

# Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

## The new world order of global brands

**SIMON SILVESTER**



**PRODUCTS DIE  
BUT BRANDS CAN  
LIVE FOREVER**

Laurie Young

**WHY VIDEO ON DEMAND  
WON'T HAPPEN**

Patrick Barwise

**THE VALUE OF CREATIVITY**

Peter Field





First win the eye...

then the heart...

then the mind...



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# A new world order



**AS CHINA** displaces Japan for second place in the world economy and India, Brazil and the next 11 power ahead – not to mention the recent upheavals in the Arab world – a new world order is truly asserting itself.

Simon Silvester in this issue's cover story starts from the observation that most of the world's global brands are made by Western companies for Western consumers and adapted to people in poorer countries as the world has become increasingly 'globalised'. From this perhaps obvious but rarely commented on observation, he goes on to discuss the significance of this state of affairs in the form of some 20 insights about how aspiring global branders should think about the millions of new consumers in these many emerging countries.

Each country will have its particular character, of course, but there are a number of common features that markets share. Take just two: they are startlingly young in contrast with the ageing West, which has many implications not least of which is that the familiar retention strategies of mature markets are worthless: think trial. And as the 'Letter from Brazil' emphasises, these emerging countries are full of optimism compared to our gloomy and nervously cautious outlook. Eighteen more observations that bubble with intriguing possibilities make fascinating reading.

Marketers are a generally optimistic bunch, generally young, and generally fascinated with the next new thing. But the next new idea often has feet of clay. Short memories, limited experience and a 'glass half full' outlook can mislead. Take two big subjects: media and brands. Patrick Barwise looks at the much-hyped claim that 'video on demand' is just around the corner and he takes a sharp forensic swipe at the argument, producing convincing evidence that the forecast is deluded. Fru Hazlitt in 'Speaker's Corner' makes a similar point in relation to the also much-hyped 'long tail'.

Elsewhere in the issue in an equally combative mood, Laurie Young takes a swing at the conventional wisdom that is taken as given at conferences and in marketing courses: that newness is all, that commoditisation is a constant threat from demanding consumers and that creating long-lasting value propositions is increasingly difficult.

Nonsense, he says, and mounts a spirited defence of nourishing brands over a long period of time, providing evidence from his list of brand birthdays going back to the mid-19th century (his full list goes back several centuries) – that are still alive and kicking today.

JUDIE LANNON, **EDITOR**  
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# Market Leader

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Martin Glenn, CEO, Birds Eye Iglo

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# Brainwaves

Our selection of light reading from around the world of marketing

## Why are there no ads on Big Ben?

BY WINSTON FLETCHER

**WHY ISN'T** Big Ben's clock tower covered with ads? It's one of the most photographed and frequently televised edifices in the world; it's seen each year by zillions around the globe. Ads on the home of this humongous timepiece would command massive rates, raising lots of lovely lucre for impecunious UK Ltd. And surely some cool lipstick ads would pretty up the old face a bit.

And it's not only Big Ben. There are no ads on Buckingham Palace, the Tower of London, or St Paul's. Nor is this just a British phenomenon. You'll see no ads on the Acropolis, the Taj Mahal, or along Venice's Grand Canal. Even in ad-fervent USA you'll find no posters on the White House or the Statue of Liberty. Why ever not? The Statue of Liberty would make a fab poster site – possibly even better than Big Ben.

So why are ads too vulgar to sully the world's finest buildings and monuments? Why are ads banned in Trafalgar Square but nearby Piccadilly Circus is plastered with, and famous for, them?

Devotees of new media may find these questions very olde worlde. With new marketing communications bubbling up every nanosecond, who needs to stick ads on Big Ben? Who wants to associate their brands with aged buildings – even if they could – when there are so many trendy digital opportunities out there?



Well, the boring answer to the question about Big Ben and the rest is that it is the public who do not want ads on them. Imagine the public outcry if somebody tried to slap ads on the Tower of London: off with his head! Research shows people generally like ads – but this does not mean they want to see them all the time and everywhere. They want, and expect, advertising to be controlled and kept in its rightful places.

This is not a new phenomenon. Billposting has been controlled since Victorian times, and even advertising on television – that most commercial of media – has been controlled in Britain (and in most countries) since its inception more than half a century ago. Some places are

So why are ads too vulgar to sully the world's finest buildings and monuments?

right for ads, some are not. In the past, advertisers have tried out countless possible media which failed, including books, records, telephones and even public loos. The public didn't respond to any of them.

So we may yet find that the public does not want ads cluttering up all their personal digital communications, such as mobiles and social networks. Maybe this explains why many of them have been surprisingly sluggish in building up ad revenue. Hard though this may be for advertising and marketing guys to swallow – ads are not welcome everywhere. ■

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

RITA CLIFTON

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

'Be yourself because you'll never be as good at trying to be someone else.' It didn't suit me trying to ape a 'kick ass' style of management. Passion and nurture came much more easily to me.

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

A senior female executive told me never to be seen at the photocopier, making tea or doing your own typing if you wanted to be taken seriously.

### Don't underestimate ...

The importance of looking the part, sounding the part and behaving like it. It never ceases to amaze me how people who work in marketing

and comms give their clients advice about their brands' presentation but don't feel that it applies to themselves.

### Don't overestimate ...

That everyone knows what they are supposed to be doing, supposed to be saying or even what props to bring to a meeting.

### The experience that taught me most ...

Being CEO in a market that was going off a cliff. They do say that you learn most from adversity and it's mainly true. Making people redundant whom you have recruited, trained and spent time with is seriously tough. You have to make hard decisions, and act earlier than you'd ideally like, for the sake of the company.

### The most fun I had ...

Being a planner at Saatchi & Saatchi in its 'maddest and baddest' period.

### The worst moment ...

The worst research debrief I've ever sat in was when I had briefed the research but hadn't had a pre-meeting with the researcher. The first thing he told the client was that the research had gone wrong and so the answer wasn't validated.

### Peak career experience ...

What I'm doing now. I have a portfolio of really interesting roles. Life is full and fulfilling – but who knows what's next?

*Rita Clifton is chairman, Interbrand UK  
www.interbrand.com*

## What you really mean

● 'We've got to keep the inertia going.' (Nothing's happening and I intend to keep it that way.)

● 'Process re-engineering has just become Service Quality Improvement.' (Any generic phrase to justify what's not happening to me.)

● 'This is the new little black dress of marketing.' (I am

sexist and capable only of talking in riddles.)

● 'You can't ease the throttle back after six months – you need two years to get your head above the trench.' (Driving fast in a trench is a long-term commitment.) ■

*Source: The Fifth Little Book of Business Bullshit – Kevin Duncan*

## Direct mail rules ok

**IN THE** internet era, is direct mail still relevant? Research suggests yes.

In collaboration with the Centre for Experimental Consumer Psychology at Bangor University in Wales, Millward Brown conducted an experiment that used functional Magnetic Resonance Imaging (fMRI) to understand how the brain reacts to physical and virtual stimuli. The fMRI highlights the brain regions most involved in processing written material. This showed more emotional involvement when participants handled material printed on cards than when they viewed the same material online.

The research suggested that greater emotional processing is facilitated by physical material than by virtual, which should help to develop more positive brand associations.

The real experience is also internalised, which means the materials have a more personal effect. ■

*Source: Millward Brown*



## FAKES MAKING A MINT

**THE ORGANISATION** for Economic Co-operation and Development estimates that between 2001 and 2007, fake brands doubled in value to about \$250bn. By 2008, the market in the US alone was thought to be about \$200bn annually. In January 2008, the *New York Times* reported that about 7% of the world's goods were estimated to be counterfeit.

● In December 2009, fake bags and watches worth \$1m were seized in New York City.

● LVMH, owner of Louis

Vuitton, brought a suit against Google, claiming that Google was infringing its trademark and promoting the sale of counterfeit products by selling brand-name search terms. In March 2010, the European court case was decided in favour of Google, although the French Supreme Court didn't agree.

● In May, Versace won a \$20m suit filed against more than 100 people and 70 retail shops in the US charged with selling fake Versace goods.

● Also in May, Christian Louboutin launched its 'Stop Fake Louboutin' website in an effort to expose counterfeiters of its shoes and handbags.

● In June, the European Union gave brands the legal means to pursue e-tailers who are illegally selling a brand's goods or misrepresenting a brand's name. ■

*Source: Barry Silverstein, Brand Channel*



# Ideas & issues



Apple and Google are ahead of the field – but their type of competition is closer to Federer v Nadal than Achilles v Hector

## TECHNOLOGY

# Apple v Google: they're rivals in many ways but it's not quite a death match

FROM KIERAN LEVIS

**ROBERT LANE** Greene has written a sparkling account in *Intelligent Life*, Winter 2010, of the growing rivalry between Google and Apple. For years Steve Jobs was an inspiration to Larry Page and Sergey Brin, and Eric Schmidt sat amicably on Apple's board until 2009.

As Greene puts it: 'The companies could have been a match made in heaven: Apple's gorgeous devices running Google's miraculous services.' But when Google launched Android and challenged the iPhone in the glittering smartphone market, they became serious rivals and now

compete on several fronts: operating systems, browsers, email, photos, app stores, cloud computing, even books and music, although not exactly ferociously.

Greene is particularly good on what he calls the clash of cultures. The key to understanding Steve Jobs, he suggests, is that calligraphy was the most important course he took in his brief time at college. Design is Apple's supreme value and Jobs has always been a perfectionist. His colleagues used to moan about his reality distortion field. Now that he's a god,

they simply venerate him.

Google on the other hand is a 'herky-jerky place', where engineers experiment endlessly, happy to put out beta products that often fail.

According to Eric Schmidt, 'the Apple view is coherently closed. Ours is the inverse model: the web, openness, all the choices, all the voices.'

Yes, but they're doing very different things. You don't produce beautiful objects like the iPad and the iPhone through open source, nor is Google simply a mouthpiece for the wisdom of crowds, any more than YouTube is merely

a platform for other people's videos. Apple and Google are competing only obliquely, and their cultures and values have far more in common than what separates them.

They are the shining exceptions to the general rule that, as companies become large incumbents, they lose the ability to produce really radical innovations.

## HEALTHY COMPETITION

Apple and Google are exceptional – even by the standards of start-ups they are way ahead of the field, and able to attract and inspire the

most talented people. They are still driven by the visions that inspired them from the start, much more than by how to keep Wall Street happy.

They also greatly respect each other. Schmidt recently called Jobs 'the best CEO in the world by any measure'.

This is more a contrast of cultures than a clash and it's a long way from being a 'death match'; it's closer to Federer v Nadal than Achilles v Hector. Whoever wins won't be dragging the mangled remains of the other through the dirt.

Android is on the way to becoming the most popular operating system, but iPhone users are likely to retain a significant market share, like RIM's BlackBerry. The crucial difference from the PC world of the late 1980s is that Apple will not be cut off from the mainstream as it was when Wintel became dominant.

There could be only one dominant winner in the smartphone market if one player enjoyed enormous network effects or switching costs. That isn't yet the case and John Gapper in the *Financial Times* has made a strong case for suspecting that it may never happen.

Greene makes much of the fact that 'there is no easy

## Whoever wins won't drag the mangled remains of the other through the dirt

way out of Apple's system . . . Apple's offerings hardly ever let you down, but when they do, you are stuffed, left with sunk costs and a reputation as an Appleist that you would publicly have to disavow.'

But this is not lock-in in the way that most businesses are still stuck with Windows and Office, because the cost of switching would be prohibitively high. Appleists have chosen to be different and put up with inconveniences like iPods dying young, as they used to do, because they simply adore them. Some aspects of the cult may be ridiculous, but this is true love. Brands don't get any better than that.

### UNIQUE COMPANIES

Neither of these two have serious rivals in their core domains. Despite disrupting nearly every part of the media industry, the only adversary

Google has seriously sought to displace is that master of customer lock-in, Microsoft.

Apple has learned to coexist with the old enemy. For years Microsoft was its most important software developer and even now Office for Mac remains crucial for its credibility as an alternative to the PC. Surpassing Microsoft's market cap must have brought enormous satisfaction to Steve Jobs, but now he has more important things on his mind.

The recent announcements that Jobs is taking sick leave again and that Google is changing its leadership structure raises intriguing contrasts. One reason Jobs has been such a successful CEO since his return in 1997 is that he has had in Tim Cook a COO who complements his mercurial brilliance perfectly.

Cook may have played as big a part in the company's transformation as its iconic leader. Until 2002 when the iPod took off, Apple was barely profitable and annual sales were stuck around \$6bn.

It has just announced a net profit of that amount for the last quarter alone. Cook revolutionised Apple's production processes and

gave it the world's most efficient supply chain. He has been all but a partner to Jobs since he joined from Compaq, and if Jobs should not come back he would probably make as good a successor as Apple could find.

The changes at Google are timely. Having three people take all the important decisions worked well during its extraordinary growth period, but has been clogging things up now that it is a large company with many aspirations. Blaming Schmidt for supposed failures such as not beating Facebook, as some have done, is ridiculous. If anything, Google should be criticised for trying to do too many things at once. What is remarkable is how many have succeeded.

The last thing either of these two needs is a conventional CEO who would try to turn them into machines for maximising shareholder value. Long may they continue to swim against the corporate flow. ■

*Kieran Levis is the author of **Winners and Losers, Creators and Casualties of the Age of the Internet** (Atlantic Books, 2009). [kieran@kieranlevis.com](mailto:kieran@kieranlevis.com)*

## INDIA

# Building brand power in emerging middle classes

FROM HAMSINI SHIVKUMAR

**THE INDIAN** middle classes, numbering more than 400 million people, are a large consumer force who are now solidly engaged in gaining upward mobility. This is true perhaps of the middle classes in many emerging countries, especially in the BRIC countries. However, there are specific nuances to the approach to upward mobility in India that arise from the

nature of Indian society, which is a highly stratified social hierarchy.

For centuries, social mobility was frozen. People were born into a caste which had its place in the social order, and lived and died there. Even after independence, the socialist economic model with low GDP growth and a huge role for the State ensured that an

individual's chances of moving up the social ladder in his or her lifetime were very low.

However, the economic liberalisation process of the past two decades, the growth of Indian industry and the continuing GDP growth at 8.9%, have opened up avenues for every middle-class Indian to aspire to progress forward and upward in their social milieu. Today, the energy

and enterprise of a youthful and hard-working population combined with a spirit of optimism and possibility pervade the atmosphere despite the daily struggles of coping with a host of problems, from rising prices to failing infrastructure.

The path to upward mobility, expressed in material terms, means that **continued on p12**



## HOW BRANDS MANAGE TO TRANSFER VALUE

**Nokia** is the market leader and a power brand in the cellphone market in India. For the mass consumer, Nokia transfers all forms of value. Nokia phones can be sold or exchanged in the second-hand phone market for a better price than the competition brands.

In this instance, the brand trust is not merely a reassurance of product quality but an active contributor to the Nokia buyer's stock of capital. By continuously innovating and offering a slew of products as well as educating consumers, Nokia acts as a knowledge source about a product category that they are very interested in. However, Nokia is unable to offer badge and network value to the same degree as Apple and BlackBerry, especially to the upper-income buyers of smartphones.

**Raymond** is an established Indian brand of men's suiting fabric. It is the market leader in its product category and a power brand by all measures of brand equity. Raymond transfers four elements of value to its buyers, especially in the mass segment. For the principal suit-making and gifting occasion, ie weddings, the Raymond suit is a well-recognised status symbol. Hence the brand is able to charge a significant premium and also to offer products that span a significant price differential. However, for the younger consumers, Raymond lacks distinctiveness compared with international men's apparel brands and, for them, the brand transfers only the first three elements of value, but not beyond. For these consumers, Raymond does not add much to their stock of social and cultural capital, whereas for the small-town, mass consumer, Raymond does. ■

Indian families are working hard to acquire all forms of capital – financial, social and cultural capital. Consumption and exchange via trade of products, services and knowledge are the preferred routes to acquire these forms of capital, as it is in all capitalist-consumer societies.

Two characteristics of the Indian mindset give the process of consumption and capital acquisition a distinctly Indian flavour. First, Indians live and work in an extended network of family, friends and peers arranged in a vertical hierarchy of social relationships. This network is the contemporary version of the traditional joint family. Much trading of products, services and knowledge takes place within this network.

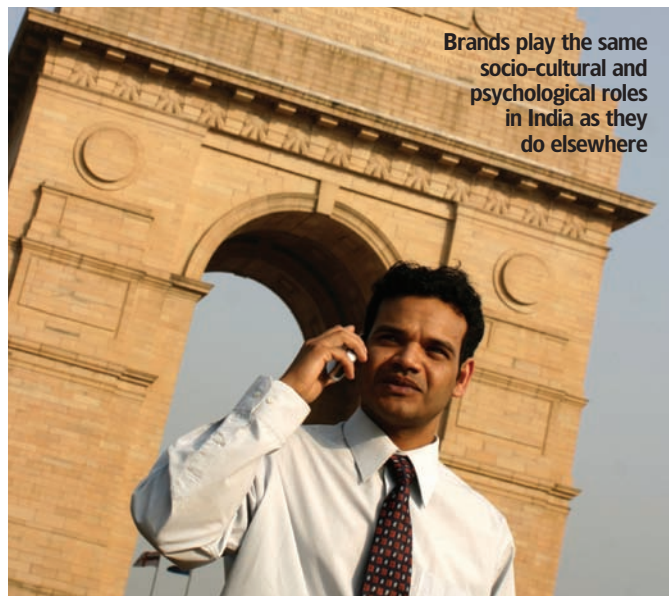
Second, the Indian's attitude towards consumption is marked by a strong value orientation. From the elite and super rich to the man in the street, everyone tries

to maximise the return they get on the money they spend. Goddess Lakshmi is the goddess of wealth in the Hindu pantheon; it is believed that the goddess showers blessings on those who respect her by not taking a cavalier attitude to money.

### BRAND BENEFITS

As with aspiring middle classes all over the world, the emerging Indian classes value brands. And they value brands for the same benefits that brands provide in all consumer societies: brands function as trust marks; they are affinity markers of identification with like-minded people; they act as status symbols, as identity symbols and as carriers of personal reputation and influence. Brands play the same socio-cultural and psychological roles in India as they do elsewhere.

However, the three singular characteristics of the Indian



Brands play the same socio-cultural and psychological roles in India as they do elsewhere

### FIVE ELEMENTS THAT COMPRISE A BRANDED OFFERING

Value element	Product role	Brand role and power
Task value	Quality/performance	Trust and affinity mark
Add-on value	Offers and deals	Trust and affinity mark
Talk value	Continuous innovation	Knowledge source
Badge value	Stylish design	Status and identity, symbolism and meaning
Network value	Support the myth	Icon, myth, legend and aura

## The Indian's attitude towards consumption is marked by a strong value orientation

middle class highlighted here require that brand strategists take a forensic approach to decoding value and its linkages to the acquisition of financial, social and cultural capital.

The table above sets out five elements of value that typically comprise any branded offering, whether a product or a service, and the role of the product versus the brand in delivering value to the consumer.

The most powerful brands are those that are able to transfer more value elements to the buyer for the price he or she pays. By transferring value, brands add to the consumer's stock of financial, social and cultural capital. If the value transfer is real, not notional, then the consumer is able to trade further down the line, leveraging the brand's power for personal profit. ■

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**MEDIA LANDSCAPE**

# Business models and a revised big bang theory

FROM MARCO RIMINI

**IN RESPONSE** to C John Brady's feature 'A new view of the future of media landscape' (*Market Leader* Q1, 2011, p38), looking back, the 'big bang' of marketing services can be dated to around 2000.

At that time, the explosion of digital technology blew the media and marketing industries into fragments of different sizes and shapes travelling at great speeds through space and time. Suddenly everyone did everything. Media agencies created, creative agencies distributed, technology companies became media owners and data became the new black.

How will it all settle down? What new worlds will be created? Will it ever settle down or are we

condemned to permanent revolution and volatility?

C John Brady gives us three possible new worlds, new planets: a data-led planning planet that is a cool, rational place and the world of geeks; a low-cost, high-volume buying planet that's a world of smoke-filled rooms and dealers; and an integrated, creative boutique world that is a small but beautiful world, full of beautiful things and free spirits.

Geeks, dealers and free spirits are all good planets, but quite close to the pre-bang world. Let me suggest a couple of wilder worlds.

One might be a planet for the global adaptation and distribution of content (creative) assets. Hogarth and

TAG are the Adam and Eve of this world. This service stores assets created elsewhere and releases them at the right place at the right time to the right customer according to the prompt from media scheduling software. It's all online, all automated and all globalised. It's a world where traffic and production, the people who really make creative agencies tick, are finally the pearly kings and queens.

To complement this planet is a moon of mass-produced, mass-customised, high-volume, low-margin creativity. I'm not convinced commercial creativity will remain in a low-volume, high-value business. Perhaps a large swathe of creativity becomes commoditised and media becomes bespoke as media agencies, media owners and rights owners co-create inventory around clients' brands.

This moon might be a place where content created elsewhere (Hollywood, Bollywood, Googlewood,

Groupmwood) is endlessly recreated, refined and repurposed in a million slightly different forms to appear in a million slightly different digital spaces selected by the geeks.

And finally the world of Googlewood where media inventory is shaped uniquely around customers and brands and then licensed to clients for global use. IMG meets Facebook, meets Groupon: a world of creative geeks, the new species for the new world.

Perhaps the biggest question will be whether the development of this universe is controllable – with WPP, Omnicom, Interpublic and Publicis as the divine watchmakers – or whether marketing services' Darwinism will find the group constraints too tight. Who knows? But it will be an exciting ride. ■

*Marco Rimini is leader business planning worldwide at Mindshare. marco.rimini@mindshareworld.com*

# Brands must connect on- and offline advertising

FROM ASHLEY HIGHFIELD

**A KEY** feature of communication planning is how consumers can control their on- and offline media experiences. They expect brands to understand when, where and how they want to be engaged with and be ready to respond to these demands. Digital media innovation has given consumers greater choice and fuelled market complexity, and has rapidly expanded the scope for advertisers to harness insight and creativity to respond.

As C John Brady states in his article about the future of media landscape (*Market Leader* Q1, 2011): 'Consumers don't think that way; they see it as a joined-up journey.'

Microsoft has approximately

one billion global customers consuming a variety of media content across different devices at varying times of day. From mobiles to PCs, gaming consoles and TVs, at home or work, the opportunity for advertisers to reach audiences has changed and consumers want their experiences integrated and connected.

To ensure that advertising remains relevant we have to learn how technology is changing behaviour. Key to this is insight. Digital media enable a more sophisticated approach to how we gather and utilise insight, ranging from integrating online and offline data, planning new targeting strategies and measuring the effectiveness of campaigns.

We conducted a research study\* to explore the

behaviour and attitudes of multi-screen consumers – people aged 18 to 64 who actively use TVs, PCs, smartphones, and game consoles to consume media.

Summary findings show that multi-screen consumers crave a connected experience across devices and believe that it provides numerous benefits, including making the content more useful (69%) and their media experience more relevant and informative (69%). Younger multi-screen consumers are most likely to value consistency across screens, believing that it greatly improves their media experience; 75% of 18- to 24-year-olds believe having the ability to access content across multiple screens makes content much more useful.

The ability to gain insight across different devices to develop and track campaigns that span media platforms means we have the greatest opportunity for creative exploration that advertising has ever experienced. Brands that are making this journey are realising the rewards with improved return on investment and greater brand loyalty. ■

*\* Study conducted by Microsoft Advertising, in partnership with Wunderman (a WPP company). The study surveyed 1,200 of these consumers across the US in the spring of 2010.*

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CONSUMER BEHAVIOUR

# How to make choice easier

FROM JUDIE LANNON

**IF ANY** single word defines the consumer benefit of a market-based society it is 'choice'. It is rooted in our culture. Henry Ford's car offer wouldn't have echoed down the decades as the defining joke about the centrality of individualism if it didn't hit a profound cultural chord.

Products, brands and services are all forms of self-expression and we learn from childhood how to make choices. But you hardly need to be a psychologist to observe that choice in many markets has run out of control and that there are psychological, not just shelf-space, limits to how much choice we can manage.

## JAM EVERY DAY?

Sheena Lyengar is a Canadian who has studied how we choose. Her jam experiment is a famous example and a largely unheeded warning about what happens when people are overwhelmed with choice.

The experiment went like this. Lyengar set up a situation in a speciality grocery store in Menlo Park California where she had often shopped but found herself occasionally coming out empty-handed, overwhelmed by the choice available. She wondered if others had the same problem.

To find out, Lyengar and her collaborator, Mark Lepper, set up a jam-tasting booth near the entrance of the store. Every few hours, the booth switched between offering an assortment of 24 jams and offering an assortment of six. The researchers wanted to know

which assortment attracted more people and which one would lead to higher sales. They observed the shoppers as they moved from the booth to the jam aisle, which boasted 348 varieties.

As might be expected, 60% of the incoming shoppers stopped when 24 jams were displayed, but only 40% stopped when six jams were displayed. Clearly, people found the larger assortment more attractive. When these shoppers went to the jam aisle to pick up a jar, the shoppers who had seen only six jams had a much easier time deciding what to purchase.

The researchers discovered that the small assortment helped narrow down choices, whereas the large assortment left people unsure of their own preferences. Of those who stopped by the large assortment, only 3% ended up buying a jar of jam, which is far fewer than the 30% who bought jam after stopping by the small assortment. Lyengar and Lepper calculated that people were more than six-times as likely to buy jam if they saw the smaller display.

## A BETTER EXPERIENCE

In a recent article in *Strategy+Business*, Lyengar explores this idea and its consequences for marketers and retailers. She concludes that people don't want choice, they want a better choosing experience. This may seem like a semantic quibble but it isn't. People want to feel satisfied with their choice without the

frustration and indecision that goes with rejecting possible candidates. She offers four strategies to help people have better choosing experiences.

**1** Cut their options. This is the obvious strategy but one not often followed for fear of losing customers. In the mid-1990s, when Procter & Gamble Company winnowed its 26 varieties of Head & Shoulders anti-dandruff shampoo down to 15, eliminating the least popular, sales jumped by 10%. Another example comes from a 2001 study that tracked an online grocer that had made substantial cuts in the number of products it offered, across 94% of all the product categories. Not only did sales rise an average of 11% across 42 categories, but 75% of its customer households increased overall expenditures.

**2** Create confidence through recommendations. No one does this better than Amazon and it is surprising that their techniques aren't more widely copied. Presumably most people know what book, for example, they want. However, for those who are searching for enlightenment on a subject without knowing a specific author or title, the long and often detailed reviews, what others bought, books on similar subjects, reminders, all help focus and narrow choices. TripAdvisor.co.uk gets better and better on this score.

**3** Categorise the options. Where the novice sees 100 different options, the expert sees maybe seven or eight relevant core qualities. The trick is to get the novice to see things as the expert sees them.

The easiest way to do this is to categorise. All wine sellers categorise but a more customer-friendly approach

is taken by the US company Best Cellars. By consulting with oenophiles in advance, it limits its variety to 100 high-quality, reasonably priced wines. Then, instead of categorising by grape or by region, Best Cellars divides the wines into eight simple 'taste' categories, such as 'fizzy', 'juicy' and 'sweet'.

**4** Condition them for complexity. For certain kinds of decisions you can set consumers up for success by encouraging them to learn from, and build upon, their own previous choices.

For example, Lyengar conducted a study with a major German car manufacturer. Researchers presented the first eight design choices in different sequences to different groups of car buyers.

One group had first to choose interior and exterior colour, with 56 and 26 options, respectively. From there, they chose features in descending order by number of options, ending with interior decor style and gearshift style (which were each limited to four options).

A second group of buyers had the same choices in reverse order, starting with the design elements that offered the fewest options and ending with the ones that offered the most.

Although both groups eventually saw 144 total options across eight categories, the buyers who moved from high choice to low choice had a much harder time and settled for the default – and ended up less satisfied. ■

*From: A better choosing experience by Sheena Lyengar and Kanika Agrawal. Strategy+Business, December 2010*

A small assortment helped narrow down choices, whereas the large assortment left people unsure



# Why good concepts are strangled at birth



Companies need to assess innovations without prejudice, and with an acceptance of some risk, says **David Aaker**

**ONE KEY** to winning the brand-relevance battle by creating new categories or subcategories is to evaluate and select the right concepts to develop. In doing so there is a risk that a concept with high potential is not funded or has its funding cut off. As a result a firm loses the opportunity to create a category or subcategory in which the firm could hold an ongoing advantage and a potential source of profits and growth. The problem is hard to correct because the results of such decisions often are forever hidden.

What kills concepts with potential to make a difference with an innovative offering?

**1** Many are terminated by a gloom-and-doom bias that takes on several forms. Pessimism about technological advances meant that GM killed the EV1, a battery-operated car in 1998 just before a breakthrough in battery technology occurred. In 2005, GM CEO Rick Wagner said this was GM's biggest strategic blunder.

Synthetic detergent was under development at P&G for five years when the firm killed the project. Luckily a P&G scientist pursued the effort without permission or funding and five years later Tide was born. Had

the firm enforced their decision, P&G would still be a soap company. In contrast, Toyota charged its product team to come up with the Prius, despite the fact that at the outset the technology was inadequate. There was a commitment to find or create the necessary technology.

**2** Market-size estimates are based on existing flawed products. Digital readers, termed e-readers, were around for a decade but never had traction, in part because accessing books was difficult and the units were clunky. Then in November of 2007, Amazon launched the Kindle with its Whispernet fast download system, its 30-hour battery life, a book-like reading experience, and a market buzz. The Kindle sold more than one million units in just over a year and made sales of previous products irrelevant as points of reference.

**3** The belief that offering limitations is fatal. For example, Mint.com, the US personal finance service, had trouble getting funding because the judgement was made that no one would provide personal financial information. However, it proved that judgement to be wrong because it was able to argue that its read-only system was not vulnerable to moving money

around; that its track record of never having been compromised was persuasive; and that its use of third-party brands such as VeriSign and Hackersafe ensured safe communication.

**4** Another problem is the failure to identify the right application. Intel, during the development of the 80286 microprocessor that began in 1978, came up with 50 possible applications. The personal computer, the ultimate application that became the basis for the Intel business for decades, was not on the list. This failure was in part due to an understandable inability to forecast the development of technologies and software programs that made the PC a runaway success. A powerful technological breakthrough with the right creative effort will find an application.

**5** In some cases, the wrong market is targeted. Joint Juice is a firm founded by an orthopedic surgeon who had the breakthrough idea of making glucosamine, which is effective in reducing joint pain, available in a liquid form. The initial target market, young to middle-aged athletes, was disappointing. However, a refocus on an older demographic, people who wanted lower-calorie, less-

expensive products, resulted in a successful health business. At the early stages a variety of markets should be on the table.

**6** The ultimate reason to kill a potential offering is that the market is too small. For that reason Coca-Cola avoided the water market for decades, a decision that was a strategic disaster in retrospect. Niche markets can grow and can go mainstream. Nike, Starbucks, and SoBe are examples of brands that have successfully scaled their value proposition.

Beware of snap decisions based on instinct or superficial metaphors and be willing to accept some risk. The future is hard to forecast. But the upside of the creation of a new category or subcategory can be strategically important and can justify the acceptance of risk. It can provide a business platform for the future and a profit flow that can support strategic growth. A firm needs to take care that a bias toward doom and gloom does not result in the wrong decision. ■

**The ultimate reason to kill a potential offering is that the market is too small, but niche markets can grow**

*Dave Aaker is chairman of Prophet and author of **Brand relevance: Making competitors irrelevant, Jossey-Bass, 2011.** DAaker@prophet.com*

# Emotion works? But that's irrational!



**Jeremy Bullmore**  
wrestles with  
the catch-22  
of advertising  
approval

**FACT ONE:** if it's ever to see the light of day, a television commercial lasting half a minute must survive, second for second, far fiercer scrutiny than any other piece of cinematography. And that includes *Avatar*, which runs for three hours and cost \$300m to make. Given the number of hurdles, of both research and judgement, that every humble 30-second commercial has to jump – and given the number of people empowered to amend or reject it – it's a miracle that any get made at all.

Fact two: for at least ten years, serious doubts have been cast on the traditional models of how advertising works. There has been slow if growing recognition that, for many brands, the 'emotional' element may be far more important than the 'rational'. Yet still, more often than not, the 'rational' wins. Despite the evidence in support of the 'emotional', advertising agencies and their clients seem reluctant to move to a model that could greatly improve the return on investment of their advertising expenditure.

Why should this be? I've a sneaking suspicion that the reason lies less with the hope of making advertising that works and more with the need to get advertising approved.

In the good old days, when USPs in their cruder manifestations ruled, the marketing director's presentation to his board was relatively easy. 'Good morning. I'm here to ask for your formal approval to make this 30-second commercial for Burgrips Minidrops. Forty potential consumer propositions were reduced to seven as a result of exposure to 3,452 members of the core target group. Those seven, evenly rotated, were then exposed to a similar number in animatic form. The winner, a clear 17 points above the category norm, was this [holds up board]: 'Burgrips: the only Minidrops to contain WD40. They brush your breath while they tease your tongue.'

'This commercial graphically demonstrates that unique proposition while the voice-over reiterates the claim three times. We also super it up at the end. Preliminary results indicate unprompted proposition recall at 63%, with purchase intention in the top quartile.'

What wonderfully reassuring numbers. Members of the board don't need to know anything about people, the market, the brand, the competition or how advertising works. They don't even need to exercise their judgement. It's evident that the decision to invest in this commercial is a highly responsible corporate act and one that will shield them forever from future criticism. The board

congratulates the marketing director, signs off the final production estimate and moves on to the next item on the agenda, the acquisition of another 29% of an associate company in Taiwan.

'Rational' advertising – heavily dependent on tested-to-destruction verbal propositions and the measurement of that which can be easily measured – is relatively easy to sell. 'Emotional' advertising isn't. It's now ten years since Robert Heath published *The Hidden Power of Advertising* – with its more useful subtitle, *How low involvement processing influences the way we choose brands*.

When describing his findings, he wrote: 'Above all, I found I had to accept that effective brand communication ... involves processes which are uncontrolled, disordered, abstract, intuitive ... and impossible to explain other than with the benefit of hindsight.'

Have pity, then, for today's enlightened marketing director. 'Good morning. I'm here to ask for your formal approval to make this 30-second commercial for Burgrips Minidrops. As is widely accepted, effective brand communication involves processes that are uncontrolled, disordered, abstract, intuitive and impossible to explain other than with hindsight. So there's no way of knowing if this commercial is any good until we've run it for a few months. But I think it's bloody marvellous so may I have £750,000 to shoot it, please?'

I suspect that the potential value of 'emotional' advertising can be communicated to the sceptics only by judicious reference to the persuasive power of other emotional stimuli. Noël Coward knew the potency of cheap music. As military leaders and the founders of religious faiths have known for centuries, expensive music can be even more potent. Big speeches still work. Can anyone remember what David Cameron said at that Conservative Party conference? He said almost nothing and he said it without notes and the next thing you know, he's prime minister. Barack Obama made a speech in Tucson, Arizona, last month. I bet you that his day-after-recall score wouldn't have looked good but his approval ratings have soared.

If I was asked to put the case for creationism in a formal debate, and knew that I'd be up against a reading by Richard Dawkins from his book *The God Delusion*, I wouldn't try to defeat him on rational grounds. I'd play that tape of Timothy West reading from the King James Version of the Book of Genesis – with Handel's Messiah for afters. I think I'd do quite well. ■

*Jjeremyb@aol.com*



# One day, this ad will save you time and money

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

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

## **Choice**

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

## **Agency List**

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

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



## **Reassurance**

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

## **Criteria**

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

## **Resources**

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

expert financial, employment and management advice; an online intellectual property protection facility; and TouchPoints, the IPA's own media consumption study.

## **Effectiveness**

For 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](http://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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Promoting the value of agencies



# New world order



In the emerging markets, the sense of optimism is everywhere and the future for well-positioned brands looks bright

# of global brands



Most global brands have been invented by Western companies for Western consumers. Emerging-market consumers are very different. **Simon Silvester** explains how to reach them

**O**VER THE past two decades, Western brands have spread across the world. They now fill the supermarkets of Brazil, Russia, India China, as well as Mexico, Indonesia, Vietnam and the other 'next 11' emerging markets. Five billion of the world's seven billion people buy them.

But while they are all successful, these big global brands all have something else in common: nearly all were invented by Westerners for Westerners but they are now being sold to customers who earn \$3,000 a year. It's quite a leap. The consumer they were designed for looks nothing like the global consumer of today.

Emerging market consumers are getting richer of course, and rapidly so – consumer incomes in China, India and Brazil rise by 7% to more than 10% each year. But those consumers are not going to be as rich as consumers in the West in the foreseeable future.

The Chinese economy will soon eclipse the American economy with Chinese household incomes being one-fifth of those in America. India will follow with incomes even lower than that. We are entering a new era where the tastes and desires of poorer people are coming to dominate the consumer goods business.

These poorer people in emerging markets are very different from

Westerners. They have different demographics, different attitudes and different priorities. The average human being is a decade younger than the Western consumer. They grew up with generation gaps greater than anything ever seen in the West; and they share a past – but it is not the past of rich people.

So a brand designed to appeal to a Westerner is never going to be the right brand to appeal to the new generation of young adults in the emerging world of the

## THE TOP TEN:

### MOST VALUABLE CHINESE BRANDS

Rank on BrandZ	Brand	Value US\$B
1	China Mobile	56
2	ICBC Bank	38
3	Bank of China	22
4	China Construction Bank	22
5	China Life	18
6	Agricultural Bank of China	16
7	Petrochina	14
8	Tencent (portal)	12
9	Baidu	10
10	Ping An (insurance)	8

Source: BrandZ/Millward Brown 2010.

For most of the emerging world, the past 20 years have been the best 20 years ever. The sense of optimism, and that anything is possible, is everywhere. The brand mood needs to get with the times and be positive and optimistic

2010s. New brands are needed – brands that talk not to the rich, but mass-market brands that talk to the lives and aspirations of the ‘average’ human being.

Here are some principles which may help you build one.

● **Think zeitgeist:** in the emerging world, the early 1990s was a dark time. In apartment blocks in Eastern Europe, pensioners were starving to death. Most Chinese were subsistence farmers. Many Indians had insufficient food to eat, no TV, no phone and no prospects.

Over time, everything became better, and then it became better again. Indeed, for most of the emerging world, the past 20 years have been the best 20 years ever. The sense of optimism, and that anything is possible, is everywhere. You may be managing your global brand from a depressed a post-credit crunch city in Europe or North America, but the mood of that brand needs to get with the times and be positive and optimistic.

● **Think trial:** over the past few decades the Western world has become older. The average person in Italy is 43 years old. In Japan the median age is 44. That ageing has slowly altered Western marketing culture – there aren’t many new adults to recruit; but there are many existing customers to keep, so marketing budgets have shifted from trial to retention.

Globally, marketers are talking to a much younger consumer. The average age of Indians is 26. The average age in much of the Middle East and Africa is under 20. Brands are marketing to billions of young adults who are eager to try the fruits of the boom for the first time. And that means that, globally, trial is absolutely central to marketing.

● **Think visual:** there are hundreds of languages in use in the world today, so any brand that relies on its name meaning something in English has problems. Also, a big part of the world’s population has problems with reading. All of which suggests that to succeed in the world today, a true global brand needs to be primarily visual in nature.

Do you think this will lead people to think those brands are unsophisticated? Only if you believe that a modern sophisticated piece of technology would be better called a ‘ZX 300 PK’ rather than simply having a big picture of an apple on it. Or a running shoe would be better off with writing on it than simply a graphic ‘swoosh’.

● **Think ‘youthquake’:** in emerging markets, the generation gaps are much greater than anything seen in the West in the 1960s. A typical 15-year-old girl in the emerging world has grown up in the same SpongeBob- and Dora-led culture that Western kids have. But her mother grew up poor, without a TV or toys, and her grandmother grew up a peasant, with no sense of personal free will. Global brands need to recognise and leverage this generation gap.

● **Think status:** in emerging markets, status symbols have a much greater significance than in the West. Young adults in particular see the acquisition of status and its symbols as the be all and end all of their existence. If they’ve paid extra for a logo, they want people to see the logo. So the modest, understated nature of many Western clothing brands is completely wrong for them.

● **Think small:** most people in the emerging world have a lot less space at home than a typical Westerner; 60 sq m in Asia is a big apartment. And the person living in that apartment is unlikely to have a car at their disposal to do the shopping. So they tend to favour smaller, lighter items that are easier to carry and store.

● **Think video:** more than 98% of Chinese people have a TV at home, and TV penetration in India will reach 90% by 2014. In China, people spend more time watching video streams via the internet than they do in the US. The conditions for a global mass market – the availability of cheap mass media – have arrived.

● **Think fast:** while the West stagnates, the global consumer is living through the fastest changes in history. So don’t spend ages trying to fit your product into past

## CONSUMERS

Last year Mrs Schmidt of Peoria, Illinois, USA received a 10% pay cut. As did her sister in Europe. And their partners lost their jobs.

Meanwhile, on the other side of the world, Mrs Wong, Mrs Singh and Mrs Martinez all saw their 2004 incomes double. As did their partners.

For every Mrs Schmidt there are about seven Mrs Wongs, Mrs Singhs and Mrs Martinezes. They are on average ten years younger. And they want it all. And they want it now.

So who are you going to make your global brand appeal to? Mrs Schmidt? Or the future? ■



consumer trends. It doesn't matter, and they won't understand.

● **Think service:** marketers in rich countries tend to think that they are the best when it comes to inventing brands and delivering brand benefits, but the reality is that they aren't very good when it comes to services. Asian hotel and airline brands often offer better standards of service than their Western competitors. Global service brands should be led from emerging markets, not from the West.

● **Think cultural neutrality:** global brands that focus on American and north European faces and attitudes can leave 80% of the world thinking that 'this is not a brand for me'. For anyone looking for a cultural centre to their brands, the biggest consumer market of the 2010s and 2020s will be China. So they need to work out how it will play in Putonghua rather than in Peoria, Illinois.

● **Think fake:** fake brands are huge in emerging markets, and may be the main competitor to your brand. Work out how to handle them. Google's Android is sweeping the emerging world at the moment without any problem at all with fakes – simply because it's free.

● **Think Kiasu:** this is a Hokkien Chinese word meaning literally 'fear of losing', used by South East Asian Chinese to reflect their obsession with success. Among the new middle classes of the emerging world, life is about being ambitious, getting up to the next level and never being ripped off. Life is about pushing your children, and education, education, education. Brands need to reflect and celebrate their sense of achievement.

● **Think cheap:** Chinese and Indian companies are not succeeding by innovating in the conventional sense. They are succeeding by working out how to deliver products and services such as telecoms and cars profitably at a small fraction of the Western price. Western companies dismiss them as price-cutters at the moment – but they are following exactly the same strategy that Japanese goods used successfully in America and Europe in the 1970s.

● **Think value equations:** price consciousness is an element of every buying decision for the global consumer. This leads everyday brands to be perceived differently in the emerging world from how they are seen in the

## THINK FRUGAL

The biggest innovation trend of the 2010s, and the biggest threat to conventional marketers everywhere is 'frugal innovation'.

Frugal innovation is being pioneered by Indian and Chinese companies. It involves stripping out 90% of the costs within a business, and offering the products and services that result to the consumer for one-fifth to one-tenth of the existing market price.

A classic example is in telecoms, where Indian companies have reduced the cost of calls and texts by 90%, putting the mobile phone in the hands of peasant farmers and fishermen across the country. And indeed now across Africa too, as Indian innovators roll services out across the continent. Another example is the Tata Nano – the car for US\$2,200. Frugal innovation changes the balance of consumption between developed and emerging markets, as it makes everyday consumer goods affordable to people who earn much less.

Will 80% price cuts catch on in the West too? Since the Great Recession turned every Western consumer into a price hawk, it's very likely. ■



In emerging markets, status symbols have a greater significance than in the West. If they've paid extra for a logo, they want people to see the logo. So the understated nature of many Western brands is wrong for them

Facebook hardly existed in Indonesia two years ago; today, 30 million Indonesians use it. Global brands need to work out how to socialise themselves, not just to Westerners, but to the entire planet

West. In the US, McDonald's is the cheapest meal you can buy. In Russia or in Indonesia, it's a mixture of a family treat, a middle-class teen hangout and a date venue. In the West, Ikea is the cheapest way of filling a home. But to most other people in the world, Ikea is a mid-market, stylish option.

● **Think mobile:** at the end of 2009, 90% of all humans lived in areas where they could receive a cellphone signal, and there were 5.3 billion cellular subscriptions in the world. Most of the planet has a cellphone. After television, the mobile phone is the world's most popular technology – and is becoming a vital marketing medium.

● **Think social:** social networks, accessed via smartphones, are exploding in the developing world. Facebook hardly existed in Indonesia two years ago; today, 30 million Indonesians use it. Global brands need to work out how to socialise themselves, not just to Westerners, but to the entire planet.

● **Think B2B:** ten years ago, if a poor fisherman caught 20 mackerel, he would then have to choose a port, spend several hours sailing to it, and then hope for a good price for his catch. If prices were low that day, he had to sell anyway – or sail home with a boatload of rotting fish. Today the fisherman does his deal at sea via mobile phone. In the 2010s, peasant business is real business.

● **Think innovation:** societies in the emerging world are changing rapidly. Those in the West have stagnated. It's much easier and more fruitful to innovate in rapidly changing societies. Global companies need to focus their innovation efforts on the emerging world.

● **Think about your origins:** people respect Mercedes Benz and BMW not because of any advertising they do but because they are made in Germany. Prada is stylish not because of the campaigns it runs in *Vogue* but because it comes from Italy. For many brands, their country of origin is their biggest asset. So manage the image of your country of origin with care.

● **Think big ideas:** many big companies in China and India have built themselves as conglomerates, rather than around a strong, single-minded business idea. Being a conglomerate allows them to succeed within the complex business environment of their home country, but it means that they have no equity when they decide to expand abroad. These big companies need to build big brand ideas around themselves if they are to take on Western global brands and win. ■

*Simon Silvester is head of planning, Young and Rubicam EMEA. This is an abstract of the book 'How To Dominate the World', which is available in full at <http://pubs.yr.com/dominate> [Simon.Silvester@yr.com](mailto:Simon.Silvester@yr.com)*

## THE 200-YEAR ANOMALY

In 1709, a maker of brass cooking utensils called Abraham Darby bought a shed in Coalbrookdale, England, and began experimenting with iron. Darby, his co-workers and descendants developed techniques for ironworking that allowed cheap mass production.

And those mass production techniques caused economic activity in Britain to rocket to almost 40% of world output. Why the modern world came into existence in the village of Coalbrookdale rather than in Hangzhou or Tientsin or Guangzhou is a bit of a mystery to economic historians. But one thing is certain: for the previous 20 centuries, China was the world's largest economy. And today it's coming back. ■



A technique to produce cast iron cheaply, developed by Abraham Darby in 1709, helped pave the way for mass production of items in the UK



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# Products die but brands can live forever

**Laurie Young** wonders why so many marketers and business leaders seem to base their investment strategies on a set of beliefs that are in complete contradiction to the facts

**T**HE OBSESSION with newness seems to have blinded many in the marketing community to the infinitely more valuable payoff of long-standing brands – many that are familiar today have startlingly ancient lineages.

A few years ago I was returning from a marketing conference in America. I had heard speaker after speaker fill their presentations with an unchallenged consensus: that markets were changing very fast, that they were becoming more global and customers were becoming more demanding. As a result, competition was increasing and it was difficult to create enduring value. The ‘product you launch on a Monday is a commodity by Wednesday’.

By the time I was at the airport, I was tired and hungry. As I looked at the beers in the bar, I noticed the age of Kronenbourg (1664). There were also American beers such as Budweiser. I had never thought about its age and was astonished to hear from the barman that it was at least a hundred years old (launched in 1886 in fact). I knew that Coca-Cola was quite old and resolved to look it up (also 1886, just beaten by Dr Pepper 1885). Later, I wandered into duty free and was again struck by the age of a number of brands we still use today. American whisky Southern Comfort (1874) or Jack Daniel’s (1866) sat alongside perfumes such as Chanel N°5 (1925) or watches such as Breitling (1884).

I spent the remaining time before my flight collecting the names of brands that I thought had been around a long time so I could look them up. I have kept going since then and, a decade later, have

a long and erratically compiled list that comprises the category, country of origin and start date of brands still sold today. (Brands from 1850 to 1999 are listed on pp26–27.) I am not an historian nor an academic but there seem to be several obvious implications of this simple list for both the nature of business and the role of marketing.

## THERE ARE SURPRISES

I was surprised that Bailey’s Irish cream is so new (1974). I was not so surprised by the age of some Champagnes and spirits – Veuve Clicquot (1805), Glenfiddich (1887), Jack Daniel’s (1866) – but I was taken aback by Jim Beam (1795), Rémy Martin (1724), Martell (1715) and Bushmills (1608).

I am astonished at the age of some of the beers that are around today. It’s enough that a relatively new country such as the USA has beer brands hundreds of years old (Schlitz 1849, for instance) but Europe can boast not only of Carlsberg but also Greene King (1799), Guinness (1759), Lowenbrau (1383), Stella Artois (1366) and, astoundingly, Weihestephan (1040). I have been on many courses in my time, but not one has used a case study of brands created around the time of the Norman Conquest.

I knew that several banking brands were quite old – HSBC (1865), Santander (1857) – but Barclays caused me to raise an eyebrow (1690). I knew that tea (Twinings, 1706) and coffee (Douwe Egberts, 1753) were introduced to Europe in the 17th and 18th centuries but I was surprised by the age of some Chinese tea brands (Pi Lo Chun has been brewed for 1,200 years) and the other



When tackling markets ravaged by recession, it is sensible to understand that some 'brands' have survived for hundreds of years

drinks – Schweppes (1783), Cinzano (1757) and San Pellegrino (1200) – that are around us today.

Despite all this, I still find the technology brands the most surprising. IBM is celebrating its centenary this year. And it was interesting to find that Philips (1891), GE (1876), Ericsson (1876), Toshiba (1875), HP (1875) and Cable & Wireless (1869) have been moving with technical changes for so long. But my kids were amused by the age of Nintendo (1889) and I was stunned that Otis elevators originated at the time of the Wild West (1861).

The more I collected details about the ages of familiar brands (or brands familiar to their target segments in foreign markets) the more the story of longevity began to emerge. It made the suggestion that it is difficult to create enduring value seem ridiculous.

### **BRANDS ARE AMAZINGLY RESILIENT**

I have a list of more than 400 brands that were created before 1900 and some that are around 1,000 years old. Some of these entities have been doing what brands do (creating wealth by appealing, in a unique way, to a succession of human beings) for several centuries.

When we are all trying to tackle markets ravaged by recession, surely it is sensible to understand the implications of the fact that brands such as Courvoisier and Heal's furniture are around 200 years old? I have never heard a business strategist, a marketing author or a media pundit deduce implications to investment from the fact that familiar entities such as Cow & Gate, Martell, Crosse & Blackwell and Twinings are around 300 years old. And the long life of those beer or food brands (such as Brie de Meaux dating from 774 or Fontina from 1200) should surely attract the attention of not only marketers but also economists and business leaders.

Admittedly, some of these offers may not have had brand characteristics throughout their long life. Some (such as Axminster 1755, Meissen 1705 or Majolica 1405) were originally a description of a regional or geographical skill. It is also true, particularly for luxury goods, that many were run by artisans with a craft heritage and a commitment to quality but perilous financial track records. Nevertheless, this evidence suggests that brand creation is a powerful way to create substantial, sustainable, long-term businesses. It is striking, for instance, to find brands in modern

China, that were created several hundred years ago, which have survived both communism and the Cultural Revolution. Marketers have a responsibility to their shareholders to convince their colleagues to invest in this remarkable approach.

### **WELL-ROUNDED MARKETING TECHNIQUES BUILD BRANDS**

It would be easy to dismiss these enduring wealth creators as the by-product of long-lost, heroic entrepreneurs, if they hadn't been created by bog-standard marketing. Several modern marketing books imply that marketing was created after a 'sales phase' and 'manufacturing phase' in America around the 1950s.

However, brands such as Pears, Wedgwood, Sunlight (Lever), Heinz, Selfridges, and Coca-Cola were built well before that with techniques including: quality obsession; viral marketing; sustained advertising; PR; celebrity endorsement; international market penetration; clear segmentation; and direct marketing. Histories and biographies (some of which are now rare books or archived correspondence) written about 100 years ago are full of campaigns that we would recognise today.



# LAURIE'S LIST: PRODUCT BRANDS 1999 TO 1850

Product	Category	Country	Date
<b>PRODUCT BRANDS: 1950 TO 1999</b>			
Google	Search engine	USA	1998
Dior: J'adore	Perfume	France	1998
Renault: Espace	Car	France	1997
Stella McCartney	Fashion	UK	1997
Chanel: Allure	Perfume	France	1996
Amazon	Book retailer	USA	1995
Chupa Chups: SMINT	Confectionery	Spain	1994
Shanghai Tang	Fashion	China	1994
Viktor & Rolf	Fashion	Holland/ France	1993
Prada: Miu Miu	Fashion	Italy	1992
Vera Wang	Fashion	USA	1990
Renault: Clio	Car	France	1990
Unilever: Slim Fast (was Thompson medical)	Weight loss	UK	1990
Dior: Fahrenheit	Perfume	France	1988
Martin Margiela	Fashion	Belgium	1987
Unilever: Magnum	Ice cream	UK	1987
Christian Lacroix	Fashion	France	1986
McVite: Hob Nob	Biscuit	UK	1985
Donna Karan	Fashion	USA	1985
Dolce & Gabbana	Fashion	Italy	1985
Dior: Poison	Perfume	France	1985
Dell	Computers	USA	1984
Unilever: Vienetta (originally Wall's)	Ice cream	UK	1982
Unilever: Impulse (originally Pond's)	Shampoo	UK	1979
Versace	Fashion	Italy	1978
Calvin Klein	Fashion	USA	1978
Ben & Jerry's (now Unilever)	Ice cream	USA	1978
Unilever: Pot Noodle	Snack food	UK	1977
Apple	Computers	USA	1976
Rowntree: Yorkie	Chocolate	UK	1976
Bailey's Irish Cream	Drink	UK	1974
Microsoft	Technology	USA	1973
Molton Brown	Cosmetics	UK	1973
Nike	Shoes	USA	1971
YSL: Rive Gauche	Perfume	France	1971
Timotei (now Unilever)	Shampoo	Sweden	1970
Virgin	Consumer services	UK	1970
Russell Reynolds	Executive search	USA	1969
Cif (now Unilever)	Household cleaner	France	1969
Rowntree: Matchmakers	Confectionery	UK	1968
Ralph Lauren	Fashion	USA	1967
Dior: Eau Sauvage	Men's scent	France	1966
Boursin	Cheese	France	1965
Nike	Sports shoes	USA	1964
Unilever: Flora	Soft margarine	UK	1964
Rowntree: Toffee Crisp	Confectionery	UK	1963
Yves Saint Laurent	Fashion/ luxury goods	France	1962
Janet Reger	Intimate apparel	UK	1961
Weight Watchers	Health	USA	1961
P&G: Pampers	Nappies	USA	1961
P&G: Fairy	Soap	UK	1960
Castello	Cheese	Denmark	1958
Hush Puppies	Shoes	USA	1958
Chupa Chups	Confectionery	Spain	1958
Rowntree: Munchies	Confectionery	UK	1957
Unilever: Dove	Soap	USA	1955
P&G: Crest	Toothpaste	USA	1955
Chanel: 2.5	Handbag	France	1955
Pucci	Fashion/ luxury goods	Italy	1954
Lladró	Porcelain	Spain	1953
Chloé	Fashion/ luxury goods	France	1952
Havarti	Cheese	Denmark	1952
Givenchy	Fashion/ luxury goods	France	1952

Product	Category	Country	Date
Greene King: Abbot Ale	Ale	UK	1951
Clorets	Breath freshener	USA	1951
Flying Pigeon	Bicycles	China	1950
Pierre Cardin	Fashion	France	1950
Mentos (Part of Van Melle)	Sweets	Netherlands	1950
<b>PRODUCT BRANDS: 1900 TO 1949</b>			
Pucci	Fashion/ luxury goods	Italy	1949
Onitsuka Tiger (now ASICS)	Sports wear	Japan	1949
Longchamp	Fashion/ luxury goods	France	1948
Rowntree: Polo	Confectionery	UK	1948
Biro	Ballpoint pens	Hungary/ Argentina	1948
Lambretta	Scooter	Italy	1947
Golden Wonder	Snacks	UK	1947
Céline	Fashion/ luxury goods	France	1947
Dior: Miss Dior	Perfume	France	1947
Sony	Electronics	Japan	1946
P&G: Tide	Soap powder	USA	1946
Estée Lauder	Perfume	USA	1946
Vespa	Scoters	Italy	1946
Dior	Fashion/ luxury goods	France	1946
McVite: Penguin	Biscuit	UK	1946
Paul Weiss	Law	USA	1945
White Rabbit	Confectionery	China	1943
Ikea	Furniture retail	Sweden	1943
Velcro	Fastening	Switzerland	1941
Mars: M&M's	Confectionery	USA	1941
Coach	Fashion	USA	1941
Vitasoy	Milk	China	1940
McVitie: Jaffa Cakes	Biscuit	UK	1939
HP:	Computers/ tech	USA	1939
Hewlett Packard	tech		
Teflon (now part of Du Pont)	Kitchenware	USA	1938
Old Spice (now P&G)	Aftershave	USA	1938
McDonald's	Fast food	USA	1937
Valextra	Bags	Italy	1937
Rowntree: Rolo and Smarties	Sweets	UK	1937
Pickwick (Part of Douwe Egberts)	Tea	Netherlands	1937
Orangina	Drink	France/ Algeria	1936
Lux	Soap powder	UK	1936
Mars: Maltesers	Confectionery	USA	1936
Rowntree: Dairy Box	Confectionery	UK	1936
Rowntree: Kit Kat and Aero	Confectionery	UK	1935
P&G: Dreft	Soap powder	USA	1933
Rowntree: Black Magic	Confectionery	UK	1933
Lacoste	Fashion	France	1933
Mars: 3 Musketeers	Confectionery	USA	1932
Tesco	Retail	UK	1931
Joy by Patou	Perfume	France	1931
Unilever: PG tips	Tea	UK	1930
Birds Eye	Frozen food	USA	1930
Allen & Overy	Law	UK	1930
Mars: Snickers	Confectionery	USA	1930
Fisher-Price	Toys	USA	1930
Ryvita	Biscuits	UK	1930
Peak Freen:	Biscuits	UK	1929
Twiglets			
Domestos (now Unilever)	Bleach	UK	1929
Brylcreem	Hair gel	UK	1928
Harry Ramsdens	Fish & chips	UK	1928
P&G: Oxydol	Soap powder	USA	1927

Product	Category	Country	Date
Furla	Fashion/ luxury goods	Italy	1927
Spillers: Winalot	Dog meal	UK	1927
Patisserie Valerie	Food and drink	UK	1926
Harvard Business Review	Management magazine	USA	1926
Godiva	Confectionery	Belgium	1926
Camay	Soap	USA	1926
Unilever: Lux	Soap	UK	1925
Corona	Beer	Mexico	1925
Fendi	Luxury goods	Italy	1925
Chanel No5	Perfume	France	1925
Belstaff	Leather jackets	UK/Italy	1924
Primula	Cheese	Norway	1924
Mars: Milky Way	Confectionery	USA	1923
Q-tips	Cotton bud	USA	1923
Russell Stover	Chocolates	USA	1923
Time Magazine	Magazine/news	USA	1922
BMW	Car	Germany	1922
Filofax	Stationery	USA	1921
Gucci	Leather goods	Italy	1921
McKinsey & Co	Consulting	USA	1920
Allied Chemical Corp.	Food/bio tech	USA	1920
Union Carbide Corp.	Chemicals	USA	1917
Nikon	Cameras	Japan	1917
Harry Winston	Diamonds	USA	1916
Cadbury: Milk Tray	Confectionery	UK	1915
Rolux	Watches	UK	1915
Lipton	Tea	UK	1915
Salvatore Ferragamo	Shoes	USA	1914
Prada	Fashion/ luxury goods	Italy	1913
Camel	Cigarettes	USA	1913
J.C. Penny Co. Inc.	Retail	USA	1913
Aga	Cookers	Sweden	1912
Jean Patou	Fashion	France	1912
Mars	Confectionery	USA	1911
IBM	Electronics	USA	1911
Gauloises	Cigarettes	France	1910
Hallmark	Greeting cards	USA	1910
Samsonite	Luggage	USA	1910
Peek Frean:	Biscuit	UK	1910
Bourbon			
Rowntree: Walnut Whip	Confectionery	UK	1910
British Petroleum	Oil	UK	1909
Mercedes-Benz	Cars	Germany	1909
Audi	Cars	Germany	1909
Teacher's	Whisky	UK	1909
Johnnie Walker	Whisky	UK	1909
Red Label			
Selfridges & Co.	Retail	UK	1909
Larvin	Fashion	France	1909
Vogue	Magazine	USA	1909
Bisto	Gravy	UK	1908
Hoover	Vacuum cleaner	USA	1908
Amoy	Soy sauce	China	1908
Evian (now owned by Danone)	Bottled water	France	1908
Spillers:	Dog biscuit	UK	1907
Shapes			
UPS	Courier services	USA	1907
Osram (part of Siemens)	Lighting	Gerany	1906
Kellogg Company	Corn flakes	USA	1906
Max Factor	Make up	USA	1906
Warner Bros	Entertainment	USA	1906
Xerox	Copiers/printers	USA	1906
Honeywell	Electronics	USA	1906
Van Cleef and Arpels	Jewellery	France	1906
Cadbury: Dairy Milk	Chocolates	UK	1905
Hellmann's	Mayonnaise	USA	1905
Gillette	Razors	USA	1904
Batavus	Bicycles	Netherlands	1904
Kiwi	Shoe polish	UK	1904
Burton	Men's tailoring	UK	1904
Ovaltine	Nutritional drink	Switzerland	1904
Noritake	Tableware	Japan	1904



Product	Category	Country	Date	Product	Category	Country	Date	Product	Category	Country	Date
Waitrose	Retail	UK	1904	Sharwood	Spices	UK	1889	De Beers	Diamonds	South Africa	1870
Rolls Royce	Cars	UK	1904	Slaughter & May	Law	UK	1889	Cable & Wireless	Communications	UK	1869
Werther's Original	Sweets	Germany	1903	Schwartz	Spices	Canada	1889	Campbell	Soup	USA	1869
Persil (now Unilever)	Soap powder	Germany	1903	Savoy	Hotel	UK	1889	Pillsbury	Bakery products	USA	1869
Typhoo	Tea	UK	1903	Woodbine (Wills)	Cigarettes	UK	1888	Tabasco	Sauce	USA	1869
Ernst & Young	Accountancy	UK	1903	Lee Kum Kee	Food sauces	China	1888	Exchange and Mart	Magazine	UK	1868
Gillette	Male grooming	USA	1903	National Geographic	Information/ membership	USA	1888	Saks	Retail	USA	1867
Ford	Cars	USA	1903	Kodak	Cameras	USA	1888	KPMG	Accountancy	UK	1867
Perrier	Drink	UK/France	1902	Bulmers	Cider	UK	1887	Marshall Field	Retail	USA	1867
Peak Freen:	Biscuit	UK	1902	Glenfiddich	Whisky	UK	1887	Jack Daniel's	Whisky	USA	1866
Pat-a-Cake				Brighton rock	Sweets	UK	1886	Nestlé	Babymilk/ confectionery	Swiss	1866
Unilever: Marmite (originally own brand)	Food stock	UK	1902	Smirnoff	Vodka	Russia	1886	Nokia	Electronics	Finland	1865
Monsanto	Pesticides	USA	1901	Verkade	Chocolate	Netherlands	1886	HSBC	Banking	UK/China	1865
Hornby	Toys	UK	1901	Adler	Jewellery	France	1886	BASF	Chemicals	Germany	1865
Meccano	Toys	UK	1901	Coca-Cola	Drinks	USA	1886	Bertolli (now Unilever)	Olive oil	Italy	1865
The Tatler (named after Tatler of 1709)	Society magazine	UK	1901	Westinghouse	Electronics	USA	1886	Bovril	Beef stock	UK	1865
Lurpak	Butter	Denmark	1901	Avon	Cosmetics	USA	1886	Jacob's:	Biscuits	Ireland	1865
Eveready	Batteries	USA	1900	Del Monte	Food	USA	1886	Cream Crackers			
Van Melle	Confectionery	Netherlands	1900	Whittard	Tea	UK	1886	Fisherman's Friend	Lozenges	UK	1865
Austin Reed	Clothing retail	UK	1900	Anchor	Butter	UK	1886	McDougal	Flour	UK	1864
Gossard	Intimate apparel	USA	1900	Raleigh	Bicycles	UK	1886	Quandude	Food	China	1864
				Sketchly	Cleaning	UK	1885	John Lewis	Retail	UK	1864
				Lyle's Golden Syrup	Food	UK	1885	Victory	Lozenges	UK	1864
				Johnson Controls	Electronics	USA	1885	Robertson's	Marmalade	UK	1864
				The Lady	Magazine	UK	1885	Heineken	Beer	Netherlands	1864
				Fabergé	Jewellery	Russia	1885	Benedictine	Brandy	France	1863
				Dr Pepper	Drink	USA	1885	London Underground	Transport	UK	1863
				Marks & Spencer	Retail	UK	1884	Lillywhite	Retail	UK	1863
				Bovril (now Unilever)	Processed food	UK	1884	H. Samuel	Jewellery retail	UK	1862
				NCR	Technology	USA	1884	Fray Bentos	Processed food	Uruguay	1862
				UHU	Glue	Germany	1884	Bacardi	Drink	Cuba	1862
				Black and White	Whisky	UK	1884	Rowntree	Chocolate	UK	1862
				Jaeger	Clothes	Germany	1884	Heinz	Processed food	USA	1861
				Waterman	Pens	USA	1884	(Horseradish first)			
				Bulgari	Jewellery/ luxury goods	Italy	1884	Peek Freen:	Biscuits	UK	1861
				Breitling	Watches	Swiss	1884	Garibaldi			
				Tiptree	Jams	UK	1883	J P Morgan	Banking	USA	1861
				Sainsbury's	Retail	UK	1882	Otis	Elevators	USA	1861
				VAT 69	Whisky	UK	1882	Swan Vesta	Matches	UK	1861
				Cerruti	Watches	Italy	1881	Paneri	Watches	Italy	1860
				Wharton Business School	Education	USA	1881	Amaretti Virginia	Biscuits	Italy	1860
				Rowntree:	Confectionery	UK	1881	Grenson	Shoes	UK	1860
				Fruit Pastells				Peek Freen: Nice	Biscuits	UK	1860
				Scott's	Porridge oats	UK	1880	Vaseline (now Unilever)	Skin care	UK	1860
				Sears	Mail order	USA	1880	Tag Heuer	Watches	Swiss	1860
				Maynard	Confectionery	UK	1880	Chopard	Watches	Swiss	1860
				Hovis	Bread	UK	1880	Tate & Lyle	Sugar	UK	1859
				Philadelphia	Cream cheese	USA	1880	Moretti	Beer	Italy	1859
				Spear's (now Mattel)	Games	UK/ Germany	1879	Canadian Club	Drink	USA	1858
				Eu Yan Sang	Chinese medicine products	Malaysia	1879	Macy's	Retail	USA	1858
				Listerine	Mouthwash	USA	1879	Peak Freen	Biscuits	UK	1857
				D H Evans	Retail	UK	1879	Smith and Wesson	Guns	USA	1857
				Ivory (P&G)	Soap	USA	1879	Borden's	Condensed milk	USA	1857
				J Walter Thompson	Advertising	USA	1878	Banco Santander	Banking	Spain	1857
				Quaker Oats	Food	USA	1878	Credit Suisse	Banking	Switzerland	1856
				Boots	Pharmacy retail	UK	1877	Burberry	Clothes	UK	1856
				General Electric (investors backing Edison's experiments)	Consumer electronics	USA	1876	Spiller's: Dog food	Pet foods	UK	1855
				Ericsson	Technology	Sweden	1876	Miller	Beer	USA	1855
				Budwieser	Beer	USA	1876	Daily Telegraph	Newspaper	UK	1855
				Bissell	Cleaners	USA	1876	The Halifax	Banking	UK	1855
				Tufts	Soda fountain	USA	1876	Louis Vuitton	Clothing/fashion	France	1854
				Toshiba	Technology	Japan	1875	Steinway	Pianos	Germany	1853
				Liberty	Retail	UK	1875	Standard Chartered	Bank	UK/Asia	1853
				AT&T	Communications	USA	1875	Le Bon Marché	Retail	France	1852
				HP	Sauce	UK	1875	Wells Fargo	Financial	USA	1852
				Remington	Typewriters	USA	1874	Reuters	News	UK	1851
				Southern Comfort	Whisky	USA	1874	Moss Bros	Retail	UK	1851
				Church's	Shoes	UK	1873	Pullman	Rail services	USA	1851
				Beck's	Beer	Germany	1873	Aquascutum	Clothes	UK	1851
				Levi Straus Jeans	Clothing	USA	1873	Kiehl's	Cosmetics	USA	1851
				Chivers	Jams	UK	1873	New York Times	Newspaper	USA	1851
				Horlicks	Drink	UK	1873	Singer	Sewing machines	USA	1851
				Eijsbouts	Bells	Netherlands	1872	Bally	Shoes/ leather	Switzerland	1851
				Bloomingdale's	Retail	USA	1872	Howden	Engineering products	UK	1851
				Stork (now Unilever)	Margarine	Netherlands	1872	Lazzaroni Amaretto	Liqueur	Italy	1851
				Folger	Coffee	USA	1872	Jacob's	Biscuits	Ireland	1850
				Adams	Chewing gum	USA	1871	Moss Bros	Clothing	UK	1850
				Penhaligon	Men's scent	UK	1870	Eno's Salts (now part of GlaxoSmithKline)	Pharmaceutical	UK	1850

## DISPELLING THE MYTHS

The 'product life cycle' concept is surely utter nonsense. This irritatingly well-known concept is taught in nearly every course on marketing and appears in nearly every textbook.

Young marketers are taught that the sales of individual products or services follow a pattern over a period of time which can be represented by a simple S-curve. They are born, grow, mature and die. Yet, although that idea has a strong hold on management thinking, and executives can often be heard to talk about their product as 'mature' or a 'cash cow', it remains unproven and controversial for many products or services.

It is seldom taught, for instance, that after nearly ten years of unsubstantiated assertion, several credible pieces of work in the early 1970s debunked the idea of the product life cycle. In an article in the *Harvard Business Review*, two planners from JWT (Dhalla & Yuspeh, 1976) pointed out that most advocates of the proposition had little empirical data. They said well-crafted research projects had failed to find a correlation between numerous sales histories and an S-curve. Their article contains several data-driven models that show no S-curve at all in individual products or services.

The knowledge that there are several hundred entities that are hundreds of years old surely also calls this relatively new idea into question. I am convinced that the first question any marketer should ask is 'can I find any way to turn this into a brand?' not 'at what phase is my product in its life cycle?'

## DEFINE THE PRODUCT OR SERVICE

One way to get seriously rich is by creating a brand. It is remarkable how many of these brands are connected to the vision and determination of one business leader or their relatives.

Later in their life they may have been bought and nurtured by trained brand managers, but names like Wedgwood, Heinz, Mars, Cadbury, Guinness and Singer have earned vast sums because their founders had a vision for a product or service that they built over time. Josiah Wedgwood would roam his premises smashing poor-quality product with his walking stick and proclaiming it 'not fit for JW'. Heinz campaigned for quality in food production and Marshall Field was obsessed with giving excellent customer service to Chicago shoppers 30 years before Al Capone was on the scene.

## After nearly ten years of unsubstantiated assertion, several credible pieces of work in the early 1970s debunked the idea of the product life cycle

Their passion for creating an offer which served their customers well and their intuitive investment in sustained, high-quality marketing, helped them make, like many brand icons, a fortune.

When asked how he wrenched himself from abject poverty to the 18th century's equivalent of billionairehood, Wedgwood called his systematic use of branding and marketing 'the science of money getting'. These brand creators might not have had the terminology available to us today but there is no doubt that they used deliberate, systematic, brand-building techniques to create enormous wealth.

Another way to get seriously rich is by buying neglected or orphan brands. There are many neglected or starved brands that retain a cultural resonance in the memory of large groups of people. Their owners could invest in them to grow their wealth but have neglected them. In some cases this is a result of short-sighted leadership. In other cases it's because of misguided or misunderstood marketing strategy.

They may, for instance, have been the subject of a portfolio review that labelled them as a cash cow. Terms like 'cash cow' are far too easily and sloppily applied and have, sometimes without analysis, prompted firms to neglect or denude brands of capital investment.

To teach young marketers (who are likely to be in any job for a far shorter time than any of the products, services or corporate brands they will handle) that it is routine to take money from long-term successful entities to invest in creating risky innovations is daft and naive.

The fact that smart entrepreneurs have been able to make millions (even billions) by buying up the resultant orphan brands suggests that there is something fundamentally wrong with this approach. It should not take new, visionary entrepreneurs to breath life into them but many have; and they built their

own fortunes en route. Bernard Arnault of LVMH, Sir Paul Judge (who led the buyout from Cadbury) and Mika Jatania of Lornamead are just a few entrepreneurs who have exploited the daft strategies of marketers or business leaders in this way.

## COMMODITISATION IS NOT ALWAYS INEVITABLE

Time and again I hear marketing people talk about their offer as a commodity. In utilities or many technology companies, for instance, it is often an assumption that they cannot do much to their core offer to enhance its perceived value. Why is, for instance, the telephone service of BT so similar to many of its competitors?

Modern brands such as Virgin have shown that it is possible to create wealth through the visionary pursuit of a unique offer. It has created a perception that it is possible to provide an airline, train or broadband service that is truly different. But that is also the lesson of these long-lived brands. I'm not a beer connoisseur and I am sure there is a difference between many of the products, but it is just beer. Why then should Lowenbrau (1383) be able to hold its own against, say, Grolsch (1615) after 400 years?

The message of the great, durable brands is that none of us should accept the idea that commoditisation or price cutting is inevitable. In the face of harsh competition from China or India, many business leaders in the West are assuming that there is no way they can hold their own and command a customer franchise; that you cannot build value in a changing commoditised, international market. Wedgwood, Cadbury, Colt, Heinz and Singer must be spinning in their graves.

Compiling the list of long-established brands has given me a different perspective on our craft. When I discovered that Stella Artois was nearly 1,000 years old and that, in 701, article 12 of Japan's Ganshi code was consumer protection legislation requiring manufacturers to brand their goods as a quality safeguard, it prompted me to re-evaluate the significance of marketing and branding to wealth creation.

After 30 years of trying to persuade executives not to treat marketing as just an afterthought and to invest in brand equity, it is satisfying to find that one of the most enduring, differentiating and profitable business techniques in human history is ours. ■

*Laurie Young is a writer and consultant. lauriedyoung@aol.com*



*' After bringing one of my favourite clients to Cannes, his horizon completely broadened and when he saw new work he would say, "This isn't as good as what I saw in Cannes". All of a sudden your standards go up.'*

Prasoon Joshi  
Executive Chairman, Regional ECD APAC  
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# Waiting for

## Why 'video on demand'

Many digital experts predict an imminent transition to non-linear television – video on demand (VOD). **Patrick Barwise** clarifies the definitions and argues that VOD will not happen on the scale that some people envision and we could be waiting in vain

**A** **MID ALL** the excitement about how media are changing, one of the most widespread issues is the supposed imminent transition from 'linear' to 'non-linear' television. This is not just the idea that people are *occasionally* watching various types of video on demand (VOD), including some TV programmes – which is true, if often exaggerated. I'm talking about the suggestion that, in the next few years, the *main* way that people watch television will change to VOD.

The previous UK Government's Digital Britain report – a centre-piece of its Building Britain's Future plan – referred to the 'not-distant point' when people switch from 'passive [viewing] through the linear schedule' to 'active [consumption] using search and on-demand'. It predicted that, with universal access to video-quality broadband

proposed for 2012, and most households having much greater bandwidth, 'streamed, downloaded or searched-for content will become the norm'.<sup>1</sup>

The new coalition Government has said nothing that suggests it disagrees with this view. On the contrary, it has repeatedly said that the Digital Britain proposals for broadband were insufficiently ambitious.

In 2008, the *Guardian's* Emily Bell wrote that: 'Within two years, audience behaviour has completely changed due to the availability of broadband and the penetration of the internet.'<sup>2</sup>

A senior independent TV producer recently told me that 'in five years' time, TV channels may no longer exist'.

I believe that most of this talk is both confused and deluded. It's confused because the expression 'non-linear TV' is hardly ever defined and is used to mean very different things. And it's deluded

# ‘Vodot’ d’ won’t happen



because the extent of change in what and how people watch TV has been – and will continue to be – less than the hype suggests.

In this article, I outline the evidence and explain why I liken the VOD situation to Samuel Beckett’s absurdist play *Waiting for Godot*,<sup>3</sup> in which the enigmatic and long-awaited Godot never appears.

## WHAT THE FUTURE MIGHT HOLD

When referring to ‘Vodot’, I mean large-scale, commercially viable, standalone VOD. A Vodot company would create or acquire TV content; market it; physically distribute it on demand through the internet to consumers’ TVs and other devices; and generate more revenue than its costs, from advertising, subscriptions, and pay per view. There are two important things about this definition.

First, it includes the words large-scale,

by which I mean significant in terms of viewing time relative to television. Remember, Digital Britain referred to people switching from passive viewing through the linear schedule to active consumption using search and on-demand, which ‘will become the norm’.

The delusion I’m addressing is the belief that mainstream TV viewing is undergoing revolutionary change. VOD isn’t just a fad. I have no doubt that in 2020 people will still be downloading and exchanging short video clips, probably even more than today. I also expect that the video retail and rental market will switch from physical DVDs to online delivery. But both of these will still be peripheral to people’s mainstream TV viewing. They’re not revolutionary and don’t fall under my definition of Vodot.

The other word I want to stress in that definition is standalone. It may make good commercial sense for Apple, Sony, Sky, Virgin Media, BT, Nintendo, Microsoft, Google, or Facebook to include VOD in their product offering if it helps them increase the revenues and profits of their main business. I have no doubt that this will continue. For these companies, it doesn’t matter if VOD generates less revenue than its costs. But for the revolution that Digital Britain and others envisage, large-scale VOD has to be commercially viable in its own right, paying a fair market price for content, distribution and marketing.

In *Waiting for Godot*, Godot never appears. In ‘Waiting for Vodot’, we’re still waiting. Will Vodot finally appear? I say no, but many would disagree. Most homes now have broadband; VOD is increasingly getting onto the main TV screen; and people in several countries are testing a wide range of technical and business models. The jury is still out, but we should have a verdict by the end of 2011 or soon after that.

## MAKING THE CHANGES HAPPEN

If, as I believe, the VOD bubble is about to burst, that doesn’t mean VOD will disappear, any more than the internet disappeared after the technology bubble burst in 2000. Big technology and media players will still provide VOD alongside their main products and services to increase customer acquisition, retention, and willingness to pay – but not as a big direct revenue or profit source – and there will also be niche services replacing physical DVD retail and rental.

But what we won’t have any time soon – or maybe ever – is Vodot as I’ve defined

it or the death of so-called ‘linear TV’. This is despite the fact that the digerati have been predicting these revolutionary changes for more than 20 years.

## THE TV REVOLUTION

In 1990, George Gilder wrote: ‘Television is a tool of tyrants. Its overthrow is at hand.’<sup>4</sup> He also predicted a new golden age for newspapers thanks to online, which should tell you how much to believe his pronouncements. Five years later, Nicholas Negroponte, head of the MIT Media Lab, wrote: ‘What will happen to broadcast television over the next five years is so phenomenal that it’s difficult to comprehend.’<sup>5</sup> Nothing much happened.

Part of this 1990s vision was that TV viewing would itself involve a lot of

The delusion is the belief that mainstream TV viewing is undergoing revolutionary change

interaction. You’d be able to watch the match from any seat in the stadium, click on the screen to buy Jennifer Aniston’s T-shirt during *Friends*, or call up a potted history of Estonia when its prime minister was on the news. The distinction between TV and other video content would disappear. Most viewing would be non-live – what the technologists call asynchronous. Most content choice would use search and recommendation agents. All of this was supposed to be commonplace by the early 2000s.

After the bubble burst in 2000, most people accepted that the interactive bit of this vision – Jennifer Aniston’s T-shirt and all that – was nonsense. But as recently as 2006, Janus Friis, the co-founder of Kazaa and Skype, and then about to launch the ill-fated VOD site Joost, said: ‘People love TV, but they also hate TV. They love the ... amazing storytelling, the richness, the quality itself. But they hate the linearity, the lack of choice, the lack of basic things like being able to search. And wholly missing is everything that we are now accustomed to from the internet: tagging, recommendations, choice, and so on.’

The idea that we’re going through revolutionary change in TV viewing is remarkably persistent. The Digital



Britain report refers to it repeatedly and VOD features in the new coalition Government's enthusiasm for superfast broadband and local TV and its apparent lack of interest in universal basic broadband and digital inclusion.

**DEFINING NON-LINEAR**

In the new TV environment, we can distinguish between four broad types of viewing. Given the amount of confusion and the loose way in which people talk about linear and non-linear TV, these distinctions matter.

There's live viewing of regular TV. There's time-shifted viewing off the personal video recorder (PVR) or something similar. There's catch-up TV such as the BBC iPlayer, which is also time-shifted but doesn't require you to preset the recording. All three of these are evolutionary. They're all about watching regular linear TV from the regular linear schedule, either live or time-shifted.

channels for something better; watch a video cassette or DVD; or switch off the TV. They usually took the first option – partly because it required the least effort.

Now, they no longer have to do this. There's always something good, which they themselves have chosen, easily available on the PVR. For most viewers in 'converged' homes, the PVR is the main backup to live TV, accounting for more than half of the 20% non-live viewing in these well-equipped homes. PVR penetration is still much lower than broadband penetration. As that gap decreases, and as PVRs get bigger and smarter, more homes will have their own, increasingly large, self-selected archives, reducing the value of both catch-up and on-demand TV. Note that the PVR relies entirely on regular TV programmes from the linear schedule and doesn't even need a broadband connection.

There's also catch-up TV for when you forgot to set the PVR or heard about the

**In the new TV environment, we can distinguish between four types of viewing. Given the amount of confusion and the loose way in which people talk about linear and non-linear TV, these distinctions matter**

Far from heralding the death of linear TV channels, they all depend on those channels for content.

Only the fourth type of viewing – true video on demand – breaks away from the linear schedule. The content here is a mixture of long-form movies and TV programmes (competing against DVD retail and rental and some pay TV channels) and short-form video clips on websites such as YouTube.

**FIVE REASONS FOR SCEPTICISM**

**1** If you look at proper data about typical viewers, a consistent picture emerges. If people have lots of channels, a PVR, and VOD, the first thing most of them do if they want to watch TV is still to see what's on live on their favourite channels. Live TV still accounts for 80% of viewing in these 'converged' homes and that percentage is falling slowly, if at all.<sup>6</sup>

What about the other 20%? In the past, if there was nothing they liked on any of their favourite channels, viewers had four options: watch the 'least bad' programme on one of those channels; search the other

programme the next day. Catch-up TV is another tough, free competitor to VOD. It does need broadband, but it's still about regular linear TV content and channels. It's not VOD.

VOD is still tiny as a proportion of total viewing time, maybe 1% among the whole UK population and 2% of 15- to 34-year-olds. It will increase over time, but much more slowly than the hype suggests, and viewers' willingness to pay for it is very limited, even assuming there's little or no piracy – a necessary assumption. Having VOD on the main TV instead of a laptop or PC will help. But the initial evidence – including Virgin Media's continuing coyness about the percentage of true on-demand viewing in Virgin homes with PVRs as well as catch-up and VOD – suggests that the benefit isn't that dramatic.

**2** Surveys of why people watch online TV show that the main reasons are: to watch recent TV programmes that they missed; to watch a TV programme or movie a second time; and to view something for free rather than paying. All of these are still about

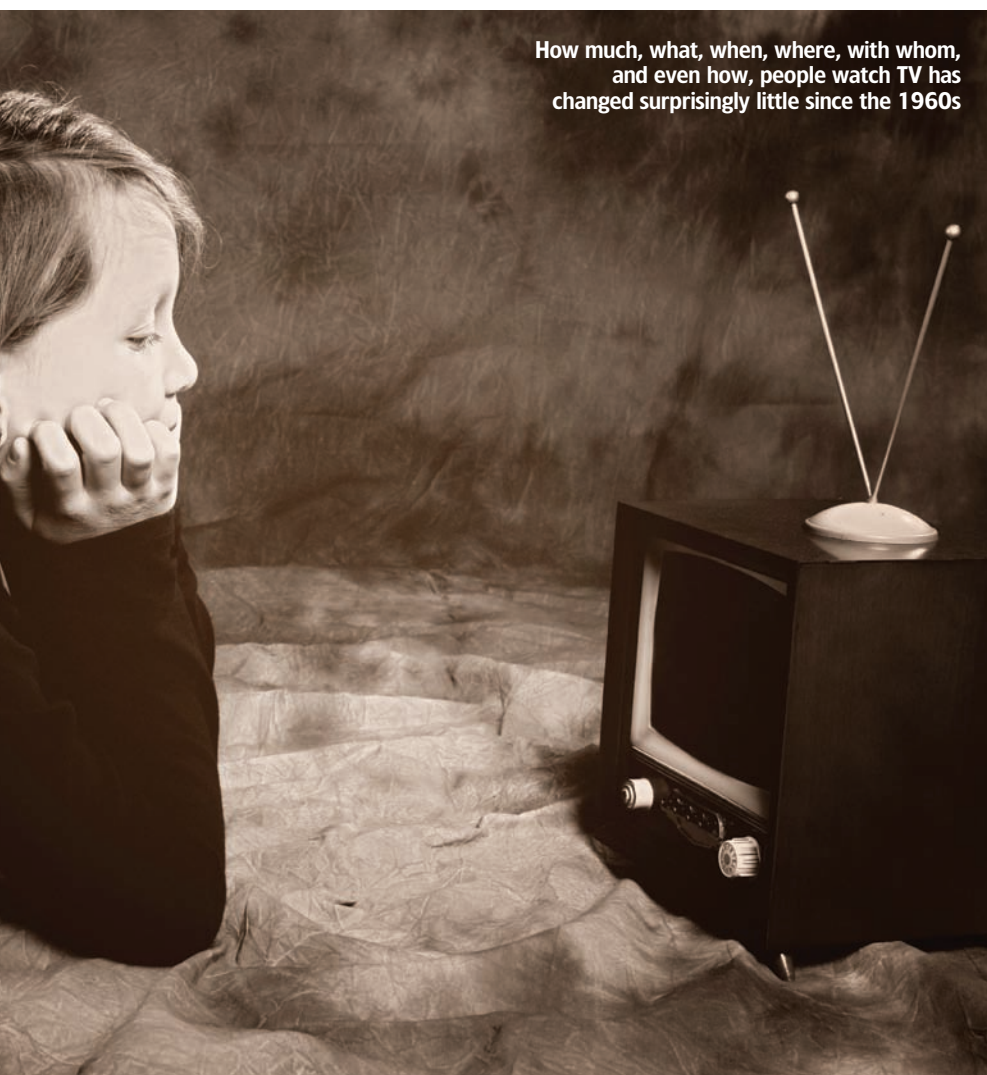


traditional linear content. Less important reasons are: to see content that's not available on TV; to keep informed during a breaking news story; and to see additional content about a programme. Even these are often driven by or derived from linear TV.<sup>7</sup>

**3** Compared with broadcasting, the internet is still an unreliable, low-quality, expensive video distribution channel. To replace broadcasting – that's about five hours per home per day of, increasingly, HD-quality video – the technology will need to mature, and either viewers or advertisers will have to pay the internet service providers the significant extra bandwidth costs. Neither seems keen to do so, which is presumably why so many technology and media players want the taxpayer, or BBC licence payer, to subsidise fast broadband.

**4** Many people still don't use the internet at all. These are mostly elderly and/or low-income heavy TV viewers living in areas *with* broadband access. By 2020, I expect them to be only a small minority,





How much, what, when, where, with whom, and even how, people watch TV has changed surprisingly little since the 1960s

but many of those who use the internet for simple apps, such as email and search, still won't be using it for watching TV, even if they have an internet-enabled set.

**5** The final reason for my scepticism about Vodot is that live and time-shifted linear TV are so compelling, and becoming more so. For more than 40 years, viewers have watched an average of three and a half hours of TV a day – a mixture of drama, comedy, news, sport, documentaries, and general entertainment – mostly to relax, in the evening, in the living room, with other family members. How much, what, when, where, with whom, and even how, people watch TV has changed surprisingly little since the 1960s.<sup>8</sup> The only real change is that viewing is now spread over hundreds of channels, although the top five still capture just 50% of viewing.

Oddly enough, we don't really know why people watch so much. Maybe the neuroscientists can explain it. My hunch is that watching TV takes up enough mental capacity to take one's mind off other

things, but not enough to demand serious effort. We watch TV to take our minds off what we're not doing – work and chores.<sup>9</sup> In contrast, we mostly listen to the radio to take our minds off what we *are* doing – driving, cooking, ironing, and so on.

Another reason for the average of almost six hours a day that people spend watching and listening is that broadcasting is such good value for money. Despite Moore's Law and all that, telecoms and the internet cost UK consumers more than a pound per consumer hour. Television costs about 11p, radio a bit over 1p.<sup>10</sup>

**AND FINALLY...**

Whatever the reasons why we watch so much TV, it seems to work. Further, despite the growth of new media, TV viewing has actually increased in the past few years. Some of that is due to people spending less on out-of-home entertainment during the recession and a growing proportion is combined with other activities. But, interestingly, all the

growth has been on main sets in living rooms: watching the main set is more compelling than ever because of bigger and better screens, PVRs, and so on.

Put simply, this is a well-served market. I simply don't see large-scale, standalone VOD services adding enough value to enough consumers (and, therefore, advertisers) to generate enough revenue to cover the substantial costs of content, marketing and distribution any time soon, except at the margin as a replacement for DVDs.

We've waited a long time for Vodot. I don't think he's about to appear. ■

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**Notes:**

1. *Digital Britain Final Report*, June 2009, pp109, 135–6. [www.official-documents.gov.uk/document/cm76/7650/7650.pdf](http://www.official-documents.gov.uk/document/cm76/7650/7650.pdf)
2. 'Happy fifth birthday BBC3, but will there be many happy returns?', Emily Bell, *the Guardian*, 11 February 2008. [www.guardian.co.uk/media/2008/feb/11/bbc](http://www.guardian.co.uk/media/2008/feb/11/bbc)
3. *Pronounced 'Goddot'*. It was originally written in French and Godot may have been named after a low-ranking veteran racing cyclist called Godeau.
4. *Life After Television: The Coming Transformation of Media and American Life*, George Gilder, Norton, 1990, p49.
5. *Being Digital*, Nicholas Negroponte, Knopf, 1995, p54.
6. BARB. Note, this is for homes with access to a PVR and VOD. Among all UK homes, live TV still accounts for about 93% of total viewing.
7. Deloitte presentation at 2010 Edinburgh International Television Festival.
8. 'Television: Back to the Future', Byron Sharp, Virginia Beal and Martin Collins, *Journal of Advertising Research*. 49, 2, June 2009.
9. See 'The Limited Capacity Model of Motivated Mediated Message Processing' by Annie Lang, in Robin L Nabi and Mary Beth Oliver, eds, *SAGE Handbook of Media Processes and Effects*, SAGE, 2009, pp193–204. Professor Annie Lang of Indiana University, an expert on the psychology and physiology of media consumption, says that TV 'strongly influences our automatic processing (defined as you can't stop it happening) system, which is why it is so hard to stop watching'. Lang's model helps explain why TV so successfully takes our minds off other things but we then recall little of what we have seen.
10. Based on Ofcom, Communications Market 2010.

# Marketers nee

Insight teams are now commonplace in companies, yet the relationship with marketing isn't always clear.

**Melanie Howard** looks at the balance between the two functions and recommends ways in which they can work more closely together





# d more insight



**T**HE RECENT publication of Future Foundation's *The Future of Insight* report<sup>1</sup> argues for a more prominent role for the insight function. This includes creating more senior champions and demonstrating a return on investment.

The natural assumption about marketing and insight departments – given a common focus on the consumer/customer – is one of harmony and working together towards a shared goal. To a considerable extent this is the case. But digging beneath the surface in the 40 or so interviews that were conducted for that study reveals a less rosy picture.

This article looks at the tensions and challenges that exist and explores how the functions can work more effectively together. Marketers should ask themselves if they are making the best use of insight across the entire marketing function. A serious review of the relationship might pay dividends, particularly in exploring how insights might be more effectively distributed and communicated.

We distinguish between the desired impact of insight delivery – the 'Aha moment', as many survey respondents described it – and the process of generating this through the insight function. This process uses many sources beyond traditional market research to generate fresh perspectives and translate these into actionable intelligence about consumer needs and behaviour. This distinguishes it from the market-research department of old, whose job was largely to measure and report, rather than anticipate and predict.

## GETTING CLOSER TO CUSTOMERS

The report argues that the creation and empowerment of the insight function can be traced to the publication of Tom Peters and Robert Waterman's seminal work *In Search of Excellence* in 1982.

Their in-depth analysis of successful businesses identified that one of the most important distinguishing characteristics of the truly excellent companies was that

they were close to their customers and cited examples such as HP, Disney and Walmart (then in its infancy).

We highlight how, through the evolution of advertising planning, as well as a number of other key shifts, the modern insight function has become the means by which companies and brands create and maintain customer closeness.

## WHY NOT A PART OF MARKETING?

Surely this is a seminal starting point for all modern marketing. Marketing has also been transformed over the decades from a command-and-control process – albeit slowly and imperfectly – to one that is increasingly dictated by customer needs and preferences.

Doesn't this mean that the insight function should best be treated as a subset of marketing – rather than attempting to raise its own profile on the board, or maintain a clear line of independence, as some of our respondents reported?

We estimate that 60% of insight teams report into the marketing function, but that leaves a hefty minority that don't. The interviews reveal that insight teams report to a plethora of other functions in organisations – including directly to the CEO, also strategy directors, commercial directors, CRM directors and knowledge directors.

The question of where the best reporting line might be can't be answered without a detailed analysis of where insight teams are judged to be the most effective and influential – which we will do in a future exercise. But perhaps in those companies where it isn't placed in the marketing function, marketing directors should be thinking about why that is the case and whether or not they could be using insights to greater effect.

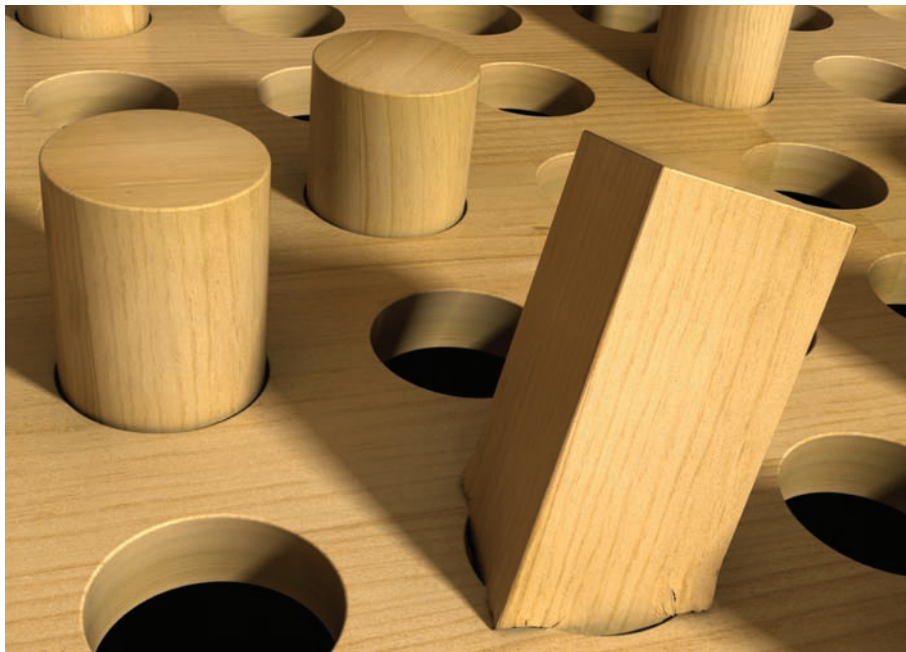
An important clue that many marketers are not getting to grips with internally generated insight comes from an online survey of 172 companies<sup>2</sup> to quantify key issues from the interviews. The survey found that just 55% of marketers are regularly using the insight >

## INSIGHT MUST BE A 'THINK TANK'

Once the emphasis shifts from knowledge acquisition and filtering to one of interpretation, integration and ultimately explanation, insight professionals have to create a framework of explanatory ideas for the organisation.

These will create an intellectual structure into which evidence can be gathered and assessed and used to reduce risk. What had been the domain of the external think tank in the 1990s and 2000s must now also become the terrain of the insight team – miles away from the work of the market research manager only a few years before.

More organisations are using the language and skills from the think tank world – from the COI's Big Thinkers Network to the IAAs biennial Global Brand Think Tank. ■



**Insight teams are keen that their work is properly used and marketers need to know how to demand what they need in terms of frequency and format to make it work**

that specialist teams provide in their day-to-day jobs – a lower proportion even than senior managers.

Despite the commonality of purpose, the use of insight has not permeated the activities of the marketing department to the degree that it should. If this is the case, it is worth asking why. Surely marketers should want to be exposed to every possible source of inspiration and ideas available.

### GOOD COMMUNICATION

One of the hallmarks of good relationships is good communication. A striking finding from *The Future of Insight* report was the degree of time and effort that the newly empowered insight teams invest in communicating their material to the wider organisation and in engaging other teams to use it.

This shows the value that is placed on insight across the wider organisation beyond marketing, but also the need to find ways of condensing complex thoughts in a way that inspires creativity.

But the impression we got from our interviews is that this is still a work in progress rather than a done deal. Most insight teams are continually experimenting and exploring new routes to improve integration and application of their outputs. This is a critical area for skills development for the future.

While 60% of the survey respondents distribute insight outside their department on a weekly basis or more frequently, there could be more and better use of the resources. The key component to this is not just the sharing of knowledge but the interpretation and creation of actionable insights – ideas that can be readily implemented to improve marketing planning, communications, sales and results.

Our analysis is that more can be done in this area to create shared processes and methods of improving the return of investment on the insight-generating process. Insight teams are keen to make sure that their work is properly used and marketers need to know how to demand what it is they need in terms of frequency, format and terms of engagement. It may be time to explore this together.

### THE DRIVE FOR INNOVATION

In the interviews, we heard a rallying cry to marketing and insight teams to collaborate effectively. Meeting the pressure to innovate relies on the fuel of good insight, the insider knowledge of the brand and its distribution, provided by the marketing team, plus the structure and creativity provided by excellent innovation processes.

Increasingly, insight teams are being required to take on board the innovation brief in companies where this hadn't been a function. This has simplified the process, but still requires the cooperation and engagement of the marketing team.

A growing number of Future Foundation's clients are called 'insight and innovation' managers and 70% of survey respondents use this internal resource in their innovation work. But that leaves 30% who don't, and we occasionally hear of marketers engaging external innovation consultancies without involving internal insight teams – although this is rare and reflects a disappearing fault line.

It is time to bring insight and marketing together in the common cause of maximising the organisation's innovative capacity, irrespective of the nature and structure of the reporting



lines. We believe that all businesses will benefit from a re-examination of how the two can be more effective together.

As management guru Peter Drucker said in 2002: 'Because its purpose is to create a customer, the business has two – and only two – functions: marketing and innovation. Marketing and innovation produce results. All the rest are costs.'

Regular presentations and workshops already seem to be a key part of the solution among many companies, which highlight the importance of face-to-face engagement. Of these, 55% say they use workshops in some way – although what this means must vary and best practice standards are not clear.

A project at Innovation RCA (Royal College of Art) is sharing workshop practice from across the college – the workshop of workshops – and finding much commonality but also significant differences too. This area might benefit from a brighter spotlight in many organisations, not least because workshops are becoming ubiquitous and are delivering real value.

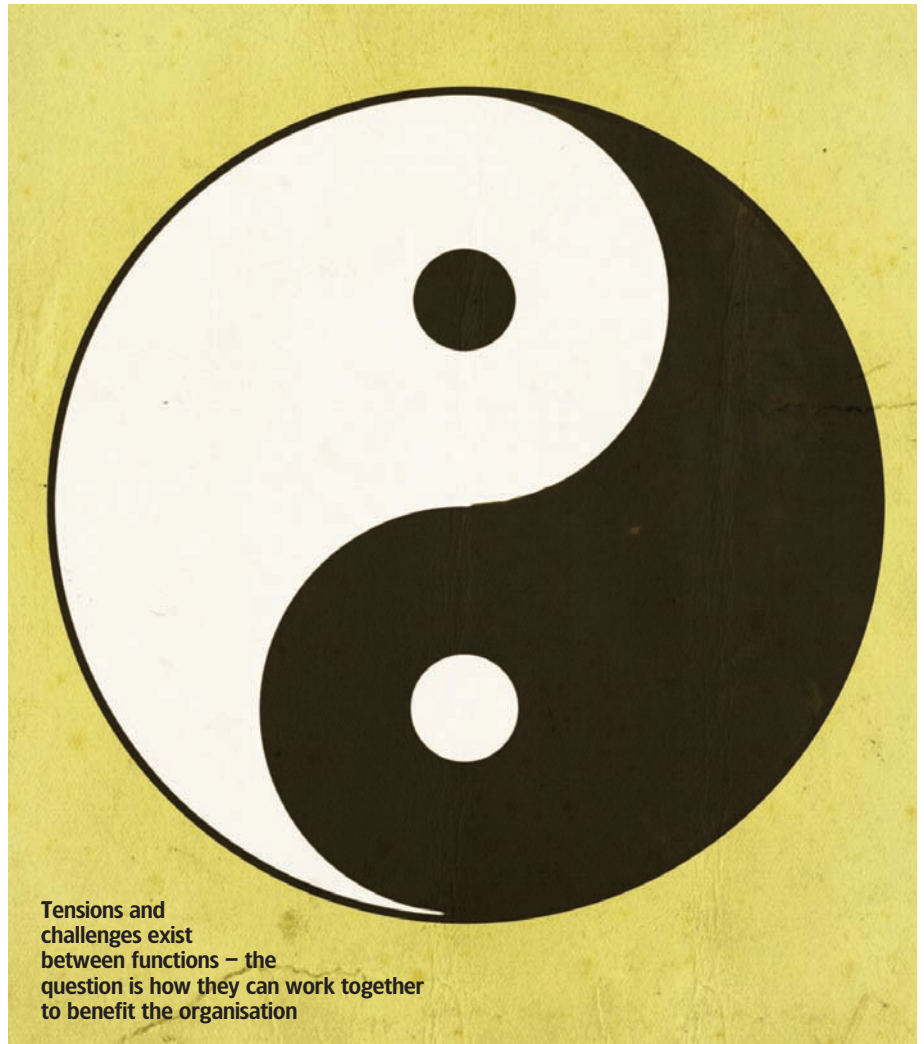
### STRATEGIC CONTRIBUTION AT THE MOST SENIOR LEVEL

*The Future of Insight* report found that insight is used strategically in the majority of organisations. Only a quarter say that it is used more tactically than strategically. This again points to an opportunity for marketing to make greater capital from the insight function.

In the battle for greater boardroom influence for marketing directors, this is an area in which the perception of insight as leading to the strategic high ground at the most senior level could be of value.

Interestingly this points to a source of tension, since one of our principal recommendations in the report was for the insight function to be represented at the most senior level on the board – fielding its own champion, as it were.

We talked about the possibility of chief insight officers becoming the essential conduit for intelligence about the wider world to be represented at this level. Nick Howarth Pullen, strategy, planning and insight manager at Aviva, had an intriguing suggestion: 'I would like to see insight as absolutely central alongside the marketing director, maybe even a research or intelligence person in the boardroom in the way you would have an intelligence person in your war room if you were conducting a military campaign.'



We presume that many marketers see this as their role and would not necessarily welcome the elevation of the insight function to the lofty heights of board membership. However, these issues should be reviewed and debated. If, as we have argued, both have a common interest in ensuring the organisation is focused on customers, it makes sense to work together as closely as possible.

### DEVELOP EFFECTIVE PARTNERSHIP

Despite the positive reports from many respondents about the greater contribution of insight to marketing and other key functions, there are still many other ways to increase the value of a working partnership. More than two-thirds of respondents believe that insight is being taken more seriously than it was three years ago.

In companies where the insight function does not report to marketing, the reasons for this should be examined and the marketing team should ensure that it is getting regular

access to the insights needed to enhance the operation. The onus in this case is on the insight team to communicate more effectively throughout, but marketers can play a part in specifying outputs and engaging in creative idea-generation processes, particularly in the design and delivery of workshops.

It is from this common ground that it will be possible for functions within an organisation to form a stronger, mutually beneficial alliance. ■

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### Notes:

1. *The Future of Insight* report, November 2010, can be requested from [www.futurefoundation.net/page/view/The\\_Future\\_of\\_Insight](http://www.futurefoundation.net/page/view/The_Future_of_Insight)
2. Drawn from the Future Foundation's database of clients and prospects, the IPA Strategy and Planning Group and the Marketing Society's membership. Research was conducted in September and October 2010.

# Why doesn't the best always win?

Markets are not fair. Big brands enjoy a disproportionate advantage over smaller brands. And, not only do they have more customers, but their customers use the brand more frequently. **Kyle Findlay** looks to network theory to explain how this advantage works

**I**N ORDER to understand how market share forms, we must agree that markets are inherently social constructs. We either define ourselves in terms of society (for example by the clothes we wear and the music we listen to) or against it (perhaps by joining a counter-culture group such as punks or goths, who, ironically, are often an even more homogeneous group than the general populace). Either way, we cannot fully escape the sculpting effect that society has on us. Indeed, it has been found that even our risk of becoming obese is influenced by what our friends weigh.

Society defines us, even as we define society's structure and norms in return. Social influence is inescapable. In addition, we are faced with more social influence than ever before in the digital age thanks to social media platforms such as Facebook and Twitter, search providers such as Google and Yahoo and online retailers such as Amazon. This makes it difficult to make decisions in isolation.

## BACKGROUND THEORY

Network theory helps us to understand the ebb and flow of social influence. In addition to understanding who the people are that act as information gatekeepers or exert influence in a social group, network theory helps us to understand how people group together around specific ideas.

When we consider that a brand is really just an idea – a bundle of perceptions, associations and experiences wrapped around a functional product – we realise that network theory can help us understand how people group together around conceptual focal points, linked by a common idea that we call a “brand”. In conventional marketing parlance, we call the group of people tied together by a common usage experience, a brand's ‘market share’.

The funny thing about market share is that it often doesn't behave in the way we expect it to. One might rationally assume that a brand's market share is a function of its quality and how well it delivers its product or service. One might be forgiven for assuming that the best brand always wins and that customers will always have the prescience and good judgement to spot a ground-breaking new market entrant, ensuring that it eventually comes to dominate the market with its own large market share.

Although these assumptions might seem reasonable, we know that they are not 100% correct. In reality, the market share that a brand enjoys is as much a function of timing and luck as it is a function of quality and delivery. The best in the market doesn't always win, and many new products fail to make a dent in the market regardless of how good they really are.

For example, the Sony PlayStation 3 might be the most technically advanced home-console with the most features out of the box such as Blu-ray and wi-fi support, but the Nintendo Wii, with its dearth of extras and its previous-generation graphical powers, still managed to hit a sweet spot between price and broad appeal that saw customers flocking to stores for units.

## THE ‘DOUBLE-WHAMMY’ EFFECT

Despite brands' best intentions and superior products, it is often very difficult to predict which ones will do well in a market and, more often than not, new products fail. One might be forgiven for imagining that incumbent brands are surrounded by unassailable fortifications that make it difficult for newcomers to chip away at their market share.

Marketing wisdom does recognise the ‘fortifications’ that form around big brands' market share. For example,





marketing scholars such as Andrew Ehrenberg have long shown that the phenomenon of ‘double jeopardy’ applies in most markets. Double jeopardy describes the phenomenon whereby big brands benefit from a double benefit at the expense of smaller brands: not only do big brands have more customers, but their customers use them more often than small brand customers use their respective brands. This positive feedback means that big brands tend to get bigger and small brands tend to get smaller.

In other words, big brands are self-sustaining entities with an internal consistency that lends itself to continued growth in the future at the expense of smaller brands. This feedback loop represents the fortifications that new and small brands need to overcome in order to survive and grow if they hope to reach a stronger position in the future.

Thus, any marketing initiative that wants to enact change needs to understand the opposing forces at play that seek to reinforce the status quo. Any would-be competitor brand needs to overcome these forces by putting more energy into finding a crack in existing defences or undermining them completely through the process known as ‘disruptive innovation’ which may

involve product re-formulation and/or new strategic departure in advertising/communication.

### **SKEWED MARKETS**

Network theory gives us a formalised name for this phenomenon whereby big brands tend to grow bigger over time, crowding out their smaller rivals in the process. Indeed, there is a generic term for the class of mechanisms that can produce such a crowding-out effect. They are collectively referred to as ‘generative mechanisms’, and one of the most well-known examples is ‘preferential attachment’, which we will focus on for the remainder of this article.

Preferential attachment is a simple concept and it works like this: imagine a store shelf with five brands on it (see Figure 1). The store shelf has ten facings. To begin with, let us imagine that five brands start on equal footing with two facings each. All other things being equal, each brand has a 20% chance of being chosen according to their number of shelf facings.

Now imagine that, as luck would have it, more customers buy brand 1 than any other brand (perhaps because it is in the best position, has great packaging or offers the best value proposition). Regardless of the reason, when it comes to restocking

**Like ‘natural selection’, a gene [brand] with even a 1% advantage in its number of surviving offspring can quickly crowd out alternatives [competitors]**

the shelves (Round 2), the retailer sees that brand 1 is their best seller and assigns the brand an extra facing. Brand 1 now has three shelf facings. However, the shelf still has only ten facings in total, which means that brand 1's extra facing comes at the expense of one of the other brands. In our example, brand 5 loses a facing as a result.

This shake-up on the store shelf changes our brands' purchase probabilities. Brand 1 now has an advantage with a 30% chance of being chosen, while the remaining brands have a 20% chance, except for brand 5 which has a 10% chance. This small initial difference can quickly spiral downwards owing to a feedback loop that ensures that as brand 1 sells more than its competitors, word of mouth surrounding brand 1 spreads faster than its competitors and that increases its chances of being sold even more. Thus, it expands across the shelf, crowding out the other brands.

#### NATURAL PARALLEL

Evolutionary psychologist and author, Steven Pinker, neatly describes the same process in a biological context: 'Natural selection works like compound interest:

The market share that a brand enjoys is as much a function of timing and luck as it is a function of quality and delivery. Many products fail to make a dent in the market regardless of how good they really are

a gene [brand] with even a 1% advantage in the number of surviving offspring it yields [facings] will expand geometrically over a few hundred generations, and quickly crowd out its less fecund alternatives [competitors]. Why didn't this winnowing leave [...] us with the best version of every gene [product]? ... The world would be a duller place, but evolution doesn't go out of its way to keep us entertained.'

People who use brand 1 may enjoy the product just as much as people who use brand 2, but there are more people talking to their friends about brand 1 than brand 2. Consequently, word of brand 1 spreads faster, again reinforcing the feedback loop that will ensure that brand 1 comes to dominate in the long run. This is the role of social influence in markets – a role that is amplified in a world with

ubiquitous connectivity and social media platforms that make it easier than ever to share one's thoughts about brands.

If we were to follow this feedback loop for a long enough period of time during which the shelves are consistently restocked, we would find that the distribution of shelf facings could be described by a class of skewed functions called 'power laws'. Power law distributions are characterised by a few large observations at the head of the distribution and many smaller observations in the long tail of the distribution (in this case, a few brands would have many shelf facings, while most brands would have few facings).

Power law distributions stand in stark contrast to the more familiar normal distribution, or bell curve, that is an underlying assumption of many traditional statistical approaches. What a normal distribution might treat as an outlier actually becomes the most important observation in a power law distribution.

So, the reason why markets aren't always fair and why big brands tend to get bigger is because generative mechanisms such as preferential attachment and social influence bias our behaviour as customers, thus shoring up big brands, making them bigger still at the expense of smaller competitors.

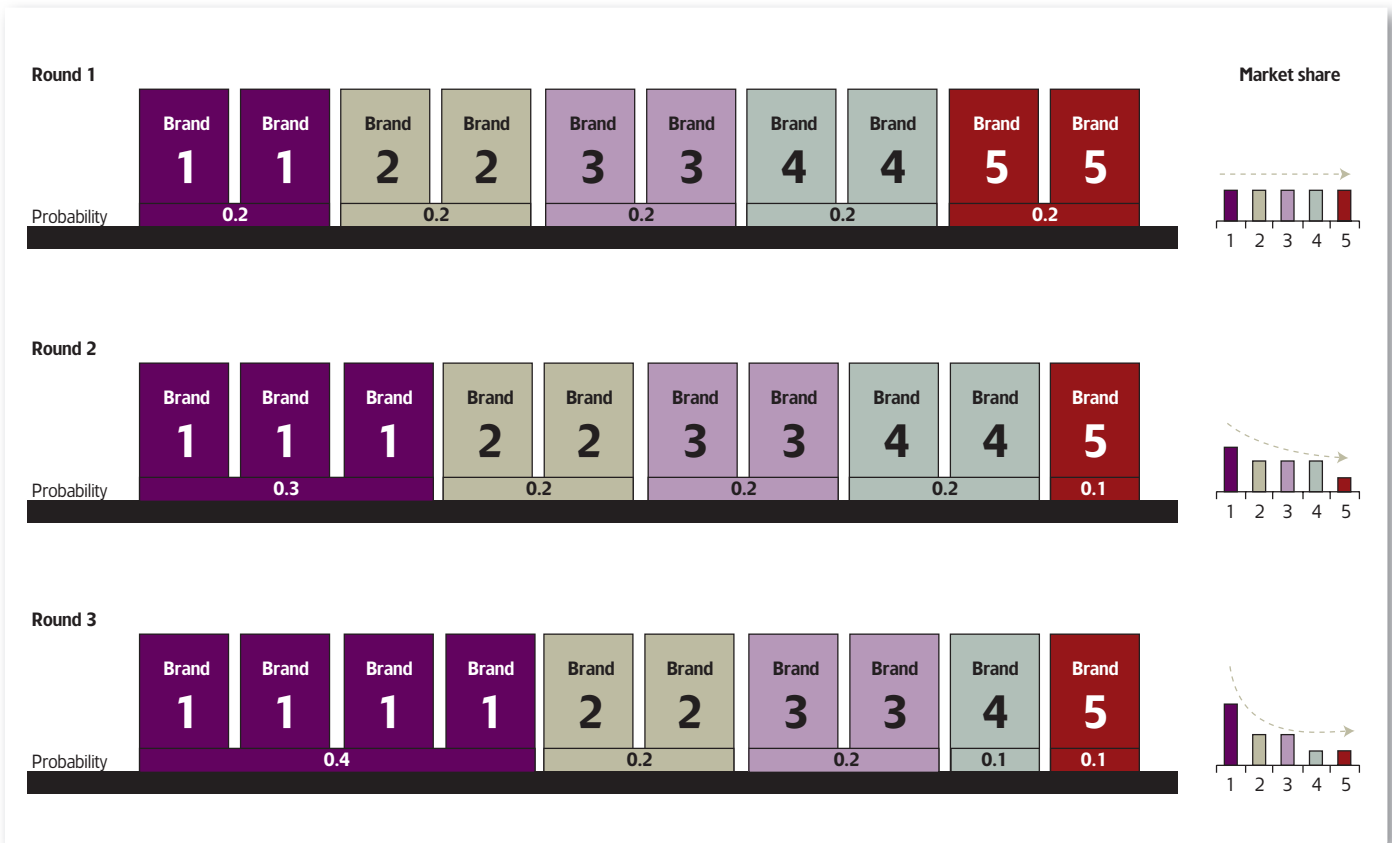
#### THEORY V OBSERVATIONS

There is one more twist in the tale though. Once we've arrived at the conclusions described above, the next logical question is whether or not our market share data display this characteristic power law pattern.

The short answer to this is, no, they do not show clear-cut power law distributions in terms of market share. However, most markets do show clear inequalities in terms of the distribution of market share, with most markets containing a few large brands and many small brands, and these distributions tend to show the characteristic power-law-like drop-off from the market leaders to the next biggest brands.

In markets that do not initially show clear inequalities between the market leaders and other brands, the issue is usually one of market and category definition. We often found in such cases that we were looking at categories that have not been sufficiently tightly defined such that brands that do not compete directly in customers' minds as supplementary products have been lumped together.





We found that no market perfectly reflected a power-law distribution, despite most markets clearly displaying some form of inequality between the biggest brands in the market and the smaller brands.

Perfect power laws form only when the cost of distributing a quantity is low. And we know that in most markets, there is usually some form of ‘cost’ or trade-off involved when customers make a choice between brands, either in terms of the actual product price or in terms of the time and effort required to find a product that is poorly distributed.

This means that power laws form in frictionless markets and, considering that most markets have some form of friction, all we are left with is a general biasing tendency towards market share inequalities that rarely blooms into full power law distributions. However, this does not diminish the value associated with understanding how these inequalities form over time in the first place. This helps us to understand why the best brands don’t always win and why it is so difficult to introduce new products into a market.

In addition, it gives us some indication of the inertia or gravity surrounding a big brand. This is useful to know as it gives large brands an indication of the ‘buffer zone’ they have to work with – how

often can they afford to disappoint their customers before they are abandoned? And, if I am a competitor brand, it is useful for me to know how high and thick the walls are that I need to besiege.

What marketer can really afford not to understand the basic mechanics that drive their market? Understanding market-share formation from a network perspective allows us to understand why customers don’t always appear to act rationally and why business isn’t always fair. ■

**ACKNOWLEDGEMENTS**

A massive thanks to Anna Retief for her power law curve-fitting efforts across these 46 datasets. In addition, a big thank you to Aaron Clauset of the Santa Fe Institute and Michel Goldstein of Yahoo Research for their guidance in applying the most appropriate method for identifying power laws.

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This is an edited version of a winning paper in the WPP Atticus Awards. The full paper and references are available at [www.esomar.org/web/publication/paper.php?id=2171](http://www.esomar.org/web/publication/paper.php?id=2171)

**Figure 1: A thought experiment showing an imaginary store shelf. As brand 1 expands across the shelf in three consecutive ‘rounds’ it creates a skewed distribution in terms of market share for the five brands that will eventually form a power law**

# The value o

**Peter Field** describes an ingenious analysis of cases from the IPA awards and Gunn Report that puts to rest any doubt about the effectiveness of creativity

**T**he practical aspect of the creative process has been argued for decades. For many agency creative teams it was the only thing that mattered; for many clients it was a distraction from the business of selling.

The gulf between clients and agencies in this respect has narrowed in recent times, as evidenced by the launch of the Creative Effectiveness Lions at the Cannes Lions Advertising Festival – an event historically dominated by creative categories. But the divide persists in less-enlightened quarters. So, not surprisingly, when *The link between creativity and effectiveness*<sup>1</sup> was published it received a mixed response: enthusiasm from creative agencies and scepticism from some others. Both responses are entirely appropriate for reasons I examine here.

**THE GOLDEN EGG**

The study aims to provide the most robust examination yet of the commercial benefits of creativity in communications – not just for traditional advertising, but online too.

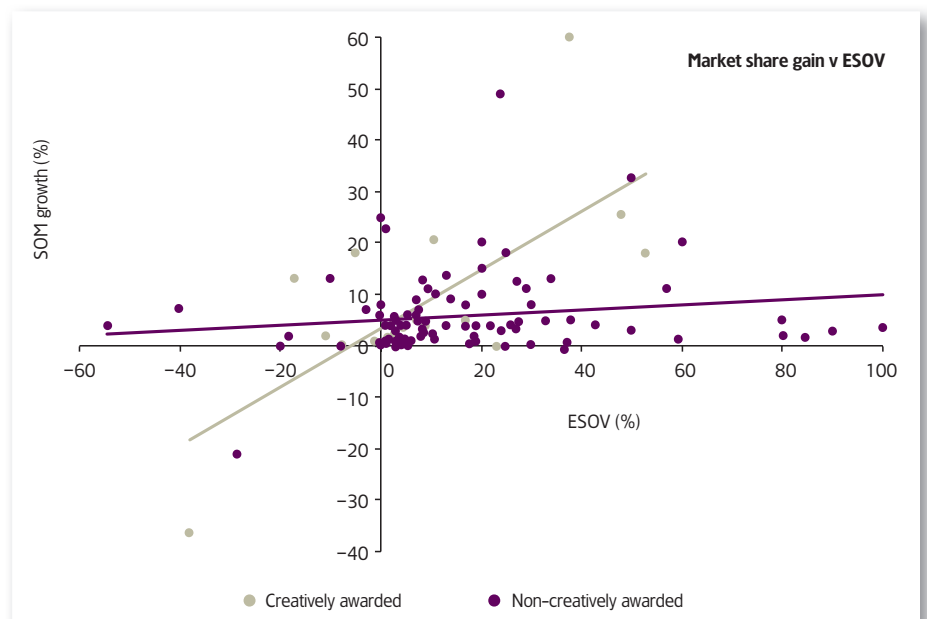
The analysis compares the hard business results of the 170 or so IPA for-profit campaign case studies submitted since 2000 that did not win any major creative awards

with the 40 or so that did win creative awards (for online and offline).

My source for the creative award wins was the globally respected Gunn Report database; my source for the hard business results was the similarly respected IPA effectiveness databank. With one exception, the two groups of campaigns are fairly evenly matched in terms of the myriad factors that can affect effectiveness (market share, maturity etc).

The important mismatch is in the relative level of investment behind the campaigns defined by their ‘extra share of voice’ (ESOV), ie share of voice minus share of market. ESOV has been widely validated as a key driver of effectiveness – if it is positive then brands tend to grow and if negative, shrink in proportion.

The non-creative group of campaigns enjoyed on average nine percentage points more ESOV than the creative group, giving them a huge potential advantage in terms of expected business results (for example, around one point more market share growth per annum). In fact, they did not realise this potential advantage – the creative group out-achieved them across the spectrum of business effects.



**Figure 1: The relative efficiency of creatively awarded and non-creative campaigns**



# f creativity

The most revealing comparison was between the efficiency of the two groups of campaigns, measured by the relationship between share growth and ESOV (see Figure 1). The non-creative group generated around 0.5 points of share growth per ten points of ESOV (slightly low by the standards of the IPA databank), but the creative group generated an astonishing 5.7 points of share growth per point of ESOV. In round terms, they were about ten times as efficient. Another way of viewing the value of this is to project what average level of share growth the creative campaigns would have achieved with the same level of relative investment (see Figure 2). Thus instead of merely out-growing the non-creative campaigns by 1.5 share points as was the case, the creative campaigns would have outgrown them by more than six share points.

## WHY IS CREATIVITY STARVED OF INVESTMENT?

It is interesting to explore why the demonstrably highly effective creative campaigns were relatively starved of investment. It cannot be simply explained by suggesting that creativity was a

consequence of lack of available budget ('we have no money, so we shall have to think') – if so, then the proportion of brand leaders among the creative campaigns would have been lower than among the non-creative campaigns (which it was not), as brand size is a major determinant of budget.

I believe two alternative explanations, the folly of which are both highlighted by the study. The first of these is the belief by many in general management that creativity is risky. Highly creative campaigns (if they are ever allowed to see the light of day) are likely to be budget-restricted until they have proved themselves in the marketplace. In fact this study suggests that the opposite is true – the levels of confidence in the relationship between share growth and ESOV were greater for the creative campaigns than non-creative ones. This suggests greater certainty of effect for creative campaigns.

The second explanation is widely evidenced in case studies and is more inexcusable. The conventional 'logic' peddled by many advisers to clients is that the benefit of greater effectiveness is the

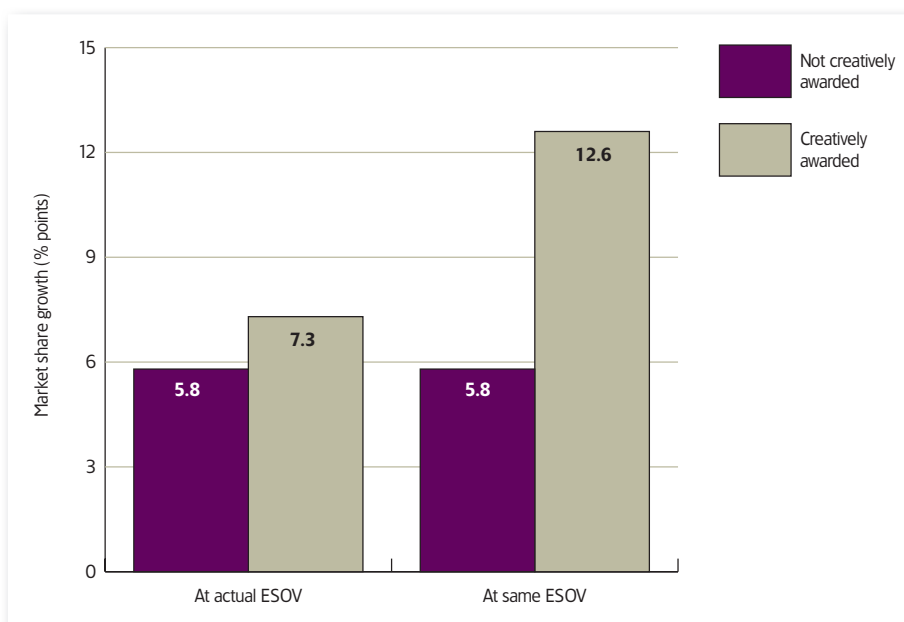
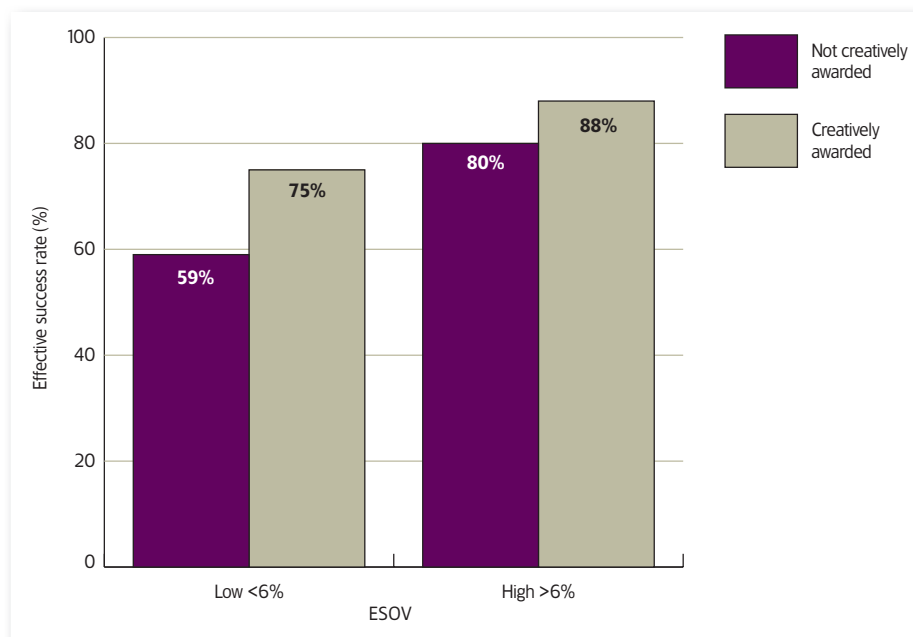
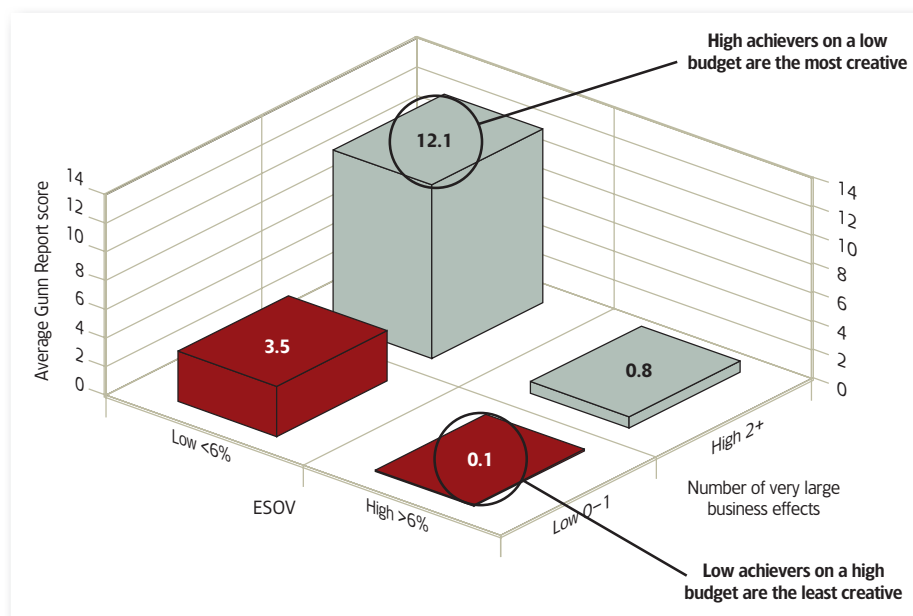


Figure 2: Market share growth at actual ESOV and projected at the same ESOV



**Figure 3: The impact of creativity on the broad business effectiveness success rate**



**Figure 4: Greater creativity is associated with greater effectiveness**

ability to reduce the budget and still meet the brand's targets.

It is a seductive argument and one that will meet with enthusiasm by the CFO; it is also about the worst, most short-sighted piece of advice you could give. For one thing, the analysis shows that the benefit of creativity increases dramatically as the budget rises (and can be completely negated if it is cut too far).

For another, consider what this 'logic' actually means: it is the cutting of investment behind a highly productive but time-limited asset (even creative ads wear out) so that it delivers the same level

of growth as a mediocre asset. Unless your business would genuinely be unable to supply the greater level of demand (perhaps true of automobile companies, but few others) then it must make sense to increase the media budget to 'sweat' the asset while it is still potent. No agency can guarantee to deliver a sequel with the same power, so the study advises making the most of what you have.

The analysis showed that the business advantages of creativity lie across the spectrum of metrics. Taking the effectiveness success rate (the proportion of campaigns that achieved any 'top box' business effects scores – for example, price sensitivity, penetration, profit growth) as a metric of broad business success, the study showed considerable uplifts in broad business effectiveness within ESOV bands among creative campaigns (see Figure 3).

As a final step in demonstrating the link between creativity and effectiveness, the study looked at the link between levels of creativity (measured by the Gunn Report score – the number of major creative awards won by the campaign) and the levels of effectiveness (measured by the number of 'top box' business effects scores achieved – which correlates closely with return on marketing investment).

Again when the ESOV levels are accounted for, it becomes very apparent that greater creativity leads to greater effectiveness among this group of campaigns (see Figure 4).

**HOW AWARDS WERE WON**

Perhaps the most practical facet of the study was the examination of why creatively awarded campaigns outperformed non-creative ones.

The analysis suggested that two factors were involved. The lesser of these was the greater likelihood of the creative campaigns to be emotional in terms of *modus operandi*.

In the publication *Marketing in the era of accountability*<sup>2</sup> it was shown that emotional campaigns outperform rational ones. So, by selecting in favour of emotional campaigns, creative awards judges would also have been selecting in favour of effectiveness. But this could have explained only a small part of the superiority of creative campaigns.

The major factor was the very strong 'fame' effect (ie, online and offline buzz) associated with creative campaigns – twice the level of non-creative campaigns.

Campaigns that generate buzz were shown (also in *Marketing in the era of accountability*) to be the most effective of all,



so creative judges are again instinctively selecting in favour of effectiveness by tending to award campaigns that have what it takes to get shared and talked about. The study therefore offers a fairly convincing body of evidence to support the link between creativity and effectiveness and a reasonably compelling explanation of why it should exist. End of story?

### **ALL THAT GLISTERS IS NOT GOLD**

The study appears to have presented an open-and-shut case for the pursuit of creativity. And in a sense that is true – the analysis implies that a strategy executed creatively is likely to be greatly more effective than the same strategy executed non-creatively.

But let me side with the sceptics for a moment by inserting a note of caution into the interpretation of the findings. What the study actually demonstrates is that creatively awarded strategically sound campaigns are much more efficient than non-creative but strategically sound campaigns (demonstrating strategic rigour is a major part of an IPA case study author's requirement). It does not suggest that all creatively awarded campaigns are inevitably effective.

In Donald Gunn's landmark 1996 study (*Do Award Winning Commercials Sell?* – sadly unpublished), he found that around 14% of creatively awarded campaigns failed to show any commercial success – usually because the strategy was wrong. If one looked for the levels of commercial success and of its proof that are expected of IPA case studies, then the proportion of creatively awarded campaigns that are unable to demonstrate success is likely to be much greater.

No amount of pure creative genius will turn a misguided strategy into a commercial success. The analysis demonstrates that you need to focus on both effectiveness and creativity to hit the sweet spot. And herein lies the danger of the enthusiastic response to this report by creative agencies and the reason why the sceptics may have a point.

An agency that targets creative awards alone as its key output success metric (as some may be tempted to do) runs a great risk of undermining the value of that creativity, because the drive for creative awards will mean de-prioritising effectiveness. This is Goodhart's law in action: when a metric is turned into a target it loses its value as a measure of success. Perhaps this already happens. There are many conspicuously creatively awarded campaigns that never seem to

submit effectiveness case studies. If I were a client of one of these campaigns I would want to know why.

### **PROSPECTING FOR SUCCESS**

The only wise response to this study is for agencies to pursue – and clients to reward – success in both creative and effectiveness awards competitions. Greater success in one of these should be taken as evidence of room for improvement in the other and a need for better balance.

Creative success without effectiveness suggests poor strategic and/or channel-planning rigour, while effectiveness success without creativity suggests an over-dependence on budget and brand muscle.

I greatly welcome the decision to include a creative effectiveness jury at Cannes this

**No amount of pure creative genius will turn a misguided strategy into a commercial success. You need to focus on both effectiveness and creativity to hit the sweet spot**

year. This has to be a good development and if replicated at other major creative award competitions will help promote the kind of balance that is needed to ensure the general link between creativity and effectiveness. It is unlikely to do away with the need for pure effectiveness competitions, because there are many ways other than creatively that agencies can create value for clients – indeed increasingly so in the proliferating multi-channel communications environment.

The important outcome is to find a productive balance between the pursuit of creativity and of strategic effectiveness. The alternative is either a return to the often ill-directed creative excesses of the 1980s or to the deadening era of risk-averse accountability of the noughties. ■

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### **References:**

1. *The link between creativity and effectiveness*, IPA, June 2010.
2. *Marketing in the era of accountability*, Warc, June 2007.

*Warc, publisher of Market Leader, is the official knowledge partner for the Cannes Creative Effectiveness Lions. For more information, please visit [www.canneslions.com/effectiveness](http://www.canneslions.com/effectiveness)*

# It's time to boldly lead

In a world where digital, mobile and web technology has transformed the media landscape into a bewildering array of possible channels, and social media are being used to punish brands or force them to change everything from supply-chain policies to marketing tactics, **Shaun Smith** and **Andy Milligan** argue that it is time for a radical approach to marketing leadership

An example of users' influence was when Virgin Galactic redesigned its spacecraft following feedback from its customers

**M**ARKETERS FACE enormous challenges. Targeting, locating, communicating and maintaining any form of reliable relationship with customers or consumers, has never been more difficult. The problem is not one of access, but one of control. It is the marketing equivalent of trying to slake thirst from a fire hose.

The sheer volume of marketing 'noise' means that for many new consumers, traditional above-the-line marketing is 'below the radar' as more turn to viral marketing and social networks for sources of inspiration. Nobody is sure exactly how the communications and media landscape will look in ten months let alone ten years.

The nature of business models is changing – some have been turned on their head by brands such as Six Senses Resorts and AirAsia X, for example (see box on p48), and some are broken for good. The methods of distribution and exchange of products, services and information have

radically shifted, and there are serious questions about the long-term viability of brands that use precious resources.

## TWO CONFLICTING STYLES

In the midst of all this change – uncertainty or opportunity, depending on your point of view – we have observed two distinctly conflicting styles of leadership in organisations attempting to survive and succeed in this turbulent period.

The first, most obvious and – in our opinion – the most dangerous is that of companies who become internally focused on financial re-engineering and management restructuring. Balance-sheet repairs, cost-cutting, trigger-happy redundancy programmes and poorly thought through acquisitions are the corporate equivalent of rearranging the deck chairs on the Titanic. They are all the usual signs of a business with, in the words attributed to former CEO of GE Jack Welch, 'its ass to the customers'.

But we have also seen a different breed of organisation emerging. They succeed because they have the courage, confidence or just sheer chutzpah to pursue a purpose that is beyond profit, to engage, entertain and educate their audiences. They see their customers and employees as members of a like-minded community, who create an almost cult-like following around their brand – both within and without their organisation. These are companies that are not just different but dramatically different and who push to the extremes the consequences of their desired positioning and strategy.

Companies like this are often based on the personality and values of the people who establish and lead them, but not always. Sometimes their path has been deliberately chosen by executives to differentiate them from the sameness of companies in the sectors they share. They eschew typical 'faceless' corporate behaviour and dare to put their





shareholders' concerns behind those of their customers, their employees and their obligations to the wider public.

Even during the most difficult times – such as the global financial crisis from which recovery will be long and painful for most – they are relentless in pursuit of improvement, zealous in communication and take action in accordance with what they think is best for their brand not just their bottom line.

But this is not some corporate Quixotic tilting at windmills. These organisations also happen to be incredibly commercial and in most cases outperform their sectors. In short, they are bold. Not reckless. Just bold. They stand out from others because they stand for something.

We investigated companies that we believe demonstrate boldness: how they do it and, most importantly perhaps, why they do it – their purpose. The result is a book called *Bold: how to be brave in business and win*. It is the story of 14 inspiring

## They see customers and employees as members of a community, who create an almost cult-like following around their brand

brands and their remarkable leaders. Brands such as Burberry, Virgin Galactic, Six Senses Resorts, Zappos, O2 and AirAsia X.

We believe that being bold is an attitude of mind but is evidenced by what people do and thus how any organisation acts. Anyone and, by extension, any type of company can be bold if it wants. The key is that it must be willing to behave accordingly, not just claiming it does bold

things. As Gav Thompson of O2 says: 'Don't tell me how funny you are; tell me a joke that makes me laugh.' We looked at how these companies actually behave and what they do differently from others.

We conducted intensive in-depth interviews with a cross-section of executives from the short-listed brands. From these we identified eight key practices and 40 behaviours that seemed to explain 'boldness'. Finally, we conducted a quantitative survey in the US and UK to compare the bold brands against other companies on these practices.

We found that the bold brands outperformed the comparison companies by a significant degree on each of the eight practices. The bold companies scored an average of 4.3 on our five-point scales across the eight practices versus 3.4 for the comparison companies. It is a dramatic difference in our experience. There is insufficient space in this article >

## CASE STUDY: AIRASIA X

AirAsia X has built a bold and successful business model for long-haul, low-cost flights based on rapid turnaround, unusual schedules but a real sense of entertainment. Its insight was that long-haul travel was built entirely round the needs of the premium traveller who is hard pressed for time but not for cash. In contrast, Azran Osman-Rani, AirAsia X's CEO, says: 'We've built an airline model around the price-sensitive, time-insensitive customer which was previously untapped'. As a result AirAsia X's seat/kilometre cost, the key measure of airline productivity, is a mere 2.8 US cents per available seat-kilometre compared with the seven to eight cents of their competitors. And low cost doesn't mean low quality – the airline's flat beds work just fine. ■

## BOLDNESS CAN BE ...

- An heroic purpose – whether it be to fly into space or save the planet.
- Doing things that are dramatically different from what has been done before – whether it be a logistics company that treats its employees as a key asset in a commodity market or a bank that acts like a fashion store.
- Sticking to your principles regardless of the 'market norms' – whether it be an advertising agency that refuses to pitch for new business or a retailer whose sole purpose is to create 'wow' moments for customers. ■



The bold organisations (logos above) believe that there is a clear causal link between what you communicate, how you operate and how you protect your earnings

to report these findings in detail but what we can do is to comment on some lessons that we can learn from the way the bold companies approach marketing.

### MARKETING IS EVERYTHING, NOT JUST AN ADD-ON FUNCTION

In *Market Leader* Quarter 1, 2011, John Kearon argued that the adoption of 'marketing science' has been the enemy of innovation. We agree. In some important aspects, our bold companies are quite old-fashioned in the way they think about their business: they stay extraordinarily close to their customers and they ensure that the brand is everything they do. Marketing therefore describes a way of life rather than a function or set of processes.

Marketing, for them, is primarily a way of engaging and entertaining customers or consumers, not a way of persuading them to buy a product. They see marketing as an integral part of the customer experience – the marketing of the product and the product itself are one.

From our research, the bold brands intentionally and relentlessly do the following:

**1** Clearly and honestly communicate the brand promise and values to customers. A key task of marketing is to get your proposition over to the market as powerfully as possible. These brands are both bold and authentic in the way they do this. They don't use weak or watered-down promises of quality, or bizarre and incomprehensible slogans.

They use dramatic language that fixes clear expectations in the customers' minds. Whether it is Burberry's 'Democratising luxury', Zappos' 'Powered by service' or the Geek Squad's slightly pithier 'We'll save your ass', these brands are honest in their communication and engaging in their tone.

They dramatise this promise through the customer experience. They recognise that consumers are increasingly cynical about big brands and traditional above-the-line marketing so they use the customer experience to demonstrate the promise. For example, Umpqua, the US community bank, has one of the boldest visions in banking: 'To make going to the bank, the best thing you'll do today.' It has reinvented the banking experience from a series of financial transactions conducted in a sombre and stuffy environment to something that looks more like the Gap. And the Umpqua experience doesn't just happen in the 'store', as they call the branches. Umpqua has embraced what it calls 'handshake marketing'.

By this the company means marketing activity that is up-close, personal and in keeping with its positioning as a community bank. For example, employees are encouraged to perform what the bank calls 'random acts of kindness'. They can pay for the bill for the customer behind them in-line at their local Starbucks so that when the customer goes to pay they are presented with a small chit that says 'Your coffee today is on Umpqua'. It's all part of delivering on the Umpqua promise and getting customers to talk about the brand. Contrast this with one high-street bank in the UK which broadly advertises a list of customer commitments only to fall short on even the most basic of interactions with customers.

**2** Actively involve customers in helping to improve the brand and products. Bold brands do not believe their products are so perfect that customers can't improve them. Nor are they so frightened by competitors stealing their ideas that they won't release anything until it's foolproof. They see the involvement of their customers in the development of their products as a key part of marketing them.

An extreme example of this user-led design is Virgin Galactic which redesigned its spacecraft following early feedback from its customers. Innocent invites its customers into its offices to suggest ideas and improvements as well as allowing them to recommend and create new recipes. Sir Anthony Bamford, the



chairman of JCB, changes the smallest details on his diggers – for example, the way the petrol cap rotates – because customers tell him that it matters.

**3 Use innovative viral marketing techniques to reach target customers.** We found that all of the bold brands use social media to tune into the views of their customers and digital marketing to reach them. Innocent does this through the simple words it uses on its packaging that has encouraged people to spread the word about the brand.

Burberry streams 3D live broadcasts of its runway shows to five cities around the world and then publishes the show via 80 partner websites, reaching a potential audience of 100 million whereas the traditional catwalk show in Milan or London will be attended by 1,300 exclusive clients. The customers' can view the show on their iPad, click on a product and have it delivered within a few days via Burberry's Worldstore portal. In this way, Burberry delivers on its promise of 'Democratising Luxury'.

**4 Achieve high levels of customer advocacy or 'fandom' to drive referral business.** Communities of fans validate these brands; they help to reinforce them, inform them and sometimes even to forgive them when they get things wrong. O2 has created a strong basis of fans by providing value that no other operator does. Access to events at the O2 Arena and Rugby at Twickenham all help to cement a strong relationship with the brand and deliver its promise of 'Helping customers connect with the things in life that matter to them'.

At the same time the brand has stripped out the restrictive contracts and weasel words to make it easier for their customers to leave. Products such as Simplicity, a SIM-only offer, allow customers to have total control over their relationship with the brand. Ronan Dunne, CEO of O2, explains: 'If you give your customers the freedom to leave, what you actually give them is the confidence to stay.'

**5 Create a cult-like culture.** One of the characteristics that we found to be significantly more evident in the bold brands was the kinds of cultures they create. They invent their own words, use unusual hiring practices and then go to enormous lengths to ensure they protect the DNA of their brands.

Tony Hsieh, CEO of US online retailer Zappos, offers new recruits \$2,000 to leave at the end of the first week of training. Why? To ensure that only those people who are passionate about working

for the brand stay. He says: 'A company's culture and a company's brand are really just two sides of the same coin. Brand is just a lagging indicator of culture.'

### **MAKING THE RIGHT CONNECTIONS**

There has long been a belief in business that, put at its simplest, growing your reputation and revenue (usually through sales and marketing) could be separated from protecting your assets and profit (usually through operations and finance). However, the bold organisations believe that not only is there a clear causal link between what you communicate, how you operate and how you protect your earnings, they are in fact interdependent and you can't get any one of them right unless you get them all

**Bold companies are quite old-fashioned in the way they think about their business: they stay extraordinarily close to their customers and ensure that the brand is everything they do**

right. As Dunne of O2 observes: 'It only works when it all works.'

Robert Stephens of the Geek Squad, which provides computer-related services and accessories, used the expression: 'Marketing is a tax you pay for being unremarkable.' We believe that the point he was making, and one that is shared by these bold brands, is that if you focus your entire business on delivering a valuable, entertaining and engaging experience for your customers across multiple channels then they will do the job for you. You don't need to waste additional marketing dollars on fancy or phony campaigns that seek to shout louder than your competitors and persuade increasingly cynical consumers that you are different or better. ■

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You can download a free 'Bold' app from the Apple Store to compare your organisation with the bold brands.  
*Bold: how to be brave in business and win* is published by Kogan Page in April 2011. For more information go to [www.boldthebook.com](http://www.boldthebook.com)



# Uniqlo thrives on digital marketing



For more than a decade, Uniqlo has been exporting its brand of Japanese low-cost, quality casualwear around the world.

**Tessa Thorniley** describes how the retailer has become an apparel empire by appealing to a multicultural set of consumers without losing its 'Japaneseness'

**A**s Tadashi Yanai, the chain's founder and one of Japan's most dynamic businessmen, said in a recent interview: 'We really have to transform this company to be successful and compete. Before, we manufactured in China and sold in Japan. Now we need to manufacture in the world and sell to the world.'

The transition to international brand partly reflects the need to compete with larger rivals Inditex of Spain (owner of Zara) and Sweden's Hennes & Mauritz (H&M). It is also required to offset slowing sales in its domestic market. The

shift has prompted a significant change in Uniqlo culture from within the company and externally in its marketing to the outside world.

In Japan, Uniqlo HQ has caused a sensation by breaking with many of the conventions of Japanese corporate culture. Its parent company Fast Retailing has said that English must be spoken at all business meetings where foreigners are present and that by March 2012 all email correspondence must be written in English. The number of foreign employees will overtake Japanese workers by 2015, the company has

pledged, suggesting it is serious in its mission to reform.

Similarly, the company's global advertising and marketing – its external communications – have decisively shifted. Throughout the past half a decade, a growing emphasis has been placed on creative campaigns that include dance, music, colour and the internet rather than the spoken word and traditional forms of marketing. It's a tactic that Uniqlo has adopted to ensure maximum 'inclusivity' in its approach to consumers and to ensure that existing and potential customers can engage with the company and understand its message no matter which country they are in.

Daisuke Hase, Uniqlo's public relations and global marketing communications spokesman, explained: 'Our emphasis is on digital marketing because we feel that by harnessing the power of the web we can overcome language barriers as we expand globally. We also believe that an image speaks a thousand words and images and music transcend language.'

#### **'UNIQLOCK' – CONSIDERED TO BE THE BREAKTHROUGH CAMPAIGN**

Uniqlo's creative vision in the digital sphere first grabbed the world's attention in 2007 when the company's 'Uniqlock' campaign took the online advertising sector by storm.

The viral marketing project, designed to build brand awareness internationally, featured a clock with spliced clips of well-choreographed dancing and catchy lounge music. It ran all year round, 24/7. In summer the girls dancing wore polo shirts; in winter, cashmere; and at midnight they slept.

Uniqlock swept the board at a raft of major advertising awards in the following year, even scooping a Grand Prix at Cannes. And the innovative but simple execution of the campaign helped to propel a local clothing retailer, which even in Japan was not considered fashionable, to the status of a hip marque in a few years.

'This campaign was all about communicating with customers in a way that travels around the globe. The web tool, Uniqlock, was perceived as very advanced at the time. It included a blog widget so the clock could be embedded into blog sites. We used dance because it is understood globally and has no barriers like language does,' Hase said.

Uniqlo worked out that 70 million blogs worldwide could be a powerful buzz-building medium and its widget was designed especially with bloggers

in mind. By January the following year more than 27,000 widgets from 76 countries were circulating, and the widgets and website that accompanied the campaign had been viewed 68 million times in 209 countries.

Kentaro Katsube, the creative management director at Uniqlo who has been with the company since 2005, was a key creative mind behind Uniqlock (and many other digital campaigns since). He is credited with spotting the power of web-based marketing several years before Uniqlock tick-tocked its way to viral success. He is also credited with convincing Yanai to embrace online marketing.

Addressing a conference in 2009, Katsube urged other advertisers to use the web as a 'placeholder for ideas, which in turn will become fodder for blogs and bloggers'. He also said creative concepts

**By 2009, the company's digital marketing division was in full stride, producing at least 11 web-related projects – the most ever for the company – that year. Some campaigns took on a sales-driving element as well as brand building**

must be 'unique, emotional' as well as 'fun and entertaining', principles that are evident in Uniqlo's campaigns today.

In the past few years, following the success of Uniqlock, the digital element to Uniqlo advertising campaigns has become increasingly important. According to a source close to Uniqlo, at the time Uniqlock was released, about half the brand's campaigns had a digital component. Now most do, even though the objectives might differ between them.

The 2008 international campaign 'Uniqlo jump' followed in Uniqlock's footsteps, using quirky online audio and video to advertise the company's autumn/winter collection; 696 Uniqlo employees from around the world were photographed jumping in the new collection, and the resulting images and films were distributed via Flickr, YouTube and a blog site ahead of the launch of the official campaign site.

#### **'LUCKY SWITCH' – DRIVING SALES**

By 2009, as the Uniqlock campaign underwent its sixth incarnation, the company's digital marketing division was in full stride, producing at least 11 web-related projects – the most ever for

the company – that year. And some of the campaigns took on a sales-driving element as well as brand building.

'Lucky switch', a campaign that ran in Japan to coincide with Fast Retailing's 60th anniversary, came out on 1 December 2009 for 31 days. It aimed to promote the retailer's end-of-season sale.

'Lucky switch' turned the boring banner advertisement on its head. What looked like a banner was instead a kind of blog badge (another widget) that transformed any website into an instant-win Uniqlo lottery. To encourage blog owners to install the widget Uniqlo promised prizes to both the blogger and any visitor to a blog site who flipped a winning ticket.

Uniqlo called it the 'appreciation and giving back campaign' and combined 'Lucky switch' with an instore

component. It ultimately generated almost three million clicks with more than 4,000 blog badges installed. The number of shoppers visiting Uniqlo's online retail site in Japan topped 46,396, which was two to three times higher than the usual monthly traffic.

By building a digital presence, Uniqlo is not simply driving more consumer engagement, it is also shifting its advertising from paid media to owned media. In the long run this may be a more effective way for the brand to deepen its relationship with its customers.

Also much-lauded in the advertising sector was Uniqlo's 2009 autumn/winter campaign to promote its autumn collection – Tokyo 2009 Collection.

A simple website that was linked to Uniqlo's online retail sites in the US, UK, Korea and China ran alongside TV advertisements. The site featured an interactive catwalk that allowed web viewers to explore the clothing ranges worn by models. It created a personal fashion experience and a few clicks led through to Uniqlo's online retail stores for shoppers in Europe, China, Japan and Korea who had spotted the models wearing something they liked. The

## CASE STUDY: SINGAPORE

Plunging into new territories can be daunting, especially in countries where brand awareness is relatively low. Uniqlo's experience in Singapore, where it launched the first of three stores in April 2009, shows how the internet can be harnessed in creative ways to generate excitement over a brand, even one that is barely recognised.

Shortly after Tribal DDB Singapore was given the brief to launch Uniqlo's first store on the island, the agency was shocked when an early survey revealed that just 16% of Singaporeans – known to be some of the most savvy shoppers in Asia – had heard of the brand.

Jeff Cheong, the head of Tribal DDB Singapore, said: 'When we started, 50% of Singaporeans couldn't pronounce the name Uniqlo properly. It was a tough brief for us, in the heart of the recession.'

The first store was due to open in a mall in a satellite town frequented by 'flip flop-wearing, casual shoppers' near the airport, Cheong said. Uniqlo was a major tenant in the development.

To set about generating a buzz about the new store opening, with the right consumers, Tribal DDB turned to the web. The agency set up an interim website because Uniqlo.com was being reworked and it also planned to drive viewers to a Facebook page. But Tribal soon discovered that someone had beaten them to it; a die-hard Uniqlo fan had already established a fan site.

'We decided to let him continue and we effectively joined him', Cheong explained. 'We asked him to put up certain information, but the rest of the work was his. It was more genuine that way. After a week, Uniqlo had 5,000 Facebook fans in Singapore in the first social media collaboration of its kind that Uniqlo had undertaken.'

As well as the fan site, Tribal DDB set up a one-page microsite featuring an interactive gacha-gacha game (similar to pachinko, a Japanese slotmachine) that allowed players to win surprise prizes daily.

'UniqloSurprise.com stirred engagement and it was fun. One survey indicated that we achieved 100% brand awareness by the end of the campaign. Online and social media are where the social majority is found. More importantly, they are also the media where social influence is spread rapidly. Word-of-mouth is the most important medium', Cheong said.

More than 60% of Uniqlo's Singapore launch campaign took place online, with outdoor advertising accounting for 25% and print just 15%. Tribal DDB said that opening-day sales at Uniqlo Singapore were the highest the company had seen in Asia, beating both Hong Kong and China. The microsite achieved 1.6 million page views during the course of the 12-week campaign and 10,000 shoppers registered and signed up for the loyalty programme.

As Uniqlo beats a deeper path into existing and new territories in Asia over the coming years, the company's focus on the social majority who favour Twitter, Facebook, YouTube and the web to fashion magazines, looks set to continue unabated.

For the agencies with which the company collaborates on this expansion drive, the challenge will be to maintain the creative highs that have so far set Uniqlo's online presence apart from many of its rivals. ■

[approximately £7] jeans. But the chain has discovered that no matter how low it goes, others can go lower and still make margins. I think Uniqlo is going to have to undergo a process of pushing prices back up. It could take two years or more to have an impact on the bottom line.'

May argues that, for its domestic business, its digital work may need to be recalibrated; in its efforts to be a global brand, it may be distancing itself from Japanese consumers. 'As the chain starts to refocus, its online marketing strategy has become very centred on overseas sales and promotions. The campaigns have been very clever and unique; the problem is that ultimately they aren't speaking to the post-bubble buyers in Japan, now in their late 20s to early 30s. The campaigns have no meaning to these buyers, and these are still some of the brand's biggest consumers,' he said.

### OPPORTUNITIES ABROAD

Non-Japanese sales in Uniqlo's first quarter (to November 2010) were up 29%. Yanai has stated that his aim is to quadruple the number of Uniqlo stores worldwide to 4,000 by 2020 (including 1,000 in China) as he looks to become the world's leading clothing retailer. Many retail analysts point out that Fast Retailing is wise to target global growth given its huge exposure at home.

'New territories are going to be a big part of global growth going forward,' Hase said. Uniqlo has announced plans to open its first store in Thailand this autumn. Hase said the emphasis on digital, viral and social marketing, especially in countries where Uniqlo has only a few stores or is opening for the first time 'will continue'.

Hase explained: 'In places where we have two or three stores, we don't find TV advertising, for example – the most effective way to reach consumers. People don't pay attention in the same way they do when they are online. Digital advertising engages the consumer.'

'In Taiwan, for example, where internet penetration is high, digital campaigns are more effective than traditional advertising in many ways. They help to create buzz around, for example, a new flagship store. That said, you will still see the large outdoor hoardings go up near our new stores, to drive traffic and draw shoppers' attention.' ■

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campaign was praised at the time for being 'very simple and effective': look, like, buy.

In January 2010, when Fast Retailing announced stellar first-quarter sales and operating profits in Japan and the rest of the world – up almost 40% and 49% respectively – the company highlighted the success of products including Uniqlo's neo-leather jackets, which had been a major feature of the online fashion show.

### CHALLENGES AT HOME

Recent months have thrown up new challenges to the digital-marketing-for-the-world approach. Since early 2010, the Japanese market has proved increasingly tricky for Uniqlo, and by the start of 2011 the retail chain had reported five consecutive months of falling sales. A

combination of factors, from a shift into fashion items that didn't sell to a failure to stock enough basic items, were blamed. First-quarter sales in the three months to November 2010 at Fast Retailing were down 35% at stores in Japan.

Retail analyst Richard May, at the Japan Consumer Marketing Research Institute, said: 'Uniqlo today is still all about Japanese consumers. It has 900-plus stores in Japan and 150-plus stores overseas. The problem is that there has been a shift in buying attitudes in Japan, particularly among 27- to 31-year-olds, Uniqlo's target consumers.'

'Overall these shoppers are buying less and increasingly looking for value. For a while, Uniqlo led the flight to the bottom of the value chain. It introduced ¥900



# How to get more 'soft power' to your elbow



Attraction and seduction, rather than domination and coercion, are the keys to persuasion, says  
**Melanie Howard**

**I'M DEVOTING** this piece to what we call an nVitro trend – newly hatched from our own trends laboratory – which is a crossover from the political sphere but perfectly tuned to the consumer environment. We call it The Rise of Soft Power, a term coined by Harvard academic Joseph Nye in his 2004 book *Soft Power: The Means to Success in World Politics*.

Nye argues that the means of achieving what you want in the modern world is not through the historical means of command, domination and coercion, but by the powers of attraction and thus ultimately subtle persuasion and seduction. He writes: 'In individuals, soft power rests on the skills of emotional intelligence, vision and communication. In nations it rests upon culture, values and policies.'

Like many influential ideas it has taken time to gain serious adherents although it was seen as being a key component of the Obama victory in 2008. What is particularly interesting is that it plays strongly in the emerging nations, which lack the heritage of military strength to get what they want.

Brazil's foreign minister, Celso Amorin, claims that Brazil's greatest skill 'is to be friends with everyone'. China and India are similarly working hard to woo rather than demand – although you might argue that the economic cards are so clearly stacked in their favour that it gives them a launchpad from which to practise niceness.

## WHAT ARE ITS COMMERCIAL APPLICATIONS?

For the multinational corporation there are many examples of how a soft-power approach is proving more effective than a rigid, defensive stance when things go wrong. Contrast the abject apology of Toyota chairman Akio Toyoda when in mid-2010, the company was forced to recall a staggering 8.5 million cars – 'I myself, as well as Toyota, am not perfect ... quite frankly I fear the pace at which we have grown may have been too quick' – with the ill-fated CEO of BP, Tony Hayward, whose handling of the oil spill in the Gulf of Mexico was so ill-judged. A failure to use soft-power techniques meant he lost all power and was inevitably replaced.

As big brands attempt to spread throughout the globe, there have been many examples where brash neocolonialism has been rebuffed and a more considerate and inclusive approach, often under the aegis of corporate social responsibility programmes, has paid dividends. Coca-Cola, McDonald's, Starbucks and Unilever are shining examples of engaging with local development programmes.

For individual brands and more niche businesses the value of soft power is clear too. Think innocent

drinks – possibly the best embodiment of soft power in a single brand. The company's determinedly nice approach has been lauded over the years. For example, in November 2009 it sponsored the 'big knit' – paying 35p to Help the Aged for every woolly hat knitted for its smoothies in Sainsbury's.

The coverage praised the participation and the hats and did well for Sainsbury's 'niceness' quotient as well. Incidentally, the craze for hand-knitted items which is manifesting itself in many forms in early 2011 is a perfect pointer to the strength of the current sentiment. Whether it is the guerrilla knitters in London or on the US West Coast, or fashionable household items from cushion covers to lampshades, it seems that the continued uncertainties post recession are ensuring that the desire for comfort and help from brands and businesses will remain strong.

Tesco's continued trading on its highly successful 'Every little helps' strap line and Kit Kat's 'Have a break' also play effectively to this sentiment. Not new perhaps, but newly relevant. Brands cannot be nice enough to their customers at the moment – not just in terms of discounts and offers for customers but in tone, manner and openness.

As well as the communication of underlying values and relevant helpfulness, maximising all forms of customer and stakeholder engagement will remain paramount, particularly in the context of the Big Society in which businesses will be expected to help fill the gaps. For example, the Co-operative's 'renaissance' – now in its third year – continues to make capital from its long-term commitment to mutualism and ethics as well as community involvement. This demonstrates how such steadfastness can pay off when core values are strongly held.

Why this trend will continue to gather strength is because getting it wrong will be so swiftly and publicly punished. Social networking and media, as well the rapid mobilising power of mobiles (smart or otherwise) have resulted in, for example, previously popular Boots bearing the brunt of demonstrations for allegedly evading UK tax. Vodafone and Top Shop have been attacked for similar reasons.

We believe that this phenomenon will be playing out in many forms over the coming decade – time for every brand to question how it too can exert the soft powers of attraction in 2011 and beyond. ■

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## Chance favours the connected mind

JUDIE LANNON



**STEVEN JOHNSON** is both an original and eclectic thinker. He has looked at innovation from an environmental perspective exploring the spaces that historically have given rise to great surges in innovation. And the central insight in this examination of how ideas happen is that innovation flourishes in connected spaces. But what makes the book fascinating is the sheer sweep of territory he covers to support his core thesis. Johnson draws from the history of science and natural history and art and commerce. The book is dense with examples.

Whether he is looking at biological spaces such as intensely populated coral reefs or the greater incidence of ideas in crowded cities compared to the countryside, the conclusion is the same: spaces where life congregates produce more innovation.

Writing in the *Financial Times*, Johnson said: 'Economists have a telling phrase for the kind of sharing that happens in these densely populated environments – "information spillover". When you share a civic culture with millions of people, good ideas have a tendency to flow from mind to mind, even when their creators try to keep them secret.'

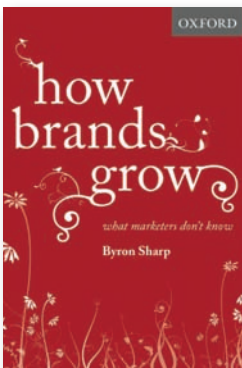
The book also deals with how work environments should be structured to maximise the kinds of connections that collide to produce something new such as open spaces of many creative environments in Silicon Valley. Images of collision pepper the book: half-formed thoughts meeting other half-formed thoughts to produce a whole greater than the sum of its parts is a common pattern of innovation. Johnson calls it the 'slow hunch'. Other patterns he describes are how networks are formed and nourished, the wonderful unintended consequences of mistakes, the serendipitous discovery and using existing components for an entirely different purpose.

All of this, of course, links to the internet and while he acknowledges the views of its critics – that the internet makes us shallow with shortened concentration and a magpie-like approach to knowledge – its main value as an engine of connectivity excuses everything. ■

*Where good ideas come from, Steven Johnson, Riverhead (2010), £12.99*

## What marketers don't know

PAUL FELDWICK



**BIGGER BRANDS** are always big because more people buy them, not because they have higher weights of purchase – so growth strategies based on heavy users or loyalty building don't work. Customers in any category buy across all brands in a predictable way, so segmentation doesn't exist. Users perceive all brands pretty much the same, so the quest for differentiation is pointless.

These, and several other marketing heresies, are the results of a huge body of empirical research into purchasing and other data, carried out by the late Andrew Ehrenberg and his many distinguished colleagues over 50 years. These robust, law-like patterns, replicable across time, geographies and categories, have long been in the public domain, but mostly in academic journals or privately published papers.

Now for the first time, professor Byron Sharp, head of the Ehrenberg-Bass Institute in Australia, has summarised this crucial body of marketing knowledge in a single, accessible volume. It is a valuable and important achievement.

Practitioners now have a choice. They can find arguments to disprove, or at least qualify, the strong and simple principles that the author Byron Sharp trenchantly presents, or they can begin rethinking their practice to fit the reality of how markets really behave. The first course is, I think, unlikely to succeed but the second

may also prove challenging because the efficacy of segmentation, loyalty programmes, niche targeting and price promotion are all called into question. Advertising, too, works not by communicating differentiating propositions, but by creating salience through 'meaningless distinctiveness', talk that will shock many creatives almost as much as planners and clients.

This view of advertising as 'mere publicity' has long seemed to me a powerful one, and certainly more useful than the message transmission model, but I am not convinced that it tells the whole story. And the tone of dogmatic certainty that characterises this book seems to me less appropriate when it involves the more problematic topics of mental processing, emotions or aesthetics.

*How brands grow* clears away many major misconceptions and offers a practical agenda for change, but it still doesn't quite put its finger on just why brand A performs so much better than brand B – nor, perhaps, should we expect to find simple, generalisable answers to such questions. At least that will leave something for ad agencies to puzzle over. Meanwhile, this book remains essential reading. ■

*How brands grow: what marketers don't know, Byron Sharp, OUP (2010), £22.50*

## Round-up of essential strategy guides

ANTHONY FREELING



One of the problems with working is that there is never enough time to read – even if you want to. In particular, there is never enough time to learn about topics that are outside your immediate area of interest. This lack of time is the best explanation I can find for the fact that marketers rarely seem to have read even the most important books on business strategy. Here are a few books that I think are useful to any active marketer, with a strong bias towards short and easy-to-read ones.

First, Michael Porter's *Competitive Strategy* is a classic for the best of reasons. It introduces his 'Five Forces model' which is a simple and practical tool to evaluate markets and potential profitability. There have been many follow-up books, from Porter and others, but this remains a simple summary of what you need to know.

Since marketers increasingly concern themselves with innovation and a desire to be first to market, a short book by Markides and Geroski, *Fast Second*, may be salutary. It shows in fewer than 200 pages how being first to market through radical innovation is often less profitable than scaling up the markets created by others.

There is also a love in the marketing community of trying to copy successful companies – sometimes in an informal way, sometimes through techniques such as benchmarking. Before you embark on this course,

please read a salutary text by Phil Rosenzweig, *The Halo Effect*. It demonstrates convincingly that we tend to see successful companies as good in all they do and unsuccessful companies as uniformly bad – even the same companies and people just a couple of years apart. He also identifies eight other popular business delusions that I am sure we have all fallen for at some time.

Marketers always need to balance analysis with intuition. There is a lot written about analysis in the marketing field, but less on intuition. One classic from the field of decision theory is *The Power of Intuition* by Gary Klein. He demonstrates convincingly how intuition can outperform analysis in many fast-moving situations – but also how intuition can be developed only through deep immersion in the environment in which decisions are going to be taken. This should give pause for thought to any marketer who believes you can jump between industries and still trust your gut.

Finally, a recent book by John Kay, called *Oblliquity*, pulls together thoughts on how goals are more likely to be achieved when pursued indirectly. This provides the basis of an argument for why businesses should pursue customer satisfaction as a means to improve shareholder returns – so it should be required reading for marketers and their bosses. ■

## Evolution of technology services

KIM TASSO

**LAURIE YOUNG** is a leader – and writer of several books – in UK professional services marketing and his co-author is managing director of the Boston-based ITSMA (Information Technology Services Marketing Association). They have produced a tour de force that spans strategic management, services marketing, branding, account management, service and quality management, innovation and marketing communications. But the focus is on how these tools apply to the radically changing world of technology services.

By their definition, this evolving sector spans established technology companies and consultancies and those services that exploit an 'installed base' or infrastructure and thus extends to the utility companies.

While the first two chapters (defining the sector and introducing services marketing) and chapter nine (communicating with service markets) might be considered basic, the remaining chapters are full of value even to seasoned marketers. Themes throughout the book include the importance of: public

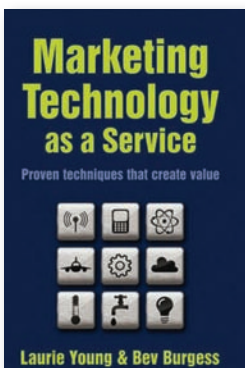
relations, addressing rational and emotional needs, investment in customer intelligence and integration of marketing and sales.

The 40-page appendix provides a summary of the best-known (and, as the authors point out, often misunderstood) analysis and marketing tools and techniques. I enjoyed the challenges to some of the most commonly used marketing tools.

Its 300 pages are crammed with academic rigour and valuable insight. The case studies show ideas in action among some of the world's leading B2B and B2C service organisations.

It's a sophisticated, intelligent and challenging introduction to services marketing for senior people – especially those in larger organisations. However, I'm not sure it would do much except worry the many smaller technology or other service firms who are yet to embrace some of the tough strategic challenges the book addresses. ■

*Marketing technology as a service: Proven techniques that add value, Laurie Young and Bev Burgess, John Wiley & Sons (2010), £34.99*





# Big brand ideas inspire huge emerging market



Opportunities for growth in Brazil come from targeting a mass middle-class with big brand ideas, according to **Silvina Moronta**

**WE ALL** know that Brazilian culture is about dance and rhythm. And this goes for the economy, not just the night-life. In 2010, Brazil's GDP grew six times faster than the UK's (7% versus 1.2%). This growth is being driven by a dramatic change in the income of Brazil's 190 million inhabitants. In the past seven years poverty dropped from 35% to 22%, real salaries grew by 40% and unemployment dropped from 12% to 8%. This has led to the dramatic growth in middle-class consumers from 37% to 50% of the population.

But what does it take for brands to be successful and join the growth in Brazil? Two of the key principles of brand leadership we use at the brandgym are particularly relevant.

## FOLLOW THE MONEY

Concentrating effort and money on the business where there is a competitive edge is the most fundamental characteristic of a leader brand. So, the first question to answer is which are the most attractive targets/markets to focus on?

A few years ago, to win in Brazil meant to target two extremes. On one side there were the luxury seekers – the luxury goods market in Brazil represents US\$2.3bn a year – and on the other side there was a huge mass of low-income consumers. Global companies such as Unilever responded to this with price tiers, with affordable mixes and premium offerings of key brands.

For example, on the same personal-wash shelf were two tiers of Lux brand: Lux Luxo and Lux Suave, a low-price/margin version. Despite the communication and innovation effort behind Lux Luxo, the lower-priced version is what grew.

Today the picture has changed dramatically. An attractive new target is the emerging lower-middle class or 'class-C' consumer. They earn between US\$600 and US\$2,600 a month and the group has increased to 95.4 million people, which is 1½-times the UK population. These previously low-income consumers now have access to a new world of brand alternatives and are becoming more sophisticated.

To see class C in action, head to the Nova America Rio de Janeiro shopping mall. This mall gets about 50% of its sales from the class-C consumer, buying everything from new homes to cars (about 400 cars are sold each weekend); and 40% of the Brazilian population (more than the UK population) are planning to change their mobiles in 2011. Many other categories with explosive growth projections for the next few years include banks, beverages, garments,

airlines, technologies, telecommunications and cosmetic surgery.

A good example of a company embracing the class-C consumer with open arms is Ambev, the Brazilian beer giant. The owner of the three leading brands (Skol, Brahma and Antarctica) is planning to launch Budweiser this year. It will be positioned between the current mainstream segment and premium segment, called 'core plus' and integrated by consumers whose tastes are evolving and becoming more sophisticated.

Some companies are still focusing on products for low-income or high-end consumers. What are your marketing projects for the new class-C consumer? Are you dancing in some of the categories with explosive growth projections, or still deciding whether or not to join the party?

## BUILD BIG BRAND IDEAS

Winning brands in Brazil, like successful brands anywhere, have a big brand idea that goes beyond the purely functional. The key in Brazil is to appeal to people's optimistic and colourful hearts. This explains the local success of Persil/Omo's global 'dirt is good' campaign, which was in fact born in Brazil and then exported around the world. Two more iconic Brazilian brands using this positive outlook on life are Natura and Havaianas.

Natura is the leading brand in Brazil in cosmetics, fragrances and personal care, and a Brazilian company that is growing globally with a turnover of more than US\$2bn. The company pioneered using ordinary women rather than supermodels in communication and having a new approach to the massive anti-ageing trend. It was the inspiration for the Dove Global team to develop the famous 'Campaign for Real Beauty'.

Havaianas has turned the commoditised category of flip-flops into a huge business with its relaunch in 1994. From being cheap sandals for fishermen, they became fashion articles for Hollywood stars and top models – proving again that there are no commodity markets, just commodity thinking.

Some brands are still offering a traditional problem-solving proposition in Brazil. Is your brand story inspiring enough for the emerging Brazilian class C? For your brand to join the party you need to follow the money by targeting the emerging class C and make sure you develop an inspiring and positive brand idea so these consumers will want to dance with you. ■

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# Beyond the long tail...



## Fru Hazlitt

discusses the anticipated and real impact of the digital age on TV production, transmission and revenue streams

**EVERY SO** often a book comes along that so eloquently captures the media zeitgeist no self-respecting exec's office is complete without a well-thumbed copy. Way back when, it might have been Marshall McLuhan's *The Medium is the Message*, and more recently perhaps Malcolm Gladwell's *The Tipping Point*.

A few years ago, at the start of media's digital journey, the seminal 'must-read' text was Chris Anderson's *The Long Tail*. The argument was simple and seductive: digital would drive media distribution costs close to zero and there would be no cost barrier to making content available online. Therefore, any piece of content would have to compete against not only everything else being broadcast or published today but every bit of content ever.

At the same time, digital technology would allow publishers to leverage the economic power of committed niche audiences as never before. As a result, value would shift from the big blockbuster to the 'long tail', from 'out now' to archive. The knock-on consequences across all aspects of media – and indeed our lives – would be profound.

So far, so good. But some took Anderson's argument even further. The trends identified in *The Long Tail* would mean the end of established media altogether. Mass would become passé, niche would be the new black.

## KEEPING IT ALL IN PERSPECTIVE

Taken to this extreme, I have to give *The Long Tail* short shrift. Mass media isn't going anywhere. Indeed, people's hunger for the big, live, shared communal experience is as voracious as ever. And one of the most establishments of established media – television – is able to satisfy that hunger unlike any other. In the past year alone, we've seen 18 million viewers gripped by *The X Factor* final and 15 million together celebrating *Coronation Street's* 50th birthday.

What's more these kinds of mass TV programmes have dominated all media – including digital. As well as wall-to-wall coverage on radio and press, *The X Factor* was the number-one subject for the Twitterati, Facebookers and most of the other denizens of the blogosphere. And it wasn't just light entertainment: last year, we were promised the first general election to be fought online. Instead, the first leaders' debate on TV drew ten million viewers and changed the course of the campaign.

Whether it is entertainment, religion, sport or news, the big, live event is something we all continue to want to be a part of and mass

aggregators such as television help us fulfil that emotional need. The death of the mass aggregator and the audience it brings – which has been much discussed and widely predicted – has never been fulfilled, and never will be. This is because the human need to belong is and always will be one of the most powerful drivers of behaviour.

As the poet John Donne famously put it: 'No man is an island, entire of itself.' A consequence of that, in Deloitte's slightly more prosaic language, is that television retains a 'super-media' status that isn't going to change anytime soon. However, every part of the established TV value chain is being transformed – from transmission and production to the way viewers consume programming. What was once a simple business – one channel, one means of transmission, one revenue stream – is now more complicated. The TV advertising market may have bounced back in 2010, but that doesn't mean that ITV can sidestep the digital revolution. We need to embrace it and make sure that our content is available wherever, whenever and however viewers want to consume it – from games consoles and internet-enabled TVs to smartphones and tablets.

The way we monetise that content is also changing. We need to maximise our share of the television advertising cake and continue to sell that 'super medium'. The opportunities are significant. We're building our content business in the UK and internationally; delivering greater scale in online advertising – video and display; leveraging transactional revenues from voting, competition entries and teleshopping; and looking to deliver content micro-payments and pay subscription revenues for the first time.

But such complexity does not mean fragmentation. Overall, UK TV viewing increased in 2010. ITV1 also increased its audience, with the big blockbuster shows in particular growing year on year. With the incremental reach delivered by growing digital channel and online viewing on top of this, the audience delivered across ITV is greater still. And it is a more engaged audience, seeking out ITV content on multiple devices, in the living room, on the laptop and on the move, and interacting directly with us, via phone voting, competition entries, or chatting online.

Forget the 'long tail'. The engaged, mass digital audience delivered by TV could be marketing's 'holy grail'. ■

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# Heard the one about good comedians and behavioural economics?



## Rory Sutherland

examines the link between behavioural economics and humour, observing what the best marketing ideas have in common with jokes: they don't stand up to rational analysis

This past week I have been reading *How I Escaped My Certain Fate* by the fascinating and innovative stand-up comedian Stewart Lee. The book – a kind of autobiography – is extremely funny, but it is also remarkable in another way.

Perhaps more than any other art form, it has become axiomatic in comedy that 'you can't analyse humour'. A joke is believed to be a living thing – so 'once you dissect one, it dies'. Yet almost every page of Stewart Lee's book contradicts this. Just because the audience shouldn't over-analyse jokes, that doesn't mean that comedians can't.

Lee deconstructs, reassembles and analyses his own (and other people's) material with the precision of a watchmaker. As an unintentional guide to the creative temperament, the book is fascinating. The same analytic streak is found in other comedians. Jimmy Carr has co-authored (with Lucy Greeves, a copywriter and friend) *The Naked Jape*, a superb investigation into the nature of humour. The great Douglas Adams, when writing his *Hitchhiker's Guide* series of novels, took individual sentences written by PG Wodehouse and spent hours picking apart every word to work out what made them so funny.

The analysis of comedy appeals to me because humour, like advertising, is something that can only properly be judged behaviourally. A successful joke results in a human response – a laugh or smile – which is in many ways involuntary and automatic. Most likely the audience cannot explain why they are laughing. But that very inability to explain what is funny is irrelevant to the value of the joke.

The mistake many conventional marketers seem to make is to require of any communication that the audience can explain how it works before it can be considered effective. This is an extraordinarily restrictive approach. When researching any message, the act of asking the audience to explain its workings somehow destroys its effect.

Creative people sometimes react to this absurdity by adopting a position at the opposite end of the spectrum – claiming that great creative communication is incapable of any meaningful analysis, and that it can arise from an Amadeus-style outpouring of genius. This doesn't help much either. Just because something may be apparently illogical does not mean that nothing is gained through attempts to explain it.

And it is for this reason that I find behavioural economics a more promising line of enquiry for marketers than the conventional marketing

approach. It is a much richer source of insights that the 'go on, tell me why it's funny' approach of pre-testing, because it encourages us to seek out those very stimuli that achieve their effects without the necessary intervention of conscious logic.

Behavioural economics shows us something that successful comedians already know. Social proof really matters. Whether people laugh or not depends massively on the reactions of the people around them. Context really matters too. The nature and appearance of the joke teller really matters. Seemingly trivial executional details can make or break a joke.

It seems to me that the best marketing ideas have something in common with the best jokes. They have a powerful behavioural effect for reasons the audience may not be able to explain. Behavioural economists find these aberrations fascinating and worthy of study precisely because they defy the logic of the conventional economic model of human preference. Here are a few examples which particularly fascinate me.

- Did Red Bull find it easier to charge three-times the regular price for a carbonated drink because it made the can smaller?
- Why do people prefer to receive four Boots Advantage points on every £1 spent than to receive a 4% discount?
- Why, when telephone call charges have dropped by more than 70% overall, do we remember none of these price drops – but we all remember Friends & Family, which gave us 10% off just ten numbers?
- How many people would buy fabric conditioner if there wasn't a special drawer for it in their washing machine?
- Why is it much easier to spend £40 on a tie when you have already spent £80 on a shirt?
- Why do we pay so much for cinema popcorn?
- Would Spotify be more successful if it limited the number of songs it allowed you, rather than offering unlimited downloads?
- Why is Amazon Prime more effective because you have to pay for it?

No focus group will ever answer any of these questions. Behavioural economists and good comedians, with their access-all-areas pass to the unconscious mind, can. Next time you have an NPD project, why not hire some of both? ■

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# Nothing but the Truth.

**Winner**

Best New Agency  
2008

MRS

**Winner**

Best Case History  
2009

ESOMAR

**Winner**

Award for Excellence  
2010

ESOMAR

**Winner**

Best Agency  
2010

MRS

truth





**If this is all brands have to say  
what does it say about the brands?**

For a while it says 'we are a bargain'.  
But a bargain is only a bargain if you  
want it.

And you only want it so long as  
it has a value as well as a price.

The problem with endless deals  
is that the value leaches out.

Premium? Forget it.  
You are now simply cheap. And  
close to becoming generic.  
Unless....  
Unless you invest in your core  
brand values. In the product, certainly.  
And in pack designs which recall

the qualities which persuaded people  
to buy in the first place.

As Andy Clarke of Asda says,  
'people don't want cheap food  
cheap, they want good food cheap.'

Now that's what you  
call a bargain.

**jkr**