First, the offer of a prize, business contract or other reward will get them better-quality ideas from more experienced contributors. Open innovation is often deployed for hard-to-crack problems where opening up a brief will provide fresh insight and input.

Second, innovative outsiders usually have lots of other good ideas that could be traded in the future, so it's best to develop and keep a network of potential contributors that can respond to future challenges. Sharing rewards makes this more likely to happen by showing commitment to the process and creating a businesslike framework. The possible different business models are examined below – there are many ways for both parties to make money within various ownership structures.

HOW DOES OPEN INNOVATION ACCELERATE GROWTH?

It is axiomatic that innovation drives growth. Apple, Twitter and Facebook are *Fast Company*'s top three innovative companies of 2011 and are each performing strongly. For those organisations with more traditional and entrenched business models, innovation is tough, slow and expensive.

Firms spend billions of pounds on innovation – between 7% and 8% of turnover in traditional industries and 12% to 15% in high-tech sectors. But this tends to be seen as a cost not an investment. A sobering fact from a 2007 Boston Consulting Group (BCG) survey shows that most companies measure their innovativeness simply by recording expenditure and that only 37% of company executives are satisfied with this approach.

It is pretty crude in comparison to the sophisticated way in which marketers prove and measure the value they create. Compared with investment in capital, overheads or marketing communications, innovation can seem more like an act of faith than a business process. In this context, open innovation has three clear benefits.

Open innovation makes three promises to large firms. Done well, it will bring them better innovations and it will often do this quicker than using the usual internal stage-gate process and at lower cost than funding it with inhouse R&D.

Apart from improving the efficiency of the innovation process as described above, open innovation can also free up growth by allowing companies greater flexibility in the way they cooperate with outsiders. Open innovation allows a whole range of mutually advantageous business models that encompass many working arrangements and new opportunities to make money. These broaden from traditional closed innovation via inhouse R&D through short-term cooperative models to longer-term collaborations and ultimately more intimate relationships based on co-creation.

One tends to think of innovation as starting at the beginning, with an invention or 'eureka!' moment. To make open innovation a success it is critical that we think in reverse and start at the end. Nowhere is this more important than in

Being first into the market with innovative products means working in partnerships to share the risks and the rewards

clearly understanding the new business relationships for which we are aiming.

Open innovation is more successful if everyone who participates can appreciate upfront who will make money and if they have a clear idea of who will share what risks. Communicating what sort of collaborative business model you want is crucial to getting more realistic and serious proposals, and it positions your firm as open and committed.

HOW DOES OPEN INNOVATION WORK IN PRACTICE?

Open innovation can either be competitive or more collaborative in nature. The competitions start with a firm publishing a challenge, need or brief to the outside world. It sets out to 'discover' existing new ideas or technologies. Collaborations start by establishing relationships with relevant networks and then co-creating new ideas to a wider and less proscriptive brief. These ideas are produced and developed in Jam workshop sessions, which are day-long workshops that correspond to the phases of innovation: explore, extract, exploit.

The Orange Services Call and Reward (OSCR) project is an example of a discover process and V-Jam is a representative of the Jam style. Interestingly the different processes tend to lead to different business models with discover projects leading to collaborations that are more transactional and Jams leading to co-creations, joint ventures and deliver partnerships.

In addition to the type of engagement, there is another degree of freedom for open innovation programmes. Open innovation is generally thought of as taking place between a large organisation and smaller suppliers or entrepreneurs. However, there are increasing examples that involve a firm's consumers or, at the other end of the scale, other large firms as partners.

INSIDE OUT AND OUTSIDE IN

Chesbrough changed the concept of the innovation funnel – which is a visual metaphor that illustrates a

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VIRGIN ATLANTIC

The V-Jam programme brought together Virgin Atlantic and its customers as co-innovators. Like most businesses, the airline had not traditionally sought collaborations with endusers that went further than researching their views. V-Jam was the chance for Virgin Atlantic to gain fresh insights for new web applications and have them developed by the 'V-Jammers.'

Six social media projects were born and developed very quickly in two intensive workshops that brought together Virgin Atlantic staff, customers, web developers and social media experts. V-Jam led to eight new social media applications being developed including Taxi2 (a taxi-sharing scheme) which has been rolled out on all of Virgin's transatlantic flights and a Virgin Atlantic Flight Tracker which is now a hugely successful travel application.

Virgin Atlantic has calculated that the return on investment has been an impressive 10:1, better value than the traditional route of using a commercial third party for system development. For this cost, Virgin Atlantic is now developing ideas that are more radical than internally generated innovations, with the confidence that user-led innovations deliver something customers genuinely want, developed by people with passion for their ideas.

ORANGE

The OSCR programme was a call for innovative products, services, solutions or business models for Orange. Its business objectives were to grow audience share, increase customer loyalty and create significant new revenues from open innovation, in excess of €20m over three years.

The intellectual property in service innovations is notoriously difficult to protect and the programme therefore aimed to create long-term business relationships between small firms and Orange. These were openly pitched as specific forms of partnership: licensing new intellectual property or creating a new joint venture.

OSCR was run as a competition within a specialist network of small firms; 85 responses to the clear and open brief were submitted within two weeks of launch and the most promising seven entered an 'innovation airlock' to be developed while protecting intellectual property. A further six companies' propositions were also passed straight to Orange in a 'fast track.'

OSCR resulted in a trial of a new service called Last Second Tickets which is currently under way with one million Orange customers in the north-west of England, with the current estimate being that this represents a €50m opportunity over three years.

filtering process in which many ideas are narrowed down to a few that make it to market. He showed that technology could come from external partners at any stage of the process (outside in). Or, ideas can exit the firm to third parties before they are full developed or launched (inside out). The graphic above that depicts the innovation funnel, opened out and made porous.

There is a one final observation about the process of open innovation that is key and illustrated by turning the funnel around 180 degrees. In this state it represents a loud hailer or megaphone. One of the most overlooked aspects of open innovation is communication.

Clear communication of innovation needs directed at relevant communities can avoid the twin evils of too few or too many ideas being submitted. Firms can avoid a 'build it and they will come' mentality if they actively reach out and recruit relevant networks.

They can avoid being swamped by irrelevant ideas when they proactively issue challenges rather than try to make sense of large numbers of unsolicited approaches.

STEPS FOR SUCCESS

These guidelines are some lessons learned from live projects and illustrate some of the important cultural principles behind successful open innovation.

1 **Trust the community to do the heavy lifting.** The customer co-creation programme with E.ON was almost a victim of its own success with hundreds of ideas being submitted into an already crowded pipeline. The technique was to enable members of the community to filter and develop the ideas and trust them to prioritise and vote for the best. In this way the cream rises to the top and the need for expensive and time-consuming concept testing is reduced.

2 **Find your top 1%.** The Virgin Atlantic project (see panel, left) deliberately targeted lead users. In innovation communities and online crowds it is becoming clear that for every 100 members there is one active and creative contributor, nine who comment and build and 90 'lurkers' who mainly observe. The frequent flyers that made this initiative so successful were both knowledgeable and motivated to help, and they enjoyed the process.

3 **Ask interesting questions.** Open questions have to be interesting to your audience both for its intellect and its business. Less obviously they need to be interesting to your company too. One of the main points for open innovation is making an external technology or product land successfully within the business. This is easier if the business is a) expecting it and b) it addresses a strategic challenge rather than a nice-to-have. Challenges that you issue to the outside world must also be in language it understands.

The OSCR project is a case in point (see panel 'Orange', left). The process really took off when we changed the question 'Can you work with Orange to deliver service innovations to grow its audience?' to 'Help us find the new Orange Wednesdays'.

4 **Communicate ambitious targets.** Set clear and significant financial targets, within the framework of a clear timing plan, to act as a motivating statement

of intent. P&G's quest for $100m opportunities showed that it had faith in the process and was serious in its ambition. This level of clarity also identifies weaker and smaller submissions, making the process more efficient in terms of time spent on it.

5 **Develop your peripheral vision.** Part of the rationale for open innovation is for large and inflexible organisations to react quicker to the fast-changing world in which we live. A firm's next big competitive threat is as likely to come from a precocious start-up in an adjacent sector appearing from leftfield.

Use of open innovation, and especially engaging with wide and disparate networks, can help develop the peripheral vision needed not only to avoid a threat but to embrace a new opportunity to collaborate. No one predicted that NATS would find value in McLaren technology (see panel 'Partnerships', right). Creating a climate of managed serendipity among a disparate network helped discover the potential value that was there all along.

WHOSE RESPONSIBILITY IS OPEN INNOVATION ANYWAY?

Many sales and marketing directors will see product innovation as someone else's job. However, as Bill Joy, founder of Sun Microsystems, says: 'Not all the smart people work for you.' How can a company tap into great ideas or great people wherever they may be – internal or external – and whose responsibility is it to engage them and innovate with them? It is becoming apparent that the responsibility is shifting rapidly as innovation opens its doors to the outside world.

The advent of social networks (in addition to intranet/email) allows firms to link up and harness the creative potential of all employees, no matter in which department they work.

Innovation is increasingly being seen as a contact sport. Companies such as Oracle, Siemens and Orange are implementing innovation platform technologies that harness the potential and perspective of their colleagues.

A new vision for an innovative company structure is being hammered out. Innovativeness seldom results from a top-down strategic initiative. It resides in how people behave and communicate. While leadership from design, R&D or innovation departments is important, the best results come from obtaining buy-in and engagement from right across the business, from HR and customer service to marketing communications, supply chain and mergers and acquisitions. Today, innovation is more networked than ever and the responsibility for it must be more distributed too.

This includes marketers, who have a vital role to play in the way an organisation innovates, from tapping into insights from customers to creating two-way relationships with consumers who have so much more to give than their cash. ■

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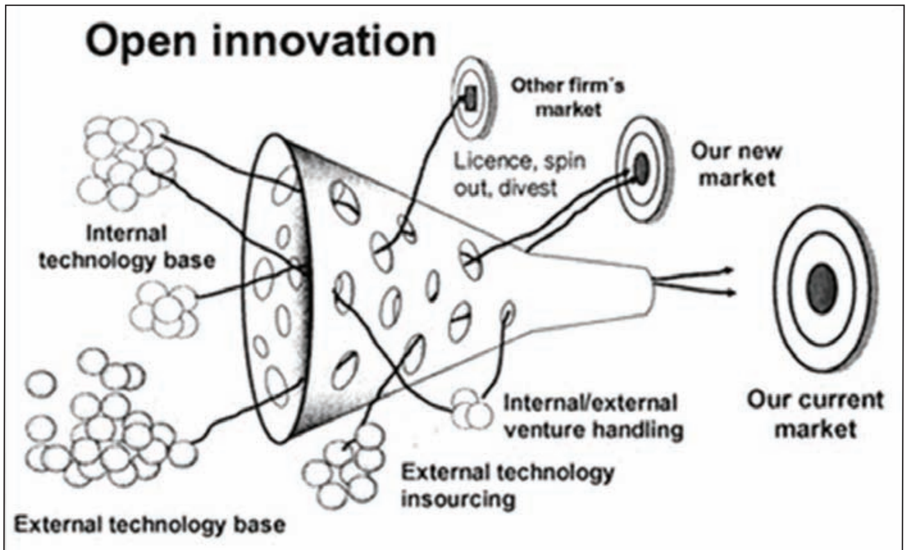
PARTNERSHIPS

■ Formula 1's McLaren Applied Technologies has formed a partnership of equals with the UK's air-traffic control service NATS – in which predictive F1 software allows air-traffic controllers to predict how aircraft are likely to act at airports, overcoming costly and dangerous uncertainty.

■ E.ON used a 'discover' process with existing energy customers called Power to the People. This sought and found three new £10m revenue products that helped save or use energy in a different way and in the process transformed consumers into co-creators. E.ON is now in effect buying from its customers as well as selling to them.

■ P&G invited the UK's design community to respond to two briefs on fabric care and wellness to find global new markets worth $100m.

■ Oracle led a transformative programme with its major corporate customers called Open Alchemy, aiming to co-create the future with firms to which it had sold existing solutions. This led to a major collaboration, Wellbe, between Oracle, BT, Pfizer and the NHS to provide a health-incentive scheme for the UK.



Stolen with pride from Professor Henry Chesbrough, UC Berkeley, Open Innovation Renewing Growth from Industrial R&D. 10th Annual Innovation Convergence, Minneaopoils Sept 27, 2004.

The innovation funnel illustrates a filtering process in which many ideas are narrowed down to a few that make it to market

The superior way to grow

David Cowan presents a compelling argument for growth that comes when marketing activities are based on rigorous, wide–ranging and purposeful analysis of consumer behaviour.

COMPANIES GROW in different ways. Desirable though they may be, both innovation and acquisition are expensive and risky. More ingenuous marketing actions with existing brands should be the priority.

It is widely agreed that growing through acquisition produces very uncertain returns. The acquirer pays an acquisition premium, the cultures of the acquirer and the acquired are often difficult to square and the promised scale economies and cross-selling opportunities frequently fail to materialise. Often a few years down the track the acquisition is disgorged and the exercise has been a gigantic waste of money and time and destroyed shareholder value.

There are, of course, exceptions and in specific circumstances acquisitions pay off handsomely. But, generally, organic growth is most profitable. McKinsey has shown that £1 of organic growth is worth £4 of acquisition growth.

So where is growth to come from? Innovation is the usual answer but innovation is problematic. John Kearon, in his article 'Why marketing has been the death of innovation' (*Market Leader*, Q4 2010, p.20), makes the point that large businesses don't produce major category-creating innovations. These come from start-ups, from mavericks, from visionary engineers and designers and not from the marketing people practising marketing science in their innovation centres.

Even minor innovations have a very bad track record: the statistics are well known. An IRI analysis of 484 new grocery products launched in the UK and other major European countries found that only one in seven succeeds. A wider US study found that 96% of all innovation attempts fail to meet their targets for return on investment. There are no easy answers to the growth question; however, I would like to suggest a less risky avenue – Non-Innovation-Led Growth (NILG).

A LESS RISKY ROUTE

As a term, NILG is ill-defined and vague. Some people use it to mean old product development – perhaps the revival of a neglected brand, giving it new packaging and starting to advertise it again. In some cases it means giving an old brand a new use and repositioning. The case of Brasso (see Camillo Pane in this issue, p.35) is an example: the century-old product for cleaning metal was rejigged as a product for cleaning computers. For others, NILG is about execution – optimising each part of the marketing mix.

However, there is another aspect of NILG and one that is much more important. That is the potential that comes from reframing marketing objectives based on better understanding of the consumer behaviour in question.

It is obvious to all that growth comes from changing customer behaviour: getting new brand users, getting more from existing users or selling more of the product range to the customer base and so forth. So how can we get behaviour change and hence NILG?

Marketing action should be based on understanding the causes of consumer behaviour in a particular market. The first step is a more rigorous and integrated analysis of all the relevant market, consumer and media data to generate an evidence-based theory of how behaviour can be changed.

But surely that means business as usual and is what marketing departments all over the world are already doing?

Marketing departments are awash with market research and other data. Surely they derive marketing objectives from a solid fact-based analysis of why the behaviour is as it is and the drivers of change. In my experience this is often not the case.

Marketers say they are doing things when often they are not. Or they are doing them the wrong way or not pursuing them vigorously enough. Often the evidence for marketing action is superficial or non-existent: myth and conventional wisdom are often lazy substitutes for sound data analysis.

PROBLEMS INACCURATELY DEFINED

Problem definition is the starting point. Sometimes the problem is obvious. For example, a car manufacturer's retention is low compared with its competitors. Clearly this is a problem and the objective is to raise the percentage of owners who buy the marque again.

But often the real problem hasn't been properly defined. Here are some examples from my experience.

- A biscuit manufacturer thought that its problem was brand switching and all its actions were directed at preventing this. But it turned out that this wasn't the problem at all; its consumers were decreasing their purchasing and in some cases dropping out of the market completely. That state of affairs required quite different marketing actions.
- A global FMCG company was pursuing a strategy unaware that the category in which they are the dominant global player had been losing the younger age groups. The company's share of category was constant but the category as a whole was in long-term decline and it turned out that its activities were largely responsible.
- A major retailer thought that its shop numbers were very close to saturation but on investigation it was found that there was potential for twice as many.

The marketing practitioner may be thinking that he or she would never make such mistakes or fail to spot opportunities like these. However, the examples above, and there are many more like them, came from sophisticated companies with smart experienced people working there.

> Neither insight departments nor their data suppliers carry out the right types of investigations that would identify opportunities for existing business growth

So why did these smart sophisticated marketers fail to spot unrealised potential or mistakes that were being made?

FAILURES IN HOW DATA IS USED

There are systemic problems about the way market and consumer data is used in many organisations. If data is used in a different way, not only will errors be reduced but opportunities for NILG will be revealed.

The search for NILG starts with the data the business already has: interrogating it to identify the causal chain that explains the behaviour in the sector and brand share positions in it. Sometimes rigorous analysis of one data source – for example, retail panel data or a particular survey – is enough to identify the growth opportunities and how they can be realised. Other cases require an integration of sales and market data, panel and usage data, segmentation data, tracking data, media data and qualitative research together with any other relevant data the organisation has.

This is different from the way most organisations approach a big new issue. Typically their insight department is consulted and the reflex is to commission a new study ignoring their existing data.

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Generally, organic growth is most profitable. McKinsey has shown that £1 of organic growth is worth £4 of acquisition growth

For example, a large bank needed to sell more products to its customer base. A huge qualitative study was undertaken despite the fact that the bank had more than 4,000 research reports in its archive, many of which addressed and contained the answer to the marketing problem.

In another case, a global packaged-goods company needed to understand the decline of its sector. A massive European study was commissioned involving thousands of interviews in six countries. This company was similarly endowed with a vast amount of relevant data.

Except in the rare cases where an organisation has very little data, is the new study the right way to go. It is the wrong starting point to answer most business/marketing issues and it is certainly the wrong starting point for identifying opportunities for NILG.

A BETTER WAY OF FINDING NILG

Let us focus on NILG and how to find opportunities for it. Starting with the existing market and consumer data we need to answer a series of questions. These questions vary according to the situation but there are general approaches that have proved their value. An important starting point is what has happened over time. I call this causal history.

Over the long run what has been happening to the sector? The sector may be going up, which is good, but it may not be going up fast enough. Or it may be going down. The key question is why and, if the company involved is the dominant player, what can be done to achieve the desired outcome.

Using causal history to arrive at the depth of understanding that leads to the most appropriate marketing action, we need to ask and answer other questions. When did the ups or downs start to happen? Does this give a clue? If the sector is losing usage a switching analysis involving the wider competitive set can identify where it is going. Are there further clues here? What has the sector, or adjacent substitute sectors, been doing or not doing that might explain the trend? Among whom is the increase or decrease greatest or least? Is it they whose usage has been leaking away to other sectors? If so, why and what can be done?

The above is not an exhaustive list but an example of the sequence of questions where the answer to one question raises another. In my experience the absence of this question-chaining investigative approach is a major reason why growth opportunities for the existing business are not discovered.

After analysing the sector history, the same sorts of questions need to be asked for the company's brands. When did their shares show a sustained rise or fall? What were competitors doing that led to them increasing their share? We are not talking about weekly or monthly fluctuations, which might be caused by fluctuations of price or bursts of advertising, we are talking about a sustained rise or fall. Over a decade there may only be a handful of these events but studying these reveals potential for NILG.

THE BIGGER PICTURE

It is important to study the full brand portfolio and all the formats and variants, not just the main lines or the brand totals. Causal history often reveals that chunks of market share have been needlessly thrown away. Large businesses often abandon parts of their portfolio, starving them of resources until the brand is so weakened that it is killed off, leaving the remaining brands struggling to replace the lost share.

Needless loss of share is revealed by close study of the past. In one case it was found that innovations that were successful two or three years previously were being dumped to make way for the newest offering rendering the whole innovation process fruitless.

It is important to pay attention to the introduction of different sizes and variants and their impact on the existing range and overall share. What cannibalisation did these different sizes and variants cause? In their eagerness to introduce the new line did the company's own marketing action help the new line steal share from the existing line-up? From studies like these a causal rule book can be drawn up for how brands should be managed in the category in order to grow overall share.

This may sound like basic marketing analysis; however, for reasons we will discuss, marketing personnel are either unaware that these things have happened in the past or are not drawing lessons from them.

SPOTTING THE CRUCIAL INSIGHT

NILG requires spotting where the opportunities lie. The systematic process of causal history outlined above is one way of doing this but there are other ways too. However, the angle of approach to the data is always the same – looking to understand how and why behaviour is occurring and how it can be changed. The seminal insight often comes from using different types of sources in a number of different ways.

By piecing together three quantitative studies it was possible to show that 83% of electrical retailers' sales came from customers who, in their search for an electrical product, visited the store first. On the basis that the store the potential customer thinks of first is likely to be the store visited first, name awareness was established as an advertising objective. This led to seven-second commercials being deployed that led to spontaneous awareness rising from 51% to 73%, which led to same-store sales rising by 10% in a market that increased by only 2%.

Sometimes the rigorous analysis of a single survey can identify growth opportunities. In the case mentioned earlier where the task was to improve customer retention of a global car manufacturer, the starting point here was noting a surprising fact. A competitor, whose car satisfaction and after-sales service satisfaction were both merely average, had nevertheless achieved the highest retention among private car buyers. How could this be when customer satisfaction was known to drive retention?

By analysing the car industry's major survey it showed that the answer lay in the clever use of car finance that was being used. Something that was easy to copy.

Insights can also come from long-lost pieces of qualitative research that pinpoint a motive that is still relevant but overlooked. Sometimes different survey samples can be combined to accurately pinpoint a key number. In some cases open-ended questions on quantitative surveys can be re-analysed to produce a qualitative insight.

COMPANIES LACK AN INVESTIGATIVE CULTURE AND MEMORY

Gains from NILG can be huge. An NILG investigation identified ways for a business in the personal care sector to increase sales by over 25% or £75m annually. In another, in the automotive sector, an investigation yielded a £55m sales gain with £10m going to the bottom line. A major retailer increased its sales by 48% by understanding the causes of its existing market share and how it could be radically improved.

While narrow data mining and econometric analyses are conducted by some companies, these usually have a tactical focus. In my experience sources of growth are not being sought in the way described above, for a number of reasons.

Marketing departments don't seem to place a high enough priority on clear evidence-based problem definitions as a basis for their marketing objectives. Many organisations lack the kind of investigative culture that leads to building causal histories – narratives that connect the marketing objectives to the actions required to achieve them.

A contributing factor is that there is virtually no appreciation of the value of understanding what is going on long term and the strategic value of this. It is rare for research reports to have data that covers more than three years in any depth. In packaged goods, companies such as IRI and Nielsen either don't keep or won't guarantee to keep data for more than three years.

Sometimes the client company does keep the data but it is often in a format that requires considerable effort to render it usable. When asked why data is not kept for longer, the supplying companies reply 'we are never asked for it' or 'we ask if clients want us to keep the data but they won't pay for it to be kept'.

Of course, there are the more analytically oriented marketing directors who seek a scientific approach but it is often CEOs, finance directors and directors of strategy that express the greatest frustration. And it is easy to see why they are frustrated. They are presented with lots of isolated and disconnected reports and usually no long-term vision of where growth from the existing business will come from.

Insight managers are not primarily analysts, they are data providers. They do supply analyses but their principal role is to buy the services of research companies. Hence their response to a major question is to commission yet more research rather than analyse and integrate the data the business already has.

The research companies are primarily data gathers. For sure they provide analyses of their data but these are within-survey analyses not multi-source investigations. And they don't have access to all the data that a business has. Neither insight departments nor their data suppliers carry out the right types of investigations that would identify opportunities for existing business growth.

> Often the evidence for what marketers are doing is superficial or non-existent: myth and conventional wisdom are often lazy substitutes for sound data analysis

THE STORY SHOULD HOLD WATER

Philip Kotler, in his fundamental text, *Marketing Management: Analysis Planning and Control*, states that 'few senior management are satisfied with the data they are getting'. Also, finance directors are frustrated by the lack of cause-and-effect connection between marketing actions and the results they achieve. In a recent interview Eric Samuels, Intel's EMEA director of finance, said that in terms of results 'we don't necessarily need proof, but the story needs to hold water'. He added: 'When marketing men say spending is needed to help the brand my next question will be "help the brand do what?"'

Kotler and the finance directors are identifying the need for greater market understanding. And it is this greater market understanding that comes from purposeful question-led investigation using all the data a business has that also shows how NILG can be achieved. ■

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The keys to Reckitt Benckiser's success

A major global player in the household health and personal care sectors, Reckitt Benckiser has had astonishing success in its ten-year life. **Camillo Pane** describes the company's culture and distinctive style that contribute to its momentum

THE FIRST question people often ask is: 'Who is Reckitt Benckiser?' Our company name may not be familiar but our brands – Finish, Dettol, Nurofen, Vanish, Durex, Strepsils, VEET, Air Wick – are very well known. Most of them are literally household names found in kitchens, bathrooms, medicine cabinets and bedrooms nationwide.

But the company itself is in fact only ten years old – the result of a merger between the German company, Benckiser and the English company Reckitt & Colman. We are a truly global company with 27,000 employees, operating in more than 60 countries across the world, and selling in 200. At the time of the merger we were a £3bn company. We're now an £8.45bn company, having outperformed all of our global peer group year on year. We have seen net revenue (sales) growth in high single digits and double-digit growth in net income (profit) every year since 1999. In 2010, growth was 6% and 17% respectively.

Reckitt Benckiser (RB) market capitalisation has also quadrupled in the past ten years and is now around £20bn. As evidence of this success, we have moved from being in the bottom 25 of the FTSE 100 to being in the top 25.

RB'S BRANDS

RB's business is driven by 19 global Powerbrands (see diagram), which are all in categories that have good growth potential and global reach.

These are supported by a portfolio of strong, local brands, also leaders in their own markets; for example, in the UK this includes the brands Lemsip, E45 and Optrex.

THE RB VISION

RB's vision is very clear: improving people's lives through delivering better solutions which make a real difference. This means an ongoing commitment to constant and continuous innovation. Typically one-third of RB's global net revenue comes from products launched in the previous three years. But there are other features of the RB culture that I believe lie behind our success and make the RB business different from many other companies.

SPEED OF EXECUTION

RB may be smaller than many of its major competitors but it has a culture which is based on speed of thought, decision-making and execution, and it is this that has made it more successful. This is achieved partly because of a very flat management structure, but also because of RB's 'can do' culture – and the entrepreneurial spirit found at every level. A very good example of how quickly we are able to move is the case of the Air Wick air freshener product called Freshmatic.

In 2004, while we were already the leader in aircare in the UK, we realised that a great deal of innovation was going on in this market and to stay ahead of our competitors we needed to make a real step change. The biggest segment in this category then was the standard aerosol, the one that you spray all the time. But the drawback was that after a few minutes the fragrance dissipates and you can't smell it any more. So we saw the opportunity to develop a product that would deliver fragrance in a continuous way.

We looked at the sort of air fresheners that you find in public bathrooms which need to do this, and decided to bring this concept to the consumer market.

The important point here, however, is how quickly the whole Freshmatic project was accomplished. It took only eight months from the moment that we tested the concept with consumers to the moment that we launched into the market in the UK. This not only included the need to build a factory in China but also added a whole new technical dimension to the products. We

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RB's business has many global Powerbrands in categories that have good growth potential and global reach

were having to deal with wires and cables and batteries – a production process that was new and complex.

We launched the first Freshmatic product in the UK in 2004, and within 12 months it had been rolled out to 60 countries. But being RB it didn't stop there. Subsequently there have been regular innovations to the product including the introduction of the first ever motion sensor air freshener. The most important thing is that once the consumer insight/need had been identified and the product idea generated, we did this quickly. RB created a whole new market segment. This segment now represents approximately 15% of the global sales of all air fresheners.

AN OBSESSION WITH BRANDS

Marketing is at the core of RB. Everyone working in the business loves and is excited by our brands. In fact, I would go as far as to say we are obsessed with them. So much so that RB believes in maintaining very high levels of marketing investment, even in a downturn.

We believe that we must continue to communicate with our consumers. It's like a friendship. When you stop talking to your friends, the friendship becomes a bit weaker and allows room for new relationships and naturally we never want that to happen. RB's objective is to strengthen our friendship with our customers and consumers every day.

To this end, in 2010 the company invested 10.7% of net revenue in media spending alone, and when you add in the rest of the marketing mix the spend is significantly higher. Unlike many other companies, this figure has gone up year on year despite the economy. The 2010 increase in media spend was a 5% increase on 2009.

This is also demonstrated by the fact that in the UK, RB is in the top ten overall advertisers and is the third biggest TV advertiser. Few people would expect a company of our size to be such a large TV advertiser in the UK, but it underlines the fact that our obsession for the brands is matched by a consistent investment in media and marketing.

We are also swiftly becoming a major investor in digital spending where RB is pushing marketing boundaries. For example, at the end of 2010 in the UK we launched an iPhone application for Nurofen – the first for any healthcare brand. We also recently launched an interactive Facebook page for Lemsip. So, even in OTC remedies, which is perceived to be a more traditional sector, we're trying to innovate all the time. We try to communicate with our consumers in those areas where they get their information, and this changes with their needs and demands.

The company has even created two ground-breaking global business games on Facebook. The first, PoweRBrands, launched last year and is focused around our brands. In the first three months after it was launched it had three million hits on the site, 161,000 active users of the game, and already ranked in the top 800 games out of 89,000 games in Facebook.

Early in 2011 a second game, UrbAN THRILL, centred on the popular freerunning sport, and also based on the company's Powerbrands, was launched in ten RB markets – including the UK, USA, Brazil and Russia – across Facebook, portals and our website.

Designed to create awareness of RB among graduates and people early in their business careers, we want them to know how entrepreneurial the culture here is, and it makes our job so much easier if people already understand something about us and are self-selecting. It is one more innovative way of bringing our brands, and in this case our culture, to consumers using the digital space – the importance of which is growing.

A TRULY GLOBAL COMPANY

A global company can be defined in different ways. In RB we see our employees as 'global citizens' – working for the global company not individual markets alone. For instance, among the senior operating management team there is an American running Germany; a Belgian running Brazil; and I am an Italian running the UK business, and I've worked and lived in the States and in Brazil.

We encourage our employees to move around a lot because we believe that sharing learning about what works and what doesn't work in different countries, and challenging the local status quo, is a key element in RB's recipe for success.

But being truly global doesn't mean that everything is decided at a global level, with each country just implementing central plans. On the contrary, at RB our strategy is to optimise all the benefits of being a global player while maintaining a very high level of involvement from the local countries.

For example, in the UK, as a lead market in many categories, my team is involved in the development of most innovations, most advertising campaigns, in fact in every decision that is about strategy for our brands.

I think this is a key differentiating point for RB compared with our competitors. It allows all the benefits of global brand development while maintaining a closeness to the consumers in the different countries, which we believe is critical.

A VERY ENTREPRENEURIAL CULTURE

The RB philosophy is that good ideas come from anywhere – and that once they are accepted we should give full support, responsibility and credit where it is deserved. A recent example of our entrepreneurial approach is Brasso – a little can of metal polish that is over 110 years old.

This is clearly a brand that hasn't received much innovation in its long life. But in February of last year, a first-year graduate came to me with an idea. He wanted to produce a variant of Brasso for cleaning iPods, TV screens, computer screens, phones and other similar uses.

So I told him to prepare a business case, come back in a month and if the management team liked it and saw its potential, we would develop it. This product – Brasso Gadgetcare – was launched a few months later by the graduate who was involved in everything including pitching to all the major retailers, even those outside our normal customer base, such as Comet, Amazon and PC World. Indeed, in this case we delivered not just what we believe is going to be a successful product in a new area but also one that enhances the Brasso brand equity.

The point is that success needs an environment where people at every level are encouraged to speak up, to express and defend their views. We should allow ideas to flourish and above all we need to listen. My colleagues and I really believe in ownership at an early stage.

CONSTRUCTIVE CONFLICT

This means not always looking for consensus. It's about being fast, agile, spotting opportunities, and doing what it takes to get to market first. Sometimes that means not waiting to gain consensus but encouraging everybody to contribute early on; really listening to their suggestions but then someone having the courage and support to make a quick decision.

That is RB leadership. Most importantly, once you take a decision, you must have 100% commitment of everybody involved, despite the fact you didn't look for consensus. And this means having good debates, heated debates, being direct, being straight. But ultimately a deal has to be put on the table, and together the team will agree the plan to best support it.

APPROPRIATE REWARDS

RB offers the freedom and the responsibility to develop new ideas from an early stage and we also provide the opportunity for very fast career development.

This means disproportionate pay for disproportionate performance – but, in the end, it is the total RB culture that attracts and keeps people here and which is incredibly motivating.

SOCIAL RESPONSIBILITY

Undoubtedly, RB is a driven environment but that doesn't apply just to our commercial dealings. That passion is also evident in the way we look at our environmental and social responsibilities. Recently, for example, RB took the top spot in the FTSE 350 for carbon disclosure and carbon performance, alongside the Royal Bank of Scotland.

This is a very important achievement for us because a few years ago we launched our very ambitious Carbon 20 initiative which promised a programme reducing our total global carbon emissions by 20% by 2020. We have clear KPIs linked to this in everyone's objectives but milestones like this prove it is a target we can, and will, reach.

We are also one of the key commercial supporters of Save the Children. We have already raised £4m for the charity since 2006 and we have now set a target to raise another £6m. But we don't just give money – that is not the RB way.

We are also encouraging all our teams to 'do something big' and this includes hundreds of our employees from around the world, at every level, visiting the projects we are involved in to provide positive physical support, or raising cash as part of our own RB Global Challenge. This year, for example, includes 65 people from around the RB world making a challenging journey and rebuilding children's infrastructure in Brazil.

At RB everyone at every level is responsible for, and enters wholeheartedly into, everything we do. Most of all it is the responsibility of all of us to always be looking for new, effective ways of doing it – ways that make a real difference. ■

> Being truly global doesn't mean that everything is decided at a global level. On the contrary, at RB our strategy is to optimise all the benefits of being a global player while maintaining a very high level of involvement from the local countries

This article is an edited version of a presentation given at the Marketing Society Conference November 2010 by Camillo Pane, general manager of RB's UK business. www.rb.com

What management heretics believe in

Martin Kornberger and **David Redhill** describe how Deloitte Australia turned the management rule-book upside down, emerging with a heretical approach that not only solved the problem of haemorrhaging clients but became a template for professional services marketing

SAVE FOR a few high-tech gadgets and other electronic perks, an executive from the 1970s would feel quite at ease in a state-of the-art professional services company of today. In fact, when it comes to managing these kinds of organisations the executive's role has changed little in a century and is still largely defined as Frederick Taylor set it out in his seminal 1911 treatise *The Principles of Scientific Management* – the manager plans, sets objectives, coordinates activities, controls outcomes, and measures performance.

Yet what if an organisation were to challenge these accepted axioms of management practice? This was what the Australian firm of global accounting network Deloitte asked itself – with startling results, and surprising implications for management practice both for professional services and more widely for organisations in other sectors.

THE CURIOUS ORGANISATION

In early 2003, Deloitte Australia's outlook was deeply worrying to both its partners as well as to other firms within Deloitte's global network. As South African CEO Giam Swiegers took the helm, his ailing firm lacked direction and ideas. Years of haemorrhaging clients, staff and revenue had left Deloitte lagging far behind its local 'Big Four' competitors in revenue, and low in collective self-esteem.

Swiegers used his first national meeting for Australian partners as a wake-up call. Instead of a plush, tropical corporate retreat, he chose the freezing climate of remote Hobart as the event's venue. The powerful image of a herd of wildebeest crossing a crocodile-infested river illustrated the conference's key message vividly: those who hesitate and wait on the sidelines become the crocodiles' preferred meal. Vision, courage, speed and determination was the best life insurance.

At that point, Deloitte embarked on a journey to become a curious organisation – a firm that would value preparedness more than predictability; that would favour intelligent and rapid trial and error over linear, rational planning; and that would appreciate dissonance over synchronised accordance. In short, Deloitte became a heretic, experimenting with everything that looked like the antidote to what we know as an organisation, let alone a professional services firm.

> Deloitte embarked on a journey to become a curious organisation – a firm that would value preparedness more than predictability; rapid trial and error over linear, rational planning; and dissonance over synchronised accordance

APPS ARCHITECTURE

The default mode of management problem solving is planning – a fascinating social ritual that (like its other more tribal versions) helps sooth hesitant souls facing ambiguous environments and uncertain futures. It is frequently most useful as a corporate placebo.

Swiegers' scepticism of planning saw him and his team eschew paper-based roadmaps. Asked today where he sees Deloitte in five years, he shrugs and admits: 'I've got no idea. And I spend no time thinking about it because whatever you think about is going to be wrong in any case. I watched our peers in the profession and business going through scenario planning just before the financial crisis. And you know what? Every single minute was wasted.'

Instead of trying to predict the future, Deloitte invested in an agile, flexible and responsive organisational design. Key to this was the recognition that in fragmented environments, monolithic operating structures do not connect well with market opportunities. One of the Deloitte strategy's chief architects, consultant Mehrdad Baghai, introduced the principle of granularity, breaking the organisation into molecular 'clusters' of product and service capability, aligned to 'patches' of market opportunity.

Baghai explains: 'We created an operating system and an architecture that allows the 66 cluster leaders and 150 patch-owners to make independent decisions. They do strategy. We do architecture.'

Rather than losing itself in arcane strategies and implementation challenges, Deloitte created an architecture from which strategy could emerge naturally. Baghai uses the brain as metaphor: as Deloitte consists of an array of granular cells, the task of management is to create a context for the brain to wire itself. Turning Alfred Chandler's famous dictum on its head, strategy follows structure.

This organisational rewiring cut the organisational Gordian Knot of differentiation versus integration. Usually this is thought of as trade-off: the more

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differentiated an organisation, the less integrated it becomes, while specialisation and local market focus is paid for with lack of internal cohesion.

Yet granular design avoids this trade-off: while allowing for high degrees of local specialisation by individual cells, the wiring of the cells represents a common infrastructure or platform that the cells share. Think of an organisation as app store – a potentially infinite supply of highly specific, localised offerings developed by multiple author(itie)s running on a shared operating system.

CODING

Deloitte discovered the need for a shared vocabulary to allow its cells to communicate with each other on the platform – in effect, a new operating system to match its new infrastructure.

In the years following the infamous Hobart conference, Deloitte's leadership team issued one Reflection Paper every year to introduce layers of new concepts to the firm.

Sounds philosophical? Well, Deloitte's chief strategy officer Gerhard Vorster does not exactly convey the image of an armchair philosopher. He explains how new ideas continually could change the firm, sketching them out on any piece of paper he can get his hands on. He resembles a free-roaming constructivist rather than some fact-driven manager.

The unbalanced scorecard is one of those ideas that brings out the heretic in Vorster. An organised network of semi-autonomous cells that make their own strategic decisions cannot be evaluated according to one balanced scorecard, he explains. The whole idea behind granularity – to allow for flexibility – would be undermined through a homogeneous evaluation system. Like a wet blanket, it would kill every new spark.

Different cells following varying growth trajectories, require a flexible monitoring system. That's where the unbalanced scorecard comes in: each cell is evaluated according to criteria aligned with its own situational needs and circumstances. Because a young cell developing a new service in a regional city cannot be compared with a mature cell servicing global audit clients in a metropolitan centre, Deloitte realised that it was not only monetary performance that should be valued: qualities such as innovation, market profile, and growth rate should also be considered.

Language isn't merely about concepts though – it is also always symbolic

A common infrastructure gives a basis in which the separate elements – managers – can overturn conventional thinking

action. Vorster explains how he banned the words 'if' and 'they' from meetings, because 'if' propels events into the realm of the conditional and 'they' serves as anonymous placeholder for everything that neither 'I', 'you' nor 'we' want to act upon or be accountable for.

Custom-designed coasters used at Deloitte internal events say 'No alibi zone'. Simple proverbs communicate Deloitte's expectations of its employees. For instance, Swiegers asks those in leadership roles three simple questions: do your people feel they have something they believe in, someone they believe in, and someone who believes in them?

Deloitte's operating system consists of a code, a language that is conceptual and symbolic. Like any other knowledge-intensive firm, Deloitte cannot own what drives value creation: it's the employees' ability to make sense and act. Yet the firm can offer a shared language and shared mental maps showing points of connectivity between employees, external partners, (potential) clients, and technology.

The firm becomes a somewhat anarchic network of elements that share vocabulary and grammar, allowing them to develop meaningful and mutually intelligible interpretations of the world, that in turn function as springboards for action.

EXPERIMENTING

Once Deloitte's architecture and operating system started to talk to each other, sparks began to fly. Nobody loves playing with fire more than Pete Williams, Deloitte's *enfant terrible* when it comes to social media, digital delivery and unconventional leadership. Williams would fit neatly into a Silicon Valley start-up, yet surprisingly he feels at home inside Deloitte – or, rather, he has made Deloitte his home.

'People have started to realise that the best way to learn is by experimenting, just like we learn as babies,' Williams reflects. 'Experimentation is a key part of learning and if you want to be innovative you've got to be prepared to try new things and see how they go. That's been a cornerstone of becoming a successful professional services firm – the prevalence of words like "experiment" and "learning" as opposed to "certainty" or "outcome".'

Part of Williams' philosophy is rapid prototyping of ideas (rather than investing in them heavily before realising they don't work out) and working on portfolios of new ideas simultaneously. Williams and his team have been working on how digital technologies will transform

accounting practices. The impact will be profound and sizeable, says Williams. 'We're experimenting with online accounting where accountant and client can look at the same data simultaneously, as opposed to the current situation where a client has their data sitting on a system in their office and maybe once a year they send it over to their accountant.

'Having the data in a central model where you can collaborate across the whole year suddenly, fundamentally changes the role of the accountant as tax preparer to the accountant as ongoing adviser relationship.'

Seeing the world as digitised streams of information, and oceans of untapped data, has opened up other opportunities for Deloitte. Using client data drawn from sources such as airline frequent flyer and retailer shopping reward databases, the firm has developed detailed market segmentation capabilities.

Deloitte consulting partner Jenny Wilson says: 'Usually a consulting house would go in and conduct a "point in time" segmentation exercise, often with a preconceived hypothesis of the segmentation for analysis. This would be quite significant in revenue for the consulting house and quite costly for the client, and often fail to tap into the existing customer data available to the client. By merging our analytics and our consulting teams, we're doing those types of things in some cases in one-tenth of the time, reaching deeper into the customer data available to the client and in the market to deliver more insight than has ever been achieved and then saying "you know what? This shouldn't be static. Let's make it dynamic."'

Deloitte is now capable of studying consumer behavior that is data-driven and dynamic as opposed to the traditionally hypothesis-driven, static boxing-in of customers. Tim Phillipps, former police officer, then head of forensics at Deloitte, and now the firm's global data analytics leader, hints at a fundamental tenet within the firm that allows rhizomatic growth: the Deloitte brand. He says: 'We have brand permission, based on our accounting rigour that allows us to competently and confidently branch out into new markets.'

Whether developing an analysis of product shrinkage, employee turnover or the movement of goods, services and finance across a continent, Deloitte's core skill in deriving meaning from numbers allows it to grow in conjunction with the sprawl of digitisation. As the world liquifies into a database, applications for this skill set grow exponentially.

Phillipps adds: 'We interrogate a data set and say "tell us what you know". We have little structure around the questions we ask, and actually ask very few questions. We allow it to expose itself.' In an information-driven, digital society where everything is coded as 0 or 1, accounting is becoming the art of analysing data and translating it into narratives that guide action.

BREEDING BLACK SWANS

While it's hardly news to state that knowledge and learning are key organisational capabilities for survival, the consequences of a knowledge-based organisation approaching its future in a relatively organic and unstructured way like Deloitte, are potentially unsettling.

In essence, the challenge at the core of every knowledge-intensive firm is that the organisation does not own its principal means of production – the human mind's infinite capacity to solve problems. The organisation's role morphs into the ability to provide intellectual infrastructure that semi-autonomous cells need to hardwire with each other. Rather than planning its future and casting it into a hierarchical order, Deloitte focuses on designing a heterarchical network that is connected through shared language and symbols.

Of course, this leads to new challenges: true to the nature of infrastructure, its potential as a platform is not likely to stop at arbitrary boundaries, including organisational ones. Infrastructures spill over. Unforeseen applications sometimes cause more pain than pleasure. Creative users appropriate content. Hence, life on open platforms requires a degree of comfort in living with uncertainty and dissonance. It might also result in the gradual erosion of management authority.

Authority relies on an author – a central commanding voice. In an organised anarchy the voice of every single author is just an element of a polyphonic sound collage. The resulting dissonance can be productive: if we retire the idea of a central voice prioritising what to do, then multiple projects can be pursued simultaneously, without knowing which one will succeed. If we do not know what we are looking for (isn't this the hallmark of every genuine innovation?) it is a rational decision to rely on randomness, serendipity, and trial and error.

'We've become a laboratory for ideas,' Swiegers summarises. Somehow he sounds surprised. After all, accounting firms are notoriously conservative. They get paid by their clients because they are critical and risk averse. They are society's guardians of rationality, keeping watch over businesses that follow nothing but their self-interest.

At least, that's the myth that made accounting a profession (with all the associated privileges such as state-regulated market entry criteria). After a decade that started with Enron and finished with the global financial crisis, trust in the profession is eroding. Yet in a move that may be both symptom and solution of the problem, Deloitte celebrates its 'appetite for disruption'.

One recent partner conference concluded with a supersized projection of a Black Swan, as a metaphor for meeting unforeseen challenges and opportunities. Partners received badges announcing 'I am breeding Black Swans'. Swiegers explains: 'We are not waiting for the black swans to arrive for us to react. We are now becoming the disrupters.'

Organisations, those manifestations of social order and bedrocks of stability in society, mobilise the very forces they were invented to protect us from. That this is part of the solution, and not the problem, is what managerial heretics believe in. ■

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The digital arena provides a direct route to consumers and, because responses can be easily measured, marketers can report that waste is being cut. However, **Julian Saunders** argues that this obsession with 'direct effects' loses the persuasive and lasting power of storytelling

Storytelling in

CONSIDER THE following heretical questions: What if half the point of communication is 'the waste'? What happens if in the pursuit of ever-more relevance and measurability we miss something that is less measurable but more important?

What happens when everyone gets good at the new techniques? Will people still basically think that marketing is at best something that is done to them and at worst an unwelcome act of surveillance? It looks to me more like dystopia than utopia.

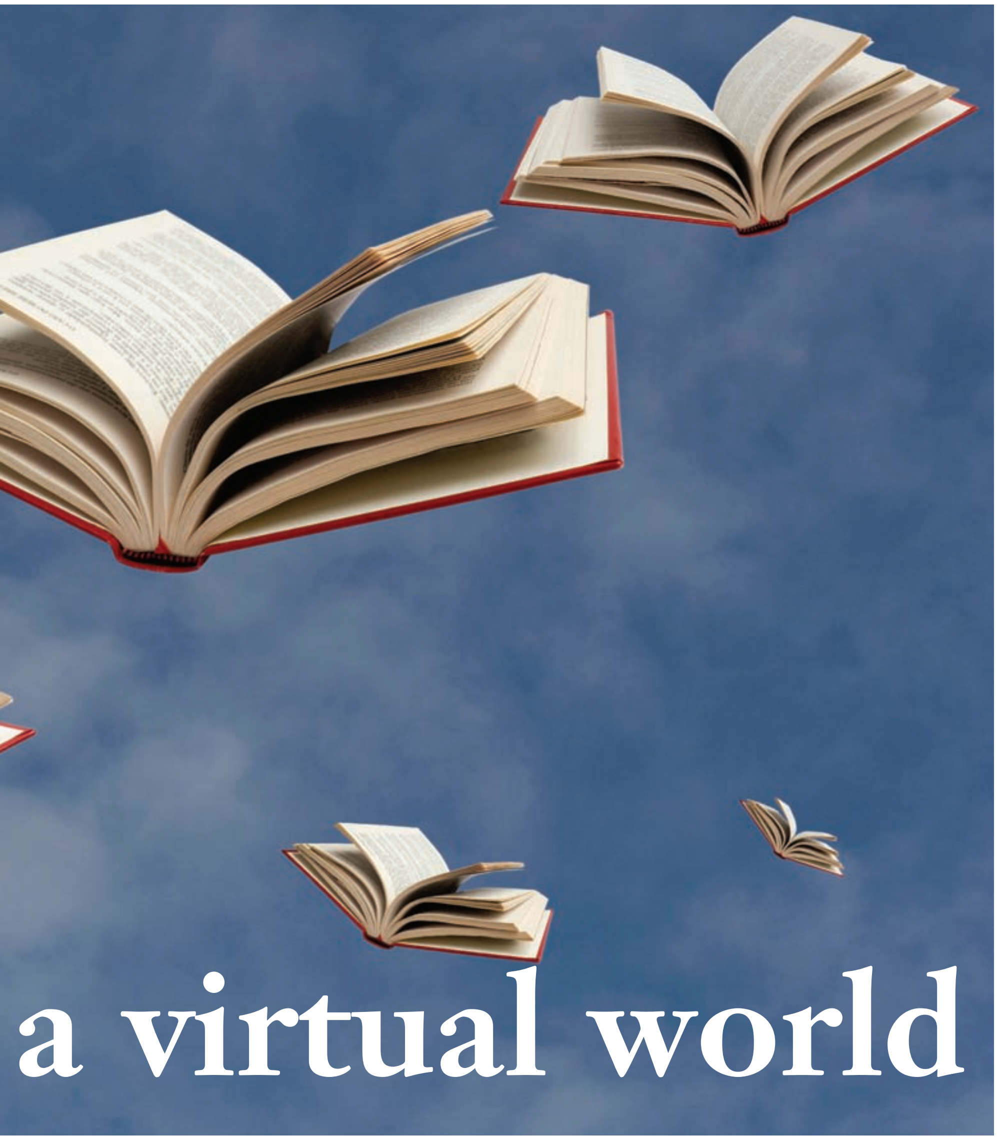
The human animal is uniquely a storytelling animal. Stories are not mere entertainment (although they may entertain) they are useful. They help us make sense of complexity, of the randomness of existence and offer a guide to living a good life. Above all, the great stories of a culture are shared. And this is what makes them a more efficient form of marketing than any other.

The point about stories is that other people do the work for you. Stories may appear in books, films, on websites and in TV ads, but they are also retold in pubs, schools, offices and around campfires.

BATTLE OF THE YELLOW FATS: A CLASSIC STORY

It is long forgotten now but there was a time more than 30 years ago when there was mortal combat in the 'yellow fats' market. The first case in the first IPA effectiveness book of 1980 told how a new yellow fat had stirred things up.

Let me remind you of the *dramatis personae*. There were the butter brands which were tasty and expensive and ever



a virtual world

Krona used an aged, respected and trusted journalist reporting to the nation. The nature of the storyteller implied that this was a phenomenon

so fattening and indulgent. And there were the margarine brands that aspired to be like butter but in spite of insistent claims to the contrary were a bit yuk – cheap and cheerful nonetheless.

Then things changed. Krona margarine launched with an ad that pretended to be a news story. TV ads were fronted by Rene Cutforth – a respected and experienced TV journalist – who reported an extraordinary rumour that, when the product was introduced in Australia, housewives were buying it by the caseload. It grew to such proportions that questions were asked of the Minister of Agriculture in parliament.

It was more than a bar of marge: it was a story laden with meaning. Krona was flying off the shelves. This was not just another new and untried product buttonholing you to try it. The 1980 case history did not mention it but the campaign is a behavioural psychologist's dream as it uses what we now call the law of 'social proof' – we tend to see the fact that others use a product or service as reassurance and a source of trust.

And it also helped us to see yellow fats differently by changing the context of the story. Instead of having two women chatting about it in a kitchen, Krona used an aged, respected and trusted journalist reporting to the nation. The nature of the storyteller implied that this was no mere product battling for shelf space: it was a phenomenon with followers. And it was discussed by people other than those who do the weekly shop.

Krona launched into a competitive market to consumers who had become immune and cynical to the claim that

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STORIES AND POWER

God, of course, understands the power of stories, which is why the Bible is full of them. And what stories! Threats to cut babies in half, floods leading to death and destruction, reformed prostitutes, vivid writing about sex and love. Don't believe me? Try reading the *Song of Songs*. It was a favourite with medieval nuns.

Stories – this is the marketing efficiency bit – are passed on, not just declaimed from pulpits and in marketplaces but from mouth to mouth. God was definitely on to something when it came to marketing and so were Allah and the Buddha. Come to think of it, how can you possibly run a viral marketing conference without reference to their pioneering work? All three of them.

God may have discovered the power of storytelling but, as you would expect, the CEOs among us are in hot pursuit. CEOs can smell power and the best of them know how to weave myths and truths about themselves and their companies.

Apple is the story of a succession of great designs but also the continuing psychodrama in the life of Steve Jobs. The story is, as they say, multilayered. His design talent, his charisma, his illness all contribute to the Apple story. And we are sure to be hungry for what happens next.

The shelves are groaning with books about leadership and most of them identify inspirational storytelling as one of the things that the great CEO does. Look at the indexes and you are sure to find a reference to Winston Churchill as the one to study. He really understood how to press our buttons. He gave us the useful story that the fight against the Nazis was but one heroic chapter in our island story and that we were bound by destiny to prevail.

margarine tastes as good as butter – they saw marge as a cheaper and poorer alternative. So the story did something else: it circumvented that natural resistance people had to rational claims about taste in the continuing war between marge and butter.

'Welcome back to butter' said the butter makers in reply, so tapping into another shared story. Butter is a pleasure and a treat you can give yourself after you have been on a joyless and self-denying journey into the land of marge. Marge, it suggested, is one of the grim things you force yourself to eat in a desperate attempt to win the 'inch war' along with Ryvita, which tasted like cardboard.

'Welcome back to butter' suggested this backstory in just a few words and demonstrates another weapon in the storyteller's armoury: a story does not have to be told in detail and can be conjured up from our shared experience in a few words. We fill in the gaps.

This reminder of the wars of the yellow fats shows how powerful a story can be.

STORYTELLING AND BRITISH ADVERTISING

British advertising became the most famous in the world in the 1980s and 1990s. A certain amount of this reputation was achieved with storytelling – beautifully crafted little dramas in 30, 40 or 60 seconds featuring characters – human, animal and plasticine.

Gold Blend took all this to its logical conclusion and wrote a mini soap-opera. It started innocently with a simple request to borrow some coffee from a neighbour, and continued with a series of increasingly arch conversations about coffee. All the time, in our torrid imaginations, we were wondering will they, won't they? It was a briefly told story in a series of 40-second commercials – not much space compared with an episode of *EastEnders* – but we filled in the gaps in the story.

Modern neuroscience explains the power of this story and the importance of witnessing characters and interaction. Our animal minds are immediately tuned in to social situations. Within a millisecond we size up the age, sex, state of health and mood of others.

Instinct means that we simply cannot help gazing at and wondering at the meaning of all that smouldering eye contact in the commercials between Anthony Head and Sharon Maugham. Sizing up relationships very quickly can be the difference between success or failure, life and death.

ORANGE BRINGS US THE CREATION MYTH

In 1994, another important marketing event revealed some of the larger and more ambitious things that the marketing storyteller can achieve.

Orange told a story that did not just sell phones (although it did so brilliantly) but it created a brand myth which tapped into one of our most fundamental desires.

Orange launched into a telecoms market almost devoid of brand values and invented a fully rounded brand from a standing start with a visionary story of the wire-free future:

> 'In the future you won't change what you say just how you say it. In the future we'll think it strange that voices ever travelled down wires. In the future no one will be tied down. In the future the skies will be clearer.'

The Words (with a capital W) were spoken by a child and accompanied by images of an unborn child floating in amniotic fluid. The deeper meaning was clear – this was a creation myth about the endless cycle of rebirth and renewal. It was as if the creators of the Orange brand had been bathing in a pool of pure Jungian archetypes in the search for inspiration and had found it.

HIGHER-PURPOSE BRANDING

After Orange, many brands did not just sell products and services, they aspired to a higher purpose in life. Brands expressed a point of view on what matters in life – not merely the adoption of a competitive positioning in a given category. A backstory is implied and even demanded to explain such a change.

By expressing a point of view on life the question is raised: how did you come to this point of view? It suggests careful consideration and a definite decision to break with the way things have been.

It is not just consumers who are interested but the media too. At this point it pays not to be publicity shy because telling the backstory provides the kind of memorable copy that can sink into the wider culture.

CHALLENGER BRANDS INVOKE THE DAVID AND GOLIATH MYTH

This myth is laden with useful meaning for the start-up looking to take a market by storm. David is young and attractive (which is rarely bad) and is taking on the aggressive, overbearing and lumbering figure of Goliath. Painting the competition as Goliath is useful. David wins by being smarter than Goliath who has to rely on brawn. You can't really help being on the side of David.

No wonder so many challenger brands consciously or unconsciously invoke his story. Challengers, such as Virgin and BA and then, ironically, EasyJet and Virgin, have been brazen at playing the David and Goliath myth. But instead of a slingshot they used smart lawyers teamed up with PR people. So, storytelling helps you to do something else of huge value: you can not only position your own brand but also reposition and box-in the competition.

Conflict and turmoil are at the heart of many stories about successful challengers. You can tell this from reading the headings in Adam Morgan's seminal book *Eating the Big Fish*. It is a brilliant analysis of challenger brands. We learn how challengers 'break with their immediate past', 'build a lighthouse identity', 'assume thought leadership of the category', 'create symbols of re-evaluation', 'sacrifice' and/or 'over-commit'. His book's headings read like the chapter in an unfolding story, which in many cases they are.

The individual stories are of original inspiration and early opposition overcome. The triumphant breakthrough, setbacks and reinvention have become a part of our shared culture because many of Morgan's heroes are natural storytellers, happy to share with us their highs and lows.

Stories are best when vivid, and involve conflict and opposition. Big corporates tend to remove these things from marketing communications because they feel more comfortable with the vague, bland and non-specific. But it does make them vulnerable to an underdog with a talent for narrative.

STORYTELLING ENCAPSULATES VALUES

What is the point of this storytelling, beyond just a natural talent for publicity common to many successful challengers?

They are all morality tales that speak of important values – such as commitment, hard work, the desire to do good, to make things better for people, to give people better value. In this respect these stories have some similarity with the Bible, which is of course made up of stories with morals. Jesus threw out the moneylenders and Orange junked a wire-cluttered past and offered us a wire-free promised land.

Orange was a revolutionary brand because it wore its values on its sleeve. It told us the story about how it wanted to sweep away the past and offer us a brighter more optimistic future. The coalition government needs something like this – The Big Society will remain vague until it is told in a myriad of stories.

Furthermore, well-told stories endure. They go into the collective memory of the culture to be readily evoked and revived. This is a great boon for all those committed to marketing efficiency. For example, Nestlé goes back and drinks at 'the well of the Gold Blend couple' every few years.

TECHNOLOGY IS THE INSPIRATION FOR A NEW AGE OF STORYTELLING

The new IPA president Nicola Mendelson is right to point to the transforming power of technology – it has already revolutionised targeting, response and selling. Yet the great opportunity is surely to harness this to the constant reinvention of the IPA's great tradition of brand building and brand storytelling. It is our big contribution to business and profitability and much envied when viewed from the East, China in particular.

To achieve this we need a marriage between the geeks and the romantics. And here, we can look backwards and forwards for inspiration.

The historian Richard Holmes described the period from about 1780 to 1850 as *The Age of Wonder*. The great scientists of the time, such as Humphry Davy, were also poets and the great storytellers drew their inspiration from science, like Mary Shelley with the story of Frankenstein's monster. Scientists and writers knew each other well and mixed on a daily basis in clubs and learned societies.

We can also look forward and think of what online gaming is becoming. Gaming has boomed by throwing off its past as an activity carried out by teenagers alone in bedrooms. Now gaming is social. We unfold complex stories with others. Shortly, games will break the shackles of place and start romping around in the real world.

> Many brands did not just sell products and services, they aspired to a higher purpose in life. Brands expressed a point of view on what matters in life – not merely the adoption of a competitive positioning in a given category

The GPS facilities on our mobiles open a new door to fantasy and experiences. Tim O'Reilly, computer-book publisher and legendary geek, calls this 'sensor-driven collective intelligence'. Will this mean yet more direct and measurable marketing and a realisation of the dystopian fantasy in the film *Minority Report*? Yes probably.

But bigger more memorable experiences are possible, ie stories and games played in real time across the landscape. It is a future that will be created by the geeks who love stories and the storytellers who are fascinated by technology. ■

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Natural selection among animals and products provides a way to find those that are 'fittest' for the situation and are agile enough to adapt when necessary

Innovate faster, cheaper and with lower risk

Traditional marketing approaches run the risk of being slow and ponderous. **Anthony Freeling** argues that 'agile marketing' is a requirement to thrive in today's environment

ON 13 February 1995, Tesco launched a customer loyalty programme called Clubcard. On 23 October 1995, Safeway launched its own programme, named the ABC card. Both programmes were intended, in part, to provide new data for their marketers. But the Clubcard and ABC programmes led to very different results.

Emboldened by initial success, Safeway planned a major initiative to analyse this data and to use it to transform its marketing with new segmentations and marketing offers. But it rapidly got bogged down in detail and struggled to make the ABC card pay. Tesco, on the other hand, began by throwing away most of the data in an attempt to develop a few useful insights. When these insights were proven to be of value, Tesco slowly added complexity to its analyses and to the activities they prompted. Every year, the complexity grew and the number of activities multiplied.

Today, Clubcard is the largest loyalty card in the UK and Tesco has almost twice the market share of its nearest rival. Safeway is no more.

Why were the results of such similar enterprises so radically different? I suggest that Tesco succeeded and Safeway failed because they had a radically different approach to marketing. Safeway followed the classic marketing approach I call a 'Big Leap'. Tesco, on the other hand, adopted a much more agile approach, responding to new information as it arose.

THE CHALLENGE FOR MARKETING

Marketing has been around in some form for a very long time, but only over the past hundred years has it emerged as a specialist discipline in its own right. It has attracted large budgets in many industries, starting in consumer-goods manufacturing but moving over time into retailing, automotive, telephony, pharmaceuticals and public services.

However, business leaders who, after all, have funded the expansion in budgets, have a surprisingly mixed opinion of marketing. Two particular gripes emerge from discussions with CEOs. First, senior management is always looking for greater efficiency and returns from marketing, yet often feels that this imperative is falling on deaf ears. Second, CEOs have consistently been frustrated both by the lack of game-changing innovations from their marketing departments and by being blindsided by competitors who do seem to come up with these innovations.

In addition, the environment is changing rapidly with a proliferation of customer segments, of sales and service channels and communication media and of stakeholders including shareholders, government and regulators and local communities. Businesses have globalised, exposing them to a wider variety of cultures, distribution networks and customer demands. On top of all that there is the increased speed of change.

In short, in order to satisfy their bosses and paymasters, marketers today need to create, deliver and communicate better offers to their customers more rapidly than ever before and as efficiently as possible.

There are, therefore, three marketing challenges to be met simultaneously:

- fitness – meeting customer needs and other stakeholder demands;
- speed – delivered before competition;
- efficiency – at a lower cost.

One complication that marketing as a discipline now faces, however, is that these three requirements often appear to be mutually contradictory. If a marketer goes for speed, does this imply quick and dirty, forgoing efficiency of spend and quite probably fitness? If the focus is on efficiency, then there is a concern that everything will slow down while the necessary analysis is performed, while creative types may complain about being 'run by accountants'.

In addition, many marketers argue that the key to fitness is creativity, yet managers from other disciplines believe that too often the need for creativity is used as an excuse for not learning from experience or being accountable, which would harm the ability to adapt rapidly to the environment and reduce efficiency.

HOW AGILE MARKETING IS FITTER, FASTER AND MORE EFFICIENT

I propose that developing and adopting a theory of 'agile marketing' is the best way to achieve the three objectives of fitness, speed and efficiency for most companies, most of the time. Yet the current approaches to marketing are largely based on making big leaps, which I believe is the root cause of much of the dissatisfaction with marketing.

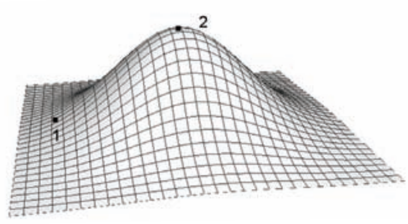
To explain why agile marketing can succeed where big leaps fail, I will use the analogy of evolutionary biology.

In contrast with theories of intelligent design, biologists believe that creatures were not created through a big leap by an omniscient, omnipotent deity, but rather through a process of continuous improvement. Life is thought of as a competitive 'search for fitness'. Every possible creature has a certain level of fitness. Natural selection is a way to search among these possible creatures to find ones with higher fitness.

Pictorially, figure 1 represents this. The landscape describes how fit different possible creatures are at any given point of the landscape. The height of the surface above the base is the fitness. Where we would most like to be on this landscape is at point 2. (Note that not all these positions on the picture are creatures that actually exist – they are *possible* creatures.)

Suppose a real creature starts at point 1 – the question is how does its species find point 2? Although it is drawn like

Figure 1: A fitness landscape



> In order to satisfy their bosses and paymasters, marketers need to create, deliver and communicate better offers to customers more rapidly than ever

>

Figure 2: Natural selection

a mountain landscape, note that unlike real-world mountain landscapes, this fitness landscape is continually shifting and changing. One executive I discussed this with suggested the landscape should be thought of more like waves in a sea, continuously changing in apparently unpredictable ways.

In biology, the theory of evolution through natural selection is Darwin's answer to this question. Natural selection, at its most basic, is a continuous process of variation, selection and replication. From a parent organism different variations are created, these variations compete for resources and survival in the environment and some are selected to survive (the fittest), and the winners then replicate to create a new generation of variants.

Each of these steps is critical – variation to allow change in the population, selection to ensure the adapted organisms survive and replication to ensure there are more of the winning variants in the next generation. Over time, the population evolves. It does so, moreover, dealing with surprises as they come rather than trying to predict them – if the environment changes, natural selection lets the species adapt.

ADAPTING TO SURVIVE

Natural selection provides a way of climbing to the peak of the fitness landscape. It moves upwards step by step. The initial creature has a variety of offspring, which can be shown pictorially as different lines on the fitness landscape. Then the new variation that is most fit is selected. That corresponds either to moves upwards or to staying at the same level. Of course, after just one step, we have not moved far towards point 2.

The selected variant then replicates, but also creates more variants in its offspring, and the process is repeated. At each step small steps are taken in the vicinity of the starting point, and eventually the species is certain to move upwards unless it is already at the top, in which case it will stay there. So with this sequence of variation followed by selection, evolution develops ever more 'fit' creatures (see figure 2).

The attraction of this approach is that there is no need for a deity with a plan – natural selection ensures that the path simply moves upwards until it can go no further. Here, after eight steps the path has reached the peak at point 2.

The analogy to a creature in marketing is the marketing offer – what you put out into the marketplace to attract customer spend. The analogy works well: the marketing offer is competing for scarce resources and there are constant battles with other creatures/offers. The fittest offer is the one that best meets the needs of stakeholders. Marketing is a search for this offer, which we need to find speedily and efficiently.

The 'business school solution' to this problem in marketing is a big leap. Conduct market research to understand customers' needs and wants, perform some competitive analysis, create a plan to move to the place we have identified as point 2, and then execute against that plan.

The problem with this approach, in today's rapidly changing world, is that it is very unlikely to work. It assumes too much about the future and about the reactions of customers and competitors. However good your plan, you are likely to miss the highest point with a single leap. There is too much uncertainty for management to be confident in this approach. So most marketing innovations fail.

The theory of agile marketing applies natural selection to the problem. The analogy replaces generations of creatures competing in an ecosystem with multiple generations of marketing offer, competing in the marketplace. A company applying agile marketing will start with an offer, create and test variants on that offer, select the fittest, and then replicate it to grow its share in the marketplace.

In the rapid-moving, complex environments of consumer marketing, where nobody is God, this is an efficient way of finding the highest point.

> The trick is to combine insights with random experimentation. Marketers using test-learn-commit loops are often surprised by what actually works better

In practice, it will often be desirable to combine the two methods of agile marketing and big leap marketing. If you believe you have a relatively good idea of what the best offer might be, you could search the landscape by an initial big leap followed by a series of evolutionary steps to reduce the margin of error.

I believe that if you have made such a big leap you should always try to follow it by agile marketing if possible, since it is much more likely that you will land on the 'foothills' of the peak you are searching for. Apple's approach to multiple generations of iPod is a good example.

TEST, LEARN, COMMIT LOOPS

The challenge is how to turn the theory of agile marketing into practice. In order to apply natural selection to marketing offers, businesses need to be able to execute the three core steps of variation, selection and replication.

The essence of the first two of these is already present in many businesses in the form of test-and-learn processes. Just as with biological evolution, marketers start from an existing offer and create variations by testing new offers. They then measure what works by identifying metrics for each variant. From what they learn, one or more of these variations are selected for further tests to create another set of variants and the marketers learn some more. Again some of the variants are selected.

Once the business is satisfied with the fitness of the selected variant, it winnows out the failures and copies the winner by committing significant resources to rolling out the successful offer into the marketplace. Immediately the business also embarks on testing new variants in order to improve fitness still further. The process then repeats (see figure 3).

BUILDING ON SUCCESS

Marketers have traditionally been able to create variations. To improve the efficiency and speed of the process marketers can use their insights into the marketplace to make judgements about where the fitness landscape goes 'up' as a guide to which variants to create. The trick is to combine insights with random experimentation. Marketers using test-learn-commit loops (TLC) are often surprised by what actually works better, demonstrating the value of just trying out some things.

Marketers can improve their judgements for creating variations by building their intuition and immersing themselves in the customer experience. The challenge with 'test' is to find ways of experimenting cheaply and rapidly.

To meet the overall marketing criteria of fitness, speed and efficiency, it is not desirable to copy every variation across the entire market. 'Learn' is the stage in the loop where this is avoided. It depends critically on measurement and on reviewing test results against clear objectives. I believe that this is the weakest element of the TLC loop for many marketers.

In some industries, learning can be achieved through realistic trials. For example, in retailing, a new merchandise offer or a price experiment can be conducted instore with little or no impact on the broader chain. The test and learn parts of the loop can be repeated as many times as required, the business can copy only the successful ones, and the experiments can be continued through further test-and-learn trials.

In other industries it may seem impossible to learn through marketplace trials – for example, project-based B2B marketing. But with creativity it is usually possible to get closer to a valid learning approach than currently; for example, in project-based B2B it is possible to 'float' possible offers in the dialogue with a client to gauge attractiveness. Computer simulations, behavioural market research and data analytics all provide ways to improve learning.

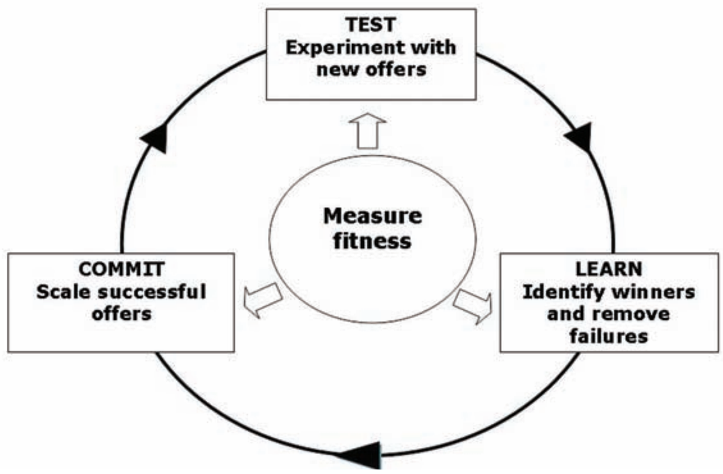
The key to speed and efficiency in learning is to retain outstanding awareness of the market situation and of which offers are fit and not fit, balancing analytical rigour with intuition.

Commitment is where the decision is taken to commit the business's resources to a new offer. This is in some ways separated from the test-and-learn parts of the loop because it is often more 'strategic' and the responsibility of people at a higher level of the organisation. It will often involve far broader implementation and delivery challenges than the initial test-and-learn process.

In traditional terms, this may not be seen as a marketing process at all, if we are referring to the overall product or service offered by the company. The key to speed and efficiency in committing resources is to have outstanding executional capabilities, both to kill unsuccessful experiments fast and to roll out selected variants through the business system.

This is where agile marketing differs from most current versions of test-and-learn marketing. Many proponents of test-and-learn can identify offers that would work in the marketplace, only to discover that they cannot execute them.

Figure 3: How to conduct agile marketing: the test-learn-commit loop



Three critical requirements for successful commitment are good communication between the marketers and the decision-makers, integration of operations between marketing and other functions and the ability to scale up delivery operations rapidly.

CONCLUSION

By thinking of marketing as a search in the fitness landscape for peaks, agile marketing can reduce the margin of error for marketers as they try to improve their offers. It stands in stark contrast to the more common big-leap marketing.

The drive towards continuous improvement has become the mantra in manufacturing, logistics and procurement. It is taken as a given that good companies continually reduce costs. Yet there has been no parallel trend in marketing. Managers might assume that their products or services will keep improving, or that their marketing activities will become ever more effective – but how? I believe that agile marketing is the answer. Some companies already operate this way. However, to retain the support of CEOs and other functions, more marketing needs to be more agile more of the time. ■

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VICKY BULLEN AND CHRISTIAN BARNETT

Digital archi

Using the analogy of builders versus architects in the construction industry, **Vicky Bullen** and **Christian Barnett** describe how to move beyond function and become a brand architect in the digital world

EVEN A cursory review of advertising history reveals that whenever a new medium appears, it takes time for advertisers to learn how to develop creative approaches that fully exploit its potential. So, early press ads reproduced the salesman on the doorstep and early television ads were simply animated press ads.

Exactly the same argument applies to digital developments. When it comes to branding online, we believe that the digital world is still so new that it is missing a trick or two. But the size and scale of the changes wrought by the digital revolution have been so huge and all-encompassing that it's hard to get a clear view of what those tricks might be.

Perhaps it's easier to understand the gaps in digital branding by using metaphor and analogy. For that reason it is illuminating to draw parallels with the way that the roles of builders and architects evolved in construction in order to understand the evolution of digital brand communication.

With early buildings, functionality was everything. But over time, as buildings became more sophisticated, the role of the architect emerged (see box below). This is a specialised skill centred on planning, design, and overview that is distinct from the actual craft of construction.

Applying this analogy to the world of digital branding, it is clear that we are still at the early 'builder stage', which is dominated by technicians. Brand design and brand values are added on top rather than integrated from the beginning.

The equivalent of the 'architect' has not yet emerged and 'builders' still dominate. Time and again digital brand design is left in the hands of digital technicians who 'build' first, and then add the 'design' skin on top. The result is an emphasis on technical proficiency and functionality but a lost opportunity in maximising brand communication.

Wouldn't it be better if brand design was built into digital brand thinking at the inception of a project rather than at the end, to ensure that digital brand design maximises the brand piece? But to do that, first we need to find our online equivalent of the architect.

The world wide web started as a crudely functional thing. For example, a screengrab of one the first web pages in 1992 (see figure 1) is the website equivalent of a Paleolithic shelter.

Like buildings, the web too, soon

THE HISTORIC ANGLE

When man first started building structures, the primary concern was function – principally security and shelter. The quality of building was dictated by available building materials and the skill of the builder. Design, aesthetics, and the prevailing architectural trends did not enter the equation.

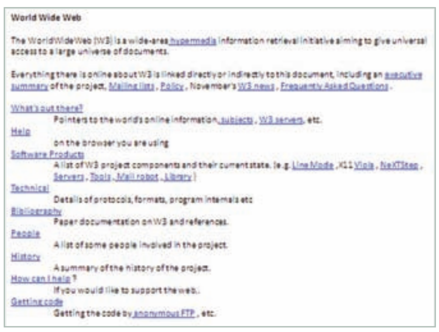
By the Neolithic period building became more sophisticated. In Mesopotamia, the first permanent dwellings were built of bricks made of clay, mud, sand, and water mixed with a binding material such as rice husks or straw. Meanwhile in Europe, which was rich in forest, a different style emerged. But both were still primarily functional.

It wasn't until the Roman era that we find evidence that emotion can play a role in building. In the earliest surviving written work on architecture, *De architectura*, Roman architect Vitruvius writes that a good building should satisfy the three principles 'firmitatis, utilitatis, venustatis', which translates roughly as durability, utility and beauty.

The idea that a building should be designed to stimulate an emotional response was a radical thought. It calls for a different type of skill from that of the builder and requires an appreciation of how people emotionally experience a building, its relationship to them, and indeed, its relationship to its surroundings.

Undoubtedly, there were buildings before Vitruvius that were meant to inspire awe and wonder, like the Pyramids or the Parthenon, but with Vitruvius we start to see the theory of architecture being laid out for the first time.

It was only with Brunelleschi's design for the dome of Florence Cathedral that the status and role of the architect was cemented for good. From this building onwards, the architect was the predominant figure in the vision and direction of the building as design, aesthetic, emotion, and technical skill were all brought to bear in one unified vision.


World Wide Web

The WorldWideWeb (W3) is a wide-area hypermedia information retrieval initiative aiming to give universal access to a large universe of documents.

Everything there is online about W3 is linked directly or indirectly to this document, including an executive summary of the project, Mailing lists, Policy, November's W3 news, Frequently Asked Questions.

What's out there?
Pointers to the world's online information, subjects, W3 servers, etc.
Help
on the browser you are using
Software Products
A list of W3 project components and their current state. (e.g. Line Mode, X11 Viola, NeXTStep, Servers, Tools, Mail robot, Library)
Technical
Details of protocols, formats, program internals etc
Bibliography
Paper documentation on W3 and references.
People
A list of some people involved in the project.
History
A summary of the history of the project.
How can I help?
If you would like to support the web..
Getting code
Getting the code by anonymous FTP, etc.

Figure 1: A screen grab of one the first web pages in 1992 from a Tim Berners-Lee site

tects needed

became more sophisticated. See the screenshot of the 1993 World Wide Web browser/editor (see figure 2) courtesy of the World Wide Web Consortium. There is a bit more 'design' in it and a discernible stab at 'aesthetics'. And the same applies to Microsoft's first website (see figure 3).

There is clearly a significant improvement from the earliest website. It has colour, slide bars, address bars and many of the things that we would recognise as a web page. But like Neolithic huts and long houses it bears only a superficial resemblance to what we know today.

At this point the web expanded from 623 websites at the end of 1993 to 10,000 by the end of 1994. Web 1.0 was up and running, characterised by static pages, GIF buttons, proprietary HTML extensions, guestbooks, and dial-up.

Web 1.0 effectively ended with the bursting of the dot-com bubble in 2001. The era demonstrated the often unfulfilled potential of the web.

MAKING BRAND PROGRESS

It is with Web 2.0 that the digital world started to explode. Faster speeds, dynamic pages, interactivity and collaboration make it an amazing world to be a part of. But it is still largely made by builders. For brands this means that the full potential of the digital world is not being fulfilled. Web developers may make technically brilliant websites but they may not always be sympathetic to communicating brand values and experience and emotion.

Even sophisticated internet users are missing branding opportunities. Take the big UK retailers. Given the technology and skills available (just think of video games that allow players to inhabit virtual worlds), the experience of shopping online is primitive and could be vastly improved.

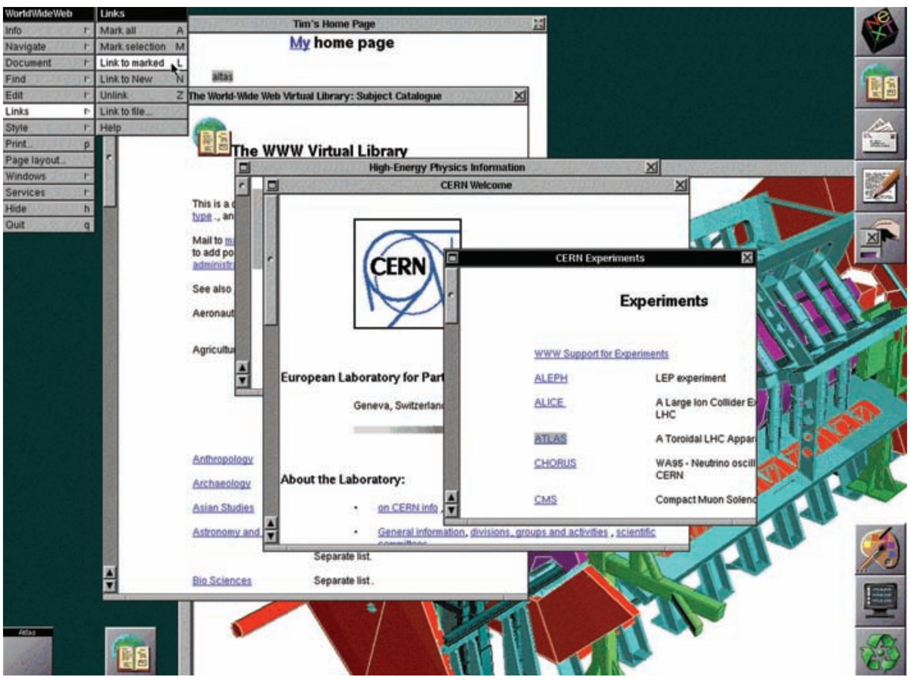
For instance, instead of simply listing products why not recreate the store virtually? And why not brand it more strongly while you are about it? Apart from the orange of Sainsbury's and the blue of Tesco there isn't much brand personality in the online shopping experience. There is much to do to make the online shopping experience more emotionally engaging without losing functionality. And that is essentially what an architect does when designing a building.

Brands are rich and emotional, and the online world is a perfect place to leverage all their equities – both hidden and manifest. For that to happen, brands need to build the brand into all aspects of the user experience, even in things such as the transition between screens, how the menus work, the drop-downs, the movement, behaviour and sounds of the brand as manifested digitally. Google for instance regularly plays with its logo, tailoring it to topical events.

If a brand was originally developed offline it means thinking about how those offline equities, assets and elements translate to the online world. For example, returning to the supermarkets, Tesco has the five blue wavy lines prominent in its identity. Being wavy,

Figure 3: Microsoft's first website

Figure 2: Example of a World Wide Web browser/editor in use in 1993



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ONLINE CHECKLIST

Your online branding checklist comprises a brief guide for a brand's digital equities:

- ■ What it is
- ■ Visual tone of voice: colour, texture, illustrative style, animation, typography, photographic style
- ■ Verbal tone of voice, narrative style, language, sound, endline
- ■ What it does: movement, interaction, navigation, form

they have an inherent dynamism. They may be the perfect vehicle to add some movement to Tesco's digital presence. They could exist as a branded drop-down menu, or a transition or a way of helping navigation in some other way. They could be animated into a shopping avatar or simply used as a recurring branded device throughout the site.

This kind of thinking combines functionality with an aesthetic based on brand assets. But it needs brand sensibility and creativity at the inception of a piece of digital brand design, not merely applying as a veneer at the end. It needs the digital brand-design equivalent of the architect informed by understanding of all a brand's hidden equities and its emotional components.

THREE STAGES

There are three specific areas in which techniques of brand design can be applied to brands online. The first is 'Visual Planning' and it is crucial to understanding what the brand is and isn't, what it can and cannot do online as well as offline. It provides a visual blueprint for the brand, a hymn sheet containing its meaning and its equities. Crucially this vision or understanding needs to be shared among all its stakeholders.

When done well, Visual Planning is flexible enough to be used to define the brand in totality, offline or online, and allows us to develop a digital brand essence for brands specifically for the digital world. This essence explores emotional and visual cues, its movement, how it sounds, its tone of voice and its personality.

We are currently rebranding a global software company following the sale of part of its business so we created a dynamic visual essence using clips of film, animation, sounds and stills. Much of this work was manifested in an animated logo. For Demos, the UK's leading think tank, we provided guidelines for how its brand might behave online with new pages, menus, drop-downs and so on.

The second area is the generation of digital equities. These are brand equities that relate first and foremost to the digital world. They may be an adaptation of offline equities moved into the digital realm, or they may be specifically created for the digital world.

They might include any of the little devices and behaviours that surround a brand and its use. For instance, they might include the sound of a can of Coke being opened or the snap of a Kit-Kat being shared. We are working on a well-known food brand and have been amazed at what happens when you take its two-dimensional graphic device into the third and fourth dimensions (meaning time or, by implication, movement).

The third area is that of creating a digital section for master elements within the brand guidelines. All too often, brand guidelines don't include the digital realm. Given the technological possibilities and the unique qualities of the digital realm, this is a significant omission. So guidelines we produced for Schweppes Lemonade recently, with TV and online in mind, included an animation detailing the speed, size, sound and shape of the bubbles.

UPLIFTING VISIONS

Returning to the world of builders and architects, it's true that even today builders sometimes design buildings. They are often perfectly adequate places in which people can live or work, but very few actively choose to do so because they also tend to be impersonal, uninspiring and undifferentiated.

In contrast, the very best architect-designed buildings are uplifting, iconic structures that draw people to them and inspire them. They are better places to live and work precisely because they start with a concept that is then followed though in every aspect of the design.

In iconic buildings such as Barcelona's Sagrada Familia, the Scottish Parliament and the Eden Project in Cornwall, not only do the architects determine the overall structure and shape of the building, they sweat every detail, ensuring they are consonant with and reinforce the big idea. From light switches and door handles to guttering and drain covers, from lampshades to toilet cisterns, every detail is meticulously, painstakingly, thought through.

Do you want your brand to be the online equivalent of the Gherkin, a skyscraper in the City of London that is beautiful, unique and engaging, attracting people from across the world to view it? Or would you rather it was a grimly functional 'Mc-box' that inspires no love, no respect and no loyalty? ■

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Will frugal innovation challenge the west?

Scaled-down products for poorer consumers in BRIC countries could pose a threat to developed markets, says **Melanie Howard**

WITH HINDSIGHT it seems inevitable that the developed world's innovation record and thus its ability to stay ahead would be challenged. But to date, it hasn't been the most obvious consequence of rising economic power in the BRIC countries. The model followed by most multinationals has largely been one of nurturing and satisfying a growing desire for Western brands and goods, fuelled by newly empowered consumers' discovery of the exciting palette of self-expression conferred by disposable income and choice.

But the new markets may be coming back to bite the hand that fed them. Rapid consumer evolution is both a consequence of, and an engine for, increasing numbers of the educated, clued-up middle classes, working in the expanding service sectors to meet the demands of people just like them, literally creating a virtuous circle: 55% of Indians are now employed in the tertiary sector.

But just as education has helped fuel the success of the creative economy in the UK over the past decade, the educated there in the BRIC countries are now turning their minds to developing products and services that will offer the benefits of advanced consumerism at a fraction of the price, to satisfy the needs of those further down the food chain. Many of these new inventors and entrepreneurs from the emerging markets also appear to have questions of social justice and sustainability very much in their minds.

The result is a wave of what the Future Foundation calls 'frugal innovations' – low-cost, ingenuous, rapidly produced and with a low carbon footprint to boot.

Examples abound, each telling a story about huge opportunities in the home market, but also how manufacturers are eyeing-up lucrative Western markets with their inventions. Given the enduring post-recession psyche as well as the War on Waste we should be taking note.

In the automotive market, the Tata Nano car has become the world's cheapest mass-produced car (at $2,200 each). It is so popular that it has become dubbed 'the people's car' in India and more than 70,000 units had been sold by the end of 2010. Tata is now turning its attention to creating an affordable electric car for Europe. Similarly in China, BYD (Build Your Dreams) has become the world's largest supplier of rechargeable batteries and, with BYD Auto, is planning to export electric vehicles to the West in the next few years.

White goods too are in the pipeline: Indian engineering company Godrej has created the Chotukool, a low-cost alternative to the typical refrigerator that is battery powered, has a quarter of the storage space of its larger Western counterparts (which reflects the fact that Indian consumers tend to shop on a more frequent basis, with less fridge space required) and weighs around 8kg. The machine, which the company expects to launch in 2011, costs the equivalent of €55.

And this ability to innovate cut-price, low-energy solutions applies to the business-to-business market with consumer-facing applications too. Under the tagline 'Helping banks reach out', Indian company Vortex develops ATM technology innovatively designed for areas with little or no access to energy supplies. The ATM machines are designed with efficiency in mind, with fewer moving parts and a solar panel that provides the primary source of power. By the end of 2010, 600 Vortex ATMs were in operation in India under licence from the State Bank of India.

EXTENDING AND DEVELOPING MARKETS

In healthcare, stunning new ideas are reducing the cost of bringing advanced diagnostics and treatment to the masses. Chinese medical equipment company Zhongxing Medical has developed an X-ray machine that costs significantly less than a machine assembled and sold in the West, which focuses on the most-demanded types of scans.

Mobile technology has transformed emerging markets already, but in the latest iteration, entrepreneurial activities are becoming more ingenuous and exportable as low-cost solutions to intractable social problems. One example, M-PESA, is a branchless banking service founded in Kenya in 2007 that allows customers to pay bills, withdraw money and transfer money and wages to family via encrypted text messages. Virtual money is redeemed for cash via a network of M-PESA agents, typically local retailers and mobile airtime sellers. By the end of 2010, the service was live in South Africa, Tanzania, Kenya and Afghanistan, with plans for expansion that included India and Egypt – markets that traditional financial suppliers are looking to penetrate.

The success of these 'frugal' approaches may well prove to be tough competition that all brands should prepare for. ■

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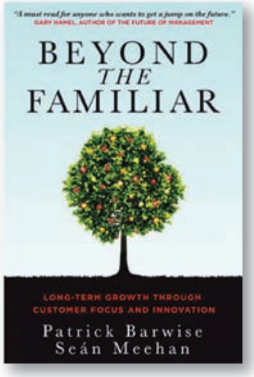
How to be simply better

JUDIE LANNON



IN BARWISE and Meehan's seminal book, *Simply Better*, the authors laid the groundwork for the ideas developed in this more prescriptive handbook. Taking the thesis of the earlier work – that success comes not from an obsession with differentiation but rather with understanding of what consumers most want in a market and delivering it better than competitors – here is a set of principles that amount to a generic model of how to do it. It is a book that should be at the bedside of all CEOs, especially new ones who are in an ideal position to change things, and also marketing directors who, after all, should be responsible for implementing much of the book's advice about understanding customer needs.

The model is described through forensically analysed examples and incisive questions at the end of each section. It has five parts, the most important being openness – a seemingly vague notion but perhaps the most important as none of the other principles can operate without it. The other four principles are: offer the consumer a relevant promise; build trust and equity by delivering this promise; continuously improve the promise; and innovate beyond the familiar.

Each chapter examines what the principle means in practice, illustrating along the way just how difficult it is to execute continuously.

These are deceptively simple principles but it is in the analysis of how different companies succeed or fail to follow them that their profundity emerges. Most business books concentrate on providing answers – often to the wrong questions. Barwise and Meehan concentrate on the right questions. How many CEOs or CMOs could answer the following questions truthfully?

Can all your middle managers describe your customer promise? Can members of your senior executive team name the three things that undermine trust among your existing customers? Is your brand really the best option for customers? Have you embraced novel ideas that produced significant innovations beyond the familiar? Have your front-line staff asked uncomfortable questions or suggested improvements in your offering?

Barwise and Meehan have cut straight to the chase of what makes a successful company. Backed by an extensive array of references, the authors' succinctness, clarity and directness in a text blissfully free of intellectual or academic pretentiousness make this book an excellent addition to the genre. ■

***Beyond the Familiar*, Patrick Barwise and Sean Meehan, Wiley, 2011, £17.99**

A marketer's guide to finance

MARTIN DEBOO

FINANCIAL ISSUES remain a low-interest area for many marketers. But while marketers seem to feel that they are a declining influence around the boardroom table, financial metrics over which marketing has prime influence are of huge importance to CFOs and investors. There are remarkably few books occupying this lonely territory. Here is a basic library.

The category killer is Tim Ambler's *Marketing and the Bottom Line*. He argues that the management of brand equity is the central purpose of marketing but, acknowledging that brand equity can be an amorphous concept, he prefers a system of metrics that can explain how and why brand equity is changing. The intention is to build a more objective dialogue between marketing and finance and to elevate the credibility of marketing. This book has both a philosophic worldview and plenty of practical advice.

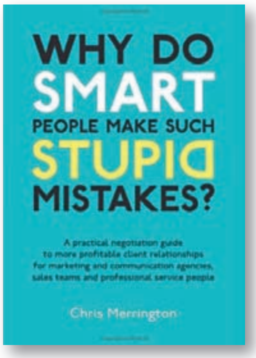
Another hugely influential book for me has been the late Simon Broadbent's *The Advertising Budget*, published in 1989, by the IPA to counter the 'finger in the air' approach to setting budgets. Broadbent uses this rubric to advance an economic approach based on common-sense analysis of simple cost, volume and profit relationships. Broadbent emphasises pricing as a theme almost as much as advertising since pricing and promotion are the only two 'Ps' that the marketer can influence on a day-to-day basis.

The golden coach at this particular ball is *The Strategy and Tactics of Pricing* by Tom Nagle, John Hogan and Joseph Zale. Starting with the key observation that the product should be designed to a price rather than the other way round, the authors present a comprehensive overview of the generic pricing strategies available, how they influence the bottom line and how the key issue of price sensitivity can be explored and measured.

At the end of the whole process is the investment community and the value that they put on marketing. The definitive work in this area remains to be written, but marketers could do worse than to read *Grande Expectations* by Karen Blumenthal, a *Wall Street Journal* writer who wrote an account of a year in the life of Starbucks' shares. The result is a beautifully readable piece that uses each month of the year to introduce the influences that determine the daily fluctuations in the share price of a blue chip Wall Street stock: the institutional investor, the hedge fund trader, the stock analyst et al. ■

How to get a better deal

HAMISH PRINGLE



RECENTLY I took an IPA course on negotiation skills taught by Keith Risk, and was therefore interested to see what Chris Merrington, another IPA trainer, had to say on the matter in this book. Having declared my interest, my view on this book is that while it is a promotional vehicle for Merrington's consultancy, it is nevertheless a useful guide to the preparation for and execution of a negotiation.

In particular I found the chapters 'Negotiation principles', 'Differentiation and winning business', and 'That's a good question' most useful, as were the worked examples on the dangers of discounting and conversely the extra profitability derived from a successful negotiation. I also liked his use of simple checklists and the occasional cartoon to lighten up the text and emphasise the points being made.

This slim paperback reads as if it were the course notes for the various modules that Merrington teaches to his clients. The good thing about this is that each 'bite-sized' chapter deals with a particular aspect of the negotiation process. The downside of this modular structure is that there is bit of repetition that may be no bad thing in a live training context, but on the page comes across as padding.

My other quibble is that although the book refers on several occasions to the need for a 'win–win' in a negotiation, which leaves both parties with the conviction that they've got a good deal, his defined target audience is for agency people and I fear a client reader wouldn't feel their side of the bargain is given enough weight.

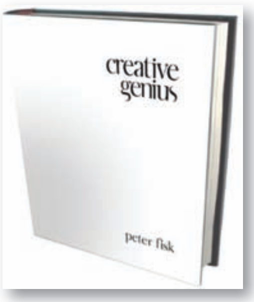
I would have liked more on the context of the client–agency relationship in the chapter on procurement to set up the philosophical context in which a genuine win–win can be achieved. For example, while 'Magic and Logic' is referenced briefly at the end of the book, there is no discussion of one of its key outcomes, ie the reframing of the agency's work in terms of inputs, outputs and outcomes. Nor is there any mention of the huge added value created for clients by the best agencies, as evidenced by the winning cases in the IPA Effectiveness Awards.

These additions would help move the discussion beyond the scope of work and people-hours, to a consideration of the value of the intellectual property that an agency creates for a client, and its impact on their brand in the marketplace. With these caveats I have no hesitation in recommending this book, especially since its easy-to-read format makes it more likely that its lessons will be put to good use by time-pressured agency managers. ■

***Why do smart people make such stupid mistakes?*, Chris Merrington, Ecademy Press, £14.99**

You too cannot be a genius

ANDREW MELSOM



MY FRIEND, the senior marketing director of a big Japanese electrical and imaging company, says her agency only shows her YouTube clips and can't even be bothered to say that the idea they're showing will, eventually, look a bit like the clip. They say that the idea will actually be the clip: a sort of rent an idea without the rent – and without the idea.

Peter Fisk has produced a heavily researched volume that is rich in stories about people with vision who have had brilliant ideas and stuck to them against all advice and probability, yet have prevailed. The problem for us ordinary folk looking for inspiration on YouTube, or in this book, is that once we've read about Dick Rutan, the rocket man or James Dyson – or any other geniuses – we think the effect will rub off on us. After reading you will still be unable to think of the next big online phenomenon or the formula for recycling squashed flies on a car windscreen.

Although there is much to inspire, you will have to be an admirer of process, scenario planning and ideas toolkits to enjoy *Creative Genius* as a full read, but there are plenty of nice ditties to add good cheer: 'Sex is 50% what you've got and 50% what people think you've got.' This was not said by Einstein, but by Sophia Loren in a random yet philosophical moment.

AJ Lafley's turnaround story is told where, at P&G, he inherited brand decline and after five years bought out the competitors (Clairol for $5bn, Wella for $7bn and Gillette for $54bn) and transformed P&G's psyche from tired to inspired.

Also, you must have Steve Jobs on your board. Forget about his other small enterprise, it seems that he is Disney's largest individual shareholder through the acquisition of Pixar and by being the architect of Disney's push into the new age.

What most of us in the marketing industry do is to wake up and find that innocent drinks, Apple, Dove, Dyson or Honda have done something brilliant and we react as follows:
1) claim it on our CV; 2) copy it as fast as we can;
3) read another self-help book.

Creative Genius will inspire you to think how to change the world and will prove that, in most cases, the situation is hopeless. ■

***Creative Genius*, Peter Fisk, Capstone, £16.99**

Two countries united by a commoner

Allyson Stewart-Allen enjoys the commercial inventiveness that was sparked in the US by the recent royal wedding

WHO'D HAVE thought the republic of America would so enthusiastically want to rediscover its Britishness, embracing the idea of royal weddings, calamari hats and pageantry with such gusto, such preoccupation, such envy, such marketing opportunities?

A number of Americans and their brands celebrated the British milestone marriage of the Duke and Duchess of Cambridge in various ways, some tasteful, some not.

The slimming product Slim-Fast, of all brands, launched a promoted tweet campaign in time to capitalise on all the excitement surrounding the royal wedding. Its promoted tweet can hardly be called a carefully targeted advertising scheme: the tweet was directed at anyone interested in William and Kate which, as we know from the TV networks, is anybody from urbane Brooklynites to Sydney royalists, plus a lot of people in a certain island in the North Atlantic. Did it work?

First, we should say, royal wedding enthusiasts were a bit surprised to find that the royalwedding hashtag on Twitter wasn't a naturally trending discussion topic on the big day: it was being promoted by Slim-Fast. Starting on 18 April Slim-Fast began promoting the #royalwedding hashtag until the two kisses on the balcony. The company's message: look good for your own wedding by trying the Slim-Fast diet and, while you're at it, check out the Slim-Fast Facebook page.

Usually, promoted tweets are intended to work with a sense of precision, not as a form of mass marketing. As web-marketing specialist Ben Acheson points out on his blog, Slim-Fast's strategy worked more like a billboard on a busy highway: 'It's random, not targeted, and it's not welcomed by the vast majority of recipients.' For sure, not everyone was thrilled with Slim-Fast's promoted tweet placement, especially spinster republicans. And no word from Sarah Ferguson, Duchess of York, who used to front WeightWatchers.

It's safe to say that the #royalwedding highway was particularly busy. By the time the wedding started on Friday morning, 11.46% of all tweets on Twitter contained the #royalwedding hashtag. The results prove the strategy a success. From 28 April to the time of writing, Slim-Fast's Twitter followers increased from 930 to 1,356. The Facebook page saw a major increase, as the number of fans went from 16,000 on 18 April to 21,400 by 2 May.

Toys R Us was selling the Princess Catherine Engagement Dolls made by British-based Champions of British Style – for $50 each. The dolls were air-freighted to two New York locations and were sold, for a limited time, on the retailer's website.

The Baskin-Robbins Royal Wedding Ice Cream Cake fetched a cool $29.99. The six-inch-diameter dessert is made from vanilla cake and chocolate mousse royale ice-cream. The white and blue roses are supposed to look a bit like an English garden. Baskin-Robbins and Dunkin' were selling the royal-wedding goodies to lots of folks who planned to host royal wedding parties in their homes or offices.

OTHER PRODUCT CATEGORIES

Graham & Brown, the upmarket wallpaper chain, was offering 20% off its Crowns & Coronets wallpaper line 'to celebrate the royal wedding'.

In need of a facial? For $200, you can could get the 75-minute Royal Facial at the two Dallas-area locations of Renée Rouleau Skin Care. The facial is followed by English scones with berry jam, of course. The facial also included a scalp massage, said owner Renée Rouleau, 'because when you wear a tiara or crown, your scalp might get sore'.

Royal wedding memorabilia included the T-Mobile spoof on YouTube, and made-for-TV movie *William and Kate* which aired on 18 April starring British actress Camilla Luddington as Kate. And there were many more examples, ranging from the banal to the bizarre: Dunkin' Donuts launch of a Royal Wedding Donut described by the company as 'a heart-shaped donut filled with jelly and topped with vanilla icing and a chocolate drizzle' (offer available between 24 and 29 April); Madame Tussaud's giant congratulations greeting card available for signing at its Hollywood attraction; Pez candy created dispensers with the heads of each of the royal couple to offer its pellets; Kate Middleton's replica engagement ring is available on Amazon for $29.99; and Papa John's has a Royal Wedding pizza, with the toppings arranged in a mosaic of the prince and princess.

Besides the royal couple's special relationship, the US–UK one is stronger, more profitable and wider than ever before. Americans seem to have rediscovered their Britishness as a result, and it's not going to ebb anytime soon. Why? Kate is very attractive, young and will have cute children to fill our tabloid and entertainment magazines. We like the British traditions, pageantry, protocols which we don't have. ■

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2011: the year of the desperate optimist

Ben Hayman urges brands to acknowledge consumers' needs for optimism, against the odds

AS AN avid football fan, I know something about the perils of optimism. At the time of writing, my team, Arsenal are still mathematically in with a chance of winning the Premier League, the most coveted domestic trophy. The truth is that Arsenal are on a terrible run, having lost and drawn their last three games while the competition streaks ahead.

Logically, I know that by the time this article goes to press my disappointment will have been confirmed. I am, however, desperately clinging on to the idea that the team will pull the rabbit from the hat. It is a football fan's prerogative. It is desperate optimism.

Desperate optimism is a running battle between heart and head. It is a conflict between hope and pragmatism, what we want and what we know to be true. It is a destructive tension that serves to undermine rather than encourage confidence. And it is not just the preserve of deluded football fans.

We at Promise believe that desperate optimism is an important idea for modern Britain. We first coined the notion of desperate optimism after a large-scale co-creation workshop in February 2011 when we invited 30 marketing and customer insight professionals and 20 consumers to spend three hours together discussing the future: hopes, fears, expectations.

We found that there was a huge contrast between what people wanted to happen and what people expected to happen in their lives over the next 12 months. The way people justified this was extremely emotional – put simply, they felt like they deserved a break. Asked to vote with their feet and answer the question 'is 2011 going to be a good year or a bad year?', 90% of our participants strode in to the 'good year' camp.

We spent time talking to them and rationalising their decisions. However, the truth was there was very little rationale. After two hard years of living with uncertainty, recession and cuts, people wanted to embrace hopefulness and were genuinely 'desperate for good news'.

The problem for the desperate optimist is that they are covertly aware that their lives are unlikely to get much easier in the next 12 months. We split the group in to smaller teams and asked about factors affecting their lives. We heard about well-founded worries and concerns including inflation, oil prices, global instability, job security.

As shown by recent consumer-confidence figures the desire to feel better about their situation does not necessarily translate into behaviour. The psychology of the optimist also means that these people will constantly feel let down, annoyed by their realities, angry that they have let their hearts get the better of their heads.

We believe that this will provoke extreme behaviours in consumers and will impact on their relationships with brands. Brands and businesses will need to work hard to understand the emotional and rational worlds of consumers.

WHAT CAN WE EXPECT FROM THE DESPERATE OPTIMIST IN 2011?

People will embrace good news. Desperate for 'proof' to endorse their optimism, we expect to see 'peaks of euphoria' where people will try to channel their optimism. The Royal Wedding is a great example of the kind of euphoric event people will throw themselves into this year.

What does this mean for brands? Demonstrate that you understand – the way that Morrisons' recent communications campaign and the T-Mobile Royal Wedding viral capitalised on a positive frame of mind. Oh, and check the weather. Expect surges in consumer confidence and engagement during periods of sustained good weather.

The desperate optimist mindset means that emotions are bubbling close to the surface. This challenges a British stereotype of austere and reserved citizens. We predict that this will change and that public displays of emotion – from love to rage – will become more common.

Our work revealed that emotive communications, particularly those with a whimsical or melancholic edge, seemed to resonate strongly. Strong emotional reactions also mean that people are more likely to make a stand against perceived bad service or brands that don't live up to expectations. Our relationships with brands will become less passive.

The dilemma for desperate optimists is that they set themselves up for disappointment. When the evidence of experience challenges their optimism they feel let down and angry. Brands need to support people. Recognise that value-added offers and staying close to the needs of your customers (listening and responding) will be vital to success this year. Those brands that seem detached from the struggling pragmatist within the desperate optimist mindset will be rejected.

In his budget, the Chancellor talked of the 'cautious optimists'. We uncovered a very different form of optimism, laced with desperation. Empathising with this mindset will contribute to the success of brands, products and services. ■

Ben Hayman is managing director of Promise, bhayman@promisecorp.com

Natural partners bring unexpected bonuses

Rory Sutherland pushes the principle of complementarity to its logical conclusion: category not just brand promotion

UNTIL 1993, when I first travelled to the US, I was one of the least valuable consumers of cola in Britain. This was not because of price or availability (I grew up in a self-employed family where wholesale crates of Coke littered the house). No, my Damascene moment happened when I found the US does not share the European belief that ice is a luxury good, to be supplied sparingly if at all.

Staying in American hotels, we found there was usually an ice machine in the corridor outside the room. I soon made the fascinating discovery that, with abundant ice, a drink that was slightly insipid lukewarm became delicious when properly served.

Ice and Coke would be described by economists as 'complementary goods' – or goods with a 'negative cross-elasticity of demand', meaning a fall in price of one good will increase demand for the other. The example usually given by economists would be hotdogs and hotdog rolls, but you can extend the concept further if you wish – to computer hardware and software, to popcorn and cinema tickets or even film rental and pizza delivery. One of the cleverest ways of using the idea of complementarity was the suggestion – never implemented, as far as I know – that pizza delivery businesses should be equipped with hardware to burn DVDs on demand, so that you could order *American Beauty* along with your American Hot.

I first came across this concept in an interesting way – in a paper by Gary Becker and Sean Murphy which suggests that some advertising works not by changing consumer preference but by creating emotional attributes that are complementary to the value of the product. Just as free peanuts increase the enjoyment – and hence consumption – of beer, so free (to the buyer) Ford advertising increases the net value of owning a Ford.

Whether advertising mostly works this way need not matter much to marketers (the debate is chiefly of interest to economists) but it is a concept that is useful to us all. Big ideas such as the *Michelin Guide* or the *Guinness Book of Records* have arisen from asking the question: 'What complementary value can we create for our product?' In the case of the *Michelin Guide*, the idea arose from asking what information might be complementary to the consumption of tyre rubber. The answer was to give people a list of places for which it was worth journeying further afield.

But, as you may have noticed, complementarity, though powerful, often works at the category level, not at the brand level (except when a brand controls both goods, as with locked mobile handsets or proprietary systems such as Nespresso or printer cartridges). Michelin and Guinness would have had few qualms about this, since in 1900s France or 1950s Ireland (where the two ideas originated) the market share of the two brands was so huge as to make category growth their main concern.

But as a recent experiment at some branches of Sainsbury's seems to show, these ideas still have potential. The creation of a 'cocktail pod' in the drinks aisle, where mixers, lemons, limes and ice were stocked together, has led to a reported increase of 9% in overall sales of spirits. Once in the booze aisle, even if I contemplate the purchase of gin instead of wine, my decision may be swayed by the knowledge that limes are on a shelf 200 yards away, and against the flow of traffic.

Supermarkets could give more thought to this notion – why is sugar, including sugar lumps, stocked next to baking goods, rather near tea and coffee? But, more important, is too much thought devoted to brand-level questions, leaving little attention spare for category-based interventions?

As Winston Fletcher observes in *Powers of Persuasion*, category-level advertising, once common (with ads such as 'If you want to get ahead, get a hat'), has all but disappeared.

What seems so strange about this is that, as consumers enjoy more discretionary income, and as self-limiting notions of class and identity evaporate, the number of consumer decisions that operate at the category level is increasing. When money is constrained, categories are often predetermined, and brand selection is the only sphere of choice: Pontins or Butlins? Thomas Cook or Lunn Poly? In the 1950s, spirits were unaffordable to most households (in 1951 Swansea, Kingsley Amis remarked on his family's new-found prosperity by observing that there was now 'drink in the house').

Add to this the fact that new digital marketing activities quite often work at the category level not the brand level (notions such as branded utility are often 21st-century versions of the *Michelin Guide*) and it seems likely that the time has come for a reapportioning of budgets, or at the very least a redirection of thinking. ■

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The jkr team celebrating their design effectiveness award.

Why do some clients get better work than others for the same money?

No decent design agency ever gives anything but its best.

So how is it that some clients get superior work while others have to settle for the merely good?

It prompted us to wonder whether successful clients have anything in common? It seems they do.

For a start, they believe that great design can make a great difference.

Their briefs are sharp, honest and deeply thought out. They don't try to define them through our work, demanding endless solutions.

(Designers quickly suss when their work is research fodder and their hearts sink: sad designers do sad work.)

Then, successful clients always try to give us time to do our job properly.

They understand that we need to discard the ordinary so that the extraordinary shines through (and if it doesn't to start again).

We also need time for our senior people to assess the work, and for our production team to ensure the ideas are practical, stack properly and keep their shape in transit.

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They are more concerned that a design be wonderful than tick boxes.

If they have criticisms they find something to praise first, and their praise is genuine not a trick learnt at business school.

Research? They do it, listen to it, then follow their own instinct.

They are team players: if we cock-up we learn together, if we succeed we celebrate together.

Finally, money.

We find that successful clients are generous. They count the pounds not the pennies. They trust us not to overcharge and we never have.

Why are we publishing this?

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