

Market Leader

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Why we should all be singing Ira's praises

Jeremy Bullmore

What was Gershwin's first name? Ask your friends and colleagues. Some will say they don't know and others will say George. A few will say, which Gershwin? And none will say Ira.

Yet it was Ira who wrote:

*It ain't necessarily so
De t'ings dat yo' liable to read in de Bible
It ain't necessarily so.*

Eighteen words, four of them repeated, of wit, compression and wisdom; and meticulously crafted to meet the predetermined discipline of a melody. Ira also wrote several hundred other lyrics of comparable brilliance – mostly for his younger brother but later for other composers as well.

George Gershwin was a hugely gifted composer. His work would have won him fame, fortune and eternal respect whether or not he'd been blessed with such a brother. But Ira was quite as talented a crafter of words as George was a maker of music – yet enjoys nothing like the recognition.

KNOW YOUR LIMITS

We accept that we can't all be graphic artists: when we try to draw something, its inadequacies are embarrassingly evident. No commercial company would dream of expecting its marketing manager to design their new corporate brochure or store interiors: there are specialists, born with talent and trained in art schools, who are paid to do that sort of thing.

But writing is different. It shouldn't be, but it is. Because we're all taught to write at school, we all know we can write. The trouble is, a great many people fail to distinguish between the ability to spell and form sentences – which is called writing; and the ability to use words that can move, inform, engage or persuade – which is also called writing.

Newspapers, still, recognise the difference. Journalese may often be inelegant but it demands and usually attracts a specialist skill; and the writing of most columnists is admirable. Where the difference between writing and writing is most hilariously exposed is when newspapers choose to publish their readers' poems.

Readers' poems are without exception dire. They are excruciatingly, shamelessly bad. They have a stab at scansion and rhyme and fail at both. They invert painfully. It is as if their authors had all graduated from a creative writing course tutored by William Topaz McGonagall; for he it was who wrote:

'I must now conclude my lay
By telling the world fearlessly without the least dismay,
That your central girders would not have given way,
At least many sensible men do say,
Had they been supported on each side with buttresses,
At least many sensible men confesses,
For the stronger we our houses do build,
The less chance we have of being killed.'

Readers' dreadful poems are indulged in a way that readers' dreadful watercolours never would be. We accept that drawing, painting and composing demand inherent talent and application; but since everybody can write, writing obviously doesn't.

COPY TEST YOUR COPYWRITER

There was a time when advertising agencies never hired copywriters until they'd taken and passed a copy test. Copy tests are instantly revealing. The content of the test hardly matters (though they shouldn't be about advertising); you can tell within seconds whether the answers have been written by a writer or not. I once interviewed a deeply unprepossessing and churlish youth and was about to return his papers to the personnel department with some dismissive comment when, belatedly, his copy test arrived. It was sharp, perceptive,

original and succinct. He became a valued copywriter and remained one for years.

Today, for reasons I've yet to understand, copywriters get hired without having to prove they can write. And it shows. Quite often, members of creative teams take it in turns to be the copywriter. And it shows. Copy in print advertising has now become so unimportant that clients are expected to approve layouts before the body text has even been written. It's then treated by the art director as a design element and reversed out of lemon yellow.

LOOK IN YOUR LETTER BOX

But the most disgraceful commercial writing of all is to be found in the letters sent out in their millions by huge companies. You probably get half a dozen a week.

Sending out a few million letters is an expensive business. Most such letters are marketing letters: they hope to persuade us to do something to the sender's advantage: to change our utility supplier, to upgrade our broadband, to pay by direct debit, to test drive the new SX 590 CDI 4x4, to support an appeal, to top up an ISA.

They're signed by marketing managers, sales directors, customer relations officers and chief executives. And the horrible truth is only too apparent: not only have these people signed these letters, they've written them as well.

No doubt these are all excellent chief executives and customer relationship officers. But we'd never expect them also to be excellent caricaturists – so why are they expected to be excellent writers? (Because they learnt to write at school, that's why.)

Jean Aitchison, Professor of Language and Communication at Oxford, has said this: 'An effective persuader must be able to imagine events from another person's point of view.' For the would-be persuader, it's a more crucial ability than any fancy knack with words, but the writers of dismal corporate missives don't even attempt to acquire it. Much of the time these letters are fully comprehensible only to those who sign them – and rarely do they give a moment's thought to the state of mind of the recipient.

I have a small collection of taken-from-life communications that illustrate just how common a form of blindness this is. A couple of years ago, a *Times* reader wrote to say that his delivery of geraniums contained the following note: 'If this leaflet is not in this box then rest assured it will follow in one of your other boxes.' And this is from a United Airlines inflight safety manual: 'If you are sitting in an exit row and you cannot read this card, please tell a crew member.'

The quality of the writing in most commercial letters is poor in all other respects as well. The grammar is dodgy, the language is tired and riddled with jargon, and the sequence of argument is poorly presented. Quite often they begin with that most elementary of errors: 'As a discriminating person, I know you'll be interested ...'

But these letters are bad letters not because they transgress Fowler or Lynne Truss. They're bad because they're inefficient. They fail to fulfil their primary function: they fail to persuade. And while they're about it, they also make us question the intelligence and empathy of the very companies they want us to love. It's no disgrace if businessmen can't write persuasively. That's not what they're paid for. The disgrace is not to employ someone who can.

FURTHER READING

At the end of April, A&C Black is to publish an excellent book on the craft of persuasive writing. It's called *Can I Change Your Mind?* It's by Lindsay Camp and it's very persuasive. I hope it's read by every marketing manager, sales director, customer relations officer and chief executive in the land. It won't make them Ira, but it will stop them wasting a great deal of money. www.acblack.com

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Advertising, ethics and the environment: a personal view

Andrew Brown
Advertising Association

The debate about the ethics of advertising and its role both in markets and society has evolved noticeably over the almost 14 years of my tenure at the Advertising Association. In general, I believe it has become more politicised and points of principle have been sidestepped as the forces of social engineering become more focused on the 'ends' justifying the 'means'. Distrust of the market has increased, and the calls for its regulation have increased, with less consideration of the implications of unintended consequences.

But that may be a somewhat over-simplified conclusion. There have also been countertrends centred around de-regulation and greater liberalisation, and the revolution in the media landscape has overshadowed all developments. Recognition of the inability to regulate in certain media sectors has become re-interpreted, with legislators demanding better forms of self-regulation as the best way forward.

However, my view is that common to both trends is a growing reluctance to recognise the concept of personal responsibility as central to the way that society evolves, coupled with a belief that 'experts' and politicians know best: 'intervention' is now being called for in almost every aspect of society.

In 1993 the advertising business was coming out of its worst recession since the 1930s but there was optimism. The single market had been launched in 1992; the advertising business had responded to Leon Brittain's challenge and established the European Advertising Standards Alliance (EASA) to meet the potential consumer implications of cross-border business; alcohol as an advertising sector was going down, not up the political agenda and would soon lift, to no complaint, its self-imposed UK ban on TV advertising of mainstream spirits; children as an advertising audience were on the agenda but largely in the toy rather than food arena, and because of differing views across EU member states, for example in Sweden.

The business operated on the principle that 'if it's legal to sell to consumers, it should be legal to advertise responsibly to them'. Much important work had been done in the 1980s on the freedom of commercial speech and how Article 10 of the European Convention on Human Rights should be interpreted. The Television Without Frontiers directive had established framework regulation for broadcast advertising and the business's benign effect on media plurality was widely welcomed. As New Labour evolved its policies in opposition, its longheld view about the need for statutory rather than self-regulatory control of non-broadcast advertising was in retreat to a point where, ten years later, it welcomed the extension of the industry's established S-R system into broadcast as well as non-broadcast.

But, in the early 1990s, tobacco advertising remained a very public and contentious issue with Private Members' Bills and considerable European activity. It also divided the advertising business and sides were taken on what was called the domino theory: breaking the principle of 'legal to sell ...' would create a precedent for other markets versus 'tobacco is a unique category of goods, action against its advertising will not establish a precedent'.

With hindsight, what is clear is that it *has* been used as a precedent. Campaigners who fought for a tobacco advertising ban are now involved in the alcohol, obesity and social marketing debates. The Department of Health has similarly used its success in the tobacco debate as a key stimulus in its thinking in these other, more complex sectors.

The NGOs have evolved their strategies and levels of collaboration in a way that is professionally admirable and has been very effective. The voice of the consumerist bodies in the European Commission has never been stronger and it has been at the expense of those who have the responsibility for the single market, despite the political rhetoric about the need to return to the Lisbon Agenda.

The nutrition debate has turned into the obesity debate, with the attendant consequence of less science and more politics. The alcohol advertising debate is now about binge drinking and the car advertising debate may indeed move from speed to the environment: the media's appetite for the shorthand of 'junk food' is now liberally being applied to the 'Chelsea tractor'.

Aides at No. 10 have referred to a policy of 'voluntary compulsion' and the Prime Minister has acknowledged his preparedness to 'intervene' in areas unthought of ten years ago.

The climate in which our business operates is changing. Rhetoric about the importance of the market still abounds but the detail tells a different story. Points of principle are now items for negotiation. Consumers apparently believe, probably because government has told them, that government feels its duty is to resolve all their problems, and their most potent weapon is to threaten – the stick in the cupboard.

And this is before the really big, non-sectoral advertising debates arise: choice has been wonderful, but is it any longer sustainable? What

is advertising's role in CSR and consequent reputation, particularly in a media environment where everybody, government or business, will be less in control of the debate?

The needs of competition are unchanged and consumers have never been more powerful, but who believes it?

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The emperor's new clothes: technology is useless if consumers can't use it

Simon Silvester
Y & R EMEA

'The new net boom,' announces *Fortune*. In California, venture capital is flowing. After five years in the doldrums, tech is back. And it's back big time.

Last time it was only dotcoms, telecoms and computers that boomed. Today virtually every industry on Earth is experiencing rapid change. Hollywood is digitising. Airlines are digitising. Fast-food service is digitising. Soon, with the arrival of radio ID chips on every package in every supermarket, the humble food and drink industries will digitise too.

But as the world again gets excited by all things tech, perhaps we should pause. And remember how things ended in 1999–2000, when a trillion dollars of technical development crashed into a mountain of user indifference, and tech entered a depression. Millions of people lost their jobs and their pensions. And it could happen again. How?

Digital technology gets twice as powerful every 18 months. And it's predicted to keep doing so for the next two decades. No industrial change in history has happened as fast as today's digital revolution. As this happens, we tend to forget that there is one part of the digital world that hasn't gotten any more powerful.

Not just in the past few years, but in the past 10,000: the mind of its user. Each year, consumers are presented with new, more complex digital products and services. But, each year, their ability to understand them does not rise. Twenty years ago, a phone was a simple device, with one dial. Many of today's phones are packed with complex, badly understood functions.

Twenty years ago a television had one dial and a volume knob. Today's AV systems have tens of each. The technology is leaving its consumer behind. And it's getting worse as technology keeps moving on at high speed. Digital devices will be ten times faster and more capable within five years, and perhaps 100 times within ten.

There is already a gulf between what technology can do and what consumers – both young and old – can make it do. As technology surges ahead, this gulf can do nothing else but grow.

Not funny. We may laugh when consumers fail to understand the full capabilities of their phones, TVs and computers. But the consumer's failure to grasp technology is not trivial. It leads to the vaporisation of venture capital. It is the issue that is increasingly holding back the whole digital revolution. Global growth and the fate of nations depend on rapid adoption of new technology. It is thus the decisive issue of the early 21st century.

THE DARK SECRET OF DIGITISATION

The human mind's inability to assimilate technology is the dark secret of the tech industry.

- Research by consumer electronics manufacturers reveals that consumers never touch most of the buttons on the remote controls in their living rooms.
- Washing machine manufacturers report that, however many programs they build into their washing machines, consumers rarely use more than two of them.
- Software companies keep building extra commands into their programs, but quietly concede that consumers refuse to use more than a small fraction.
- Banks offer a wide choice of funds in online investment supermarkets, but find that most people don't even browse beyond the basic options.

The consumer simply doesn't use most of what technologically advanced companies build into their products.

The inability of consumers to understand a piece of technology can hold it back, not just for years, but for decades.

Today, consumers marvel at how they can collect shows on their digital video recorder (like TiVo or Sky+) to play back later. But this isn't the first time digital technology has made this promise.

It was already promising time-shift viewing back in 1980 with the invention of the video-cassette recorder. It's just that no one over 14 could program a VCR to record the right channel at the right time. It took 25 years for the electronics industry to design a time-shift viewing device that ordinary consumers could actually use. This pattern is repeated in many other industries.

It is thus the pace of consumer comprehension, not the pace of technological change, that will determine the pace of the digital revolution.

Consumer confusion also slows the introduction of new technological concepts. Sure, consumers can tell you they prefer HDTV to ordinary TV, but when it comes to evaluating really new technological ideas, they struggle.

- When the telephone was first invented, many of its early users thought its main use would be to broadcast orchestral concerts.
- When email first became popular in the mid-1990s, many CEOs responded by putting an email terminal in their telex room.
- When television first arrived, early viewers thought its biggest audiences would go to the newsreels they had seen in the movie theatre, not to game shows.
- And as Henry Ford put it in 1910, 'If I'd asked my customers what they'd wanted, they'd have asked for a faster horse.'

The consumer absorbs new technological concepts slowly, and with difficulty. Even young consumers struggle. 'Don't worry about complexity,' say some tech companies, 'we're targeting digitally literate 17 year olds.' Crap.

Young people may absorb tech concepts faster than old people over 30, but they still struggle with how to make things work.

- Our qualitative research has yet to find a teenager who knows what all the buttons on their phone do.
- Few can explain even a quarter of the functions of their parents' DVD, TV or VCR.
- And Virgin mobile phones sell because they have the only pricing plan 17 year olds (or anyone else) can understand.

So even among young people, it is the pace of consumer comprehension, not the pace of technological change, that will determine the pace of the digital revolution. But the tech industry has failed to acknowledge this. It needs to rethink its attitude towards its consumers, and fast.

TIME FOR A CHANGE

Companies should put the consumer first, not last. An intensive programme of qualitative and quantitative research, consumer observation and analysis helps to set out some of the keys to successful communication. None are intuitive.

Few are reflected in current marketing thinking on the web, in consumer electronics or in telecoms. The keys reflect the ways in which humans have responded to technological advance since time immemorial. As such, they risk being ridiculed by those within the technology community who regard any solution that is more than six months old as being out of date.

But the eternal is eternal for a reason. Genuine marketing insights are no more abundant today than they were in the dotcom boom. Without an understanding of their consumer, technologies will struggle. Companies responsible for them will stumble, and industries will die. And they will do so however good their engineers, however smart their manufacturing – and however much money they spend on their marketing.

CONSUMERS STOP BEING GRATEFUL FAST

Mobile network service providers were the darlings of Europe in the 1990s as they let consumers talk to their friends anywhere, any time.

But now that call quality is perfect, and everyone has a mobile phone, European mobile service providers are rapidly becoming perceived as little better than the state landline companies that preceded them.

In the 1920s, managing a steady flow of electricity into factories was such a critical issue that most companies had a main board electricity director. Once electricity supplies became secure, he disappeared. Does the same fate await CIOs, now that corporate PC and email systems all work?

With 24/7 global email and intranets, information flow within companies has now become so fast that information is no longer the critical factor holding them back. So are we now in the middle of the information age – or are we watching its end?

YOUR AUDIENCE LOSES ITS BRAIN

What simple brands like Kodak and AOL understand, and what most tech brands don't, is that as a market develops, levels of understanding and comfort do not rise. On the contrary, they fall.

First come the nerds, with their love of technology, and their intuitive sense of how it works.

Then come the early adopters, excited by the technology, but with slightly less knowledge.

Then the mainstream flood in, with their fears and ignorance.

Finally come the laggards, who just don't want to feel left out.

Over time, as the market floods with new, less tech-savvy consumers, the average level of understanding in the market falls rather than rises. And among advice-hungry new entrants, the level of tech-savvy is even lower.

Companies need to tune their offer to these successive waves of less and less technical consumers. As time goes on their marketing has to get more basic, not more sophisticated.

THE SECOND GENERATION USES TECHNOLOGY DIFFERENTLY

When mobile phones first became popular in the early 1990s, the first generation of consumers to use them found they were a very useful part of their social lives. If they were late for a dinner appointment, they could call their friends and apologise from their car. If they made a mistake in an arrangement, they could call the other person and find them.

But the next generation to use them do so differently. They no longer make plans in advance, because they don't need to. They know that all their friends can be contacted at any time because they all have mobile phones with them. And so they just arrange their evening by phone on the go.

For the first generation of users, mobile phones were a helpful aid to their existing social lives. For the second generation, mobile phones have redefined them.

So watch the way the second generation uses technology for the way it will really impact the world.

TO COMMUNICATE IS FEMALE

Because women are more focused on communication than men are, the way they adopt technology is different.

If you are the first person in the world with a video camera, no problem. It doesn't matter that no one else has one. But if you are the first person in the world with a fax machine, you have an issue. A fax machine is only useful if there is at least one other fax machine in the world, and even then it's not very useful. The usefulness of a fax machine only rises as large numbers of other people buy them too (an effect known as Metcalfe's Law).

As women are about communication, their use of technology is similar. The attractiveness of a technology rises as more people they know adopt it. Women therefore adopt later than men, but then adopt in crowds.

CONVERGE WITH CARE

Today, analysts, consultants and engineers have convinced themselves that consumers want 'convergence'. By which they mean any device that has aspects of television, computing and telephony built into it.

But do consumers want convergence? Convergence devices usually offer a range of benefits. And consumers gravitate not to those that offer a range of benefits, but those that promise just one good one.

For example, consider the idea of controlling all digital feeds in a home from the living room – but the last thing most sons want is parental oversight of the online sleaze they're looking at in their bedroom.

At the time of writing, telecoms companies across the world are excited by the concept of triple and quadruple play – the idea of bundling broadband, landline, mobile and other services into one package and selling it to the consumer. There is a clear benefit to the telcos – they get to sell more. But what exactly is the benefit to the consumer?

Mobile telecoms companies have been bitterly disappointed over the past few years by the low take-up of all their new 3G technologies. Perhaps they would have done better to think about the core need mobile phones deliver to their users and try to enhance that instead.

EVERYTHING NEEDS A KILLER APP

Apple's success from 1987 through to the mid-1990s was driven by a killer app: desktop publishing. As the publishing industry moved from paste-board and glue to PageMaker, QuarkXpress and Adobe InDesign, it needed the computer these apps were designed for: the Apple Macintosh.

Many more technologies and devices languish because no one has yet found them a killer app. So the most important role of marketing in the digital world is finding and defining that role.

If the mobile phone industry had recognised before the 2000 3G licence auctions that the killer app for the mobile phone was voice, it could have saved itself a hundred-billion dollars in licence fees.

What's the point of having a GPS positioning chip on a laptop? The computer industry needs an answer quick.

And what's the point of having a GPS chip on a digital camera? The engineers are already starting to build them in. Is there anything more to it than reminding you where you went on holiday?

If you can't find a killer app for your existing product or service, spend a lot of time with your consumers and see what uses they've discovered for it. They may surprise you with their ingenuity.

KEYS TO TECHNOLOGY SUCCESS

1 The key need is for simplicity. Simple devices and software that do one thing, not several, can have an electrifying effect on consumer mentality, clearing minds, and changing the way consumers think.

2 But a technology must work for it to be able to do this. So many – like mobile phone picture messaging – were launched when they didn't.

3 We must also be conscious of the fact that consumers are rarely grateful for the changes tech brings to their lives. Once something works, they forget it exists.

4 We must also be careful not to listen too closely to nerds – the early adopters who buy tech when it first comes out. Their thoughts are not those of the general population.

5 We should think more about how technology spreads from person to person in the population. The resulting infection rate will determine how fast a technology takes off.

6 We must recognise that whether consumers fit a technology into their lives or not is the true measure of success – and that the real impact of a new technology on a society may take a generation.

7 Consumers do not read instruction books. Period. Tomorrow's tech launches need to recognise this.

8 Digital equipment also can get twice as cheap every two years. For the consumer, price is a positioning tool – and something that costs next to nothing can also be perceived as being worth next to nothing.

9 Consumers are also visual creatures: after a while, they forget that invisible technologies – like WiFi – exist.

10 At the moment, the tech world is buzzing with words like 'convergence'. But beware: convergence devices do not necessarily contain a strong consumer benefit.

11 Beware also of the conviction within tech companies that all technologies need to keep developing. True for the company that makes them. Not necessarily true for the consumer.

12 For a tech device to fly, it needs a valuable use, a 'killer app'. Watch out for consumers developing their own – unexpected and often unwanted – uses for a technology.

13 Study videogames carefully – they are taking consumer time away from television because they are much more compelling than television – just as compelling television took share away from passive radio and press in the 1950s.

14 Watch out particularly for women. They are increasingly the key consumers of communications technologies.

15 Watch out also for people in emerging markets. There are four billion of them, and they often use technology more effectively than people in richer countries.

For the full report see <http://pubs.yr.com/brain.pdf>

ENDNOTE

- Telex was a key business telecommunication system before the arrival of fax.

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Organic growth: seven principles that determine winners and losers

Chris Ingram
Ingram

Organic growth is high on the agenda of both managers and shareholders. This is increasingly being reflected in financial reporting and the content of the dialogue that is occurring with investors. Most major consumer goods companies are reporting some measure of organic growth. Many are publicly announcing organic revenue growth targets alongside the traditional earnings per share (EPS) target. Some are shaping strategies very actively around organic growth targets and proving willing to exit low-growth businesses while focusing on high-growth areas.

Organic growth is important to marketers because it signals the success with which marketing is helping to grow the top line – ultimately the acid test of any good marketing department.

With the increase in interest in organic growth and the corresponding improvement in the quality of reporting, the time seems right to review systematically what is being achieved, with a view to drawing some conclusions about what is driving good and bad performance.

We believe that we have created the first and authoritative database of organic growth performance in the consumer goods industry. We have then interrogated our data to attempt to answer seven important questions.

- What overall level of organic growth is being achieved?
- How does this vary by geography and product category?
- Who are the winners and losers?
- What determines good and bad performance?
- Is there a link between organic growth and shareholder returns?
- How well is organic growth reported?
- What are the issues and pitfalls for the investor and analyst in interpreting performance?

OVERALL ORGANIC GROWTH PERFORMANCE

The objective of the Ingram Growth Index has been a simple one: to build a comprehensive factbase of the organic growth performance of the world's biggest consumer goods firms and, from this data, draw some inferences about the key success factors in determining organic growth performance.

From 21 companies, we have assembled what we think is an authoritative dataset. It analyses performance by company and by market, and throws some light on the dynamics of growth by company, category and region.

The growth rate 'league table' by firm (see [Figure 1](#)) demonstrates dramatically that, within the overall picture of low growth, there is a wide range of performance among individual companies. Firm-level growth rates vary by more than ten percentage points around the average of 5%, with the best performer, SAB Miller, just edging into double-digit growth. By contrast, the bottom-of-the-table company, Sara Lee, is actually declining in organic terms.

Three groupings by performance are discernible within the overall league table. The first group of six high-growth companies (SAB Miller, LVMH, Reckitt Benckiser, P&G, Danone & PepsiCo) have sustained growth rates more than two percentage points above the industry average. A second group of ten 'mid-growth' companies (Pernod Ricard, L'Oréal, InBev, Nestlé, Kellogg's, Colgate, Diageo, Cadbury Schweppes, Heineken and Henkel) have delivered performance within two percentage points either side of the average. A final group of five 'laggards' (Kimberly Clark, Kraft Foods, Unilever, Heinz and Sara Lee) have grown or declined by at least two percentage points less than the average. These may not sound large differences, but these are huge companies operating in essentially stable markets.

The picture at firm level corroborates the one at region and category level. High-growth firms are diverse in character and not

systematically those that always compete in high growth markets. For example, P&G and Reckitt Benckiser are able to grow at rates of 7–8% per annum from a similar mix of categories as Unilever and Henkel, who are growing at only 2–3% per annum. It therefore seems that it is something about individual firms' strategies, assets and capabilities that is driving growth, rather than the fortunes of specific markets.

This is the nub of the organic growth challenge.

A further important issue around growth performance is the impact of local market inflation on company-level results. Not all organic growth is 'good' growth.

A relevant example is SAB Miller, the best-performing firm in the league table. More than 50% of SAB Miller's revenues arise from the relatively high-inflation markets of South and Central Africa, Eastern Europe and Central America. Many countries in these regions have high single-digit or double-digit inflation rates and one or two, such as Zimbabwe, are experiencing hyperinflation. Our estimates suggest a sizeable proportion of SAB Miller's organic growth could be arising from local market inflation effects, an observation corroborated by the fact that most of SAB Miller's organic growth is price, rather than volume, driven.

The data again support the picture that it is firm strategy, not just underlying market conditions, that drives growth. Two examples serve to illustrate this conclusion. In household care, Sara Lee, Unilever and Henkel have all delivered low single-digit or negative growth. By contrast Reckitt has delivered 8%+ growth from the same category. In mature regional markets such as Europe and North America, the best performers, such as PepsiCo and Diageo, are extracting 5%+ growth, while the worst such as SAB Miller, Unilever and Heinz, are declining.

THE TAO OF ORGANIC GROWTH: SEVEN PRINCIPLES DETERMINING WINNERS AND LOSERS

The Index also starts to explore the important relationship between growth and shareholder value. The exercise has led us to formulate the 'Tao' of organic growth: seven principles that we think are helping to determine the winners and the losers in the global organic growth game. These are detailed below.

1 Having the Right Assets and the Right Strategy is More Important than Simply being in 'Growth Markets'

A common mistake made by many firms is to think that delivering growth is principally a question of participating in the right 'growth' markets. The evidence from the Index suggests the opposite. Firm-level performance within a market varies far more than the difference between market growth rates. What matters more is whether you have competitive advantage allied to a winning strategy where you choose to play.

Case study: P&G in China

As the Index demonstrates, mere presence in developing and emerging markets is no guarantee of growth. In order to prosper, firms need to develop a competitive strategy. And because emerging markets are so different in terms of social and cultural norms, distribution systems and spending power, firms need to be highly adaptive in order to win. While an exemplar on most dimensions of our 'Tao' of organic growth, it is P&G's commitment to success in developing and emerging markets that is perhaps most impressive.

First and foremost, P&G has allocated resources commensurate with the scale of the opportunity: 30% of the company's \$1.9bn R&D budget is now committed to low-income markets, a 50% increase in five years. Second, P&G has successfully deployed its consumer observational techniques initially pioneered in developed markets. Instead of commissioning surveys and focus groups, the firm has spent days and even weeks closely observing consumers in their homes. This has led to innovations such as Tide Clean White, a low-cost washing powder without water softener, reflecting the fact that poor and unemployed Chinese would rather work harder on washing by hand than invest in washing machines.

Third, the company have recognised the importance of engineering products to (low) price points rather than the implicit developed market mindset of constant 'premiumisation'. P&G is therefore trying to produce a disposable nappy (diaper) for the Chinese market that costs about the same as a fresh egg: 10 cents. These sorts of price points are being hit via a combination of product despecing and locally constructed, low-cost manufacturing lines. The result is that while P&G's organic volumes are growing, unit price realisation is falling as developing markets increase their importance in the mix (source: *Financial Times*).

2 Scale, Leadership and Focus are Important Building Blocks of Success ...

The majority of the winners in the Growth Index are leaders in their chosen markets. Leadership tends to be a benefit of focus – the decision to concentrate on a limited number of markets where one can sustain a leadership position. But the market must be sensibly defined: pursuit of leadership in markets that are either too wide or too narrow is unlikely to pay off.

Case study: Sara Lee – desperately seeking focus

Sara Lee emerges as the clear growth laggard in the Index and is the only company in the Index to have actually declined in organic terms over the most recent three years. A new management team under former Pepsi executive Brenda Barnes is now attempting to rationalise and focus a business that lost its way in the late 1990s pursuing a competences-based strategy.

In 1997, Sara Lee embraced the concept of 'weightlessness' and announced a \$3bn restructuring plan under which it planned to sell many of its factories and become an 'asset light' operation around a core competence in 'brand management'. Decision-making was actively decentralised to local managers and brands. 'Selling L'eggs pantyhose in a department store is no different from selling Ball Park Hot Dogs from a stand,' opined former CEO Steve McMillan.

In 2000 the company had 200 individual profit centres and was apparently comfortable making near-simultaneous acquisitions in coffee (Chock full o'Nuts) and apparel (Courtalds). Under Barnes, Sara Lee is now attempting to unwind this legacy with the sale of Chock full o'Nuts and its entire apparel business, among others. The aim is to reduce the size of the group by 40% via divestment of peripheral

businesses. This will give Sara Lee a presence in a more manageable five categories: meats, bakery, beverage, household and body care. Marketing is being centralised at the firm's Chicago HQ and marketing investment in the new core categories is being increased. In its own words Sara Lee is 'narrowing our scope so that we can expand our horizons (sources: annual reports; *The Economist*).

3 ... but Need to be Exploited by the Right Structures, Frameworks and Processes

The benefits of scale, leadership and focus will be evanescent unless they are made to count. Successful organic growers are companies who have put in place the organisational culture, structures and processes that enable them to make the most of their underlying assets and strategy. There are no right or wrong answers about which structures, processes and frameworks should be adopted, but there are some clear choices to be made.

4 Successful Innovation is more likely to Emerge from a Patient and Persistent Focus on Core Categories, rather than from 'Blue Sky' Opportunities Outside the Core

The conventional wisdom is that driving growth depends on a lot of 'blue sky' thinking and exploitation of 'white space' and 'blue ocean' opportunities. We think the evidence suggests otherwise. High-growth companies tend to be those that focus intensively on their core markets and core consumers, and who do a lot of 'incremental' innovation.

Case study: Reckitt Benckiser – 'crazier than most people'

With turnover of barely \$7bn, Anglo-Dutch Reckitt Benckiser is one of the Growth Index's relative minnows. However, the company is a giant in terms of its ability to grow via innovation. It lies third in the Index league table with close to 8% average growth in the last three years and in the last six years it has never posted less than a 6% organic growth rate. Reckitt's strategy is based on three pillars, as described below.

First, an exclusive focus on a tightly and meaningfully defined category: household cleaning outside detergents. So while the two 500lb gorillas P&G and Unilever slug it out in soap powders, Reckitt has been able to prosper in the adjacent but less competitive sub-categories of surface care, fabric care, automatic dishwashing and home care. With this obsession with what most people would regard as relatively unglamorous categories, Reckitt is 'crazier than most people' says CEO Bart Becht.

Second, dedication to tangible, consumer-led innovation. Reckitt is now meeting its self-imposed target of 40% of its sales accruing from products launched in the last three years. Its rate of R&D investment is unremarkable but, like P&G, it focuses very hard on observing and listening to consumers around the cleaning problems they encounter in their daily lives. This has inspired a steady flow of innovation in products as diverse as hair removers, air fresheners and mosquito coils. Reckitt's culture is one that nurtures problem-solving innovation rather than image-led branding. Says Becht: 'We tend to be very good when there is a clear functional benefit behind the product. We would not be very good at selling perfume.'

Third, there's the high rate of marketing investment behind 'power brands'. Reckitt's advertising:sales ratio is among the highest in the consumer goods industry. However, the bulk of this investment is concentrated behind the company's 15 designated 'power brands', which have the margin structure and economies of scale to maintain the high levels of marketing investment necessary to communicate functional benefits and deter competitive entry. Reckitt's power brand portfolio has therefore grown even faster than the company as a whole: +12% in 2005 (sources: annual reports; Accenture Outlook; *Financial Times*).

5 Don't Ignore the Importance of Sticking to the Marketing Knitting

In an industry that is growing its revenues by 5% per annum on average, the good news is that small changes to this performance will make a big difference. Before leaping towards risky innovation and new product development, the best companies think hard about things like consumer and trade marketing effectiveness and sensible resource allocation.

Case study: improving trade marketing effectiveness at Gillette

For most major consumer goods firms, trade marketing is a big and inflating item. For many, the trade marketing budget is now exceeding that of traditional consumer marketing as retailers are demanding ever-higher levels of listing fees and promotional funding. The effect is to limit severely firms' ability to improve unit price realisation, as headline price increases get dealt back into more promotional funding. Historically this area has been under-managed, but the major players are waking up to the benefits of taking more control. A good example is Gillette's price/deal realignment programme in its Duracell Batteries business in North America.

Facing intense price competition and eroding margins, Gillette decided to try to stop the rot and launched the programme in early 2003. Duracell's volume sold on promotion fell from 49% in 2002 to 44% in 2003, the level of free battery giveaways fell by 60% and the average price of an AA battery, the most significant in terms of volume, stabilised for the first time in four years.

The results have been impressive. Gillette has simultaneously managed to stem price erosion at Duracell and increase volumes, doubling net margins over a four-year period. These are key performance indicators at Gillette's Duracell Division.

6 The Idea that 'Organic Growth is Good and Acquisitive Growth is Bad' is a False Distinction – Winners Deliver on Both

Conventional wisdom would have it that organic growth is good and acquisitive growth is bad. We disagree. For the firms in this Index, both organic and acquisitive growth are positively correlated with shareholder value creation. What matters is having an effective growth strategy and not overpaying – not just for acquisitions (where the risk is obvious) but also for value-destroying organic growth.

Case study: Pernod/Seagram and Cadbury/Adams – Coming 'home'

Well-targeted acquisitions have an important role to play in accelerating organic growth. One important circumstance in which this can

happen is when a business owned by a 'distant' parent finds itself in the arms of a more 'loving' one who is better able to realise its untapped potential.

When Pernod-Ricard acquired Seagram's gin and whisky brands in late 2000, it brought to an end a saga of changes of ownership that had seen the original Seagram drink business merged with the Universal/MCA Entertainment business, followed by acquisition of Universal/Seagram by Vivendi, a French utility company. Perhaps not surprisingly, the drinks brands suffered from these disruptions and in Pernod found their first stable home for several years. In 2002, the first full year of Pernod ownership, the former Seagram portfolio grew organically by 5.4%, after allowance for one-off de-stocking effects. Subsequently the brands started to surge, powered by increased marketing investment, access to Pernod's route to market and committed ownership. In the latest half-year, former Seagram brands Martell, Chivas Regal and The Glenlivet are growing by 23%, 18% and 12% per annum respectively.

When Cadbury Schweppes acquired Adams chewing gum in late 2003, there was a similar change in parenting style. Adams was an unloved outpost of pharmaceutical giant Pfizer to the extent that many of its managers felt that they had 'come home' once Cadbury acquired it. In the year prior to its acquisition the Adams business grew organically by 5%. In the latest year (2005) it has grown by 11% – more than twice the pre-acquisition rate. The drivers of this improvement have been similar to Pernod/Seagram: innovations such as centre-filled gum, access to a superior route to market and ownership by a company for whom confectionery is a core category (sources: annual reports; sales reports; CNBC interview).

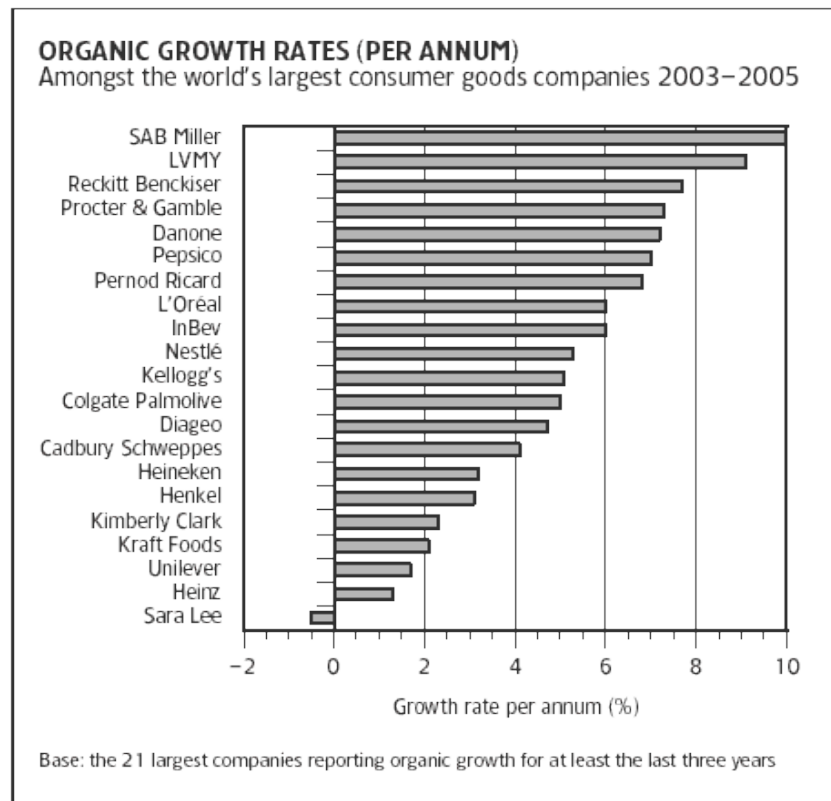
7 Setting the Right Level of Expectation is Important

Consistent with the above is the need to set and communicate targets that are consistent with delivering value and that can be achieved. Successful CEOs executing growth 'turnaround' strategies have been careful to manage down expectations in pursuit of sustainable, achievable growth.

This is a highly edited version of a longer and more detailed report entitled: 'The Ingram Growth Index: organic growth performance amongst the world's leading consumer goods companies'.

NOTES & EXHIBITS

FIGURE 1: GROWTH RATE 'LEAGUE TABLE' BY FIRM



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Green & Black's take a niche brand into the big league

Hugh Burkitt
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Accenture

Green & Black's is the leading organic confectionery brand in the UK. Between 2002 and 2005, Green & Black's invoiced sales rose from £4.5 million to £29 million. This was a phenomenal growth of 544% in just four years, making Green & Black's the fastest-growing confectionery brand in the UK. This success took place despite the UK's fondness for milkier chocolate. In fact, the intense dark chocolate produced by the company kicked off a revolution in the country's tastebuds.

The company attributed this success to the brand positioning of intense, darker chocolate, which was embraced and communicated by all the brand's stakeholders. This was underpinned by applying the positioning consistently through a very select number of marketing disciplines in the earlier days to reach the right audience at the right time on limited resources.

This strategy has enabled the brand to compete successfully against much bigger, established players in the market and it is one of the reasons that, by May 2006, it commanded a 7.4% share of the UK block chocolate market. In 2005 it was acquired for around £25 million by global confectionery group Cadbury Schweppes.

SETTING AMBITIOUS GOALS

Green & Black's chocolate was launched in 1991 by a husband and wife team. With its bittersweet cocoa taste and organic credentials, the chocolate had instant niche appeal, but never progressed beyond a 1% market share. It was viewed by supermarkets as a limited offering, with organic as its primary selling point. With the arrival of new management at the end of 2002, Green & Black's set out to do the following.

- Reposition the brand from worthy organic to luxury premium chocolate (leading on taste with organic as a supporting, rather than a primary reason to purchase).
- Operate in the premium sector, an emerging market with intensifying competition.
- Create desire for dark chocolate in a milk chocolate-dominated market.

The UK chocolate market is largely stagnant, with annual sales growth of just 0.5% in 2005. It has been dominated by long standing brands with big advertising and promotional budgets such as Cadbury, Masterfoods and Nestlé, and there has been little room for volume or value growth for even the bigger players.

The market has also been dominated by milk chocolate as opposed to the intense dark chocolate that defines Green & Black's. In fact, dark chocolate accounts for less than 5% of UK chocolate sales.

Competition in the premium end of confectionery has also intensified in recent years with Lindt, Guylian, Tesco's Finest and Sainsbury's Taste the Difference entering the arena at the same time as Green & Black's. In addition, brands such as Thorntons are supplying their products to supermarkets for the first time. As such, transforming Green & Black's – a low-profile brand with a small marketing budget – into a leading contender has been an extraordinary feat.

GETTING PEOPLE TALKING

Up until the end of 2002, Green & Black's had not carried out marketing activity of any real weight, but had built the brand by passionate word of mouth from a very loyal customer base. These consumers had in effect 'discovered' the brand for themselves and were not only buying into the product taste, but were true believers in the brand story of organic and fair-trade credentials.

The vision, therefore, was to take this small brand with its very loyal, passionate consumers and grow it. At this time the brand was known mainly for its organic credentials, but the trend towards eating more organic foods was in its infancy and many people still wrongly perceived that by choosing organic chocolate, they would sacrifice taste.

Based on an analysis of current buyers, two specific audience groups were identified: time poor, food rich (young affluent urbanites) and everyday luxury (home counties mums). These were seen as offering the greatest potential for Green & Black's because taste and quality were important for both groups. Positioning of any communications therefore focused on these two messages.

The long-term marketing strategy, developed in conjunction with its strategic communications agency Brave, was to reflect the experience of the Green & Black's early adopters, and the way in which consumers are introduced to brands by experiencing them in their social circle. The company set out to encourage and escalate this type of word-of-mouth behaviour that built the brand in the early days, resisting the temptation to 'push' communications at them. The Green & Black's brand has an interesting story to tell consumers, and the company's key role is to retain interest and passionate advocacy from the early adopters while allowing new consumers to feel they are discovering the brand for themselves (see [Figure 1](#)).

ATTRACTING NEW CONSUMERS

One of the first applications of the marketing strategy came towards the end of 2002, when the company rolled out a new packaging design that placed the intense, darker chocolate positioning at the core. The dark brown and colour bands clearly communicated intense flavour first, while the gold typography acted as a cue to the brand's premium status. It was an image that created desire and encouraged consumers to pick up the product and try it (see [Figure 2](#)).

Once the packaging reflected and complemented the quality of the chocolate more fully, the next task was to ensure the product was seen and tried by new consumers in the defined target audience groups. Sampling and experiential activity were the primary marketing techniques in 2003 and into 2004.

The aim was not simply to sample, but to achieve a 'Green & Black's' moment by reaching consumers and engaging with them in appropriate social situations. The primary focus was to maximise the attention given to consumer interaction with the brand and make consumers feel 'selected'.

The result was an ongoing brand experience programme that sampled 3.4 million target customers over three years. Sampling activity included:

- offering complementary samples during sponsorship of English Heritage 'Music on a summer evening' picnic concerts
- Sampling in retailers such as Waitrose, Tesco and Sainsbury's, accompanied by branded customer information in keeping with other elements of the wider brand communication
- online sampling through retailers such as [Tesco.com](#) and Ocado (backed by Waitrose).

EXTENDING THE BRAND'S REACH

Brand partnerships were formed with a range of aspirational third parties, with bespoke activity tailored according to partner as in the following examples.

- A marketing partnership with the sandwich chain Pret a Manger included selling mini 40g bars, the first ever co-branded product sold in its stores. In summer 2005 this relationship was extended to the sale of Green & Black's ice cream in jointly branded chilled cabinets.
- The Eden Project is an international visitor attraction with a mission to 'promote the understanding and responsible management of the vital relationship between plants, people and resources leading to a sustainable future for all'. The chocolate was sampled and sold to visitors by virtue of its organic and ethical attributes.
- Joint activity with Cockburn's Port to educate consumers on the complementary flavours of the brand's cherry bar and the port. This was supported by in-store sampling, point-of-sale support and press advertising (see [Figure 3](#)).
- Bespoke 40g bars are distributed to all of British Airways' first- and club-class customers (see [Figure 4](#)).

PR has been a key element of the Green & Black's strategy, creating endorsement for the brand and increasing word-of-mouth communication. By seeding various elements of the Green & Black's story in various publications, from food to lifestyle titles, the brand has enjoyed unprecedented levels of editorial coverage. Evaluation of the 2005 campaign alone showed 746 pieces of coverage, of which 98% were favourable.

On the back of the pack redesign and the focus on getting people to discover the brand in 2003–2004, sales started to climb, with an increasing number of customers tasting the brand through the trial activation programme and store-level marketing. In order to win greater awareness and reach, the brand then made its first foray into advertising in autumn 2004.

On a limited budget of £500,000, the company ran a combination of national press advertising and ads on the London Underground. The Underground ads reflected the London/south-east bias for the brand (see [Figure 5](#)). Quality press titles were selected because they would reach the key audiences identified by the company, and give the company the chance to attract them with the Green & Black's story.

The ad campaign self-confidently proclaimed the chocolate's 'darkness', despite the fact that the majority of chocolate consumers expressed a preference for milk chocolate. It reflected the feelings of existing consumers towards the brand, as well as positioning it to new users as a darker, more intense chocolate (see [Figure 6](#)).

Also, by introducing only one product/variant in each execution, and being very selective with the titles chosen, Green & Black's felt that

consumers could still feel they were 'discovering' the brand for themselves. Different copy for the Underground and the press increased the engagement and relevance of the advertising in the context in which it was seen.

The campaign succeeded in raising both national awareness and, more importantly, sales. In the 12-week period to 1 January 2005, year-on-year the sales value increased by an eye-opening 72% – impressive results in a sector growing by just 0.5%

BOOSTING THE BUDGET

On the back of such impressive sales figures, the marketing budget was increased to £2 million in 2005. The original strategy of trial activation, brand partnerships and PR remained, but the company continued to raise brand awareness with larger-scale press advertising campaigns.

The advertising campaigns continued to use consistent art direction and copy style, and to support an accelerated range extension strategy. New products and tactical executions were introduced at key/relevant points in the calendar to capitalise on the key sales peaks in the year. In terms of the media schedule, the company was very aware of and focused on the relationship and dialogue developed with readers of a title over time. Executions and bespoke activity with any one title were built on what had been done previously.

Press was used in an increasingly creative way during the autumn of 2005. With agency partner Brave, an integrated media plan was developed with a core schedule of executions as well as innovative uses of space, with a heavyweight spike during the campaign to 'celebrate' the end of British summer time on 30 October: 'the days are getting darker'.

The campaign rebutted the negative perceptions of putting the clocks back by highlighting the extra opportunities to enjoy nights in and indulge in the brand's darker, more intense chocolate.

SIGNIFICANT SUCCESS

Invoiced sales rose from £4.5 million at the end of 2002 to £29 million by 2005. It became the fastest-growing confectionery brand in the UK with an annual growth rate of 70% in a sluggish sector (see [Figure 7](#)).

By May 2006, Green & Black's commanded a 7.4% share of the UK block chocolate market. Before the marketing initiatives carried out between 2003 and 2005, the share was under 1%. During this time, the brand's best seller, the 100g dark 70% chocolate bar, overtook the best seller of its closest rival, Lindt.

The breadth and appeal of the Green & Black's brand enabled it to evolve from its original base of health food stores through to some of the highest-profile food retailers in the UK. The brand now had real diversity in distribution, from Oxfam and Tesco to Harrods and Selfridges. Moreover, between 2003 and 2005 the frequency of purchase increased from 2.7 to 3.4, and the average selling price rose from £1.19 to £1.54, which meant consumers were not only buying more but paying more.

Readers of the magazines *Good Housekeeping* and the *Observer Food Monthly* voted Green & Black's their 'favourite indulgent treat' and 'best organic product' for two years running.

This combination of the decision at the end of 2002 to focus on the darker, intense flavour of the chocolate rather than its organic heritage, engaging extensively with consumers and running an effective and carefully calibrated marketing communications programme helped successfully transform the brand from a niche, worthy organic positioning into luxury premium chocolate.

A BRIEF HISTORY

Green & Black's was born in 1991, when Craig Sams, founder of Whole Earth, the pioneering organic food company, and his wife, environment columnist for *The Times* Josephine Fairley, made the world's first organic chocolate. It was a high-quality, bittersweet dark chocolate bar, packed with 70% cocoa solids.

By 1999, the company was ready to move to the next stage. A new set of investors took a stake in the business, led by William Kendall, formerly chief executive of the Covent Garden Soup Company, a pioneer of fresh soup.

Over the next 18 months a new management team was put in place, including Mark Palmer as marketing director, who had previously been marketing manager of Burger King in the UK. This was a formidable combination of professional management and the brand's distinctive personality.

NOTES & EXHIBITS

FIGURE 1: COMMUNICATIONS STRATEGY

BUILDING AND MAINTAINING LOYALTY

2003	2004	2005
New packaging		
Third-party association with Pret	Third-party links with Eden Project, Cockburn's	Relationship developed with BA
	In-store sampling	Online retailer sampling
	Live sampling: 'Music on a summer evening' concerts, organic fairs, film festivals	
	Fully integrated PR programme	
	End 2004: London/south-east bias tube and press advertising	National press advertising including 'Days Are Getting Darker' in autumn

FIGURE 2: PREMIUM PACKAGING

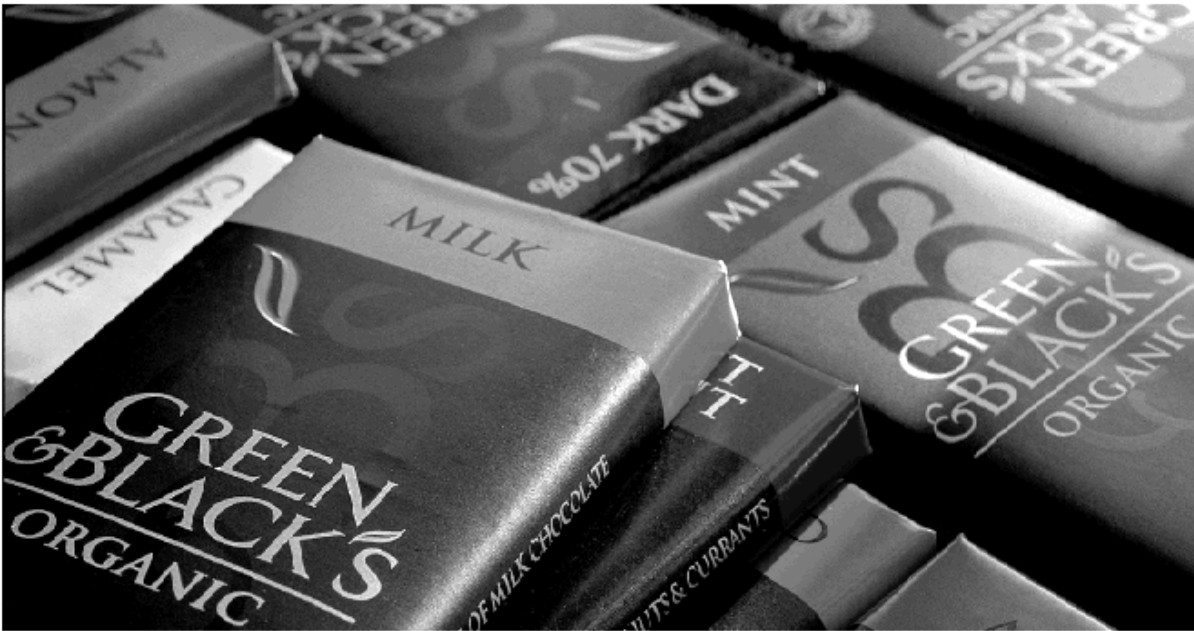


FIGURE 3: JOINT ACTIVITY WITH COCKBURN'S PORT

TAKE A COMPLEMENT

Cockburn's is a registered trademark of Allied Domecq Spirits & Wine Ltd. Enjoy Responsibly.



Together with Cockburn's, Green & Black's has discovered something marvellous: our richly intense cherry bar, with whole organic cherries enveloped in bittersweet dark chocolate, is perfectly balanced by a lingeringly fruity oak-aged Cockburn's port. It's almost as though Cockburn's port was made for it.

GREEN&BLACK'S | It deserves a little respect

www.greenandblack.com

FIGURE 4: CLUB WORLD BARS FOR BRITISH AIRWAYS

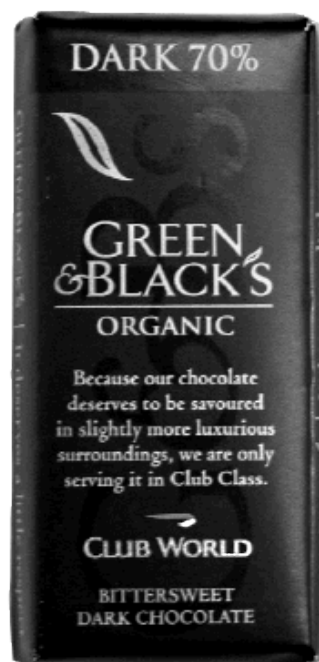
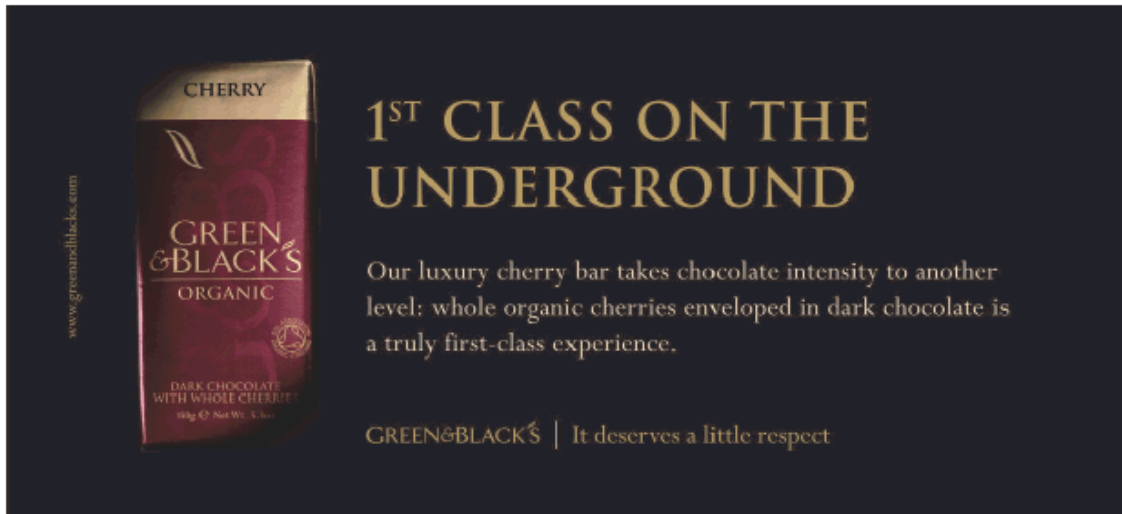


FIGURE 5: UNDERGROUND AD



CHERRY

GREEN & BLACK'S
ORGANIC

DARK CHOCOLATE
WITH WHOLE CHERRIES
100g e Net Wt. 3.5oz

www.greenandblacks.com

1ST CLASS ON THE UNDERGROUND

Our luxury cherry bar takes chocolate intensity to another level: whole organic cherries enveloped in dark chocolate is a truly first-class experience.

GREEN&BLACK'S | It deserves a little respect

FIGURE 6: GREEN & BLACKS ADVERTISING FOCUSING ON A SINGLE PRODUCT

A REVELATION IN CHOCOLATE ICE CREAM



CHOCOLATE

GREEN & BLACK'S
ORGANIC

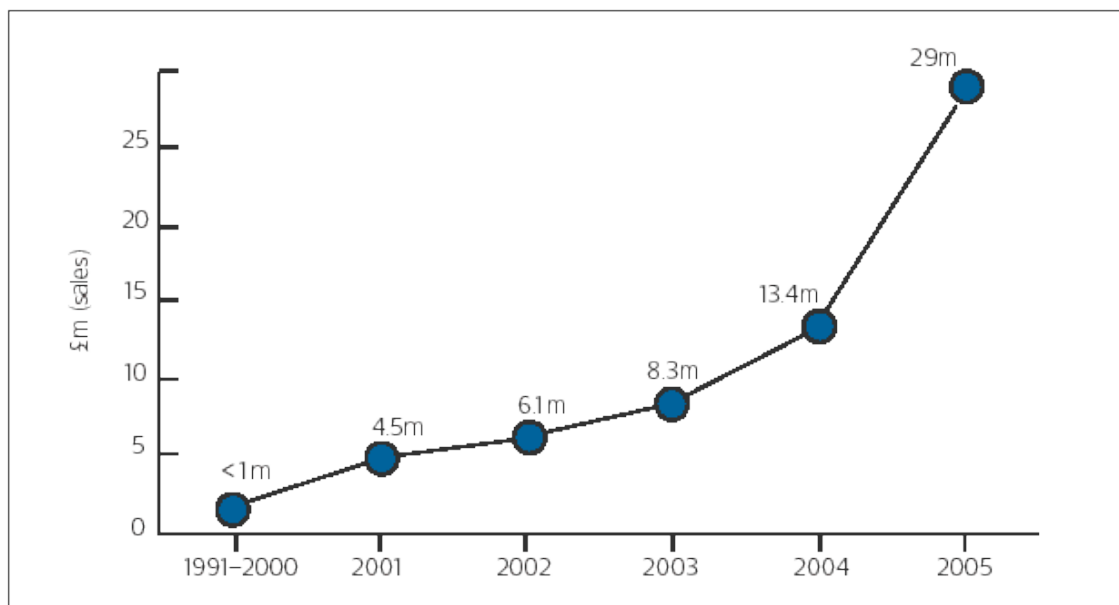
CHOCOLATE ICE CREAM
MADE WITH FRESH CREAM
& RICH, DARK CHOCOLATE

Our intense dark chocolate and the finest organic cream make for an almost overwhelmingly moreish taste. Cruel of us, we know.

GREEN&BLACK'S | It deserves a little respect

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FIGURE 7: SALES GROWTH



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Marketing detective work – finding opportunities for growth in your existing business

David Cowan
Forensics

Tom Stewart, editor and managing director of the *Harvard Business Review*, recently remarked that when CEOs are tasked with cutting business costs they know exactly what to do but when asked to grow the business many feel at sea, or at best much less sure-footed.

For them the growth problem has worsened over the last 10 to 15 years. In the early 1990s the easy answer appeared to be acquisitions. However, there is now abundant evidence that most acquisitions fail.

These days this apparently easy route to growth is often not regarded as growth at all and is labelled as mere agglomeration. Of course, some acquisitions have had success, the RBS takeover of NatWest in 2000 being a clear example. However, a study of 100 acquisitions in the UK and US found that only a quarter recovered the cost of the deal and achieved the synergies promised. Further, McKinsey estimates that in profit terms, £1 of organic growth is worth £4 of acquisition growth. It is no wonder then that acquisition as a route to growth has fallen from grace and organic growth is seen as the way to go.

Of course, growth is no problem if the company is riding the explosive expansion stage of a new technology or new market sector. Or if the business has the inherent cost advantage of a Dell or Wal-Mart. Or is a UK grocery major that can add market sector after market sector to its range portfolio while opening yet more outlets. But most large companies are in relatively mature markets and do not have favourable industry contexts and there are no clear paths to growth.

THERE'S NO ESCAPE

Some CEOs might be tempted not to try to grow, but instead to focus on what they know best – creating organisational efficiencies and improved margins. Unfortunately this is not an option. Investors expect organic growth. It may not be fully appreciated, but a numeric presumption of organic growth is baked into the stock prices of every quoted company. This point is brilliantly made in the *Harvard Business Review* article, 'The relative value of growth' (Nathaniel Mass, April 2005). On the face of it, a percentage point of margin growth appears to be worth a lot more than a percentage point of revenue growth because it drops straight to the bottom line. However, a percentage point of top-line growth usually contributes far more to shareholder value.

Decomposing the stock price of consumer businesses shows that if they can convince the market that they can grow the top line by just one extra percentage point this can be worth five, six, seven or even more points of additional margin. For example, it turns out that for P&G a percentage point of growth is worth seven times that of margin and the company must grow at a minimum of 4.5% per annum or its share price will decline.

So there is no escape: businesses have to grow and they have to grow organically.

So where to turn? For guru Gary Hamel it has to be innovation: 'when a company runs out of innovation it runs out of growth'; 'a company can't outgrow its competitors unless it can out-innovate them'. Who could disagree? All companies must be looking for ways to innovate. They need to be open to the technological, social and regulatory forces of change and the opportunities these forces reveal, as well as stimulating the creativity of their employees and harnessing resources outside the organisation.

INNOVATION IS RISKY

But innovation has its risks and they are not insubstantial. That new products have poor success rates is well known. A recent IRI analysis of 484 new grocery products launched in the UK and the other major European countries found that only one in seven succeeds. A wider US study found that 96% of all innovation attempts fail to meet their targets for return on investment! Of course, it needn't be this bad, and businesses are striving to raise their innovation productivity. Companies like P&G have upped their game dramatically: their Connect-and-Develop innovation model has more than doubled their success rate with both reduced innovation costs and R&D as a percentage of sales down nearly 30%. But P&G is a world-class company and it has produced a world-class innovation engine. Quite a daunting prospect for many to emulate.

ENTER MARKETING DETECTIVE WORK

I would like to suggest a complementary activity, not one involved with looking for new growth platforms or new products or new services but rather looking for growth opportunities within the existing business. Opportunities that do not involve major product or service changes. I call this activity marketing detective work. Marketing detective work is a systematic process that identifies growth opportunities for

existing products or services.

In looking for growth opportunities we must start from the current business situation. It may be that sales are satisfactory but there is still a need for more growth. On the other hand the business may be suffering from sales or share decline. In seeking to address these issues there are a limited number of ways that opportunities or problems can occur. These are shown in the [Figure 1](#).

The opportunity may lie in gaining more users for the product or service – does a realistic opportunity lie here? If there is a sales problem, is it because the brand is losing users? Alternatively there may be an opportunity to extract more revenue from the users the brand already has, either through increased category usage, increased loyalty, or selling more products or services to the customer base. By which of these routes is growth most likely to come? Which is the most realistic and most achievable at the least cost? If sales are in decline where does the problem lie?

The job of detective work is to use data and evidence to pinpoint the area to focus on, then to understand the causes of the current situation and how it can be changed. The solutions that emerge from this way of investigating are very varied and almost always unexpected. Some of these solutions and the wide variety of businesses they refer to are shown in the diagram.

When people hear about marketing detective work they are sometimes surprised. Surely, detective work is what businesses do all the time.

No, it is *not* something that businesses do all the time. Quite the reverse. In my experience detective work is rare even in the largest and most sophisticated companies. The reasons for this will be discussed shortly.

INSIGHT DEPARTMENTS DO DIFFERENT THINGS

But what about insight departments and market research companies? Insight departments are primarily involved with providing new market research and regular tracking reports. They decide what research to do and they quality-control and buy these inputs from market research companies. Insight departments will do some secondary analysis and answer marketing queries but their central thrust is not problem solving by intensively analysing and synthesising the wide range of customer, market and media data that already exist.

The inputs insight departments provide play an important role in steering the marketing process, but their work is very much within the frantic process of the day-to-day. Strategic inputs are made, but these tend to come in the form of fixed, self-contained products – the segmentation study, the positioning study, where brands are positioned on two dimensional grids and the desired direction of change is indicated, etc. There are also general models sold by research companies that provide strategic guidance and the occasional strategic qualitative study.

DETECTIVE WORK IS A BROADER, FREE-FLOWING INQUIRY

I am not trying to disparage this work, in fact detective work would not be possible without the material it creates. I only make the point that marketing detective work is a different kind of work. Detective work seeks to make strategic inputs from a much freer-flowing questioning process and broader inquiry. The work varies by case but it often involves using and integrating a much wider data set than normal. This includes internal data more traditionally held by departments like finance, customer relations or property planners in the case of a retailer. It often involves studying what happened many years before and what can be learned from the outcomes that occurred then, as well as integrating syndicated studies and public domain information.

INTEGRATION IS KEY

A key word here is integration. The output from insight departments tends to be standalone studies. For instance, stand-alone qualitative research, stand-alone tracking data, stand-alone measurement of market trends and share. Rarely are sources connected together using one source to explain the findings of another, or check its veracity or test the hypotheses arising from a third. Connecting data sources is very important in detective work; it is always trying to relate one source to another to create a pattern of evidence and to understand the causal chain.

In a free-flowing inquiry into how to grow, or why share is declining, or why loyalty isn't higher, it often emerges that organisations are applying solutions to problems that have not been correctly defined, or they are trying to grow in the wrong way and consequently not having the success needed.

In one case a brand was losing share and a competitor gaining; the natural assumption was that brand users were switching to the gaining brand. Intensive analysis of panel data revealed that this wasn't the case at all. Users weren't switching to the competitor, they were dropping out of the sector, hence sales, and therefore share, were decreasing. The company had been barking up the wrong tree and the problem it actually had required a very different strategy to the one it had been pursuing.

A PROBLEM WELL DEFINED ...

The old adage 'a problem well defined is a problem half solved' is never truer than in marketing detective work. Discovering that one particular type of car finance generates much higher customer retention than another, and that a competitor has a high penetration of this type, leads to an obvious course of action.

Of course, even when the problem or opportunity is identified it is not always obvious how customers' behaviour can be changed, and the challenge for the investigation is to identify causal mechanisms – pinpointing the relevant marketing and business levers the organisation has at its disposal and how they should be used.

The uncovering of causal mechanisms comes from identifying correlations, creating and testing hypotheses, using data to verify predictions and sometimes setting up experiments to eliminate alternative explanations. Causal mechanisms are often revealed by understanding, at the individual customer level, how competitors have succeeded in changing behaviour. And indeed studying and understanding in a much

deeper way where and how the company itself succeeds.

JOINED-UP EVIDENCE

Here are three brief different examples of marketing detective work in action.

- By analysing and combining three different types of customer survey it was discovered that over 80% of an electrical retailer's sales arose from customers that visited the company's store first, ahead of visiting competitor stores. By focusing on this and spending the same advertising money on 10-second commercials instead of press and longer television ads, this boosted front-of-mind awareness from 51% to 73%. Same store sales rose by 10%, in a market that rose by only 2%. On the same cost base, the sales uplift increased profit by 40%.
- In another case an fmcg manufacturer had a wide portfolio of brands in a large £1.8bn market. Analysis revealed that at very high levels of distribution (95+%) relatively small changes in distribution led to disproportionate changes in brand share. This was quite counter-intuitive; usually a decline from, say, 97% to 95% would be regarded as insignificant. Acting on this information the manufacturer withdrew from the market half its brand portfolio and focused its sales force on maximising the distribution of the remaining brands. With half the number of brands it successfully turned around an overall share decline of 2% per year into growth of 0.5% a year. This had a huge impact on the bottom line. The company saved £40m alone on the marketing spend of the discontinued brands and staff required to support them.
- In a third instance a retailer believed that it had reached saturation with 420 stores. However, marketing detective work challenged this assumption and proved that there was a strong business case for at least 70% more stores. The company opened another 100 stores, boosting profit by 23%. Another 100 stores are planned.

In other cases the application of this method of inquiry has led to: changes in brand architecture, the re-design of call centres to sell financial products more effectively, and joint ventures with other companies to create bundled service offers, which are more attractive and help prevent customer defection. It has changed the pattern of support different brands in a portfolio receive and changed the sponsorship strategy of a global company.

Marketing detective work almost always reveals new growth insights because no one has analysed and connected up the data in this way before. Why is this?

BIG DECISIONS ARE USUALLY EVIDENCE-LITE

Your brand has 10%, how is it going to get to 15%? Your market share is in decline, how can it be reversed? Loyalty is too low – how can this be raised? Senior executives usually have ready answers to these important questions.

However, in my experience the more important the question the less the answer will be evidence-based. Marketing detective work is about answering these sorts of questions with data, but because these answers are already 'known' there is no felt-need to carry out any detective work – the team can proceed directly to solutions. No doubt much research will be carried out to fine-tune the solutions but the big decisions on how to proceed have already been taken.

The French physiologist Claude Bernard once remarked: 'It is what we think we know already that often prevents us from learning.'

This is very much the situation when trying to grow the existing business. CEOs rarely demand marketing detective work because they believe (without evidence) that they already know the answer. This is a major barrier to growth.

INSIGHT MANAGERS DON'T HAVE THE TIME

From the insight manager's point of view, not only are their bosses not demanding the free-flowing inquiry of detective work, there is also the problem of time. With this work it is not uncommon to spend 40-plus days analysing a single key database looking for opportunities. The only people in organisations with this sort of time are junior staff. But the task is not to crunch the numbers but to find routes to growth and higher profit. Marketing detective work is strategic thinking with data: it is a senior activity. Insight managers simply don't have the time. As a consequence marketing detective work is rarely carried out.

ANOTHER CYLINDER TO ADD TO THE GROWTH ENGINE

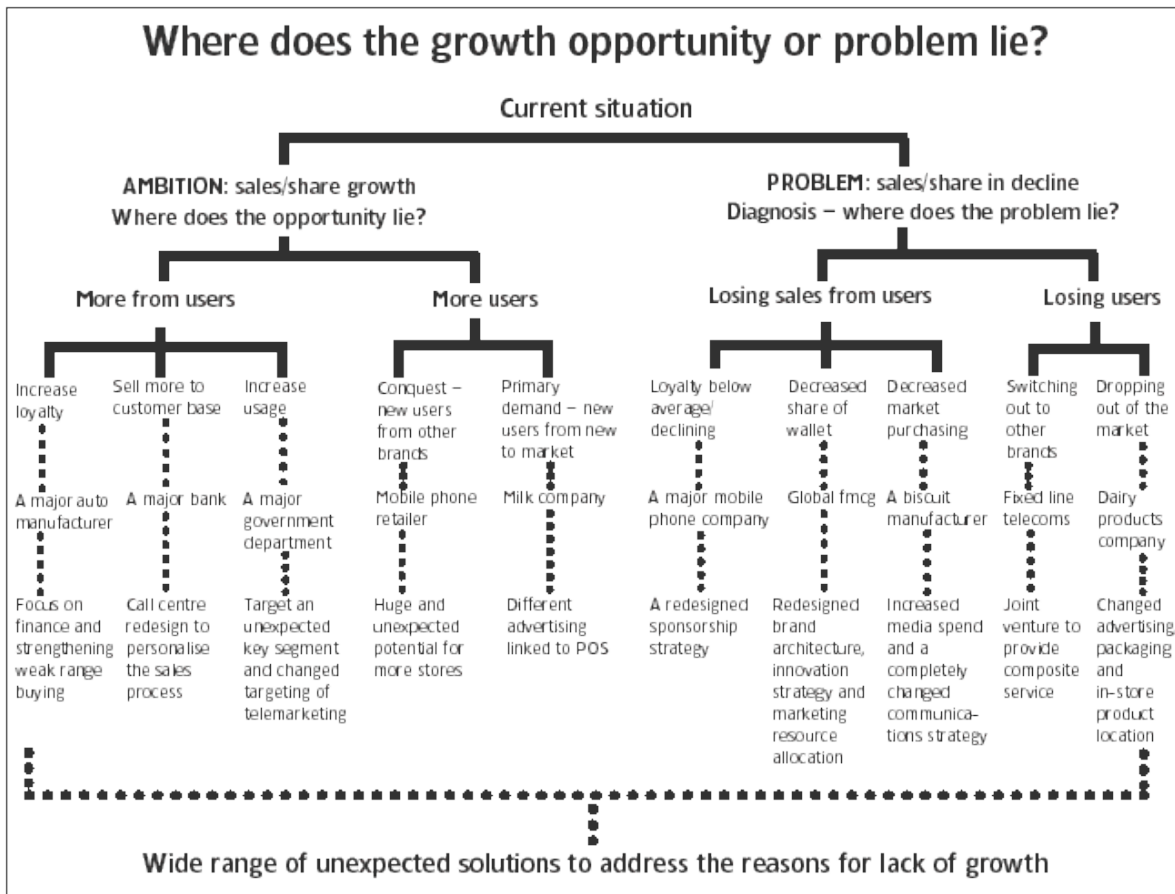
As we have seen, organic growth is mandatory and to get growth the cry is 'innovation and yet more innovation'. Business gurus scoff at the existing business. They fail to see its potential: pursuing growth here is dismissed as incrementalism. They advocate revolution.

It is certainly the case that businesses need to be looking for the revolutionary leap forward, pioneering new business models and bold innovations wherever possible. However, for most business these opportunities come along rarely and are risky. Yet the demand for more growth, year after year, is relentless.

Businesses need to be firing on all cylinders, improving their products, improving their services, improving their marketing; tuning up their organisations to deliver and, yes, looking for innovations too. This is not in dispute.

The point I am making here is that marketing detective work is another cylinder to add to the growth engine. It produces surprising findings, challenges conventional wisdom and uncovers hidden opportunities. And, because many of the existing business's costs are already covered, growth from the existing business is highly profitable.

FIGURE 1



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Market Leader

Spring 2007, Issue 36

Market Leader
THE JOURNAL OF
THE MARKETING SOCIETY
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Marketing masters talk about organic growth

Laura Mazur and Louella Miles
Writers4Management

THE MARKETING MASTERS

Philip Kotler	The founding father
David Aaker	Brand equity trailblazer
Jean-Claude Larreche	Marketing strategy master
Regis McKenna	The technology visionary
Don Peppers and Martha Rogers	The one-to-one gurus
John Quelch	Global marketing authority
Al Ries	Pioneer of positioning
Don Schultz	Integrated marketing communications innovator
Patricia Seybold	Customer experience expert
Jack Trout	Positioning pioneer
Lester Wunderman	Direct marketing missionary

Achieving organic and sustainable growth is vital in today's business environment where the balance of power has shifted irrevocably to buyers. But it is also frustratingly elusive, particularly for those senior executives who know a lot about cost-cutting and deal-making, and see marketing as an expensive afterthought.

They could do worse than listen to some of the world's most influential marketing thinkers, captured in our new book, *Conversations with Marketing Masters*. While the book is a wide-ranging look at these marketing gurus, encompassing both their professional journeys and their current views of marketing, it is their advice on what companies need to do to achieve long-lasting market success that should be heeded by any company struggling with the challenge of growth.

KEEP INNOVATING AND LEARNING

'Winners in the organic growth stakes are those companies that innovate, launch and learn,' says *Philip Kotler*, the SC Johnson & Son Distinguished Professor of Marketing at Northwestern's Kellogg School of Management, and recognised as the founding father of modern marketing. Indeed, he has been on a lifelong mission to dispel the notion that marketing contributes very little to long-running company success.

Companies that succeed are invariably in tune with market evolution, he continues: 'Starbucks didn't just stay a coffee retailer. It is retailing music in its stores. It is selling its products in supermarkets. It is found in dozens of companies.'

'Apple's Steve Jobs didn't just launch an iPod to carry music. He visualised ahead of his competition that it would evolve to carry thousands of photos, and later videos. He is ready to cannibalise the earlier iPod versions before they have fully saturated the market in the interests of leading the competitors, rather than allowing them to lead in product evolution.'

By contrast, he argues, losing companies fail to monitor new technologies, new lifestyles, new competitors: 'Carmakers such as General Motors and Ford have had so much time to watch the Japanese, to learn from them and yet were slow at doing so.'

For example, they answered the success of Japanese small cars in the 1970s by countering with small but inferior cars. They were also late in learning how to put more quality in a car, and late in offering hybrid and new fuel-efficient engines. Failing companies, he observes, operate bureaucratically and arrogantly: 'Instead of looking out of their windows, they look at their own image in a mirror.'

BE RELEVANT

Branding expert *David Aaker* reckons that relevance is one of the most important, but also most difficult challenges. Aaker, author of seminal books on brands and branding, is vice-chairman of Prophet Brand Strategy and Professor Emeritus of Marketing Strategy at the Haas School of Business.

'Understanding relevance is the key to strategy in dynamic markets – and, today, all firms operate in dynamic markets. Emerging product categories and sub-categories change the competitive landscape. Some firms are driving those changes and have an opportunity to become leaders in a new market or sub-market, shaping what customers are buying.'

'Those that are successful are companies such as Toyota, Cirque du Soleil, Apple and the US financial services group Vanguard, which have enjoyed exceptional long-lasting market and financial success by constantly finding new sources of relevance in their markets.'

The danger for companies is that they can easily lose their relevance as competitors outflank them: 'It is possible to make the greatest sports utility vehicle (SUV) in the world with the most loyal customers and an envied image. However, if a significant number of your customers now want a hybrid, it simply does not matter how good your SUV is perceived to be. You are less relevant than before and will see your sales eroding.'

THE POWER OF FOCUS

Al Ries, pioneer of the seminal marketing idea of positioning, takes a slightly different tack. What currently preoccupies him is the need for a company to focus. By narrowing the focus, he argues, companies have a much better chance of finding an open position in customers' minds.

'For example, Emery Air Freight was the leading air cargo carrier in the US. So Federal Express narrowed its focus to "overnight" and thus became market leader. Pepsi-Cola wanted to compete with market leader Coca-Cola. It narrowed its focus to "younger" people (the Pepsi Generation) and today it's a strong number two brand.'

But people persist in assuming that the broader the line, the greater the sales. He disagrees: 'It's logical, but it doesn't work that way, because it's not a sales, but a brand problem. The broader the line, the more segments you try to appeal to, the weaker the brand. What's a Chevrolet? It's a large, small, cheap, expensive car or truck and a very weak brand.'

When you do have an established position, like Volvo and safety, he argues, nobody can take it away. 'However, what drives business today is expansion. Companies want to grow, but in the process they risk becoming unfocused, getting into more products and services,' he says.

This is not to say all expansion is bad. Nevertheless, it means that companies lose sight of a product or brand's core values and line extensions can proliferate without check, for example.

VALUE YOUR CUSTOMERS

For *Martha Rogers* and *Don Peppers* of the Peppers & Rogers Group, the answer is obvious: customers bring growth. Having made their names with the original concept of one-to-one marketing, or treating different customers differently, for the last year or so they have been developing the idea of 'return on customer' (ROC).

As Rogers explains, 'We were getting more and more requests from clients to do something very fundamental, which is to provide a business case justification for expenditure around the idea of customer relationships.'

'We had this epiphany that there was something scarcer than the money that the chief financial officer was holding in his or her little purse strings. And that was the number of customers, the actual customers, which that company was ever going to get. It didn't make sense to us that companies would take so much care to budget the money they were investing, when what they were really limited by was the customers they had available to them. Shouldn't they think about maximising the value those customers could create?'

This goes well beyond the idea of marketing as a discrete function, as a department, as Peppers notes: 'Everything in the company is going to revolve around customer value: customers creating value for the business, which is, of course, the core purpose of any business.'

They expect that over time investors will start demanding this sort of information, says Rogers: 'We've been trying to make the case that, if you are an investor, you'd like to know what ROC is. You really want to be able to detail the return on customer measures of different companies to make a decision. But, in addition to that, it will also drive better decisions in companies compared with what we've seen in the recent past, because the recent past has seen an embarrassment of short-term thinking that has really led us to a crisis.'

I GNORANCE IS NO EXCUSE

That means knowing who their customers are, of course. *Don Schultz*, Professor Emeritus-in-Service of Integrated Marketing Communications at Northwestern University's Medill School and who was instrumental in developing the idea of integrated marketing communications, complains that senior management are too often woefully ignorant of just who their customers are.

'I can walk into any organisation and ask senior management who the firm's top ten customers are and they won't have a clue. They're focused on managing tangible assets, not customers. When I'm meeting with a board or senior management, or even with marketing people, I ask one basic question: "Who are your best customers? Name your ten best customers." And they can't do it.'

Notable exceptions include companies like Procter & Gamble, points out *John Quelch*, Senior Associate Dean and Lincoln Filene Professor of Business Administration at Harvard Business School. 'Under chairman and CEO AG Lafley, the company has rediscovered the basics of customer understanding better than anyone else. Fundamentally, that's what good marketing has to be based on.'

'But, so often in the race to deliver quarterly results for Wall Street, there's a lot more emphasis on just coming out with new products and seeing what sticks, as opposed to really understanding consumers and identifying latent needs that maybe are not expressed in consumer research, but are the core unmet needs that breakthrough new products should be addressing.'

THE DANGERS OF SHORT-TERMSM

As *Jack Trout*, pioneer of positioning with Al Ries and now president of strategic marketing consultancy Trout & Partners, points out, 'The problem is growth at all costs. Wall Street, the financial community, wants to see how much you are going to grow, quarter by quarter. If it doesn't see that you are on a growth path, it will savage your stock. You really have to say, "No, I am in the business of selling widgets and I'm going to work on that. I don't care what you guys think, I'm going to approach this thing from what's best from my business point of view, and, if things work out, my stock will be OK." You cannot get sucked into the Wall Street game.'

ENLIST YOUR CUSTOMERS' HELP

Patricia Seybold, customer experience expert and founder of the Patricia Seybold Group, urges companies to engage closely with their customers: 'They are the ones who are out in front and very passionate about things. Get them really hooked into your organisation, and not just through surveys or user group meetings twice a year. And you can recruit and incentivise them without spending much money. They love to be heard.'

As Don Schultz notes, 'I think the one thing that organisations have to understand is that the success of the company comes from only two sources: its customers and its employees. I don't think organisations pay enough attention to the fact that those are the only two places where income is generated. And companies can either increase it or decrease it.'

REFLECTIONS ON MARKETERS

Marketing should be Spearheading the Search for Growth. But do the Marketing Experts Think that, in General, Marketers are up to the Job?

Regis McKenna, the Silicon Valley visionary who helped put names such as Apple and Intel on the map, believes that marketing itself is doing very well. His concerns are about those within the profession: 'My own view is it's just not being done well by the marketing people. Marketers spend too much time on advertising and promotion.'

'And while they are doing that, the chief information officer is automating their core functions. As they obsess over brand, the chief strategy officer is dispersing their responsibilities throughout the organisation. And as they squabble over whether marketing is an art or a science, they're completely overlooking the fact that marketing has become a technology.'

As *Al Ries* says, 'Every year the tactics of marketing get better and better, but the strategies have not kept pace. Too often the marketing people have to accept the strategies dictated by their management. If I were a marketing professor, I would give marketing tactics an "A" and marketing strategy a "C minus".'

Marketing professor *Jean-Claude Larreche* echoes this view. As holder of the Alfred H Heineken Chair at INSEAD and a specialist in strategic marketing, he finds that too many marketers lack what he calls a 'CEO-like mind': 'I now split the marketers I meet between those who will remain in marketing and those who have CEO potential. It's not that one is better than the other, but it's a choice. Some people will tell me: "I don't want to be a CEO" and that's fair enough. But if they stay in marketing they should have a CEO-like mind.'

What about this New Breed of Super-Marketers called Chief Marketing Officers (CMOs)?

David Aaker, who has done a study of them, sees them as having two main goals: getting control over product and/or geographic silos, and providing market-driven growth to the firm: 'In many cases the firm, which may have relied on downsizing and acquisitions to achieve financial performance, has explicitly targeted the need to grow internally.'

'The CMO naturally needs to own this effort if it is to be more than ad hoc initiatives. The challenge is how to introduce CMO-led central marketing to resistant organisations. It can be difficult for a new CMO to achieve credibility and effectiveness in a resistant organisation. One study said that the average life of a CMO is 18 or 20 months, which is a dramatic commentary on the job.'

Jack Trout offers a word of advice to these struggling senior marketers: 'You really have to involve the top management in the strategy of what you are doing. You have to force them into it and they have to understand what you are doing and why – and why you're spending money on it. You have to be willing to put it right out on the table and say: "Ladies and gentlemen, this is what we've got to do as a company".'

Adapted from Laura Mazur and Louella Miles, *Conversations with Marketing Masters*, John Wiley & Sons, 2007.

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This is not just advertising, this is Your M&S advertising

Megan Thompson
RKCR/Y&R

Jonathan Neil and Sarah Threadgould
Marks & Spencer

Sandra Lema Trillo
Walker Media

This is the story of how communications changed the public face of a very public company. M&S is a national institution and speculating on its fortunes is a national pastime.

Back in April 2004, things were looking down at M&S. Consecutive sales declines and continual negative PR had led to a total loss of confidence in the brand. Two years on, and M&S smashed City expectations by announcing Q4 sales growth of 9.1% against a backdrop of total March 2006 UK high-street sales down 1.4% on the year.

This article explores the role that communications have played in that turnaround. We will show how, as one of the fastest levers new management could pull, communications first acted as a public declaration of corporate intent. We will then show how, as product started to improve, communications changed the lens through which the public (including journalists and City analysts) viewed the product, by restoring confidence in the M&S brand.

Our story begins in July 2004 as Philip Green's Revival Acquisitions makes a proposed final offer for Marks & Spencer of 400p per share, as part of his second attempted bid for M&S. Unusually for a corporate takeover bid, this story made front-page headlines in both the tabloids and the broadsheets. In fact during this period, Marks & Spencer was the subject of around 1,000 press articles a month.

Given that this was never a formal bid and the price was deemed to undervalue the company, the M&S board decided to deny Revival Acquisitions access to company accounts and Revival ultimately withdrew its proposed offer. There was, however, a feeling in the media that Green would come back to the table if the new management failed to deliver. A BBC poll conducted outside the 2004 AGM found that over two-thirds of small shareholders supported Stuart Rose. This support did not, however, translate into increased custom for M&S. In fact, the first set of results that Rose presented to the City showed continued sales declines. The City was willing to forgive in the short term, but the clock was ticking.

STUART ROSE'S VISION FOR M&S: 'A MARKS & SPENCER SEEN THROUGH ROSE-TINTED GLASSES'

At his inaugural AGM, Stuart Rose acknowledged that the old Marks & Spencer had simply not been 'delighting the girls', promising, 'we are going to give M&S back to its customers'. This entailed a return to the core principles upon which Marks & Spencer was founded, and which are still relevant today.

Citing a previous lack of integration, 'our business units have been operating as if they were standalone businesses' – Rose promised that Marks & Spencer would once more add up to more than 'the sum of its parts'.

He then placed womenswear at the heart of his recovery strategy: 'I believe womenswear is the key to the whole brand.'

The importance of changes at store level must not be underestimated. Clothes were becoming more stylish, opening price points were lowered in line with the competition, service had started to improve, and stores were beginning to be refurbished. Without these changes, communications could never succeed for, as Bill Bernbach said, 'A great ad campaign will make a bad product fail faster. It will get more people to know that it's bad.' In other words, the 'Twiggy effect' would not have been the same had Twiggy been modelling any old cardigan. Likewise, we wouldn't have been able to get the nation drooling at the thought of just any old food.

There are some things, however, that only communications could have achieved. As the public face of the organisation, and the fastest lever it could pull, communications needed to serve as a public declaration of M&S's confidence and commitment to change. The perceived threat of a new takeover bid meant that word of mouth alone could not be relied upon to spread news of the changes quickly enough to make them count. Instead communications needed to accelerate awareness of change among lapsed shoppers, increasing reappraisal, consideration and footfall. Critically, communications needed to change the lens through which the public viewed M&S products, by turning the tide of negative PR.

Because of the ubiquity of Marks & Spencer (there are five M&S's within the square mile and Vogue House is a stone's throw from the flagship Marble Arch store) these audiences inevitably overlap and cannot be treated discretely. We needed an over-arching brand idea that could appeal to the whole nation.

'YOUR M&S' GIVES MARKS & SPENCER BACK TO ITS CUSTOMERS

M&S needed to galvanise the business behind change. 'Your M&S' was the perfect rallying cry, fulfilling a number of vital criteria:

- directly acknowledged the rightful ownership of M&S by the public
- big enough, and true enough, to be relevant when selling anything from a crème brûlée dessert to a man's Autograph suit
- applies to all audiences – customer, shareholder, journalist, City
- meaningful for staff and employees
- colloquial ('Your M&S') not corporate ('Your Marks & Spencer').

In design terms the new identity needed to feel contemporary and iconic, premium yet accessible.

Importantly, 'Your M&S' was flexible enough to unify product-specific campaigns. This gave us the opportunity both to continually surprise the nation with 'new news' and to tap into category motivations.

Media Choices as Confident as 'Your M&S'

The first step was to redefine the media architecture and unite investment behind a brand-led approach in 'mass' public media. High visibility was essential in giving people a sense that they could have as much confidence in M&S as the company was beginning to have in the product. In total, Nielsen reports that M&S has this year spent £45m on advertising.

'Your M&S' was unveiled to the City in August 2004, then publicly launched through a high-profile poster campaign.

Demonstrating Value in Clothing: Your M&S for Less

Revising the pricing architecture particularly at opening price points was one of the first changes made, so value was the first area where communications addressed negative impressions.

Demonstrating Quality in Food: Not Just Food, Your M&S Food

M&S Food had always been irresistible, so while the clothing team was working behind the scenes to improve product, it made sense to proceed by focusing on the quality of M&S Food. The fact that the supermarkets' premium ranges were beginning to catch up on perceptions of quality added an increased sense of urgency. 'Your M&S' when applied to food meant that M&S understands exactly what gets your taste buds going. The quality difference was summed up as 'Not just food, Your M&S Food'.

Demonstrating Innovation in Style in Womenswear: What's Your M&S?

By September 2005, confident that womenswear was now beginning to be stylish enough to tempt 'every woman, every time', the moment had come for communications to showcase the clothes to the nation.

Since women had been coming into M&S 'wearing the wrong glasses', we needed to give them a fresh lens through which to view the clothes. This lens needed to be technicolor enough to blow away the cobwebs of negative PR, making women proud to wear M&S again. Supermodels were the perfect embodiment of M&S's growing confidence in product, but careful casting was key to finding a balance of women who could appeal to our broad church of customers. Twiggy, in particular, was the perfect metaphor for a national treasure making a spectacular comeback.

Reinforcing Trust: Look behind the Label

Once food and clothing campaigns had created a strong sense of change at M&S, the time had come to reinforce M&S's ongoing commitment to ethical sourcing.

SO WHAT HAPPENED?

PR

While product PR has improved over the past year, M&S has a policy of not PR-ing advertising, preferring to let communications speak for themselves. None the less, recent campaigns have attracted huge amounts of PR coverage. Since September 2005 communications have generated press coverage that would have cost over £2m to buy as advertising space.

Given the implied endorsement, most PR companies assign a multiplier to ad cost when assessing the value of PR. The actual multiplier varies but can be up to triple the ad value. This positive press could therefore be worth over £6m. In addition to measurable column inches, communications have spawned a national catchphrase: 'this is not just ...' and become a shared cultural point of reference: 'as

lavish as an M&S ad'. Communications have also inspired a sketch on *Bremner, Bird & Fortune* and two sets of BBC idents.

This volume of press could be regarded as a simple virtue of being in the public eye. However, past advertising had itself fallen foul of negative PR. In particular, a 2001 M&S womenswear television ad featuring a naked female hill runner had provoked a barrage of negative press coverage. By contrast, a key achievement of the recent advertising has been to provide a focus for much needed positive PR coverage.

Footfall

Improvements in footfall have brought in an additional 18 million customer visits over the course of the year. Footfall peaks in September and November as womenswear and Christmas campaigns start.

Sales

On 11 April 2006, M&S 'smashed expectations' by announcing a fourth-quarter increase in UK sales of 9.1% on the year. Food sales were up 8.4%, while sales of general merchandise rose by 9.1%.

Impressively, these results were achieved against a backdrop of mounting gloom on the high street, with March 2006 sales 1.4% lower than in 2002. Recent like-for-like (LfL) sales trends at rival Next show sales tumbling around 9%, while Green recently warned that operating profits at BHS are likely to be down 30% this year.

On the back of these sales results, Stuart Rose gave initial profit guidance for year ended April 2006 of between £745 and £755m.

Share Price

At the time of writing, the M&S share price is 595.5p, vindicating the City's faith that M&S was worth much more than Revival Acquisitions' proposed 400p per share offer.

WHAT PART DID COMMUNICATIONS PLAY IN AFFECTING THESE CHANGES?

In each instance we have been able to show:

- what other factors must be taken into consideration
- that people saw the communications
- that people took out the desired messages
- that communications were persuasive among occasional and lapsed shoppers
- that items featured in the advertising were runaway bestsellers.

(The full submission documents each of these points. They are summed up briefly here.)

Items Featured in Advertisements were Runaway Bestsellers

A cream three-quarter-sleeved blouse worn by Twiggy in the February execution has sold more in one week than any other product in the history of M&S. Even the travel bags which the girls carry in the ad, which retail for £119, have had to be re-ordered to cope with demand. Sales of products from the first execution were equally impressive.

Lapsed Shoppers Re-engaged

It could be argued that sales increases could be accounted for purely by existing customers spending more on better products. Research shows, however, that we have successfully re-engaged lapsed clothing customers.

The Case for Payback in Clothing

Given the likely effect of improvements to product and price on existing customers, the fairest way to assess payback in clothing is to look only at the value of lapsed shoppers who re-engaged with M&S during campaign periods.

Fashion Trak data tell us that over the autumn 2005 period in which the What's Your M&S? campaign aired, an additional 1.4 million people claim to have shopped for clothes at M&S. Like most retailers, M&S does not disclose average basket size or customer frequency, so in order to assign a value to these customers we will have to make some educated estimations.

At the most conservative estimate, communications can only ever fully take the credit for people's first visit, as all subsequent visits will be influenced by their initial experience, so let's assume that each of these people only came in once.

Even Verdict does not have access to an average UK clothing retail basket size. However, Paul Mason, the chief executive of Matalan went on record in 2002 to say that he wanted to raise the company's average basket size above £20. So let's imagine that an M&S shopper's average basket size is the same as a Matalan shopper's was in 2002.

That would give us 1.4 million people coming in once, and each spending £20, which is the equivalent of £28m worth of incremental sales in autumn alone. Again, M&S does not disclose a clothing margin, but Deutsche Bank's model estimates it to be in the region of 53.3%. This suggests that the extra customers would have generated an incremental £14.9m worth of profit over this autumn period alone.

Clothing media spend for this period was £5.7m, suggesting an estimated ROI for the launch of the clothing campaigns of £2.61 per £1 spent on media.

The Impact of Communications on Food

M&S has not yet published full year revenue figures, but applying City forecasts to the percentage swings above we estimate the value of incremental sales over the campaign period. If the Q4 04/05 trend had continued into financial year 05/06, LfL performance would have declined -3.1% rather than risen an estimated +3.6%. LfL improvement using the estimated 6.7% swing from -3.1% to an estimated +3.6% implies a benefit of circa £230m.

M&S does not disclose a food margin, but Deutsche Bank's model estimates it to be in the region of 32%, which gives us an estimated incremental profit figure for food of £73.6m. On a food media spend of £17.6m we would have to assume that communications have contributed only 24% of incremental sales to pay back at a category level. We have seen that communications have been persuasive among lapsed, occasional and regular shoppers, and that since the launch of the campaign M&S has regained the high ground from the supermarkets on key quality measures. Given that the only other changes to have happened over the campaign period are the Cook! re-launch, re-packaging of sandwiches, and the EAT WELL scheme, M&S is more than comfortable that communications contributed more than 24%.

The Impact of Communications on City Analysts

City analysts are frequently reticent about attributing the financial success of the companies they monitor to marketing. However, here is what Rod Whitehead, senior retail analyst at Deutsche Bank UK, has to say on the matter of payback at a total business level:

'We estimate that M&S has spent an extra £15m (20%) on advertising over the last year. This has only taken advertising from 1% to 1.2% of sales, and will only have needed to generate an extra £35m of sales (0.5%) to pay for itself, which we believe it has comfortably done.'

Increasing Shareholder Value

In the absence of modelling it would be naive to attempt to estimate communications' potential impact on share price. However, if you believe that the incremental sales and PR stemming from communications have played any role at all in raising share price, it is worth considering what this means in terms of shareholder value.

If, in a hypothetical world, shareholders had accepted Revival's proposed offer of 400p, and re-invested their money back in an averagely performing UK retail stock, those shares would now be worth 461.4p, representing a growth on investment of 15.5%. By contrast shares in Marks & Spencer are now worth 595.5p, representing a 48.9% increase on the proposed offer of 400p.

In addition to this growth, since July 2004 M&S shareholders have received dividends worth 16.9p per share.

SUMMARY

Looking back on where M&S was in April 2004 and where it stands today, it is clear that communications have been key to changing the public face of the organisation. Furthermore, in the course of this article we have proven the following:

- that communications helped turn a vicious PR circle into a virtuous one
- that communications combined with the associated PR changed the lens through which people see the M&S product, reminding everyone just how irresistible M&S Food is and making lapsed shoppers confident enough in the style credentials of M&S to be happy to shop there for clothes again
- that City retail analysts have taken marketing communications into account when assessing M&S's potential to deliver sustained growth.

View the full case study by clicking [here](#).

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Brand onions and other barriers to creativity

Chris Forrest

Advertising and Brand Communications

THOUGHT 1: MARKETING COMMUNICATION PROCESSES ARE OVERLY REDUCTIVE TO THE POINT OF BECOMING SELF-DESTRUCTIVE

All of us love our big multinational clients despite our reservations over their semi-scientific systems, their brand keys, pyramids, wheels and onions.

And they in turn love their onions. The marketer's job is to enforce message consistency and to develop metrics to answer accountability issues: in other words to try to predict effectiveness and work out which half of the budget is wasted.

It's sensible as an approach but what happens inevitably in a big company is that it stops being an approach handled sensitively by the people who were in at its conception, and hardens to become first a set of guidelines, then a belief system, then a theology and before you know it a theocracy. The onion starts to rule the company.

The problem is that, as with any religious cult, new recruits quickly suss that the best way to get on is to dogmatically follow the path of the onion. These onionistas come to believe while still in their early twenties that they are already much smarter than any of their suppliers and certainly they know more than the creative director of their ad agency.

They say things like, 'That's a good point Chris, is that a consumer insight or a product insight?' You reply, 'Thanks I suppose it can be either.'

This was the wrong answer. They look at you with disappointment. ('You poor sad man you know nothing of the way of the onion.')

They say things like, 'I'm afraid we're going to have to push back on that insight classification to enhance its usability.'

Apart from the gobbledegook the main problem with this kind of 'brand science' is that it doesn't appear to have delivered yet. All those brand onions haven't made the ads any more effective. Although they've undoubtedly made the corporation more efficient they've mostly made the ads worse.

The Fetish of the One-Sentence Benefit

The fatal flaw lurking at the dark heart of the onion is the fetishisation of the one-sentence brand benefit. This one sentence, more often a string of adjectives, is always a consumer benefit. Brand onionism is consumer centric not brand centric.

Agencies are instructed to communicate that core brand benefit in the ads and expect to see it paraphrased when the pre-test asks people 'What was the main message?' If people can't play the desired benefit back then the ad 'fails'. We've all seen it happen many times despite the fact we have known for 30 years that it is a bogus criterion.

All of which means creatives have to work with one hand tied behind their backs. To ensure people can consciously process and articulate it, they have been forced to point the camera at the benefit depiction.

Creative people can't use the deeper metaphors and associations that build the most powerful, most effective engrams in our brains. Those deeper emotional, even instinctive elements are very hard to pick up in pre-tests because they are hard to identify and hard to articulate. People don't know what effect advertising will have on them.

Evidence is More Easily Refuted than Faith

Some of the more startling implications of neuroscience are that the most effective brand-building messages, the best ads, are the ones you don't understand because you can't consciously process and dismiss them. The stuff that you just believe, feel, know, without knowing why, is more powerful than the stuff you can rationally analyse. Evidence is more easily refuted than faith.

Malcolm Gladwell's *Blink* demonstrated a similar theme to a more mainstream audience. His experts know when a tennis player will double fault or when an antique is a fake but they don't know why they know it. We've all read this but are we acting on it? I doubt it. It's too big

an idea to handle.

So the most effective ads may be the ones that pre-test worst! The IPA Effectiveness Databank is the biggest database of marketing effectiveness in the world and famously shows a negative correlation between pretesting and effectiveness.

The IPA case history proves that it was Stella Artois' quirky, distinctive advertising approach that built this Belgian lager into the most valuable grocery brand in the UK. So it surprised us when researching it how many loyal Stella drinkers didn't understand and even hated these demonstrably effective ads.

Luckily Stella's UK brand owner Interbrew (now Inbev) didn't have any brand onions because the onion would have had to state something like: 'Poverty-stricken, plague-ridden French peasants drink Stella, so buy some today.'

THOUGHT 2: LET'S TALK ABOUT COOL

Much of the time the biggest differentiator in a parity market is which one is coolest.

Doing some research for a utility company back in the spring we found that older people were worried about service and company reputation, but twentysomething new-home owners didn't expect their utilities to go wrong. They just wanted to be with a brand that was not a sad old 'dad's brand'. We went round the group asking who their utility supplier is. They were all with minority brands, in effect indie brands, and the winner was the guy who was using a company called Atlantic simply because the others had never heard of it. It was like he was first to discover the Atlantic Monkeys and download all their tariffs.

With more and more markets at parity, being the cool, alternative brand is often the strongest positioning, selling what economists call a 'positional good', a product or service where a major benefit is 'distinction'. For more on this read *The Rebel Sell* by Joseph Heath and Andrew Potter, a terrific book that shows how the idea of alternative has always been the driver in most markets.

If I had lots of capital I would try to identify dull markets where there's room for a cool, alternative brand. In effect this is what Virgin did a generation ago but there's room for new brands to repeat that trick. Why isn't there a cool utility or car insurance brand? Why don't more brands have 'To be the coolest' as an objective?

THOUGHT 3: LET'S TALK ABOUT ENERGY

Just as it would be good to see more brand owners embracing the importance of cool, so it would be good to see more talking about energy. A couple of years ago we were getting lots of briefs with objectives that talked about needing to inject more energy into the brand. That trend seems to have passed. Shame.

It's a very valid concept, especially in low-interest markets (and remember every market is lower interest than we think).

Everyone loves to hate those cheesy Michael Winner ads, but they built esure into a big brand because they communicate this company is bursting with energy and hungry for your business.

You tend to get risky high-energy advertising out of start-up agencies, but overall there's not enough of it around. Other countries have more energy in their advertising and have overtaken the UK in the rankings on global creative awards.

People say it's the fault of too much planning and research but actually planners are smart enough to see the value of energy and it's extremely easy for us researchers to pick it up. You can quickly sense in qualitative research which brand, which creative idea has the most associated energy (and cool).

So let's talk more about energy.

THOUGHT 4: LESS TALKING ABOUT BRANDS AND MORE CREATING THEM

Everybody in this industry has highly transferable skills.

Admen and women often go on to a second career as a successful brand owner. Adland friends of mine have set up Myla lingerie, Ren cosmetics and Rapha cycle clothing.

The most topical example is Innocent, set up by Richard Reid and colleagues from DDB. Imagine if DDB had maintained an association, a minority share in the brand, got some kudos from it. How cool would that be? Clients would want to talk to DDB and talent would flock there.

So my final thought is that agencies should be encouraging people to leave them and start up brands. It may sound disruptive but the advertising industry will always have a high churn and it needn't be the end of the world. McKinsey calls it spreading alumni and it builds its business model around it.

If the agency promised to keep paying a salary for that difficult first year, plus help out with mentoring and some venture capital – that could often be worth 10% of the equity.

Planners are best placed to lead this. If I was back in planning today I would hold a brainstorm once a week in the boardroom, all invited, free sarnies. We'd brainstorm ideas for brands in a different market each week, this week it's car insurance, next week utilities, the week after that online social networking.

It's easy to conceive of an agency team incubating YouTube in February one year and selling it the following October for \$1.65 billion.

That sort of thing would put advertising and brand communications agencies back at the top table, being listened to, and no brand onionista would be able to stop us.

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Can segmentation ever deliver the goods?

Kai Howaldt & Alan Mitchell
Roland Berger Strategy Consultants

According to a 2004 Economist Intelligence Unit survey, 59% of senior executives in large companies said they had conducted a major segmentation exercise some time over the previous two years, but only 14% felt they had derived real value from their investment.

Segmentation on the basis of demographics (age, class, sex) and psychographics (attitudes, personalities, values) has been a major theme in marketing for decades now. VALS (Values, Attitudes and Life Styles) was launched in 1978. Yet somehow, despite all the work and all the insights, it has never delivered its hoped-for benefits.

David Yankelovich – one of segmentation's earliest pioneers – recently suggested some reasons behind this disappointment. The heart of it: a failure to achieve 'joined-up' thinking and actions. The attempt to divide markets up into targetable, manageable bits ended up working backwards, dividing consumer attributes into unrealistically separate categories (attitudes versus behaviours versus demographics) while dividing companies into warring function silos.

Classic marketing textbooks such as Philip Kotler's *Principles of Marketing* list many alternative approaches to segmentation – geographic, demographic, psychographic and behavioural, for example. But *Principles* presents each of them as alternatives: as an either/or without explaining how or why companies should opt for one versus another. Nowhere does it explain how these different approaches might be brought together to create a single, unified approach.

Likewise, in companies, segmentation tended to exacerbate rather than overcome functional misunderstandings. VALS' categorisation of consumers into one of eight groups was an instant hit with advertising agencies, because it lent itself to emotional communication. So agencies used VALS and its successors to craft powerful creative work.

However, while psychographic segmentation was great for the communications side of things, it had little practical to say to marketers wrestling with diverging consumption and marketplace behaviours. So the resulting advertising 'simply did not invoke the drivers of commercial activity,' notes Yankelovich.

Furthermore, approaches to segmentation focused on customer behaviours, and product preferences had little to offer to marketing communications and tended to create brand architecture nightmares ('Do we need a new brand, a sub-brand or a brand extension?').

Segmentations based on good old-fashioned demographics found a stronghold as a media buying trading currency (differential pricing for media delivering more ABC1 males aged 16–24 than C2DE females aged 45+ for example), but provided precious little insight into underlying consumer motivations.

Price point segmentation was instantly attractive to finance directors, but left marketers struggling to justify the different prices they were expected to charge. Every silo in the marketing department was therefore attracted to its own approach to segmentation, and none of these approaches really 'spoke' to each other.

AN APPROACH TO A MORE ROBUST FORM OF SEGMENTATION

The ideal, clearly, is one that makes a positive connection between attitudes, behaviours, purchasing preferences and economic value, while also helping different marketing silos work better as teams. The approach should serve, say, both new product development and advertising and media buying.

A recent project (originally not intended to tackle the challenge of segmentation at all) may throw some light on how this might be achieved.

ECR EUROPE RESEARCH

ECR Europe is a packaged goods industry group. It brings major retailers such as Tesco, Sainsbury's, Ahold, Carrefour and Metro together with leading brand manufacturers such as Nestlé, Procter & Gamble (P&G) and Unilever to find better ways of working together in areas of common interest, such as improving supply chain efficiencies and developing better merchandising in stores.

Eight years ago, it set up a working party to learn from 'best in class' companies such as Dell, Hennes & Mauritz, Nike and Yahoo! from

outside the packaged goods industry. The working party (including representatives from leading companies such as Tesco, Albert Heijn/Ahold, P&G and Kellogg's) then went one stage further to ask: 'What underlying consumer trends have these successful companies responded to?'

COMPANY RESEARCH IS INEVITABLY TOO NARROW

When they looked at their own internal research they realised just how narrow most of it was. Most market research is commissioned by a particular company to address a particular problem, and never strays far from this remit. Its real aim is to solve the company's immediate problem, not to discover the consumer's agenda. It's extremely useful if you want to know whether your widget should be pink or blue, but not particularly helpful if you want to understand deep, longterm consumer trends.

So the working group initiated a massive research project: simply ask 2000 consumers what matters to them in their lives as consumers – in open-ended discussion – and see what comes out.

The research, by Roland Berger Strategy Consultants, produced a massive databank of attitude statements which were boiled down to a bank of 80 or so statements that summed up the key points from the open-ended interviews. These 80 statements in turn, tended to cluster together to reveal 19 core 'values' which most people either identify with or positively reject in their lives.

Elaborate as this research project was, it still fell prey to a problem identified by Yankelovich. Advanced statistical techniques displaying great 'technical virtuosity' are all very well, but the outcome is often unusable. Managers don't understand them or are suspicious of them. Practical 'Monday morning' conclusions are elusive.

MAINSTREAM VALUES VS FRINGE VALUES

So the group took another look at the data and noticed two things. First, some values are widely embraced by a majority of consumers, others by minorities: mainstream versus fringe.

Second, if you compare all the answers to all statements across the total sample, some values tend to be 'close' to each other (i.e. they tend to be embraced in clusters by the same people) and others are 'distant' (if a person embraces value A, he is statistically unlikely to also embrace value B). The researchers realised it was possible to turn these relative statistical 'distances' into a visual 'map' (See [Figure 1](#)).

This map places commonly held values such as 'quality' and 'service' in the middle, with less commonly held values (such as 'Thrill & Fun' and 'Customised' on the edges. It also places values that tend to be held together close to each other, such as 'Fair' and 'Nature', while values that tend not to be held together are placed far away from each other (e.g. Thrill & Fun, and Total Cost).

While the number crunching necessary to do this is awesome (multidimensional scaling analysis) the resulting visualised picture is very easy to 'see'. [Figure 2](#) shows, for example, the values profile of two different individuals. Light grey areas show which values that individual embraces more positively than the average in the sample – with each contour line indicating a degree of statistical significance. Dark grey areas show which values that individual rejects more strongly than the average, again with contour line indicating a degree of statistical significance.

VISUALISING VALUES

[Figure 2](#) shows how this profile is used to visualise a mountain of data so that anyone can grasp its core message, in an instant. The figure shows the values profiles of two very different individuals who we have called Hans and Mike. The light grey areas show the values that the individual positively embraces (where 'positive' is compared to the other individuals in the sample).

The more 'contour lines' it shows, the more strongly committed the individual is, with each contour line representing a degree of statistical significance. The dark grey areas highlight values that the individual positively rejects. A white area shows that when it comes to these values the individual is perfectly representative of the sample – he or she doesn't stand out as caring more or less than the people he is being compared to.

In this particular case, both Hans and Mike are positively attracted to the value '24/7 Protech' – which means they are keen on the latest technology, interested in scientific innovation, want quick and efficient access to information, and favour 'cold' transactions.

But there the similarities end. For Hans, issues such as 'Quality' and 'Service' are important, as is concern for the environment. He's positively turned off by the adrenaline-seeking, risk-loving value of Thrill & Fun and related values such as Carefree, Vitality and Passion. Mike, on the other hand, lives for these values while also keeping a sharp eye out for best value. He's also positively irritated both by altruistic concerns for fairness and the environment and for boring, traditional priorities such as quality and service.

HOW VALUES ARE REFLECTED IN BRANDS AND MARKETS

In this way, a picture of each individual's driving values can be identified in a statistically robust way. But that is only the beginning. This information can be used to throw new light on brands and markets.

Once again, our number crunchers went to work. The first thing they did was to statistically aggregate data from many different individuals, to compare the values of users and non-users of specific brands.

[Figure 3](#) shows some examples from Germany. BMW buyers are positively 'pro' values such as 24/7 Protech, Personal efficiency, Service, Quality Proven, New & Cool and Passion while positively rejecting values such as Nature, Fair, Pure, Smart shopping and Total cost. Users of Aldi, the hard discount grocery chain, embrace almost the exact opposite values.

By mapping the values of actual users of brands, it is possible to build a picture of each brand in the market, profiled not by the functional attributes of the product or service concerned, or what its marketers like to think their brand stands for, but by the values of the people who actually buy it. This is called the brand's 'actual values proposition' because, like it or not, this is the brand's actual performance in the marketplace. This is the profile of the people the brand is currently successfully attracting.

These values profiles identify target markets more clearly. By grouping individuals with similar profiles together, patterns emerge. Some groups coalesce around some clusters of values; other groups coalesce around other clusters. These clusters are called 'archetypes'. And drawing on questions about age and income reveals a picture of the nature and economic value of each archetype.

EIGHT MAIN CONSUMER ARCHETYPES IN GERMANY

Thus, [Figure 4](#) shows the eight main consumer archetypes in Germany with archetype names that have been invented to describe their main attributes. For simplicity, the values names are not shown, but they have the same positions as previous figures. The Maximalists archetype accounts for just under 14% of the population. Their average age is 35 (a relatively young group). They tend to be male (56% vs 44% female), and more likely to be single. Of those that are married, they tend to fall into the 'double income no kids' category; they are the most affluent archetype.

Minimalists on the other hand account for about 9% of the population, have average income and an average age of 42. They are dutiful types, rejecting status symbols and living by the motto 'less is more'. Humanists meanwhile account for 16% of the population, are highly ethical and sceptical of the benefits of new technologies, with an average age of 50. They have below average income.

HOW ARE VALUES-BASED SEGMENTATIONS USED?

The results are more than intriguing: they are extremely useful. The data can now be used to guide every aspect of brand decision-making from identifying desirable changes to brand propositions (to appeal more or less to certain values groups), to identify innovation opportunities, to reorganise brand portfolios, to judge advertising creativity and even plan media buying.

What's more, the fact that the whole process is data-based helps create a common language that unites all parties, including accountants and marketers. And the fact that the results are so visual makes it easy to discuss and communicate, whether it is at the level of strategy formulation or the finest detail of execution.

THE RULES FOR ROBUST SEGMENTATION

From the experience gained so far, it looks like some general rules for robust segmentation processes may be emerging.

1. First, the segmentation needs to embrace all the dimensions of consumer reality – emotional, functional, economic, etc. – in a way that can be 'joined up'.
2. Second, it needs to be data based.
3. Third, these data must have a firm centre of gravity: the 'ultimate building blocks' of markets – individuals, not products or brands or aggregated groups of individuals. Hard, irrefutable data are essential to win credibility among all factions, and for the many practical applications that are needed.
4. Fourth, the data must be modular so that they can be aggregated, sliced and diced at will, and 'attacked' from any angle for any purpose.
5. Fifth, the data also need to be 'taggable' so that, say, demographic, income, propensity to spend or media viewing data can be appended as another data field to each individual's statement bank answers. One of the benefits of the profiling approach is its ability to turn 'soft' emotional values into hard, taggable data via the scoring of answers to the statement bank.
6. Because it is taggable it should also be 'drill-downable' so that different users can interrogate the same data banks for different purposes; so that the finance director can ask 'What is the relative economic attractiveness of these different segments?' and get a useful answer, while the media buyer can ask 'What are each of these segments' distinctive media habits?' and get an equally useful answer.
7. Even though the actual statistical analysis at the heart of the process may involve a good deal of rocket science, it must be 'visualisable' so that anybody can immediately and intuitively 'see' what we are talking about, without their head spinning from jargon, getting drowned in data or wrestling with arcane concepts they don't understand.
8. It provides a common language. When the finance director and the media buyer talk together, they can point to the same picture and be confident they are talking about the same thing. Only if the data are visualisable in this way can they act as a common language that brings the various silos together.

CONCLUSION: TOWARDS MORE 'JOINED-UP THINKING'

Over many years many different silos have grown up in marketing: the advertising agency and its creativity and emotional empathy; the database marketer characterised by precision and analysis; finance with its preoccupations; product development, and so on. Perhaps one of the reasons we find segmentation so hard is because we have segmented ourselves so much.

When we 'focus on the consumer' we see different aspects of the same reality depending on where our starting point is. Segmentation thus has a nasty habit of rebounding inwards. To make a positive contribution, segmentation needs to overcome, rather than exacerbate, this tendency.

ACCOR HOTEL GROUP

By identifying which values archetypes it wanted each brand to attract, Accor, the hotel group, used values analysis to clarify and redefine its various hotel brands. For example, it repositioned the Dorint-Novotel brand to woo 'performers', who value personal efficiency highly, changing its product offering accordingly: introducing automated check-outs, car hire facility, 24-hour food, wireless computing availability, and so on.

In contrast, it repositioned its Dorint-Sofitel brand to appeal to values such as Passion, Classic and Customised. It addressed these values by introducing more experienced concierge staff, fine art on the walls, fine wines in its restaurants, real fires and a live piano in the reception area, a library, etc. By understanding clearly which values it wanted its brands to appeal to, it knew what changes to make to each brand's proposition.

ROCHE DIAGNOSTICS

Roche Diagnostics used values analysis to sort out its brand architectures and global brand strategies. Roche produces a wide range of medical diagnostic equipment for use in a variety of medical conditions. It had developed different brands for each line of equipment, but was surprised to discover that the values held by these brands' users were very similar.

While some rival brands attracted technology innovators or low-cost alternatives, Roche brands attracted users committed to values such as Proven and Quality. Roche used this understanding to create one, single umbrella brand for all its equipment in these areas (such as the Affymetrix AmpliChip pictured), with a much clearer focus on product attributes that address these values: reliability, clear and understood processes, and so on.

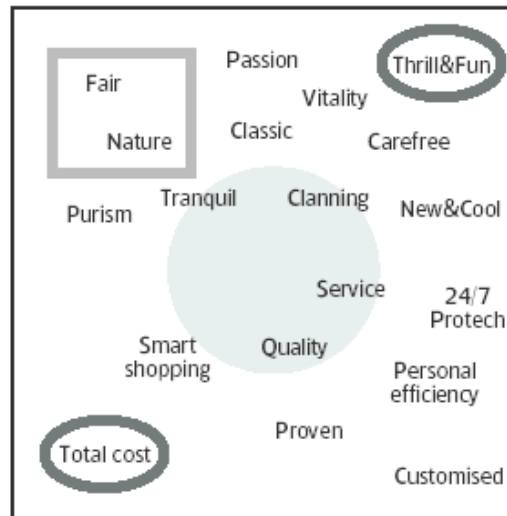
This article is based on Moment of Truth: Redefining the CEO's Brand Management Agenda, by Andreas Bauer, Bjoern Bloching, Kai Howaldt and Alan Mitchell, published by Palgrave Macmillan. www.palgrave.com

NOTES & EXHIBITS

FIGURE 1

CONSUMER VALUES

A map showing the 19 core consumer values identified by research. Central values are common, mainstream values. Those on the edge are minority, fringe values. Values that are close together (e.g. in the box) tend to be held by the same individuals; values that are far apart tend not to be held by the same individuals (oval circles).



Source: Roland Berger Strategy Consultants

FIGURE 2

VALUES PROFILES OF TWO INDIVIDUALS

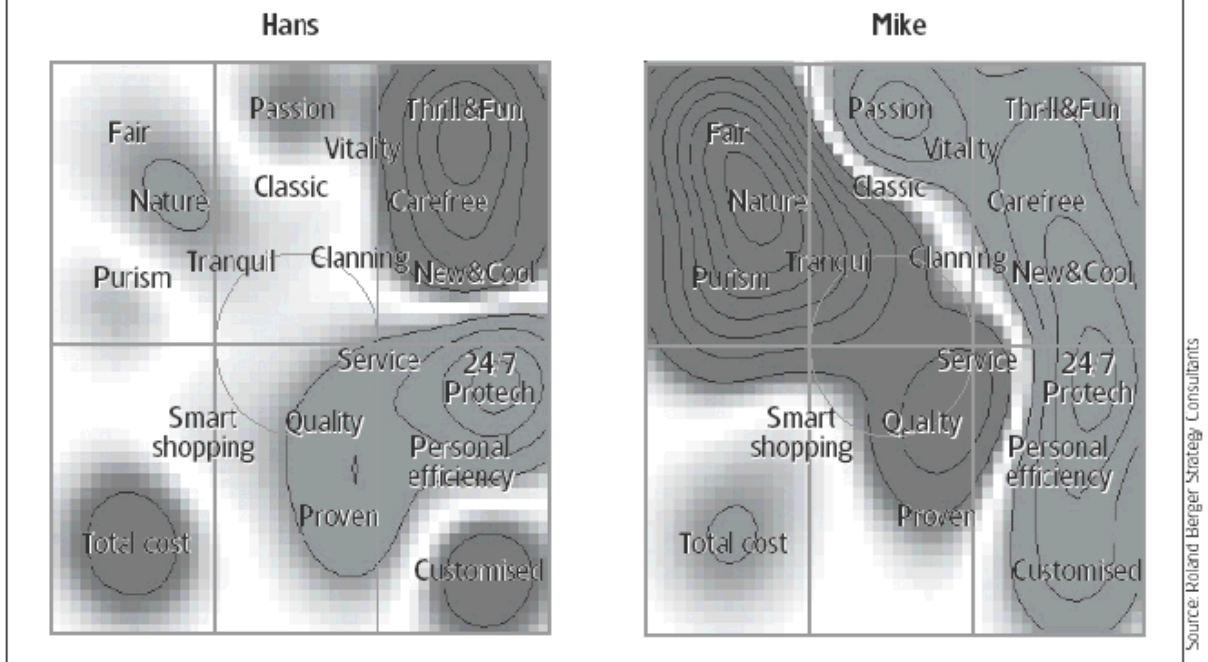


FIGURE 3

TWO BRAND VALUES PROFILES CONTRASTED (GERMANY)

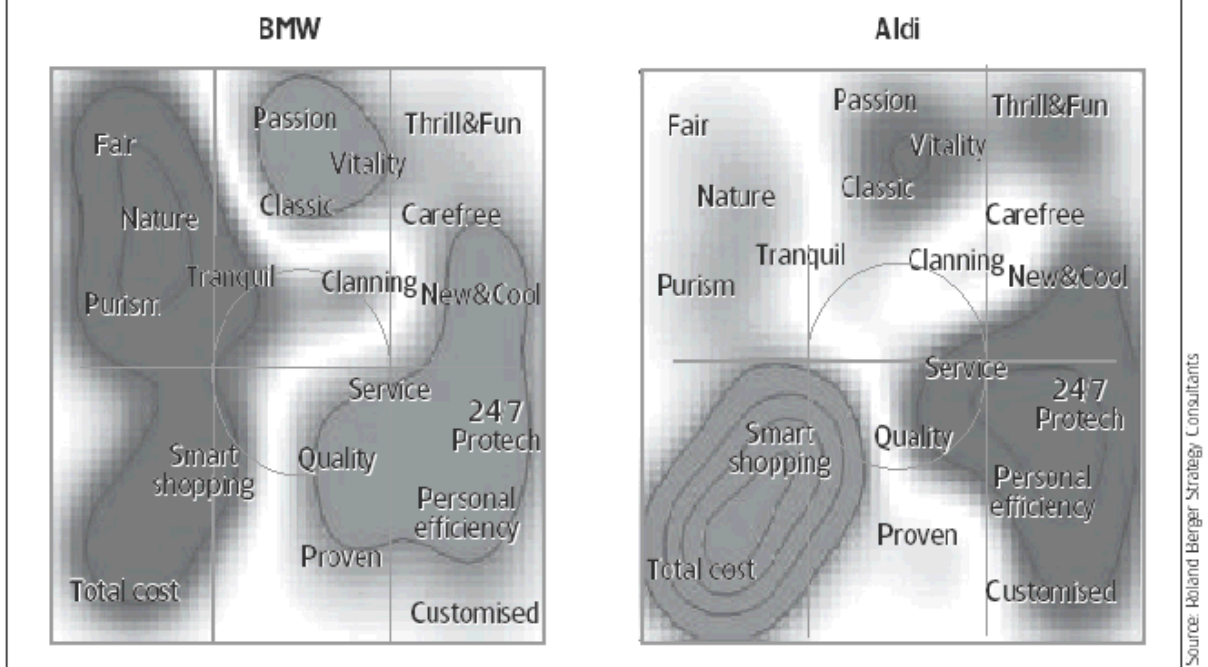
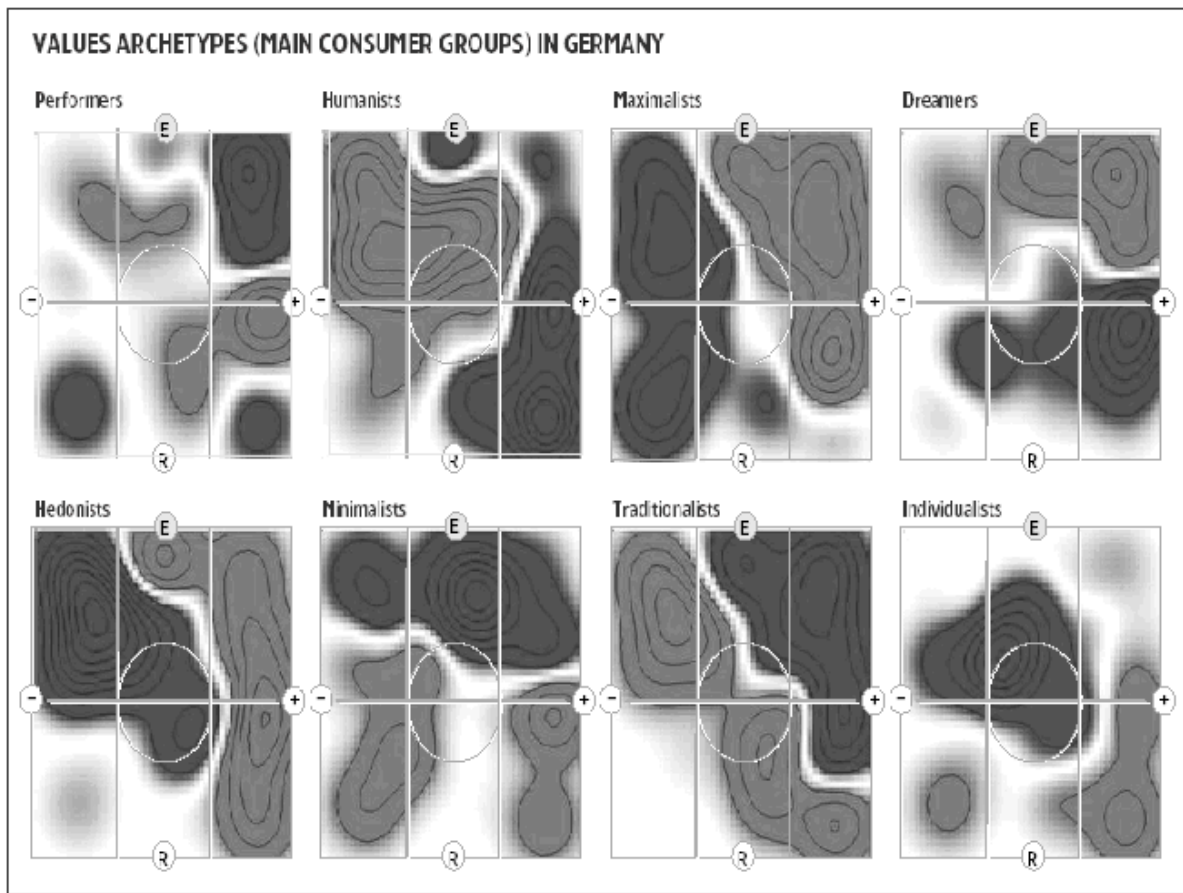


FIGURE 4



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