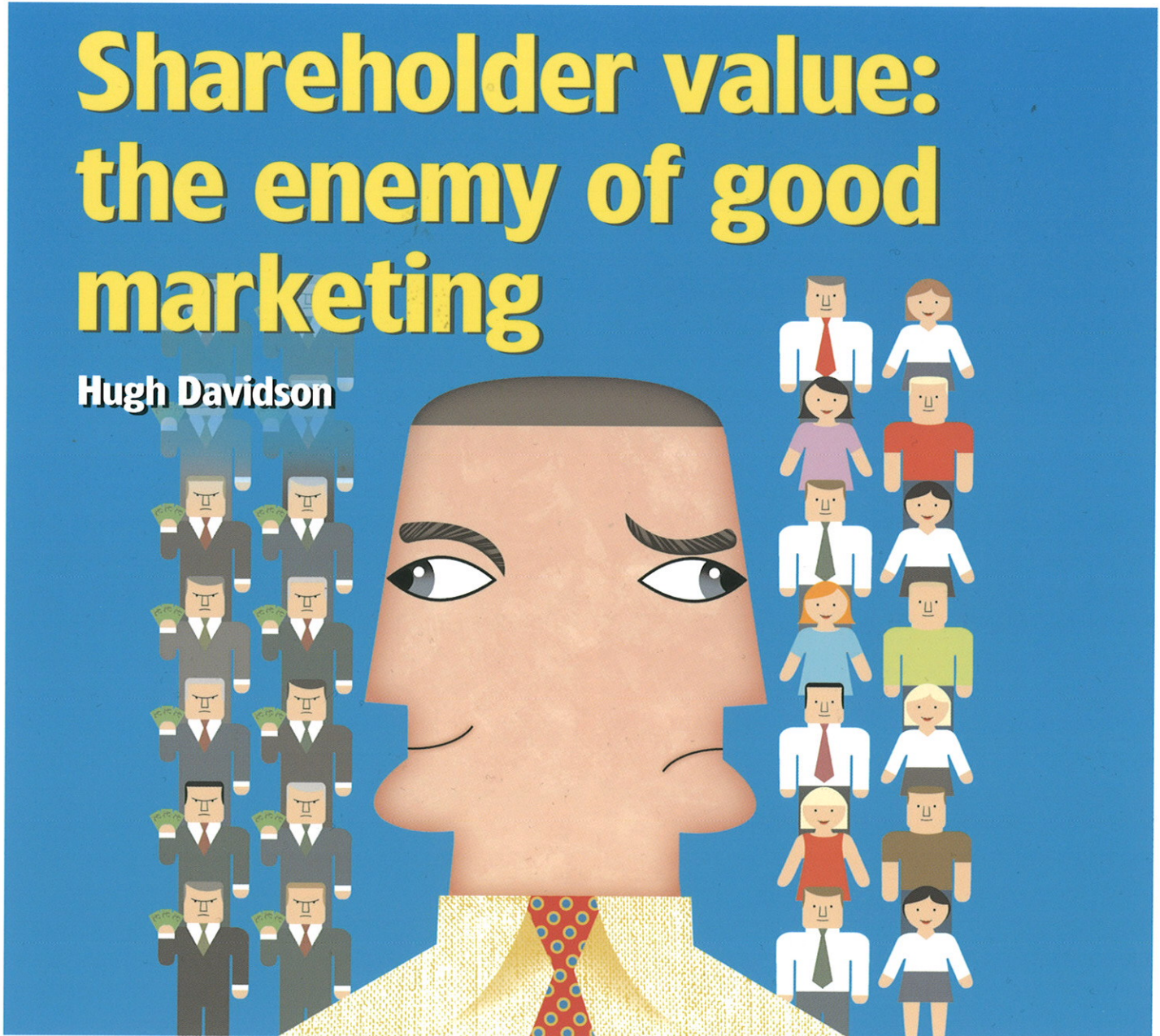


# Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

## Shareholder value: the enemy of good marketing

Hugh Davidson



John Gerzema and Edward Lebar analyse a 'brand bubble'

Adam Morgan reveals how market leaders can become challenger brands again

Sustainability spurs innovation say Laura Mazur and Louella Miles

Nigel Hollis explains why global brands need to embed themselves in local culture



## Morris dancing to Norwich may not be the best way to build your brand

[Jeremy Bullmore](#)

I don't suppose you remember William Kempe. He was very famous once. Between 11 February and 11 March 1600, he morris danced all the way from London to Norwich. For a short while he was known as the Nine Days' Wonder and after that he wasn't known at all.

You don't need me to explain to you why it's difficult to compile a definitive list of things and people who've been totally forgotten – but that shouldn't lure us into believing that only the things and the people we can remember are those who have ever existed. The list of those forgotten, were it ever possible to compile, would be many millions of times as extensive as the list of those remembered. If we could only remember some of the things and people we've forgotten, we'd be able to draw extremely valuable lessons from them: not least about advertising and marketing.

It's slightly easier with people, of course. Obituaries serve the extremely useful purpose of reminding us of those we'd completely forgotten; though rather too late to do much about it. But there are no obituaries for brands – so we're never reminded of those that have gone; and that's a pity.

The first media person I ever met introduced me to the hot media debate of the time: drip versus burst. It's probably still the hot media debate of the time. It was coloured then – and perhaps still is – by a preoccupation with advertising recall rather than brand recall. But the great unanswered question was this: was a client's advertising money better spent on great big, dominant splurges or was it better spent in a more or less constant trickle?

If we take William Kempe as an example, he seems to have dominated the news for no more than thirty days. His publicity campaign was extremely intensive but short-lived. He was a burst man. And he's now been forgotten (except by me) for 409 years. Anyone investing in William Kempe as a brand would have been deeply disappointed.

I can't, I'm afraid, for reasons I've already touched on, refer you to the top 100 brands that have now been completely forgotten. Just take it from me that they exist – or more accurately, did. I can, on the other hand, remind you of one common factor of the top 100 brands that are still alive – and that is a kind of fame.

I'm not talking about instant celebrity here. These brands have never been Susan Boyle. They lurk in an apparently but deceptively permanent place in our subconscious, ready to surface when occasion demands. A name, a pack, a logo, a need ('I'm hungry,') is all that's required to release a quite astonishingly rich and complex set of associations. These brands are not just famous: they're famous for being themselves. And, by definition, uniquely so. Each is famous for being itself and nobody else.

Despite claims to the contrary, brands don't need advertising to become brands. Universities, cities, newspapers and football clubs seldom advertise but all undeniably enjoy brand values. But most product brands and service brands depend on some form of publicity to fuel their brand personalities – and, crucially, to keep them topped up.

Left unattended, all fame fades. It may not fade as quickly as that of William Kempe and other forgotten nine-day wonders but the process is inexorable and inevitable. Two months ago, I could have named, unprompted, at least a dozen Members of Parliament who seemed to have been excessively creative in the interpretation of their entitlements. The Telegraph's campaign of revelations lasted for weeks: yet today, already, I can remember only a handful. Left to itself, like a suntan, all fame fades.

For work-a-day brands in repeat purchase markets, advertising's most important role is almost certainly the maintenance of brand fame. The nature of that fame, it hardly needs to be said, has to be designer-right for each brand and each brand's users. It has to be prevented from drifting into premature middle age and continually modified in response to the mood of the times and the behaviour of competitors. It's a classic Forth Bridge exercise in maintenance: not particularly glamorous, never fully completed but utterly essential for the preservation of the structure.

A great many of today's big and profitable brands owe their profitability, at least in part, to an unbroken programme of advertising that stretches back fifty years or more. The tone, the singular voice of that advertising has left a priceless legacy – even though the individual advertisements that served as its messengers will almost certainly have been long forgotten.

There's a value to good advertising that transcends ads. It's a perfect illustration of how the whole can be greater than the sum of the parts. Our fascination with ads sometimes blinds us to this truth.

The vast majority of creative awards honour individual advertisements. Personal standing in the advertising village is largely derived from an association with individual ads. Individual ads can be screened, shown, reproduced, quoted. Individual ads can catapult people and agencies and marketing directors into dizzy new heights of fame and fortune. Once upon a time, just about the only individual advertisement that might have hoped to achieve exposure way beyond its original, paid-for appearance would have been a Guinness poster on the wall of a JCR. Today, outstanding, blockbuster ads – ads that belong more to the burst school of thought than the drip – can attract a further online audience of millions.

But not all do and not all will. Some will be like William Kempe: morris dancing all the way to Norwich. Stunts have always played a part in publicity campaigns and rightly so. But very few stunts can return as much to a brand as a well-crafted ad. Don't be misled by the column inches. Too many are nine-day wonders, soon forgotten and contributing little or nothing to that reservoir of good will that makes good brand advertising, in good times and bad, worth a great deal more than the money it costs.

None of this is to belittle great ads. I'd just like to get a campaign going that belarges great advertising.



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## Managing brands in recession: a CEO responsibility

[Chris Halliburton](#)

Unfortunately, the value of brands, both in the consumer's mind as well as on the balance sheet, is not always reflected in the time and attention given by many companies' top management. In a recent EIU study, 'Guarding the Brand', the senior executives ranked the corporate brand as the third most important corporate asset after human capital and an established customer base. However, worryingly, only 40% of the sample felt that senior executives 'paid only lip service to brand considerations'

Brands are arguably the key assets that a company possesses and they should therefore be a top-priority for senior management and not seen as something left solely to the marketing department. They represent the embodiment of a company's differentiation and positioning. For service businesses, the organisation and its people are the brand. So in a downturn it is even more crucial to maintain, and if possible to build, brand equity – as President Obama's Chief of Staff put it: 'You never let a serious crisis go to waste ... It's an opportunity to do things that you could not do before'.

So the key question is: Who will be the winners following recovery? There are three key lessons from past downturns, all of which require dedicated CEO involvement.

First, the temptation to cut marketing investment in an attempt to be 'leaner and fitter' should be challenged – can lead to emaciation and eventually failure.

Companies often make cuts across the board, especially where it is 'easier' to make short-term cuts such as R&D, training and yes, in marketing, but these are the value-creating activities which drive long-term equity. Cuts may also result from a blind application of a marketing budgeting process based on a percentage of sales or some other standard procedure. This can lead to a vicious circle of falling prices, lowered quality levels and further reductions in marketing investment. If you have to make cuts then this should not be across the board but through a careful analysis of marketing objectives and priorities and by cutting less productive activities and less profitable markets and customers, replacing them with specifically targeted activities.

UK food retailers have been shrewd in responding to the downturn with 'meal deals'.

Even at the upper end, Waitrose has launched its Essentials range, which has shown recent growth. Sainsbury's was the overall Marketing Society winner this year for its 'Feed your family for a fiver' campaign which built upon the 'Try something new today' campaign. This was based on research that showed a consumer perception that Sainsbury's was more expensive than its rivals at a time when shoppers were reducing their budgets, buying more on promotions, trading down and cutting back on convenience foods. The resulting campaign helped to reposition Sainsbury's, and numerous metrics show that it has reversed its misfortunes.

Working smarter and using more of a 'judo' metaphor to make your budgets work more effectively is another response. This can be through greater use of 'guerrilla' methods, word of mouth, digital marketing or by doing the unexpected. It can also be turning a possible weakness, to an advantage. For example, McDonald's used the famous 'McJob' negative perception ('a low-pay, low-prestige, low-dignity, low-benefit, no-future job in the service sector') to run an internal branding/HR/communications programme with their employees based on independent research. The results have been substantial with positive internal impact on employees and on their market position.

Second, there is an even greater need for focus – on clear brand positioning and across the brand portfolio.

Today there are too many brands and too many products chasing too many consumers. Consumers also have increasing buying power and much better information than in the past as a result of communications technology, globalisation and higher marketing sophistication. Younger consumers do not appreciate being 'marketed at' and are suspicious of traditional marketing communications, often creating or preferring their own word of mouth or community exchange.

The result of all of this is brand fragmentation, frequent lack of brand focus, and a dilution of marketing resources – i.e. failure to put enough 'muscle' behind a focused range of brands. This is why many of the big consumer goods companies such as P&G, Diageo, Danone and Unilever have been 'pruning' their brand portfolios and concentrating their investment on so-called 'power brands'.

Successful brands occupy a strong position in the consumer's mind, which is where the crucial battle takes place – consumers own the brand in this sense. In the strongest cases this can even be reflected in everyday language, for example (in English at least) Xerox; Kleenex; Scotch tape; and nowadays 'to google' has become a verb.

Strong brands should exemplify a clear value proposition – Volvo stands for safety, BMW for driving pleasure, and Mercedes for engineering. In retailing, Tesco's focus on customers is absolute. Its core purpose 'to continually increase customer value to earn their lifetime loyalty' – is not just another bland mission statement but something which runs right through the whole organisation. For example, constant customer question times and spotlights, employees as customer champions, doing 'small, simple, helpful, relevant things' for customers and instilling the marketing discipline from the CEO to the checkout staff.

In this sense, the brand embodies the strategy for the business or product and so the brand strategy should be integrated within the

overall strategy for the business

Third, get the branding basics right – maintain trust with the consumer and remain authentic and honest.

Trust has become a particularly salient value in all markets not just in finance. Especially in a downturn, consumers will be loyal to brands they can trust. The young, particularly have become sophisticated critics of marketing hype and are quick to spot conspicuous fakery or unethical practices. Heritage stories are particularly beneficial and it is the CEO's job to ensure that this story remains central to the brand and company's position.

I worked as adviser to the Caterpillar footwear brand, which was hugely successful in the 90s with fashion-conscious European teenagers who related to the authentic American origins of CAT's construction company heritage – work-wear, rugged, industrial, 'walking machines'. Likewise, Levi's was built upon its cowboy origins, Timberland on the outdoors and Nike on athletic performance. This also means fair pricing, not low pricing necessarily but true value for money. Or it could be based upon innovation (Nokia, Nintendo) or service.

So, in conclusion, it is vital in a downturn – when it is easy for companies to become distracted by adverse market conditions of one form or another – for strong CEO involvement to manage their brand equity as a key strategic asset and to nurture it with care.



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## Shareholder value: the enemy of good marketing

[Hugh Davidson](#)

Rather than challenge shareholder value (SHV), marketers have tried to adapt to it, with unfortunate consequences. SHV affects everything marketers do, striking to the heart of questions like:

- Why are most companies run for the short term?
- Why are so few truly customer focused?
- Why doesn't marketing feature on most boardroom agendas?

That's why it's important for marketers to challenge SHV, and replace it with something better. SHV is bad for marketing because:

1. It views the shareholder as the only constituent, treating customers, employees, and communities as minor players. This reflected Milton Friedman's dictum that 'the managers' sole responsibility was to make money for shareholders'.
2. As Jack Welch, former CEO of GE, says, 'Shareholder value is a result, not a strategy ... your main constituencies are your employees, your customers, and your products'.<sup>1</sup>
3. CEOs and boards have become obsessed with short-term financial results, to feed the SHV concept: 'Boards devote nine times more attention to spending and counting the cash flow, than to wondering where it comes from, and how it can be increased.'<sup>2</sup>
4. As a result, longer-term innovation, and brand building are stifled. In every down-turn, with metronomic regularity, companies cut marketing, capex, R&D, and people development, despite convincing evidence that this destroys long-term value.

### HOW SHV STARTED AND WHY

Alfred Rappaport expounded the original principles of SHV in the early 1980s.<sup>3</sup> His version emphasised long-term economic value rather than short-term accounting earnings. The key principle of SHV was that companies were to be run for the sole benefit of shareholders, the owners.

SHV was a reaction to poor asset utilisation in previous decades. In earlier days, it had a positive effect, encouraging a leaner operating style.

### THE ABUSE OF SHV

SHV 'didn't start perverted, it became perverted'.<sup>4</sup> Many of the corporate disasters of the past decade were due to this.

The main cause of abuse of SHV was the development of share options as the major part of senior executive remuneration. In 1960, 2% of senior executive pay was tied to stock options.<sup>5</sup> Now most of it is. In theory, share options would align the interests of owners (shareholders) and senior management.

It didn't work out that way. Many companies became managed for short-term share price gains, enabling senior management to capitalise their share options quickly. Financial Directors became expert at massaging accounts; advising how to cut people and investment to inflate short-term results; and exploiting leverage, securitisation, and derivatives.

A 2005 study of 401 financial executives revealed that 'a startling 80% of respondents said they would decrease value creating spending on R & D, advertising, maintenance, and hirings, in order to reach benchmark earnings'.<sup>6</sup> Auditors were passive, often with conflicts of interest. This was not what Rappaport had intended.

### GOOD PROFITS AND BAD PROFITS

Today's SHV does not differentiate between 'good' profits, which are genuinely earned, and 'bad' profits, which are manipulated.

'Good' profits are earned by sustained effort, through raising productivity, improving customer value, wise investment, innovating, and developing people's skills. P&G, Apple, and Google produce 'good' profits.

'Bad' profits involve financial manipulation by legally 'cooking the books',<sup>7</sup> and mortgaging the future for short-term gain. Enron, and WorldCom were extreme examples of this.

## RESULTS OF SHV ABUSE

Rappaport recently commented: 'I kept saying long-term, long-term, long-term ... to me SHV was not about an immediate boost to stock price'.

Equally, Jack Welch was not doing a U-turn in recently saying SHV was 'the dumbest idea in the world'.<sup>8</sup> He was referring to the perverted version of SHV that is practised today. The consistently improving share price of GE during his leadership was the result of ruthless market focus; creating profitable service businesses; rigorous cost control, and people development.

The first wave of SHV casualties – including Enron, Tyco, Global Crossing, Sunbeam, Marconi, and WorldCom – devastated shareholders, employees, and some customers. The second, mainly in financial services, the arch exponents of SHV, adversely affected almost every living person.

These extreme examples are the tip of the iceberg. Modern SHV stifles long-term value creation, and frustrates good marketing. It has not even been a success for shareholders – the FTSE World Index has generated less than 1% a year cash return over the past ten years. The USA and UK, which took SHV to excess, were the worst performers, and actually declined.<sup>9</sup>

If shareholders, employees, and customers have not benefited from SHV, who has? CEOs and senior managers, especially in USA and UK; Fund managers and investment bankers. They remain the most vocal supporters of SHV.

## MOUNTING CRITICISM OF SHV

Influential and long-standing critics of SHV, as practised today, include John Plender, John Kay, Stefan Stern, and Michael Skapinker, all of the *Financial Times*; Robert Bruce, accountancy columnist for *The Times*; Professors Samantha Ghoshal of LBS, J. Pfeffer of Stanford; Mark Goyder of *Tomorrow's Company*; many CEOs, and, not least, Peter Drucker.

An anti-SHV movement is developing among MBA students, led by Harvard, a reaction to the leading role some of their predecessors played in pursuing it.<sup>10</sup>

## SHAREHOLDERS – 'WHO ARE THOSE GUYS?'<sup>11</sup>

SHV is about 'shareholder first'. But why do shareholders deserve such privileged treatment?

Do they provide capital? Yes, but there are cheaper ways to raise it. Do they add value to strategy or performance? Rarely. Do they make shareholders' voices heard? Sometimes, faintly. Are they committed to the company's long-term future? Rarely. Do they have conflicts of interest? Often.

Today's shareholders are primarily pension funds and fund managers. In theory, they represent the interests of millions of individual pension holders and investors. In practice, they are unconnected to them, and operate in the shadows of Wall Street and the City. Lord Myners described them as 'Absentee Landlords'.

Pension fund managers focus on satisfying their Trustees. Fund managers concentrate on 'performance' – though they rarely achieve it. Both have short-term perspectives. They may also have conflicts of interest, since their companies often have multiple relationships with corporate clients. In acquisitions, they frequently own shares in both the acquiring company and the target. So which shareholders do they represent?

Long-term commitment? 50 years ago, the average holding period for shares was eight years. Now it's less than one year. For some stocks, below 30 days. By contrast, employees stay with companies for six years, and some customers remain loyal for decades.

And how does short selling of shares fit into SHV theory? In short selling, the shareholder rents out shares to third parties (e.g., hedge funds), which expect to profit from their decline. Shareholders doing this are profiting by betting against their own team.

Many so-called shareholders are no more than unresponsive intermediaries – speculators, to whom we give the rights of ownership.<sup>12</sup>

## THE GROWING IMPORTANCE OF OTHER STAKEHOLDERS

The economic importance of shareholders is declining, and the moral justification for their primacy is weakening. By contrast, employees, customers, and the community are increasing in importance. In most Western countries, over 70% of GNP is in services, where people are the product. There is a battle for talent at all levels. The same applies to customers. In fiercely competitive markets, gaining and holding customers is the most important and difficult task of all. *Good marketers view customers not as people to extract value from, but to add value with.*

The voice of communities, special interest groups, and the cynical public, is strengthening daily, aided by the internet, and social networks.

In a recent McKinsey study, 84% of executives and 89% of consumers believed that obligations to shareholders should be balanced by contributions to the broader public good, e.g., providing good jobs, minimising pollution.

Talent and loyal customers, not capital, are now the scarce resources.

## MARKETING'S RESPONSE TO SHV – ASSET BASED MARKETING

One specific marketing response was assetbased marketing (ABM), first described by myself in a 1979 series of articles.<sup>13</sup>

'Asset-based marketing is a supplement to, not a substitute for, customer orientation.

'Alongside the search to identify customers and understand their needs should run an examination of the assets of the company, and ways to use them more effectively in the market place.'<sup>14</sup>

Hamel and Prahalad's work on Core Competencies enabled ABM to be further extended. Effective marketers both delight customers and build long-term profits by 'converting company assets and competencies into customer value'.<sup>15</sup>

In the 1980s, there was some classic ABM, e.g., Lucozade, but good examples have since become rarer. In the past decade, ABM, like SHV, has become perverted. ABM's intention was to expand customer franchises efficiently, not to produce a welter of 'Me-Three' line extensions, which reduce efficiencies and add no long-term value.

## THE FUTURE IS STAKEHOLDER VALUE

Have all companies practised the short-term version of SHV? No. In Continental Europe, there has been consistent opposition. In the USA and UK, many leading companies with strong brands have delivered value to shareholders over many decades, by giving priority to *all* stakeholders. Examples include Tesco, Colgate, Nestlé, Johnson and Johnson, PepsiCo, FedEx, UPS, Kimberley Clark, Wal-Mart, and P & G. They have practised Stakeholder Value.

So have the better-managed family-run businesses that account for over 50% of the workforce in many industrialised countries. McKinsey/LSE's study of 700 family-owned companies in USA and Europe showed that the 36% operated by outsiders outperformed PLCs. Likely reason – family ownership enables professional managers to take a long-term view, unaffected by short-term earnings pressures.<sup>16</sup>

So can SHV be saved by returning to Rappaport's original concept? I think not. SHV retains a fundamental flaw – giving primacy to shareholders, above all other stakeholders.

Shareholders provide the capital. Others maximise its long-term value.

## PRINCIPLES OF STAKEHOLDER VALUE

The term 'Stakeholder Value' (STV) is not new. It was popularised in a book by Edward Freeman, published in 1984. Much of STV writing is theoretical, including attempts to combine it with the original SHV concept. A modern theory of STV, incorporating learning from the last decade, is now urgently required. Plus a set of practical actions to turn this into reality.

To frame modern principles of STV, we need to answer questions such as: 'What is the purpose of capitalism?' and 'What's a business for?' Here's a start. The purpose of capitalism is to create wealth in a fair, open, and efficient way, to fund financial security and a reasonable quality of life for the majority (e.g., shelter, health, education, pensions, safety).

And the purpose of businesses? To efficiently deliver superior value to customers, through skilled and motivated employees, leading to long-term profitable growth.

Under Stakeholder Value, profits are the result of well-directed activities, and the reward for good performance.

The famous Johnson & Johnson credo, written by General Johnson in 1943, is probably the best statement of STV. And the purpose of STV? To stimulate the development of economic value, and to spread the benefits equably across all stakeholders who have contributed to its creation.

An STV business is a committed enterprise, built for long-term performance, with:

- inspiring vision and values
- clear and compelling strategies, consistently followed
- rigorous market, segment, and brand prioritisation
- consistent innovation
- superior customer value
- high employee morale
- tight cost control



- concern for all stakeholders.

## HOW TO APPLY STAKEHOLDER VALUE

This section is topline – details will be provided in my forthcoming book, *LISTEN!* (All suggestions welcome – I do not pretend to have all the answers.) As a start, here are five suggested changes:

### 1. Stakeholder Alignment

Stakeholders are people or organisations with an impact on long-term company success. They usually have conflicting needs, and companies seek to unite them through shared vision and values.

Well-run companies seek convincing answers to:

- Who are our main stakeholders?
- How do we prioritise them?
- How do we align their conflicting interests?

In a survey of 70 UK and USA company leaders, 50% considered shareholders most important, 33% customers, and 17% employees. Over time, the customer will become the number one stakeholder.

Few companies prioritise and align stakeholders effectively. A good formula for doing so is: *Committed customers + motivated employees = happy shareholders.*<sup>17</sup>

### 2. Customers on Boards

Employees and shareholders are represented on boards. Why not customers too? It's time to bring the fresh air of the marketplace into boardrooms.

How would the two customer directors be selected? By a randomly chosen panel of employees, and the director positions would be widely advertised.

What would their main responsibilities include? Reviewing company and competitive products and services; talking to customers and front-line employees; keeping track of market research, and initiating more; and, most importantly, getting customer issues discussed by boards. One customer director would automatically serve on the remuneration committee.

Who might become customer directors? Any qualified member of the public, with some knowledge or experience of the relevant markets, especially as customers. This change would probably increase the number of women on boards.

How would chief marketing officers (CMOs) work with customer directors? Closely. Unfortunately CMOs are rarely on boards, and few non-exec directors have backgrounds in marketing. Customer directors would be prime channels to the board for CMOs.

### 3. Employee Remuneration

All employees are stakeholders, not just senior management. However, in many companies, there is a 'Them' and 'Us' approach to both the scale and structure of remuneration. Many CEOs in the USA earn 200 to 300 times the average employee income, using opaque structures including bonuses, share options, golden 'hellos' and 'goodbyes', and so on. The UK is not far behind.

This is contrary to the values of STV – fairness, honesty, and openness. There is a case in equity for reducing differentials, closer to levels in Continental Europe; and for using the same structure of salary, performance bonus, and pension for everyone. Where bonuses include share options, the exercise period should be three to five years, to encourage long-term value creation.

Remuneration consultants will argue that this would cause a talent drain. This seems unlikely. In any case, it is questionable whether people whose primary motivation is money are best equipped to lead companies. Any possible loss of talent at the top would be more than compensated for by better teamwork at all levels.

### 4. Shareholder Loyalty Rewards

Today's high churn of shares is inconsistent with the concept of ownership. Customers get loyalty bonuses, employees often get longer holidays or more pay for longevity. Why not shareholders too?

A survey of pension fund trustees by the TUC found that 69% agreed with the statement: 'there should be incentives to hold shares for the long term.'<sup>18</sup>

One possible approach would be to make dividends and access to rights issues available only to shareholders with at least one year's tenure, and to use the resulting savings to fund loyalty bonuses for two- and three-year share retention.

### 5. Stakeholder Performance Measures

Company reporting focuses on shareholder not stakeholder measures, in particular P&L, balance sheet, and cash-flow.

Much useful work has been done on additional stakeholder measures such as market share; customer satisfaction relative to competition; employee attitudes and retention; investment as a percentage of sales, to include advertising, capex, product and people development (the I/S ratio); and contribution to the community.

Regulators have an opportunity to implement such measures, so evaluating returns to all stakeholders.

#### TIME MARKETERS LEAD THIS DEBATE

SHV has been very damaging to good marketing. The SHV debate is highly active now, since many see it as a dark presence behind the global financial crisis.

The debate is being led by economists, financiers, and business journalists. It's time for marketers and marketing bodies to join in. Their customer focus, and involvement with a wide range of employees, provide a unique and valuable perspective.

There has never been a better opportunity to press the case for Stakeholder Value, building an environment in which effective marketing will flourish.

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## The danger of a 'brand bubble'

[John Gerzema](#) and [Edward Lebar](#)

In 1841, Charles Mackay wrote his famous book, *Extraordinary Popular Delusions and the Madness of Crowds*, to describe various marketing phenomena. Of special note was his passage on 'Tulipmania', the madness that resulted from the Dutch aristocracy's craze for tulips which led to fantastical prices paid by ordinary people. At the height of the hysteria – a few months between 1636 and 1637 – the craze for tulips suddenly withered, leaving thousands of Holland's most successful businessmen holding worthless assets while the less affluent who had invested in the flower lost entire life savings over a bunch of dried bulbs.

Tulipmania might have been no more than a footnote in Dutch history were it not such a clear example of something that has happened time and time again around the globe over the last several centuries.

Financial busts stemming from the dot-coms, internet equipment manufacturers and subprime mortgages are but a few examples of recent market tumbles after which investors, like the Dutch and their shrivelled bulbs, were left with inordinate losses – continually proving that even the most intelligent analysts and savvy consumers can be every bit as susceptible to self-deception as giddy flower speculators in cloths.

A bubble is a curious thing. In hindsight, it seems so obvious and predictable, while anyone caught up in the middle of one is blind to its potential for disaster. In all bubbles, one constant always predicated a collapse. That is the optimistic assumption that someone else will always be willing to buy what you are selling, regardless of how irrationally high the price is relative to the bare facts of the product's underlying value.

### THE IMPENDING BRAND BUBBLE

Now, another bubble is hiding in our economy. This bubble represents \$4 trillion in S&P market capitalisation alone. It's twice the size of the subprime mortgage market and accounts for over one third of all shareholder value. Credible evidence suggests that financial markets think brands are worth more than do the consumers who buy them. The constantly rising valuation of major brands is creating a brand bubble, one that could erase large portions of intangible value in firms and send a shockwave through the global economy.

Figure 1 illustrates the typical value exchange between brands and consumers. In essence, the multiples that markets place on brand value overstate actual consumer sentiment, so the value creation that brands bring is greatly exaggerated. That is, Wall Street is long on brands; consumers are short on brands.

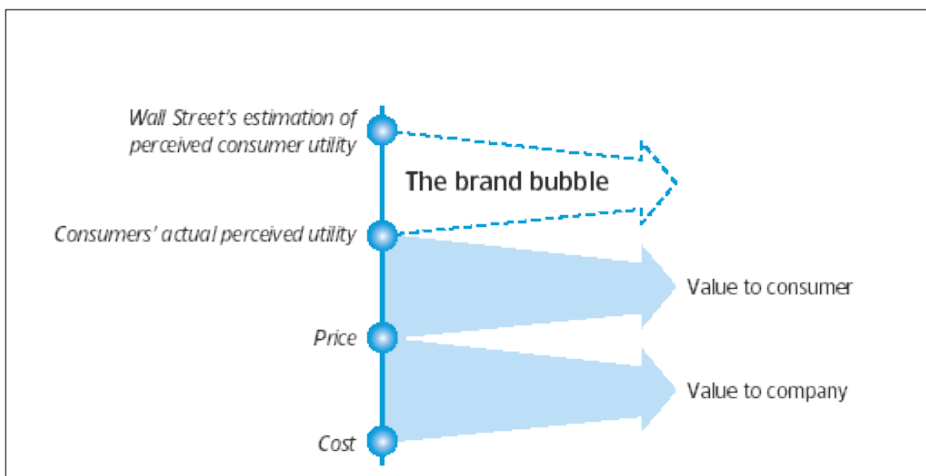


Figure 1: The Nature Of The Brand Bubble

Fissures are forming in the pillars of brand equity. This conclusion is based on our research of 15 years of brand and financial data from Y&R's BrandAsset Valuator (BAV), the world's largest study of consumer attitudes and perceptions on brands. Working with professors from several leading business schools, we've identified a growing divergence between brand valuation and brand speculation. Our data indicates that investors are irrationally over-valuing brands, and that if leading companies don't take steps to change their approach, more than a few of them might soon experience dramatic declines in market value.

Of course, this is not to suggest that some stellar brands are not genuinely outperforming the market and setting new standards in customer loyalty and financial performance. But in most cases, these are precisely the brands that serve as examples of what other companies must do to inject value back into their own brands. These are the brands consumers love, the ones that drive a company's stock beyond the estimates of financial experts.

The problem is these stellar brands are becoming fewer in number. In today's changing consumer climate, exceptional brands are just that – exceptions. Most of the brands lining our supermarket shelves, hanging from department store racks or touting their superiority on television are experiencing a rapid diminution of perceived value.

This warning about the prices of assets such as brands being in decline is, without doubt, contrary to what most people believe. Just as with equities and property in past bubbles, the market value of brands have been consistently rising for decades. Even in today's recessionary climate, brand valuations reports continue to proclaim consistently rising brand values each year.

How then is a brand value collapse possible? Thousands of brands have experienced large and long-term successes driving their corporate stock in a continuous upward pattern, enriching executives and investors alike. What exactly is the nature of this bubble? Are we talking about a simple market correction that will be forgotten in a few months or a year? And, if that is so, then why bother with it?

In reality, this is not a simple market correction. Our research foretells a significant loss of value for many brands that will jolt business and investors alike. Markets, being about expectations, have pushed brand values to unsustainable levels, where the earnings potential imputed to thousands of brands far outstrips their value to the consumer. These expected future cash flows that brands are expected to account for have grown to become a dominant force in driving total business value. But their future value is unsustainable when we uncover and analyse the true state of most brands today.

As CEOs search for future pathways to growth, their brands now account for a growing proportion of total enterprise value. This means their brands are making bigger promises of future earnings. So when future earnings are in question, it's more than a brand problem; it's a business problem.

Most of the discussion surrounding the tectonic shifts in the digital, consumer and media landscapes has been held at the marketing and brand level. By examining these phenomena through the lens of brand value, we can see how new consumer behaviours are causing widespread perceptual damage to the values of all but a handful of brands. Let's begin by examining the origins of the brand bubble.

#### THE WORTH OF AN ENTERPRISE IN INTANGIBLE VALUE

Every bubble presents an appearance of value that is eventually contradicted by reality. In the case of the brand bubble, it begins with the value business places on intangibles. In the last five decades, the intangible value of firms has formed a larger and larger proportion of overall enterprise value. In 2006, *Fortune* magazine conducted a survey indicating that 72% of the Dow Jones Market Cap is now intangible. Accenture estimated that intangibles accounted for almost 70% of the value of the S&P 500 in 2007, up from 20% in 1980. Brand Finance plc stated that the market-to-book ratio (market capitalisation divided by book value) of the S&P 500 grew from around three in the early 1990s to nearly 6.6 prior to the dot-com bust, dropping back to around 5.1 today, a growth indicative of a rise in intangible value (see Figure 2).

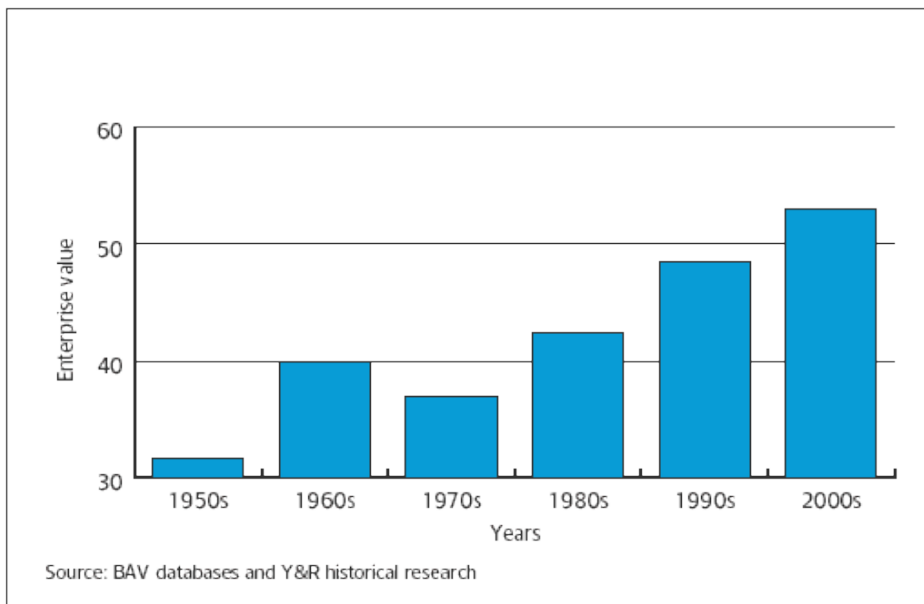


Figure 2: Intangible Assets Are Making Up A Larger Proportion Of Enterprise Value

#### BRANDS AS DRIVERS OF INTANGIBLE VALUE

While estimates vary based on sector and company, David Haigh also found that in some cases, brand value constituted the bulk of enterprise value. Nike's brand value accounted for 84% of its total company value. Prada's brand represented 73%. In 2007 alone, the aggregate value of the brands in the BrandZ Top 100 report increased by 21% to \$1.94 trillion, more than double the increase of the preceding year (see Figure 3).

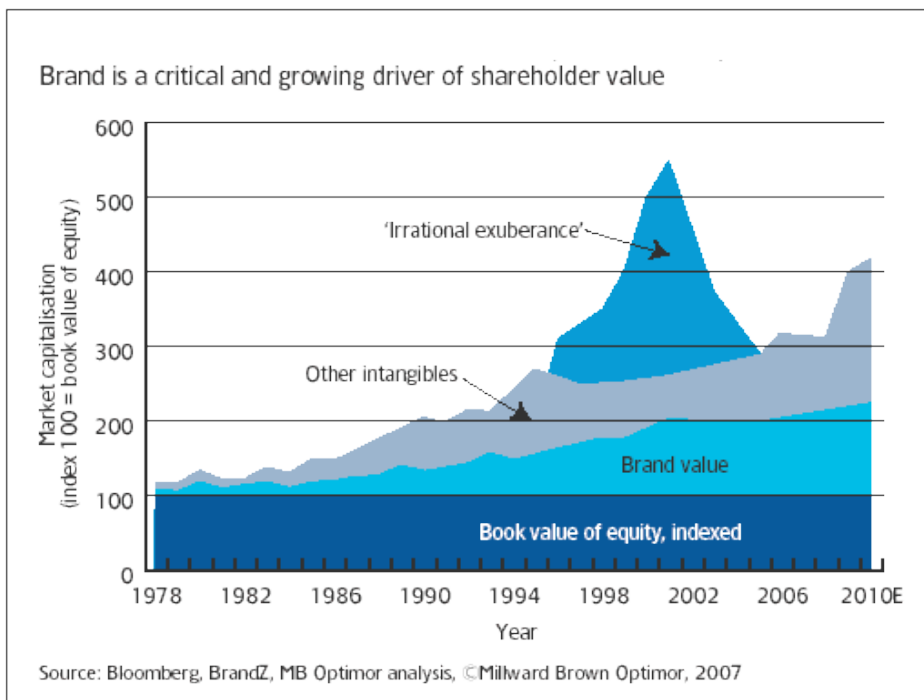


Figure 3: Market Capitalisation Of The S&P500 (1978–2010E)

#### SNAP, CRACKLE AND POP GOES BRAND VALUE

But as with Tulipmania, the belief that brands are worth so much is really only as sound as the credulity of the Wall Street investors, pundits and executives who are driving up market prices. Beneath their belief is another story.

The reality shows a precipitous decline in consumer respect and loyalty for brands. While brand value has been increasing, brand components that impact current performance have been decreasing. Lost in the discussion of new media, channel fragmentation and the digitisation of the world is the fact that the changing consumer landscape has hollowed out brand value.

To illustrate the basis for our prediction, we need to present the differences in brand metrics that drive intangible value and stock price versus those that drive current performance and sales. While these are both measures of the success of brands, they are based on different methods of assessment, which in turn lead to different results in evaluating a brand's future potential and sustainability. When the two measures correspondingly rise, a brand is achieving the results its management is working toward – growth in asset value and sales. But when the two measures don't jibe, there's something rotten in Brandville.

Since 1993 we've conducted extensive statistical and attitudinal research through our proprietary research tool, BrandAsset® Valuator (BAV). Working with leading academics and undertaking enormous waves of consumer studies, we've produced one of the most stable financial models for valuing brands and branded businesses in the world. Y&R has invested more than \$113 million to track 40,000 brands across 44 countries on more than 75 brand metrics.

Collectively, the information we obtain forms the world's most comprehensive and longest-running global database on brands. In 2004, we were examining the correlations between changes in various brand measures in BAV and changes in the future financial performance of companies. At the time, we were trying to measure how brands impact the current and future financial performance of their enterprises.

Much as meteorologists analyse the various forces of nature to assess which combination causes hurricanes, we began analysing many consumer variables based on our years of BAV data to see if we could tell which group of brand attributes came closest to explaining unanticipated changes in stock price, especially upward valuations.

We mapped 48 different brand attribute scores in BAV against the brands' stock prices, trying to pinpoint which combination of attributes created the greatest market movement. But while doing that research, we discovered an enormous anomaly, a huge gap in valuations.

While Wall Street has been bidding brand values ever higher, consumer perceptions toward brands are substantially eroding. To our astonishment, as we were not even looking for it, we found that the consumer ratings on four key classic attitudes toward brands – awareness, trust, regard and esteem – were tumbling!

According to the data, consumer attitudes toward brands were in double-digit decline. And this erosion did not pertain to just a few brands, but to thousands. We saw large numbers of well-respected brands that had, on average, lower scores on these metrics – results low enough that marketers would consider them indicative of 'commoditised attitudinal patterns.'

This discrepancy was enormously puzzling. We couldn't understand how brand values could be rising during this entire period when the data showed sharply falling consumer perceptions. If brand values were rising, why weren't the traditional metrics of brand equity as seen by consumers rising with them? The sane marketing professional would expect a positive correlation between brand value and the classic metrics of performance and sales. Instead, we found a significant negative correlation, as illustrated in Figure 4.

<i>Perception</i>	<i>Reality</i>
If brand value is increasing, so should brand trust.	<b>Brands are less trusted than ever.</b> Trustworthy ratings dropped almost 50% over the last 9 years.
If brand value is increasing, brands should be more liked and admired.	<b>Brands are less liked and respected.</b> Esteem and regard for brands fell by 12% in 12 years, and very few brands are widely regarded across the general population.
If brand value is increasing, brands should be better known.	<b>But brands are less salient than ever.</b> Awareness of brands fell by 20% in 13 years.
If brand value is increasing, quality perceptions of brands should be increasing as well.	<b>Consumers feel brands are less quality.</b> Brand quality perceptions fell by 24% over the past 13 years.
If brand value is increasing, more brands should be clearly differentiated.	<b>Brand differentiation declined in 40 of 46 categories studied by Copernicus/Market Facts.</b> And only 7% of prime time commercials were found to have a differentiating message.

Source: BAV 1993–2007 brand data. Copernicus, Jack Trout and Kevin Clancy

Figure 4: The 'valuation gap' according to consumers

This inconsistency became a burning incentive for our analysts to look around to confirm if our measurements and conclusions were sound. Sure enough, we found other market researchers around the world noting some early signs of the same brand meltdown. The Henley Centre highlighted an erosion of big brands beginning in 1999 in the United Kingdom. In their annual study of the 17 largest, most iconic British brands, 16 showed a decline in consumer trust.

In July 2008, we found further evidence of the bubble when we examined the highest-performing brands in BAV on the basis of their contribution to intangible value creation. In that analysis, we found an increasingly smaller number of brands accounting for a disproportionate share of the value being created.

While the aggregate contribution of brands to intangible value creation was once distributed fairly evenly across our database, now it's becoming more like the 80/20 rule: Consumers are reserving their devotion and dollars for a basket of truly 'irresistible' brands, leaving the rest to fight for existence on a hostile terrain of promotion and discounting. Fewer and fewer brands are actually creating the business value, leaving more brands on the bubble.

So that while Wall Street is happily running away with the idea that all or most brands are increasingly valuable, the underlying facts show that most brands are simply riding along, relying on a dwindling number of exemplary brands to prop up their respective values. Their rosy forecasts sound like the makings of another Tulipmania.

#### MARKETING'S PERFECT STORM

The big question, of course, is what's behind this brand bubble? What explains why brands have lost consumers' trust and respect? What are brand marketers supposed to do about the falling metrics of performance and sales, the most meaningful signs that predict the future of their brands?

Needless to say, we have pondered these questions long and hard. For now, we distil our analysis to just three fundamental causes that we see as collectively diminishing consumer desire for brands. These causes are singular but interlocking, with each one intensifying the others, creating a bad cocktail that consumers are no longer interested in drinking.

#### Excess Capacity

The world is teeming with brands, and consumers are having a hard time assessing the differences among them. The average supermarket today holds 30,000 distinct items, almost three times as many as in 1991. Any way you view it, there's a glut of brands.

There's more of everything. More channels. More technology. More messages. More devices. More networks. The effect of excess capacity in media fragmentation, multi-channel distribution and ways to personalise content has resulted in more types of consumer behaviours, creating less differentiation among the waves of products on the market. Brands have blurred into a sea of sameness.

An Ernst & Young study of new brands showed over 80% failing due to lack of differentiation. Jack Trout and Kevin Clancy, writing for *Harvard Business Review*, said that only two categories of brands were becoming more distinct (soft drinks and soap), but 40 other categories are homogenising, as the brands within them become indistinguishable.

#### Lack of Creativity

Why do so many brands exist? One good reason is it doesn't take much today to launch a me-too brand. Technology has democratized industry, making it easy for anyone to imitate just about any product or service within weeks and market to millions. The internet enables distribution costs to move toward zero. And many of the products being created today are more intellectual-capital-intensive than physical-capital-intensive.

But it's not just a matter of more products – more of them are better made. Personal computing power is ten times faster in only five years. You can buy a \$59 cocktail dress designed by Madonna at H&M. Muji can fill your apartment with incomparable style, at low prices. Mobile phones in Japan, Korea and Scandinavia have so much functionality they practically make love to you. Meanwhile, the shift in power over two decades to the retailer has eroded manufacturer margins and cut investments in innovation. Real creativity is the only way to break through the clutter.

### Loss of Trust

The facts show that the amount of trust resting on a brand today is a ghost of what it was ten years ago. In 1997, the majority of brands (52%) enjoyed exceedingly high levels of consumer trust. But society's faith in institutions, corporations and leaders has been severely rocked with scandals and mistrust. One by one, scandal after scandal has knocked corporate credibility, leaving few brands immune.

By 2006, consumers voted only 25% of brands as trustworthy, halving the number of trusted brands in less than one decade (Figure 5).

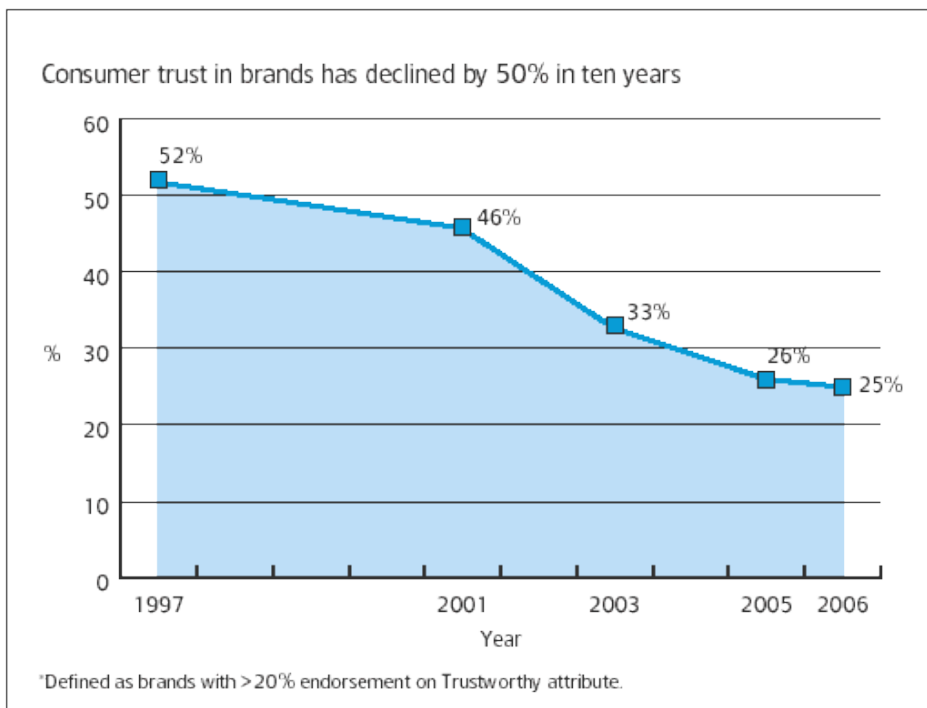


Figure 5: Percentage Of Trustworthy Brands Over Time

Consumers also think brands are more disposable due to technology, mergers and acquisitions. So many brand disappearances have occurred that consumers now actively contemplate the concept of 'permanence' in a brand. Why should they feel a brand is going to be there for them in the future when corporations eradicate brands or change how they operate in the name of corporate synergies?

The brand marketer's most cherished tool, advertising, has also taken a big hit in consumer trust. Instead of traditional advertising, consumers are increasingly turning to non-traditional sources of information, such as search engines and peer-to-peer interactions. This information, collected from their social networks and ratings and reviews sites, is often more influential than the millions pumped into traditional marketing.

### ESCAPING THE BUBBLE

Now you know why we believe there's a bubble. On the one hand, Wall Street, investors and brand executives believe that brands have limitless potential that will continue to drive already burgeoning enterprise and market values. On the other, consumers are sending out signals that they are no longer enamored of many of our brands and are not committed to future loyalty.

Where does this leave those of us who are responsible for marketing and managing brands? How can brands build sustainable long-term value to bring them back into alignment with Wall Street's expectations and valuations?

If marketing's role is to create value for the consumer, many marketers have forgotten the definition of marketing. They have replaced the word 'value' with 'sales'. A brand is, after all, a promise. A brand offers a contract that's immensely emotional and personal. A brand reinforces our identity and self-worth. It offers a more opportunistic way to see our world.

So we now have a situation where brands which comprise a third of a company's value are making promises of future earnings to shareholders, but the promises brands make to consumers are now in doubt.

Any bubble inevitably bursts. And all bubbles leave winners as well as losers: in this case the winners will be strongly differentiated brands that deliver real value to consumers.

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## The new industrial revolution: sustainability spurs innovation

[Laura Mazur](#) and [Louella Miles](#)

You would be hardpressed to find better examples of companies which get this than Interface, the market leader in commercial floor coverings, shoe company Timberland and Stoneyfield Farm, the world's largest producer of organic yoghurt. Although they work in very different markets, the chief executives of these companies lead from the front when it comes to balancing commercial concerns with an environmental and ethical framework – and profit by doing so.

Interface founder Ray Anderson's conversion came in 1994, when he had what he calls a 'spear in the chest' epiphany after reading Paul Hawken's *The Ecology of Commerce*. He had been seeking inspiration for a speech to an Interface task force about the company's environmental vision. Fifteen years and a sea change later, Interface is over halfway towards its vision of 'Mission Zero'.

### FALSE CHOICES – NO TRADE-OFF

The company's promise was to eliminate any negative impact it might have on the environment by the year 2020, through the redesign of processes and products and the pioneering of new technologies. This promise also encompassed its efforts to reduce or eliminate waste and harmful emissions while increasing the use of renewable materials and sources of energy.

As Anderson argues, 'In our experience the business case is crystal clear. Our costs are down, not up. We have to dispel the myth that there's a tradeoff – a choice. It's a false choice between the environment and the economy.'

'Our products are the best they've ever been. When our product designers began to approach product design through the lens of sustainable design it opened up a whole new world. It's been a wellspring of innovation. Nobody could have anticipated it. It was a total surprise. Because of that, our products are innovative and they're the best in the world in our category. Our people are just galvanised around this shared higher purpose.'

To him, this is a new industrial revolution: 'It's the contrast between the technologies of the first industrial revolution, which, by the way is still going on today, and the technologies of the new industrial revolution. The contrast will be pretty dramatic. The first industrial revolution technologies are basically extractive and the new technology will have to be renewable. The technologies are basically linear today, and in the future they've got to be cyclical. Today, they are driven by fossil fuels; tomorrow they must be driven by renewables. Today they are wasteful and abusive; tomorrow they must be waste-free and benign and focused on resource-efficiency.'

Jeffrey Swartz, CEO of Timberland, and grandson of the founder, emphatically echoes this view: 'We operate our business around the notion that commerce and justice don't need to be antithetical notions. We think we can make high-quality products and delight our shareholders, we think we can make consumers think this is a great company with great products and create a context where people are proud to come to work and feel dignified in the work they do. And we can do that in a way that's accountable in terms of running a for-profit business environmentally, socially and in terms of human rights. As a steward of the third generation, I know that if there wasn't a mission at the heart of what we do it would be hard to sustain what we do.'

But you have to take it step by step: 'As a CEO I get to make a choice about and be accountable for how many palatably irrational choices I make. If the sum of my choices is not palatably irrational I get fired. Whereas if you make a palatably irrational choice about the solar array in California and then you make a palatably irrational choice to be less ecofriendly in another dimension, then you balance it out. So you can say: perfect we're not but good we are and better we will be. It's about transparency all along the way so no-one can think it's greenwashing. So we still have polyvinyl chloride – PVC – in some of our boots. It's a terrible chemical. Yes, there is a way to take it out. But we can't afford to do it right now.'

Gary Hirshberg has been a fervent evangelist of the key role business and the way it markets itself has to play in tackling climate change since he founded Stoneyfield Farm in 1983: 'I think that we're known for having been talking about sustainability and organics practically before anybody, at least in business. And for having proven that there really is no trade-off between a focus on sustainability and organics and profitability.'

There is simply no alternative, he claims: 'The way I describe it is that many, many, many things that used to make sense won't any longer. And many, many, many things that used to be completely nonsensical will now be thoroughly rational. There will be those who just shut it out and you know what? Their businesses are going to fail because, by not preparing, they're not going to be ready.'

'We have a planetary emergency here. And nobody has the discretion or choice to ignore, as we have for 100 years, the impact of our economics on the planet. So I have shifted fully and forcefully into talking about the fact that this has a profitable agenda. It is a way to make more money, not something that's discretionary or ethical or even moral. Rather, this is very sound business.'

### PROFIT FROM CLIMATE CHANGE

Be open to new opportunities, urges Paul Dickinson, CEO of the Carbon Disclosure Project. He co-founded this in 2000, to encourage the investment and corporate communities to work together to tackle the issues of climate change. 'The financial downturn is proof that we

need to change and action the next great phase in our technology and society. The best way out of the downturn is to reduce waste, and to sell the technology of tomorrow. Have fuel-efficient car sales suffered in the financial downturn? No, they sell better. That's the lesson.'

Make it a central part of the corporate strategy, he argues: 'Just as I wouldn't encourage anyone to go into a new financial year without a business plan or a budget, I wouldn't encourage them to go into the new year without paying very close attention to climate change.'

Professor Wangari Maathai, founder of the Green Belt Movement and recipient of the Nobel Peace Prize in 2004, is actively engaged in trying to persuade all businesses that tackling climate change is good business: 'What can businesses do? For example, I'm trying to appeal to businesses to create green technology, to embrace it, and to create green jobs. We can engage in massive reforestation programmes and massive protection of forests. We can engage in technologies that will make us more efficient in the way we use trees, the way that we use wood and this would create more jobs.'

She encourages all companies not to be afraid of exploring seemingly radical options: 'I think they just need to explore and invest in research so that they can find other new areas of doing business. It doesn't have to always be oil or coal – we can change. People have changed all throughout history, so I think businesses just have to be brave and help us move into new areas.'

#### MAKE GREEN SEEM NORMAL

John Grant highlights the explosion of innovation that can come from incorporating sustainability into the core of your business: 'We are in a system which is in imminent danger of being hit by a number of these trucks. What we're recognising is that the way to work with this stuff is to focus on the truck first and everything else that you're doing second. Lots of people in business think you can incorporate it as a sub-issue but that never really works.'

'Paradoxically, if you do put sustainability first you often come up with better business ideas, because while you have been looking for innovations that work for people and profit for 40 years, you hadn't looked seriously at the larger space for innovation marked out by people, profit and planet – which is one definition of sustainability. The practical result is that you find great new ideas that you never would have thought of otherwise.'

He believes that the challenge is not to make normal things look green, it's to make green things look normal: 'And that's where big household name brands can really help – they bring that sense of cosy familiarity; they really could make things like composting look normal, not weird.'

#### WASTE NOT, WANT NOT

Business leaders could be forgiven for feeling a bit overwhelmed and worried about where to start. Amory Lovins, cofounder of Rocky Mountain Institute and one of the Western world's most influential energy thinkers, offers this trenchant advice: go for radical resource efficiency: 'Just look for muda, that wonderful Japanese word that means waste, purposeless and futility. Look for any measurable input that produces no customer value, and set a goal of reducing it to zero.'

'Don't benchmark how much muda you've got against how much your competitors have got. To hell with your competitors – go for zero muda. That's a tall star to steer by.'

As Swartz concludes, 'We're going to solve these problems and we're going to solve the next batch after that because we are this infinitely curious and deeply optimistic race called human beings. The sweep of time matters. There's no chance, none, zero, that my grandfather in all his imagination could have imagined today. And so I am decidedly and determinedly optimistic – not in an intellectual sense because I can always make the case that the sky is falling. But I've got to believe that's a fake assertion because it's in our hands.'

#### The Green Gurus

- Ray Anderson – founder and chairman of Interface Inc., one of *TIME Magazine's* 'Heroes of the Environment'.
- James Cameron – founder, executive director and vice-chairman of Climate Change Capital (CCC)
- Paul Dickinson – CEO of the Carbon Disclosure Project
- John Elkington – founding partner and director of Volans and cofounder of SustainAbility
- John Grant – author of *The Green Marketing Manifesto*
- Denis Hayes – President and CEO of The Bullitt Foundation, Chair of the International Earth Day Network
- Gary Hirshberg – president and chief executive officer of Stonyfield Farm
- Tony Juniper – former executive director of Friends of the Earth (FoE)
- Professor Sir David King – director of the Smith School of Enterprise and the Environment at the University of Oxford and former Chief Scientific Adviser to the UK Government
- Amory B. Lovins – chairman and chief scientist of Rocky Mountain Institute
- Professor Wangari Maathai – environmental and political activist, Nobel Peace Prize Winner

- Ricardo Navarro – founder and director of the Salvadoran Centre for Appropriate Technology (CESTA)
- Dr Vandana Shiva – physicist, environmental activist and author
- Jeffrey Swartz – CEO of Timberland Worldwide
- Sir Crispin Tickell – diplomat, academic, environmentalist, author.

'As far as marketing is concerned, I think it's simply a matter of recognising that this is the way the world is going. Marketing is always a process of working faster than others in the direction the world is going. It's a bit like sailing in that respect: you still have a destination, but you have to work with the winds, tides and around the obstacles.'

'In future it will not be economic to produce goods and services which are harmful in any way. Your carbon emissions, to take one example, will fundamentally determine your costs, share price and ability to attract talent. The best position is prospective: to sense that this is a paradigm shift and there are new markets to be created.'

John Grant, *Author of The Green Marketing Manifesto*

## THE PITFALLS OF GREEN-WASHING

Consumers are openly sceptical about a lot of environmental claims. So take care when boasting about your green credentials, assert the gurus. For example, at Interface, Anderson says, the company wouldn't talk about its vision for the first eight or nine years because he was wary of raising expectations too high.

But that has changed: 'In the last few years we have begun to put the marketing literature together to help the sales force present what we're doing. At the end of the day, people deal as often with the company behind the product as they do with a product. And so it's too valuable not to incorporate somehow into the marketing, and present that face of the company to the public.'

According to Professor Sir David King, the former UK government Chief Scientific Advisor and now director of Oxford University's Smith School of Enterprise and the Environment, green-washing is a real problem. 'In talking to companies, the real test for me is whether the whole issue of decarbonising and energy saving, and so on, is embedded in the company or whether it's just a marginalised operation intended for public relations and nothing else.'

'The PR side of a company's business is important, of course, because that's about companies being sensitive to consumers. But in order to take it to the next stage they then have to mainstream it.'

As Paul Dickinson notes, it could also backfire: 'There's more than one way something can be done and as things change, new customers are just sitting there waiting to be snapped up. You can even say that all this green-washing confusion creates opportunities for serious, honourable, authentic companies to come in and say, look, this is all a sham, but we are actually going to do the right thing and win customers on that basis.'

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## Unravelling the Gordian knot of brand contact

[Frank Harrison](#)

Of the many challenges facing marketers, one of the most intractable is simply deciding where the marketing budget should be spent. How much should be spent on TV advertising versus online? Shouldn't more be spent on 'buzz' marketing? What about YouTube, Facebook and Twitter? Should point of sale get more? What about experiential marketing? Marketers are spoilt for choice, but choosing between options is getting harder and harder. Without comparable data across contacts, decisions can be subjective and risky.

Brand managers need a quick and affordable way to assess all the various contacts that consumers have with brands in their category. They need to know the relative influence of each contact, and how their brand is performing in each touchpoint versus competing brands. They need to know the relative worth and contribution of paid-for contacts compared to those that are owned (for example their brand's website) versus earned contacts (such as social media). This article describes, and summarises findings from, a globally deployed research method – the ZenithOptimedia ROI Tracker – that provides guidance on contact choice based on comparative metrics across all touchpoints.

### ASSESSING SALES CONTRIBUTIONS

It would be reasonable to expect allocation of marketing budgets between contact types to deliver roughly equivalent proportions of brand experience (see box for description of 'brand experience' metric). The more you spend on TV advertising, the more brand experience you would expect to achieve from TV. However, the ROI Tracker shows that some touchpoints are far better at delivering brand experience than others for every pound, dollar or euro spent – and this can provide a useful guide to more effective and efficient budget allocations across touchpoints.

### THE ROI TRACKER METHODOLOGY

The ROI Tracker is a consumer research-based tool that ZenithOptimedia manages on behalf of its clients. It measures, and helps plan, marketing activities across all forms of brand contact, including mass media, sponsorship and events, one-to-one, experiential, digital, advice and recommendation, and the many contact types at point of sale. Each category-specific client project delivers three key metrics for each touchpoint:

- Contact Clout Factor (CCF): the relative influence of each touchpoint on category purchasing. This is derived from consumer responses to questions regarding each touchpoint's ability to a) provide information about category brands, b) make category brands appealing or attractive and c) play a role in category purchasing.
- Brand Association (BA): the percentage of category consumers associating each brand with each touchpoint, based on respondents agreeing that they have seen or heard the brand via the touchpoint in recent months.
- Brand Experience Points (BEP): a derived metric, based on weighting Brand Association by CCF, that indicates the relative contribution of each touchpoint to brand sales.

Since 2002 ZenithOptimedia has completed a total of 392 ROI Tracker projects for 95 clients, comprising 386,060 consumer interviews in 37 countries for 144 product and service categories. This large volume of data is stored in a database that provides normative data for over 150 touchpoints. The database reveals many insights into the value of all forms of consumer contact for brands. Here I pull together some of the more interesting, possibly provocative, insights from this database. Prepare for some marketing shibboleths to be challenged.

### Acknowledgement

*In January 2002 ZenithOptimedia became the first agency to license global use of the Market ContactAudit (MCA) from Integration Marketing & Communications. Four MCA questions are included in the ZenithOptimedia ROI Tracker, an otherwise proprietary process and methodology that helps marketers maximise the effectiveness of their marketing mix.*

At a global level there are some pretty large differences between adspend and brand experience profiles. Figure 1 compares these profiles across major mass media in 2008. The chart shows that internet advertising (both search and display) delivers a much higher proportion of brand experience (through the mix of influence and consumer engagement) than its proportion of adspend. For every pound spent, internet advertising generates a disproportionately high brand experience return. Despite high growth in online adspend over the last few years, these data show the high potential for further growth.

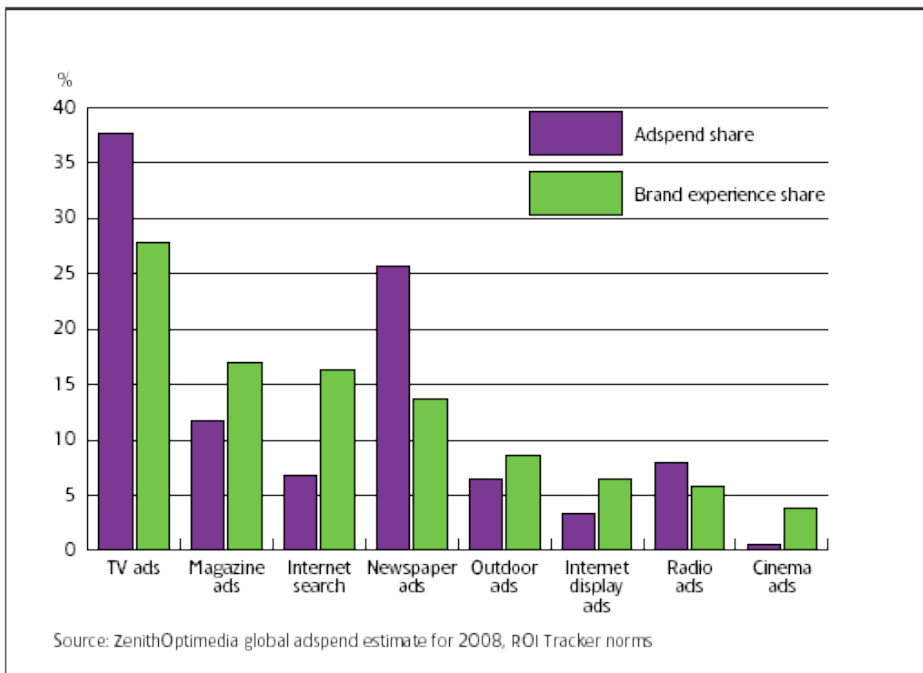


Figure 1: Adspend Share Vs Brand Experience Share

Magazine, outdoor and cinema advertising also deliver a higher proportion of brand experience than adspend. Conversely, adspend share in newspapers is much higher than brand experience share and, to a lesser extent, the same is true for TV and radio advertising. ZenithOptimedia's global adspend forecasts show that this imbalance becomes less marked: internet adspend share is rising swiftly while newspapers' share of adspend is falling almost as rapidly.

#### RESPONSIVENESS DECLINES AS WE GET OLDER

The ROI Tracker shows how contact effectiveness changes as consumers get older. At an all-touchpoints level, it shows that contact influence and levels of brand association decline swiftly as we get older. The older you are the less likely you are to respond to advertising. I suspect this is partly because older people are more familiar with brands and their advertising, probably more fixed in their ways and also less targeted by most advertising.

Figure 2 compares the influence (CCF) of TV versus internet display and search advertising, showing how influence changes for age groups from 15 to 59 years old. Figure 3 shows average levels of brand association for the same media and age groups. The charts show how TV advertising's average level of influence and brand association declines as people get older – falling by 25% and 42% respectively between teenagers and pensioners.

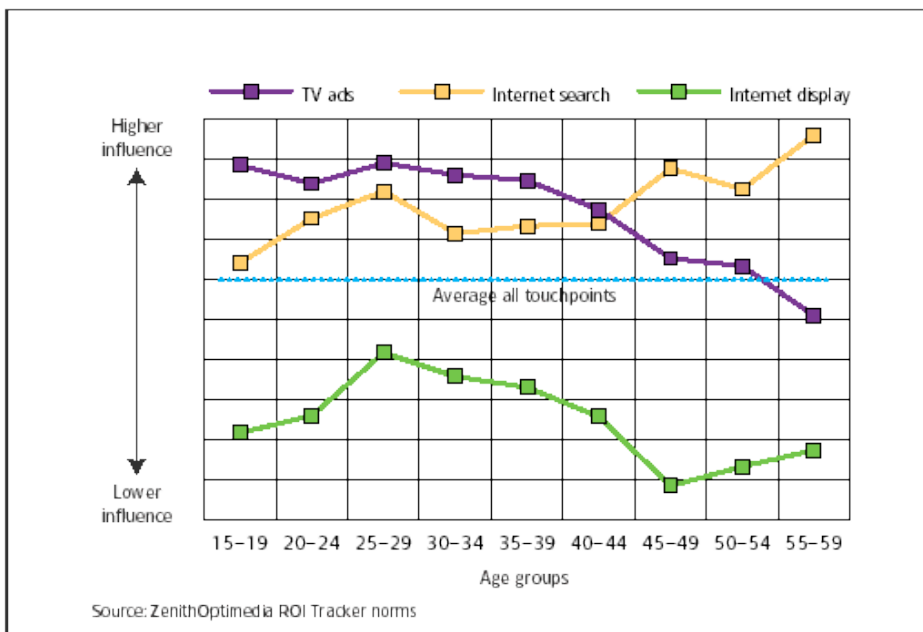


Figure 2: Touchpoint Influence By Age

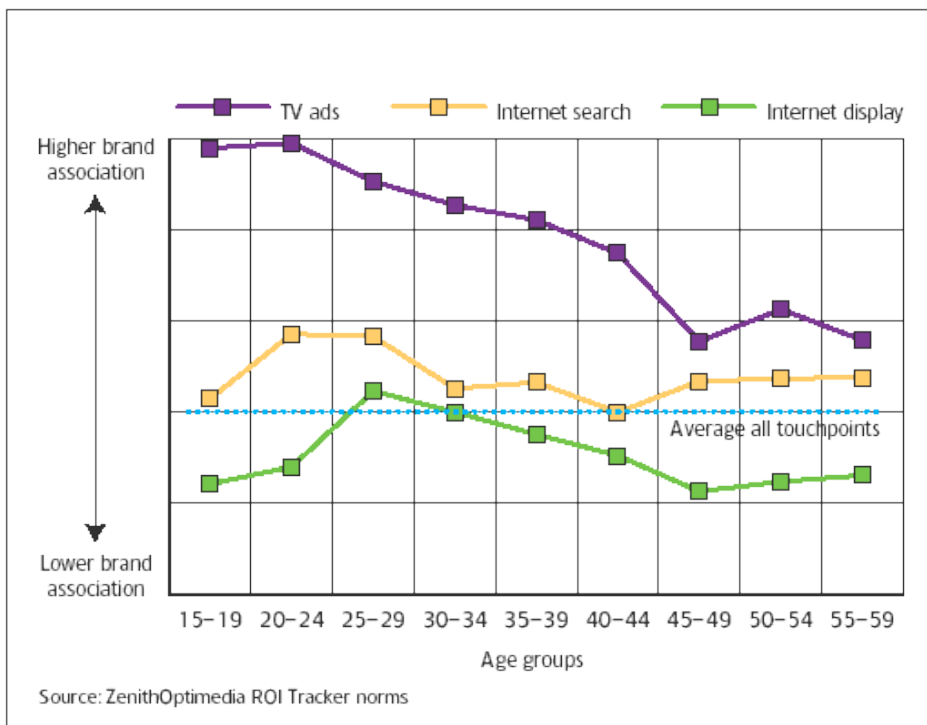


Figure 3: Touchpoint Brand Association By Age

However, there are a number of notable touchpoints that are exceptions to this rule. In fact they work in the opposite way – they become steadily more effective as we get older. Specifically, the influence of internet search rises as we get older, exceeding TV advertising in influence by the time we are 45, and rising by 26% across the age groups. Other online touchpoints that display similar growth in influence as we get older include product comparison websites, brand websites, retailer sites and consumer opinion sites.

There may be a simple reason for this: as we get older we become wealthier but, paradoxically, steadily more value conscious. We are more likely to look for bargains (in-store promotions also get more influential with age), and the internet is a great place to go looking for bargains. Interestingly, the level of brand association from internet search, while lower than from TV advertising, remains fairly unchanged as people get older, so that by the time we are of pensionable age, the level of brand association from search is almost as high as from TV ads.

The story for internet display advertising is quite different to search. Firstly, the influence of internet display advertising is low, much lower than for TV advertising or internet search. Levels of brand association are also low for internet display, much lower than for TV and lower than for internet search – at all ages. Interestingly there is quite a sharp rise in influence and level of brand association for internet display advertising between the ages of 15 and 29, but then both fall steadily as people get older. Internet display advertising, and the use of the internet as a vehicle to build brand equity, still has a long way to go before it can be regarded as an effective competitor to TV advertising for most brands.

#### BIG DIFFERENCES BETWEEN CATEGORIES

The ROI Tracker shows that there is large category variance in contact influence and level of brand association. For example, TV advertising for confectionery is very much more influential on brand choice than for financial services. In this case, part of the reason is down to the age factor: confectionery ads target younger people than ads for financial services (and younger people are much more responsive to TV ads). It is also due to the difference in purchase intervals: confectionery is bought more regularly than car insurance, so more consumers are considering purchases more often. There are other reasons, but the point I wish to make is simply that contact influence is category specific. No two categories are the same.

Figure 4 shows how contact influence for TV advertising, internet search and internet display varies across nine categories. Figure 5 shows average levels of brand association for the same media and categories. There are some interesting take-outs.

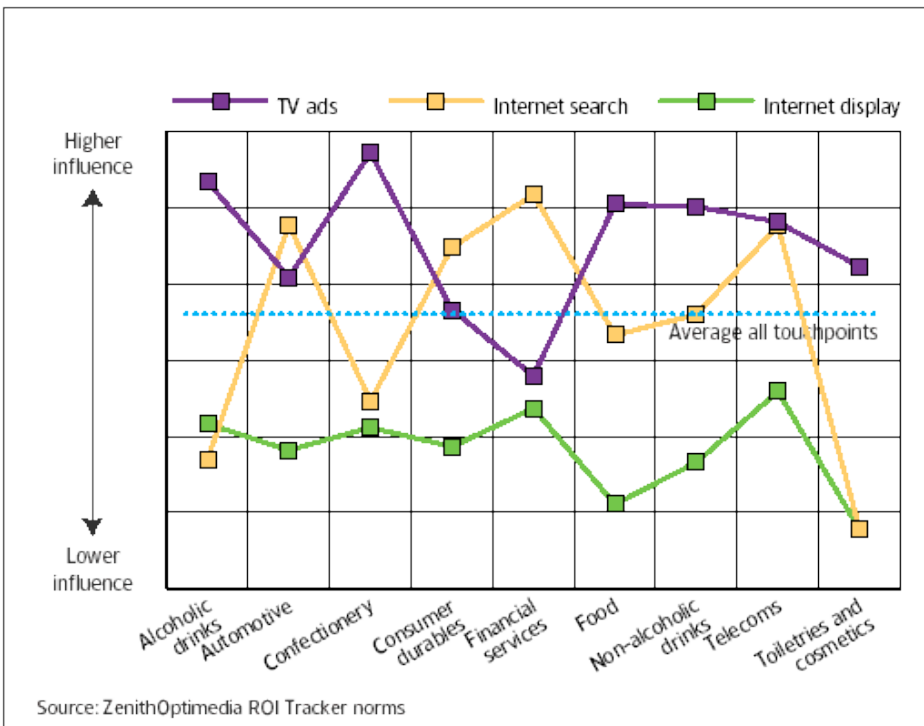


Figure 4: Touchpoint Influence By Category

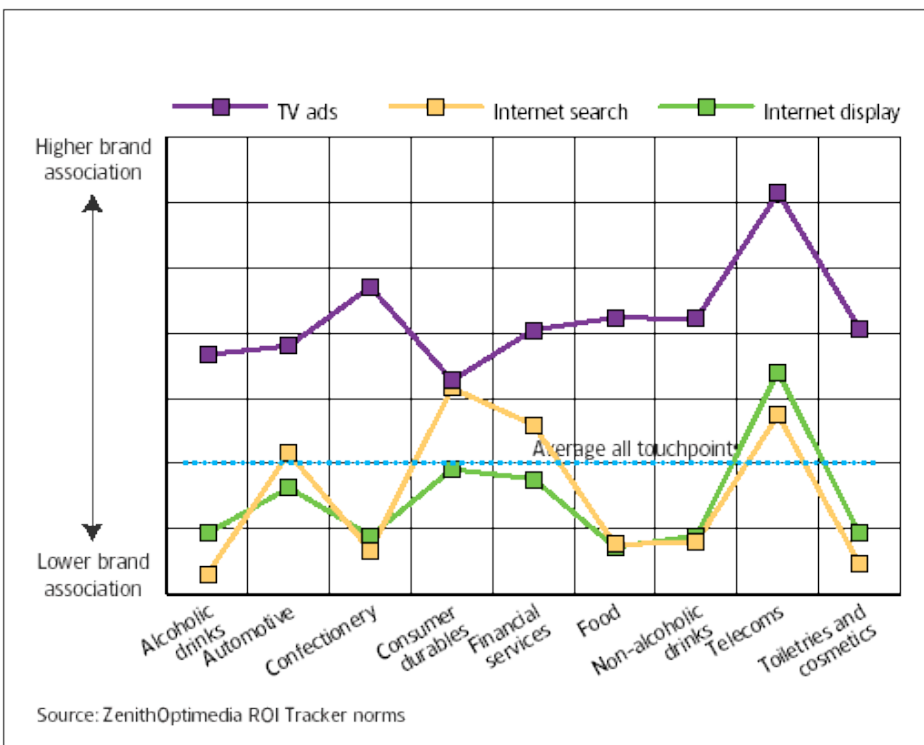


Figure 5: Touchpoint Brand Association By Category

Internet search has higher influence than TV advertising for the financial services, consumer durables (e.g. electronics, home appliances, computers etc.) and automotive categories. For consumer durables, internet search also delivers the same level of brand association as TV advertising. This means that the average consumer durables brand attracts a higher level of brand experience from internet search than from TV advertising (7% higher). Conversely, TV advertising is much more influential than online search for alcoholic and non-alcoholic drinks, confectionery, food, and toiletries and cosmetics.

Telecoms marketers should consider themselves fortunate. The telecoms category is unique in that it achieves the highest levels of brand association and the highest level of contact influence across analogue and digital touchpoints. Internet display brand association is higher for telecoms brands than internet search. On the other hand, consumer durables advertisers are relatively disadvantaged when it comes to TV advertising: they suffer from the combination of relatively low influence and brand association. This leads to an average level of brand experience from TV advertising that is 25% below the allcategory average.

COMPANIES MUST PLAN THEIR MEDIA HOLISTICALLY

One of the greatest challenges that we originally encountered in successfully implementing the ROI Tracker research programme was not related to the research method or the data it revealed. Our challenge, and that of our clients, was to break down barriers that existed due to culture, corporate structures and working processes. If companies are structured in silos, with each silo competing for separate pockets of the marketing budget, it can be hard to take decisions (based on direction from consumer research) that require significant budget shifts across silos. We have found that the ROI Tracker helps to highlight the need to operate more holistically while providing the data and the means to do so.

We have developed a process around the research that involves a holistic team of relevant stakeholders working together. We pull in contact experts across creative agencies and client company departments, ensuring that all parties are united in pursuing the best interests of the brand and not their particular specialism. We get everyone to think holistically about brand contact choices, putting insight from category consumers at the heart of the contact decision process. This is not rocket science, it is common sense.

Holistic marketing communications has long been the subject of discussion and debate, and many companies have changed their ways of working to smooth contact choice decisions across a wider spectrum of contacts. However, decision makers also need comparative data across touchpoints to inform their contact selections. Without these data, decisions remain risky and largely subjective.

Unfortunately, most industry audience measurement is medium specific in most countries, with no comparative data available to planners. The ROI Tracker allows us to fill this essential piece of the marketing communications jigsaw, providing the data and insight with which to make wellinformed brand contact decisions.

#### UNIVERSAL BRAND CONTACT INSIGHTS

- Advice and recommendations from close and trusted personal contacts have the greatest influence on what consumers choose to buy.
- Sampling is an under-exploited opportunity for most brands. Done right, sampling can convert habitual consumers of rival brands, breaking their habit and turning them into advocates.
- Unlike most other mass media, TV advertising typically has above-average influence on brand choice when compared with all other touchpoints. For many categories, TV is an essential and large part of the marketing mix. However, the data reveals that spend levels are often well into diminishing returns.
- Radio and newspaper ads are good for tactical use but exhibit swift diminishing returns at higher spend levels. This suggests that these mass media are often best used for tactical advertising and are less cost effective for brand building.

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## How market leaders can become challenger brands once more

[Adam Morgan](#)

Warren Buffett recently revealed that when he plays online bridge against Bill Gates, the founder of Microsoft assumes the *nom de guerre* of 'Challenger X'.<sup>1</sup> Now we see Microsoft, after years of being a hugely successful product-led market leader, having to stir itself to think like a challenger again to face up to the new threats posed by Google, Apple and the gaming giants. So it is striking to see how some of the largest and most significant leaders around us are living up to the belief of Phil Knight of Nike about how to retain market leadership, by still continuing to think like the challengers they once were.

Look at Dell. Until a year ago, Dell was 40,000 strong with \$57 billion in sales. With Michael Dell's personal fortune worth \$17 billion, it would be natural to assume a maturation of his mindset at the peak of his extraordinary success. Yet what Dell himself says is quite the opposite. 'I still think of us as a challenger,' he says. 'I still think of us attacking.'<sup>1</sup> He has himself, and still wants Dell to have, the big appetites and sharp teeth of the hungry entrepreneur he started as in Austin, Texas. He is fighting against the complacency that naturally sets in as you become number one.

Historically, we have seen market leaders seeking to maintain leadership by thinking like the number two they once were in a number of different ways. Phil Knight, for example, tries to make Nike appear smaller on the outside than it is in reality on the inside. The CEO of EA, number one in the sports game market, has redefined his ambition – to be the biggest *sports* brand in the world – giving him an entirely new brand neighbourhood. It's a neighbourhood in which he now competes with Adidas and Nike, making him again (in his own words) still a challenger company.

### A NEW STORY: BIG IS BAD

The digital age is illustrating a new reason why market leaders need to be very careful not to be seen as Goliaths, and is providing a new strategy to avoid that threat.

Consider the change represented in the following juxtaposition. In 1963, the DDB account team had misgivings in presenting the 'We Try Harder' campaign to the Avis client for the first time, to the point of not wanting to take the work forward. They felt that celebrating the idea that one was anything other than a winner was almost 'un-American'.

Cut to 45 years later, and an interview in *Time* with John Grisham<sup>2</sup> – the most commercially successful global storyteller of the 90s and, as such, a man with his finger on the pulse of how to appeal to a mass audience. Asked why he always writes from the point of view of the individual challenging the establishment (often in Grisham's case a large corporation of some kind), he observed with amusement that it was now 'the American way' to look for the person at the top to fail.

That simple narrative – big is bad – is an idea that has kept Grisham's readers enthralled for many years. We are drawn to the individual or small group crusading to overcome the big bad Goliath, and in this we are seeing an important social narrative forming in the idea of new kinds of community.

Much has been written about the 'rediscovery' of community. In the physical world we can see strong and resilient communities forming against specific commercial monsters – Tesco being the most recent example. Indeed, this is one of key ways that such communities form their identities and recruit like-minded others.

Another example, is the 'slow food' movement's enlistment drive against the monster that is 'fast', precipitated by the opening of a McDonald's in Rome. Or the resistance to the monster that is retail homogenisation exemplified by the 'Keep Austin Weird' protest campaign in Austin, Texas, fighting for small local shops in the face of expansion by national chains such as Borders. Or the London *Evening Standard's*, 'save our shops' campaign.

These new communities are obviously less about real neighbourhoods where people know each other personally, and more about virtual communities. As such, they rely on new kinds of glue to bind them together; one such glue is a monster.

The threat of the monster, this desire to identify and topple Goliaths, seems to be becoming more central to the ever-skeptical and combative dimension of our media and social culture. A recent commentator on what drives social networking noted that unity against a perceived corporate Goliath is a characteristic of a relatively high amount of activity on sites such as Digg or Reddit: 'On many sites... and in many social media savvy communities ... the key motivating factor is often an 'us versus them' approach, with the users as the underdog battling a giant corporation or politician or social structure.'<sup>3</sup>

If we look at the large brands and companies around us, we can sense that shift. While shareholders might like Tesco's dominance, its concomitant status as Goliath makes it a clear target for consumer and media activism. It is only a small step in the eyes of a storytelling community with a strong point of view, from Goliath to monster. Microsoft's sheer dominance – perhaps the ultimate Goliath of our times – still leaves it unpopular, despite the many ways in which it has transformed the average office workers' daily productivity, and in spite of Gates' extraordinary philanthropy.

One wonders, too, about Google – still for many the darling of the internet. Yet try googling 'Google hate': the search engine returns 64 million hits of people against it, in 0.36 seconds. How long before we turn the one we love into Goliath? And Goliath into a monster? And what can a dominant leader such as Google, or Microsoft, or Tesco – or perhaps even an HSBC – do as a leader to stop itself becoming this kind of target?

## CREATING A MONSTER BIGGER THAN OURSELVES

The evidence suggests that if a market leader finds itself turned into a monster, the best immunity is to identify or create a monster larger than themselves – something that transcends the market or category, something that becomes a bigger issue for the community – one that the company, as champions of that community, can stand up to.

The market leaders companies can learn most from here are successful media personalities. Oprah Winfrey was a startlingly successful challenger. As the leading U.S. daytime talk show, her show's ability to overturn Donahue and a host of other talk shows also run by white males is a fascinating challenger study in itself (by adding new emotion, a genuinely warm and personal empathy, into the category).

It would be natural for Oprah, as for all the other talk show hosts, to have her hour in the sun and then fall to a more recent challenger. But she hasn't. When briefly threatened by a new challenger in Jerry Springer, whose new agenda for talk shows cheerfully and theatrically plumbed the depths of human interactions and prompted a host of rivals to follow suit, she could have responded by going the same way. But she didn't: she responded by being the change agent, and elevating the ambition and spirituality of her show.

She introduced new forms of media (a magazine), new 'applications' (Dr. Phil), and new ways for her community to participate with her (a book club). And she has gone on to become a billionaire, with a show that still tops the ratings, by continuing to challenge. But her challenges are now not to the other talk show hosts: her challenges are to the bigger monsters she sees threatening her community (American women) – notably domestic violence, child abuse, and weight loss and self-esteem issues among women.

Oprah is not a Goliath, because she is both smaller and visibly vulnerable to these monsters. But she nonetheless uses her strength and size to fight them on her community's behalf. And her community eternally loves her for it.

The United Kingdom, on a smaller scale, has seen the chef Jamie Oliver go from lovable challenger to overvisible market leader, but recover his relationship with the British public by identifying and fighting two monsters: the poor nutrition of lunches for schoolchildren and then intensive chicken farming.

Channel 4, in fact, has an eye for harnessing communities against monsters – their programme 'Lost for Words', an initiative specifically targeting child illiteracy, is one we see echoed in the ten-year-old initiative by Gandhi – the largest book retailer in Mexico – campaigning against Mexican indifference to reading. While Cubans, for instance, read seven books a year, Mexicans on average read less than one. So the largest bookseller has successfully crusaded against a monster it has brought to the public's attention, and appears to have successfully influenced sales as well as public debate around the issue.

## FIND AN EVEN BIGGER MONSTER

More than ever, market leaders need to be beware of finding themselves positioned as Goliaths. To combat this, they need to turn themselves into challengers again. They need to find monsters bigger than themselves to challenge on the community's behalf. In Oprah's case, her monsters are usually, of course, anything but manufactured – they are often issues that are meaningful from her own past life.

We clearly should not be faking our concern about these monsters, especially if they are social issues or environmental issues (and at one level the environment is the entire world's Big Fish). But they do not have to be this important or this global – monsters deserving of attack could obviously include practical, everyday issues such as Windows usability (for Apple) or the daily over-immersion of one's children in digital life at the expense of real life and real experiences.

Two final points. The first is to do with magic and monsters. The secret of magic, famously, lies in misdirection: if I focus your attention on something very visible over there, you don't notice something that is happening over here. Monsters do offer the ability to focus the individual's attention on some very specific advantage, and distract them from what they might regard as other potential shortcomings. So, for instance, the US film club Netflix, loudly campaigned against 'Late Fees' as a monster – they had no fees for late return – which was true. But this distracted from the monthly membership fee they charged (unlike a DVD store), and the fact that the ordering process denied you the instant gratification your local store offered.

Second, one of the key benefits for a brand in having a monster larger than itself is that it unites the entire company (not just its consumer base) around the challenge it faces. This is never clearer than in Hollywood. Think of *Jaws*: what unites those three very different characters in the boat, initially so hostile to each other, is the threat posed by the bigger monster they are fighting.

More than three people in your company? Go and see *Watchmen*, the blockbuster released a month or so ago, in which the protagonist (warning – spoiler alert) manufactures a monster whose threat to the entire world is so large that the competing nations of the world agree to nuclear disarmament. The more people you need to unite, it seems, the bigger the monster you need.

## NOTES

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## The charmed generation: the last of the lucky ones

[Dick Stroud](#)

The Charmed generation are a cohort of older people who have benefited from the combination of factors that has enabled them to achieve levels of prosperity that is unlikely to be experienced by their children or grandchildren. The reason for their good fortune is explained by the 4Ps: pensions, property, parents and prudence. Not to be confused with marketing's 4Ps!

### Pensions

Most of this generation receive, or will receive, a defined benefit pension that is unaffected by changes to the stock, bond, currency or any other market. Recipients receive a guaranteed level of income for the rest of their lives. During the last decade the majority of companies have abandoned these schemes.

PricewaterhouseCooper's recent pension survey found that companies believed the remaining final salary schemes to be 'unsustainable'. Government employees will soon be the only workers with this type of pension.

### Property

This generation has been property owners for the past 30–40 years and have lived through multiple housing price bubbles. Even after the recent decline in prices their properties are still worth 30–40 times the original investment.

This group retains significant levels of equity in their properties that can, if necessary, be converted to provide income.

### Parents

Another repercussion of the rise in property prices is the inherited wealth the charmed generation receives on the death of their parents. Historically, most of their parents' property value has been inherited, minus the inevitable death duties.

The combination of increasing life expectancy and stricter means testing means the intergenerational wealth transfer is being reduced, as children are forced to use their parents' house equity to pay for care services.

### Prudence

The charmed generation comes from the pre-credit card era, when debt was something to be avoided. Consequently, most of this group retire with little or no debt. The next age cohort of older people is far more likely to have their children's attitude to debt rather than that of their parents. The fastest growing group of people with high levels of debt problems is the 50-plus.

The charmed generation accounts for 25% of the UK's population of 11 million older people aged 60–80 years. They have the highest income of their age group and account for 80% of the population with personal wealth exceeding £200,000.

By any measure this represents a financially attractive group of consumers that warrants the attention of marketers. There is little evidence suggesting their business potential was matched by the level of marketing interest or spend.

### THE EFFECTS OF THE RECESSION

In common with all age groups, the charmed generation has experienced a significant deterioration in their fortunes since the original article was published.

Because of their high levels of wealth, both property and investments, they have been disproportionately affected by the:

- Collapse of the Bank Rate to 0.5%.
- 37% fall in the value of the stock market.
- Decline in property prices by 20%.
- The 75% reduction in the number of properties being sold.

During this period they also experienced a surge in the price of energy and an 8.5% increase in the cost of living.

One would expect the combination of these factors to result in dejected and significantly poorer group of people, who have radically changed their attitudes and buying behaviour.

In April 2009, 20plus30 and Mature Marketing researched a sample of 1,600 over-50s to understand how the recession was affecting their attitudes and behaviour. The sample, which included older people of all levels of wealth and income, discovered an optimistic situation (see table 1).

Minor changes to spending patterns	Over 30% reported that the recession has had little or no effect to their spending patterns.  60% reported making only minor cutbacks in their expenditure.
"Charity starts at home"	Half of the over-50s have reduced their donations to charities by an average by 50%.  A quarter of older people are providing financial assistance to their children and grandchildren.
Low dependency on investment income	Over half of the respondents had not been seriously affected by the decline in bank interest rates.
Remaining loyal to suppliers of financial products but not to food brands	Only 20% had made changes to their suppliers of savings and investment products.  80% were now buying more supermarkets own- brands and a third have changed their supermarket.
Diffused anger and blame for the economic problems	The Government and the Financial Industry are seen as the main culprits for the economic problems but the media, the 'public' and the previous Conservative Government also attracted significant blame.
The three areas of expenditure that were most vulnerable to cutback were clothing, eating out and foreign holidays.	

**Table 1**

Table 1

The three areas of expenditure that were most vulnerable to cutback were clothing, eating out and foreign holidays.

The research shows that to date the charmed generation has been surprisingly immune to the ravages of the recession. The changes that have occurred to their behaviour provide marketers with new opportunities, but the most important message is that they remain a highly attractive and prosperous group of consumers.

## MESSAGES FOR MARKETERS

There are five key insights for marketers to consider:

### 1. The Charmed Generation are Affluent and Financially Stable

The value to marketers of the charmed generation as an affluent and financially stable group of consumers is more important than ever. The combination of guaranteed pension income, low debt and investment income has protected them from the fallout of the economic downturn. Our research shows that the recession has made few significant changes to their behaviour.

The 4P factors that combined in making them a unique age cohort of older people have, if anything, become more important. Far fewer of the 50-plus, in a decade's time, will have guaranteed pension income, low debt and the levels of inherited parental wealth. The charmed generation is truly a one-off marketing opportunity.

### 2. Good and Bad News for the Financial Services Industry

The banks and the Government are seen as the primary villains for creating the recession, with the media, the public and other parts of the political establishment as supporting culprits.

Not surprisingly, trust of the financial services sector is low. A recent Harris Poll in the US showed that over 60% of Baby Boomers do not consider any financial institution to be honest and trustworthy.

In spite of the Industry's negative image, it is surprising how few of the charmed generation (20%) have changed their savings and investments suppliers. An explanation for this behaviour could be that all suppliers are seen as being 'equally as bad', but whatever the reason, it has not created significant churn.

Despite the plunge in the value of their investments the charmed generation are optimistic about the future returns from the financial

markets. Saga's Finance Division found that a third of its customers were forecasting strong investment opportunities over the next 18 months. McKinsey's US research found that the 55-plus were the most optimistic, of any age group, about the long-term opportunities of financial investments.

Unlike their children and grandchildren, the charmed generation have lived through the ups and downs of several recessions. The knowledge that eventually recessions end and that markets rebound, gives them a confidence that should be harnessed by the Finance Industry.

### 3. Charities are the Biggest Losers

Half of the over-50s have reduced their charitable contributions by 50%. This is an unpalatable result for the Charities Sector that is reliant on older people for contributions and, more importantly, legacies.

Prior to the recession, nfpSynergy, the not for profit research consultancy, showed that of all age groups, older people, especially the 55–64 year olds, were increasingly less likely to undertake charitable work.

The danger for charities is that the drop in charitable giving by the charmed generation becomes permanent which then results in a reduction of legacies provisions at the time of their death. If this situation was not bad enough the income from legacies is also under threat from the inevitable increase in the costs of care that the charmed generation will be expected to pay.

For all these reasons charities should increase their marketing attention on recapturing the crumbling support of this generation.

### 4. The Charmed Generation's Role as Funding Grandparents

The research shows that the recession has resulted in 25% of the older age group providing their children and grandchildren with financial assistance. MetLife's Research Institute quantified the contribution of US grandparents to their children as in excess of \$370 billion over the past five years and increasing because of the downturn. Saga's research came to similar conclusions in the UK.

The charmed generation are the wealthiest grandparents and will be making the highest level of financial contributions to their families. This powerful, and identifiable, need to care for their family means they will be involved in an increasing number of purchasing decisions. In addition, it creates opportunities for new financial, leisure and holiday products.

### 5. Move to Own Label Brands

More than 80% of older consumers reported purchasing more supermarket own-label brands. This is a significantly higher proportion than was reported in Datamonitor's research, which concluded that 43% of people, of all ages, had switched some of their favourite grocery brands to private label. This suggests that older people appear to have a greater propensity to switch brands than the young, something that makes a mockery of the old assumption about the old being brand loyal!

Obviously, this behaviour is good news for the supermarkets and bad news for the suppliers of branded products. Because of the charmed generation, wealth they are less likely to have switched brands than their poorer peers, however, the research shows their loyalty cannot be taken for granted. This needs to be reflected in the importance brands place on the older consumer in their marketing strategy.

### WHAT OF THE FUTURE?

There is little doubt that the recession, and the inevitable reductions in public and private expenditure, will result in an extended period of high unemployment and weak demand. Because of the charmed generation's guaranteed income and asset wealth and lack of dependency on earned income, their importance as consumers is more likely to increase than decline.

The lead article in April edition of *Harvard Business Review*, by the Harvard Marketing Professor, John Quelch, states that 'the segmentation strategy that you have been using prior to the recession is now obsolete'. The charmed generation, like all consumers, will not be immune to changing attitudes and behaviours as the recession unwinds.

There are four ways in which these behaviours are likely to change that will require marketers to adapt.

- The trend to 'simplify' their lifestyle. The realisation that they already have enough 'stuff' and 'clutter' and that collecting experiences, not possessions, is more important. Part of this results from a greater realisation of their own mortality and partly from the anti-consumerism trend.
- Increasing focus on family bonds. Harris Interactive and AgeWave recently published research showing that family relationships – not money and power – are what Americans most value. The age groups that felt this the most acutely were Generation Y and those of the charmed generation's age. This equates to the bond between grandparent and grandchildren. As has already been explained, this is a massively important dynamic and one that looks likely to increase in importance.
- The desire to minimise uncertainty. The duration and effects of the recession are uncertain. This has resulted in a high degree of unwanted uncertainty being injected into the lives of consumers. Probably more so than other age group, the charmed generation will seek to rebalance this uncertainty by the decisions they make as consumers. The thrill of uncertainty and risk will be replaced with the comfort of predictability and safety.
- Divert conspicuous spending into enriching their personal development. The charmed generation is not immune to the trend to reduce conspicuous spending. Part of the expenditure that would have purchased new cars and holiday homes will increasingly be spent on social goods like education, health care and wellness products.

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## How Shell recruited more for less

[Naviot Singh](#) and [Ana Maria Santos](#)

There are some hard truths in the energy market: first, there is a steep change in the demand for energy as the world population soars and the geography of demand shifts eastward. Second, energy supply will struggle to keep pace. There is a race to identify new, sustainable, sources of energy. And third, environmental pressures are increasing. We need to find responsible energy solutions.

Addressing these truths, and growing our business, requires an ambitious business strategy, delivered by an expanded, talented workforce.

Since 2006, Shell's business strategy has emphasised finding more and different types of energy. People are a key enabler of this strategy, and an unprecedented capital expenditure investment has been accompanied by an emphasis on recruitment. We need large numbers of new highly skilled employees, in highly demanded disciplines such as engineering and finance, in new and competitive geographies such as India and China.

The business set us challenging targets. In 2005 we had recruited 2,697 employees. In 2006 our target more than doubled, to 5,440 new recruits.

The three-year picture was even more pronounced: 14,000 new recruits were needed between 2006 and 2008. But only less than a third of that (4,151) had been achieved in the previous three years, 2003–2005. It was the job of the recruitment marketing team to attract these new employees, and motivate them to choose Shell over other multinational competitors.

It was a massive challenge. Shell's employer brand equity was weak, we had no significant employer brand proposition beyond salary packages, and our customers – potential candidates – were ever more demanding. The best were spoilt for choice as the recruitment market had grown hugely competitive (McKinsey's War for Talent).

We had to double our results while reducing our costs. The business expected us to demonstrate costeffectiveness and maximise its return on investment.

We faced a classic marketing dilemma: 'In the face of strong competition and weak brand equity, how can we cost-effectively recruit double the number of new candidates?'

### SHARPER SKILLS REQUIRED

Working with the specialist marketing capability consultancy Brand Learning, we created a pioneering capability programme: Shell 'xchange' – a blend of marketing skills development, process creation, and knowledge management – for non-marketing specialists.

By interviewing business stakeholders within and outside of marketing, and by analysing the issues raised in the new marketing plans, we identified two priorities: First we needed to develop an exciting and differentiated brand positioning which allowed us to attract the best candidates with relevant and differentiated benefits (reducing reliance on factors like salary). And second, we needed to create a motivating experience which would help us retain candidates.

### DEVELOPING A DIFFERENTIATED BRAND PROPOSITION

Why would someone want to work for Shell? We needed a shared understanding of what makes a motivating employer brand proposition and to identify what we wanted Shell to stand for in the hearts and minds of current and future employees.

This involved qualitative and quantitative research in six countries to probe people's attitudes towards Shell as an employer, studying both internal and external audiences. Based on the insights this generated, we created an Employer Value Proposition (EVP) for graduates, with a new brand idea: 'Achieving More Together', stressing the support candidates expected from their employers and companies with Shell's market leadership position.

The rollout process involved enhancing the marketing capabilities of several hundred employees. All recruitment marketers and hiring managers needed to understand the proposition, why it was important and how to use it in their markets. However, to be effective, it also needed to be understood consistently across the business. We had to build brand understanding among all involved in recruitment – from engineers in Aberdeen to lawyers in Malaysia. We delivered this with an extensive multi-channel programme including virtual classrooms, conferences, and brochures.

We followed the successful implementation of the graduate EVP with the development of an EVP for 'experienced' professionals in 2007–8 – tailored to a different target audience with different motivations and expectations.

Our EVPs were then actively used to develop new communication campaigns, refine recruitment tools and processes, and to guide the



messages everyone gave candidates.

To ensure we managed costs effectively, we introduced the 'Ad Creation Tool', which allowed local markets to create tailored versions of the global campaign using a simple website. It ensured the new EVP was consistently communicated to candidates without incurring excessive creative agency costs. Markets could tailor messages and use targeted channels which, we learned, delivered better quality applications, and reduced costs per recruit compared to national press on which we had previously relied.

#### WHAT MOTIVATES CANDIDATES TO STAY WITH SHELL?

It's not enough to tell candidates why they should join Shell. We needed to demonstrate such reasons through the interviewing process and the whole candidate experience.

A motivating candidate experience – from the moment someone hears about Shell to the moment they have joined us – requires a co-ordinated approach across all the recruitment disciplines: marketing, operations, recruiters and line managers all need to work together. To do this required a leap from our typically 'Shell-centric' perspective, to becoming 'candidate-centric'. That may sound obvious, but for an operation with 300 people, working across five continents and receiving up to 600,000 applications each year, it was no easy feat.

We began by defining the candidate journey, applying a classic brand funnel approach to the world of recruitment. At a workshop run by Brand Learning with members of each recruitment discipline in Shell, we built understanding of the importance of seeing things from a candidate's perspective and then developed a Candidate Journey model, which is now described as 'the bedrock of our business approach'.

Having developed the overall journey, we identified the key moments of truth, insights into candidate needs at these moments, and assessed how well we addressed them. This was new territory for an HR team – and the marketing concepts and tools we used to build our capabilities at each stage of this journey proved invaluable.

We then invested in a series of initiatives to improve the candidate experience:

- We changed our organisational structure to put candidates first. Instead of operating in separately managed functions based on specialism (marketing, operations and recruiting), we created one function – recruitment – with strategic, structural and cultural emphasis on collaboration and joint ownership of the candidate experience.
- We refined and standardised processes to ensure cross-functional alignment along the candidate journey, with clarified roles and responsibilities to avoid duplication or candidates being 'lost'.
- We developed a web site and learning programme to help embed the processes and candidate-centred philosophy.
- We set clear KPIs in the areas that mattered to candidates, and established the 'Candidate Experience Survey' to measure performance and identify improvements. These became core KPIs on a 'Recruitment Dashboard'.

#### SPEEDING THINGS UP

Research demonstrated that candidates found Shell's recruitment process frustratingly slow – particularly between being assessed and receiving an offer. Several would drop out at this point, switching to more agile competitors.

We had previously justified this slowness by referring to the number of Shell stakeholders involved in hiring decisions and the number of candidates we needed to review. Now however, we challenged ourselves to overcome internal constraints, and improve the candidate experience. In Europe this was a particular issue for graduates. From 2007, when they had to wait an average of 81 days between final assessment and receiving an offer, we reduced this by 50% to 39 days by 2008, and our candidate satisfaction significantly improved.

While our main focus in 2006–8 has been on developing these two, crucial, capabilities, we also invested in developing other broader marketing skills.

In our capability programme, called xchange, we created a series of virtual classrooms supported by on- and off-line toolkits, to teach people marketing fundamentals. This built knowledge of the core principles of marketing among everyone in recruitment. It covered the skill areas of the candidate journey, insight, segmentation, brand positioning, brand activation and marketing planning.

Recognising the importance of strengthening our marketing leadership, we sent employees to the Marketing Society's Marketing Leaders Programme, which they found inspiring and practically helpful.

Our investment continues as our current capability priority is improving marketing effectiveness by better using data and analysis to prioritise and refine our activities.

#### WHAT WE ACHIEVED

We were faced with a huge challenge: to cost-effectively double the number of new and highly skilled recruits to Shell in the face of strong competition and weak brand equity. But our HR team had little marketing experience, and the business was hungry for new talent.

By building our marketing capabilities and pioneering the application of classic marketing approaches to recruitment marketing, we have achieved impressive results.

- We beat our recruitment targets every year between 2006 and 2008: and delivered massive growth.

- We attracted 1.66 million applicants to the Shell brand.
- We reduced the marketing budget and the marketing cost per hire by focussing on our customer, 'the candidate', and finding efficiencies in communicating our EVP.
- Perceptions of Shell's employer brand are improving. Our latest research shows that our EVP is motivating more people to consider Shell as an employer, against competitors and they are now more likely to recommend Shell to friends. (Source: *Brainjuicer*, 2008.)
- Enhanced marketing capabilities are enabling people to be developed and promoted into other marketing roles across the business.

Since 2006, 20% of the recruitment marketing team has been promoted into other marketing roles – from marketing Shell lubricants to corporate communications. We have overcome the perception that we are not 'proper marketers' because we are in recruitment marketing, which is very motivating to the team.

- Our people have found the investment in building their marketing capabilities highly motivating.

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## Global brands and local culture

[Nigel Hollis](#)

A Survey Conducted by Millward Brown for *The Global Brand* in 2008, helps illustrate the basic drivers of brand success across countries and cultures. The survey was conducted in eight countries (from west to east): the United States, Mexico, Brazil, the United Kingdom, Germany, Russia, India and China.

In each country, we compared two global brands to two local brands in each of five categories: cars, beer, fast food, shampoo/conditioners and soft drinks. In total, we interviewed 3,307 people about 91 different brands.

The global brands included in our survey were stronger than the local ones; they were more often considered for purchase and received higher scores on almost all statements, including 'setting the trends', being 'very easy to recognize' and having 'very distinctive identities'. In general, our analysis suggests that global brands owe their strength to their reliance on the basics of brand-building.

Local brands, not surprisingly, scored far higher on being seen as part of the national culture, an attribute that is a driver of purchase intent for all brands, both global and local. So that while local brands may lack the business acumen and deep pockets of the multinational brands, they draw strength from their home-field advantage.

The lesson here for multinational companies (MNCs) is the importance of embedding the brand in the local culture, and in this regard two global brands stand out. Ironically these are two of the most iconic American brands – Coca-Cola and McDonald's. Both brands were held in high esteem, and were endorsed by a significant proportion of people, in countries other than the United States, as being part of their own national cultures. If these two giants of US culture can embed themselves locally, any brand in any sector should be able to gain this kind of advantage.

We identified a couple of factors (beyond aspiration for the American lifestyle) that made this possible.

The first is adaptation (of both product and communication). Both brands adapted their product offerings appropriately and invested heavily in locally inspired communication and activation to complement their global positioning.

Obviously, time in the market gives companies a considerable advantage. Coke and McDonald's, among others, have had plenty of time to adapt. So newcomers have to try especially hard to understand the nature of beliefs and practices in the sector they are entering so that they begin their presence in the market by being closely tuned to the local culture.

### GLOBALISATION STRATEGIES VARY BY BRAND AND CATEGORY

The traditional assumption that all countries were different was driven largely by the fact that entrants were in fmcg – food, drink, toiletries, etc. – where cultural differences were very different. However, in recent years other sectors have expanded globally, finding common shared needs and relatively homogeneous target audiences. Technology and healthcare products, as well as genuinely new innovations that effectively create new categories, are more likely to be accepted without adaptation, either because fundamental needs are the same or because there are no entrenched habits to be overcome.

Companies such as IBM, Cisco and Accenture deal with an upscale, well-educated and relatively homogeneous group of customers, many of whom have been educated in North America or western Europe, or who travel there on a regular basis. These customers are effectively united around the culture of international business. They share similar needs, and their familiarity with the cultures of different countries makes them open to buying foreign brands.

Mass-market brands, on the other hand, face the reality that the mass market can still be very different from country to country. To succeed, they must create strong ties with consumers who may have different income levels, needs, desires and habits. The challenges multiply with every new country they enter. Socioeconomic differences may be readily apparent and easy to anticipate, but often cultural differences are subtle and more difficult to detect.

For example, P&G expected that the fabric refresher Febreze would do well in Japan, because the Japanese are highly sensitive to odors, but initial research results were disappointing. A positive response from a small minority of respondents encouraged P&G to try again. In an interview with *Strategy and Business*, A.G. Lafley recalled that, 'The P&G team changed the viscosity of the product. They changed the fragrance from high profile to a very low profile scent. They changed the bottle to a much more delicate design that more Japanese people felt comfortable having visible in their homes. They changed the spray pattern to a mist. They changed everything but the core technology of the product, and it became a phenomenal success in Japan.'

### COMMUNICATION CHALLENGES

While some brands need to adapt basic product offerings more than others, all product and service brands face the challenge of adapting their communications to work well in different cultures. Even countries that share a common language and have a similar socioeconomic standing, such as the US and the UK, are divided by cultural reference points, values, humour, customs and idioms.

A recent examination of Millward Brown's Link database, which contains consumer opinions on more than 50,000 ads globally, demonstrates that few ads can transcend cultural boundaries. We looked at ads that tested exceptionally well in one country and found that only a small minority did well outside their own country and, indeed, a majority of these exceptional ads performed poorly in another country.

An international campaign by Apple, in which the Mac is personified as cool and hip, in contrast with a nerdy PC, provides a case in point. The US ads draw their success from target audience familiarity with the actors who portray the two brands. New versions of the US ads were created for Japan and the UK.

Direct comparison advertising does not play well in Japan because it is considered rude to brag about one's strengths. Instead, two local comedians focus attention on differences between the two brands' use at work and home. The UK versions featured British sit-com actors David Mitchell and Robert Webb reprising their respective roles in '*Peep Show*.' The dialogue followed the original US scripts closely but was translated into colloquial English. More importantly, the UK ads sought to replicate the strong implicit communication of the originals through the differing personalities of the two TV show characters.

So, using the same ad campaign across borders may offer cost efficiencies, but the savings realised may not outweigh the benefit offered by local engagement. Indeed, creating locally targeted communication may be an excellent way for a brand entering a market to display its local credentials at the outset.

That said, it should be noted that exceptional ads do travel better than average ones: 60% of exceptional ads score well in another country compared to less than one in five for average performers.

## COMMUNICATION THAT TRAVELS

Savvy global marketers know that it's easier for a communication campaign to travel when it taps in to a human motivation or interest that is shared across cultures. By leveraging an essential aspect of human nature that is common to people around the world, brands can often avoid getting boxed in by cultural differences.

A good example is Johnnie Walker, the IPA Effectiveness Awards Grand Prix winner. As a result of extensive qualitative research, Johnnie Walker identified the idea of 'progress' as a universally powerful expression of masculine success in the 21st century. The 'Keep Walking' campaign has been very successful in helping to reverse the brand's downward trend and boost sales by 48% between 1999 and 2007.

And if continued achievement is the preoccupation of the mature male, then a fascination with the opposite sex typifies that of many younger ones. Axe/Lynx has successfully tapped in to this motivation, to become one of the strongest personal care brands in the world.

The experience of Dove, by contrast, would suggest that the selfdetermination expressed by men in the Johnnie Walker campaign is not as yet seen as appropriate to women outside western markets. Dove's Campaign for 'Real Beauty', lauded in the West, is reported to have fallen on deaf ears in Asia, where more traditional ideas of feminine beauty still reign supreme. Dove has now taken a new approach in China, launching a Chinese version of *Ugly Betty*, known in America from the ABC-TV comedy but originating from a Colombian telenovela. The script of *Ugly Wudi*, as the show is called on China's Hunan Satellite Television, is built around the Dove brand and documents Lin Wudi's transformation from ugly duckling to swan.

## WHAT EFFECTS HAVE MULTINATIONAL MEDIA HAD?

The rise of multinational media corporations and the internet has supposedly led to the globalisation of popular culture. But while it is true that movies, music and sports now find audiences far beyond their country of origin, their appeal is still fragmented. Brands must often stitch together a patchwork of sponsorships in order to generate global appeal.

Gillette's campaign for its Fusion razor brand is a case in point. The campaign features Tiger Woods, Roger Federer and Thierry Henry in advertising and on the brand's website in most countries. But like Gillette's blade count strategy, three is not enough. In order to achieve global appeal, the brand needs to team up with additional personalities. In Argentina, it is the soccer player Messi; in Brazil, it is Kaká; in South Africa, Bryan Habana (a rugby union player). Like so many things that global marketers must deal with, sport is not necessarily universal. National and team allegiance may undermine even the best global strategy.

Some campaigns attempt to transcend culture by creating a unique and imaginative world around the brand. Coca-Cola's 'Happiness Factory' presents a fantasy world to great effect. By embodying the concept of the brand's core strategy of spreading joy into a magical world where fantastic creatures fill each bottle of Coke with love, the campaign evades cultural pitfalls. The ads are enthralling and accepted on their own terms. But simply creating a fantasy is not guaranteed to work equally well everywhere. Care still needs to be taken to avoid any reference points, iconography or turns of phrase that are not shared across cultures.

Last, but not least, if your brand possesses a well-differentiated functional benefit that meets a common need, then it may be best to simply focus on that benefit, particularly when the problem to be solved is the cause of much angst. For example, Nicorette promises to help smokers quit smoking. The brand's 'Craving Man' campaign, which featured a 2½ metre cigarette with arms, legs and a face, proclaimed 'Beat cigarettes one at a time. You're twice as likely to succeed with Nicorette.' From 2000 to 2004, based largely on the success of the campaign, Nicorette grew from \$194 million to \$295 million in sales, and established itself as the clear market leader in its category.

## CULTURAL BOUNDARIES ARE NOT DEFINED BY BORDERS

Cultural differences exist within countries as well as across national borders. For example, marketers in the US acknowledge the need to tailor marketing communication to Hispanics and African-Americans, and marketers in the UK may still create tailored campaigns aimed at Welsh, Scottish and English consumers. The need to recognise regional cultural differences becomes even more important in countries like China and India, which encompass a rich diversity of cultures and languages. In these countries, launching a brand in a new city can

present the same types of challenge as launching in a different country.

Further, appreciation and understanding of marketing also differ from region to region. Middle-income consumers living in Shanghai or Delhi have had time to grow accustomed to brands and marketing. They look for more than basic product claims before they buy. Not so in rural areas, where people actively seek out advertising as a source of information.

## CONCLUSION

MNCs, face a dilemma. In order to compete most effectively with local brands they must establish a local identity and, in many areas of consumption, individual cultures are still quite different. At the same time, global brand strategies increasingly demand that the brand be communicated similarly in all markets. This is a delicate balancing act, which requires attention to product formulation but most of all to the way the brand communicates its brand idea to each individual local audience – through a single-minded product focus, or through reflecting local humour and/or customs and/or personalities, or adapting ideas based on deep human needs.

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## Will client insight functions survive the recession?

[Michael Harvey](#)

In the heady days of late summer last year, before the world as we knew it collapsed, I was very happy to give my opinion that client side 'insight' functions were here to stay.

These new 'insight' functions had steadily been established in client companies since the late 1990s for the same reason that account planning grew up 30 years ago in advertising agencies – management was fed up with the old-fashioned market research departments adding impenetrable data to the process rather than any useful implications that would drive the business.

So in the 1970s, the old advertising agency quantitative researchers were replaced by more qualitative thinkers whose role was to inspire the creative teams and nurture the creative work forward. This role was adding value to the agency business of producing ads and so caught on rapidly.

On the client side, things were much slower to change. In advertising agencies the solution was relatively simple: replace the old left-brain number crunchers with right-brain creative thinkers ('planners') But on the client side, a more difficult to find 'hybrid' thinker was needed. Client 'insight planners' need to use not only quantitative skills to derive market positioning, set brand objectives and measure performance, but then need to switch to a more qualitative mode to uncover deep-seated consumer insights and the implications for marketing and brand communication.

But now, as the economic downturn forces companies to revise their structures to minimise costs, what is the future of client 'insight' functions? Will they be seen as an unnecessary indulgence or will they be able to weather the storm of the bad times?

The first major recession to hit the new account planning departments in advertising came in the late 1980s, by which time the function was well established. The number of account planners dropped from 676 in 1989, the year the recession hit, to 483 in 1993 – a severe cut-back in numbers, but not annihilation.

What probably saved the agency planners was that they had very quickly managed to create a common understanding of what the function delivered to agencies and had created a trade body – the Account Planning Group – to nurture the function. Furthermore, planners were seen as the primary authors of the IPA

Effectiveness Awards (introduced in 1980), which allowed agencies to demonstrate that they were not only 'creative' but also instrumental in sales growth.

The situation at the present time for the client 'insight' functions is somewhat different. The function does not have cohesion: clients have insight functions that vary on a spectrum from traditional research departments who have simply rebranded themselves to, at the other end of the spectrum, those who have genuinely changed their role and recruited different sorts of people. Diageo believes that it has genuinely transformed the function.

### DIAGEO PLAYS FOOTBALL

I use a simple football analogy to describe the journey we have been on from the traditional research function to a more modern consumer planning function. If Diageo were a football team, the strikers, the ones who score the goals, would be the sales and marketing people. The traditional researcher is a bit like the goalkeeper – a valuable role but fundamentally a reactive one that waits for the game to come to it and is not part of the process of winning. What we've done is to move the function from being goalkeeper to a midfield player, constantly passing the right balls (understanding and insight) to allow the strikers to score.

We define the role of consumer planning in Diageo as 'ensuring insights inspire big ideas that drive growth' – not merely conducting 'world class research studies' or mining the data to uncover important insights. Diageo is a very commercially oriented operation and it was apparent that we needed to ensure our insights were connected to commercial success, that our insights inspired big creative marketing ideas and that these were clearly correlated with growing the brand – a much bigger and more strategically important role.

So will 'insight' functions survive the economic downturn or will companies take this opportunity to put the function back in the 'back room' from where it came and revert to old-fashioned research departments?

Although some short-sighted companies will take the opportunity to 'slash & burn' anything, they can to save money including cutting the 'insight' department as a 'luxury', the more farsighted ones, and the ones that will exit the recession being stronger than when they went in, are those that realise that consumer insights are even more important in an economic downturn. Far from being an expensive luxury, the 'insight' department is one of the key ways to ensure that the company thrives in these challenging times. The simple truth is that consumers' behaviour and attitudes are changing fast and companies need to be on top of that,

However, this does demand that the 'insight' function adapts to the new environment. And this means maintaining the focus on consumer understanding and key insights but working to a shorter timescale.

## FAST KNOWLEDGE

To deliver this, Diageo's marketing leaders tasked consumer planning to take the lead in a new 'fast knowledge' programme for the business defined as, 'the rapid understanding of what's going on with our consumers in our industry during the economic downturn and the rapid connection of that understanding to our strategy and activities'.

This has demanded that we rethink our ways of working. In the current economic downturn, we simply don't have time for the kind of research we would normally conduct: things are moving too fast. So, instead, our consumer planners around the world are dialling up their usage of the following:

- observing consumer behaviour in the on and off trade
- relying on judgement far more as opposed to waiting for research confirmation
- asking questions at the end of scheduled focus groups
- going into the trade with Sales to interview our retailers (on and off trade)
- tapping into the collective knowledge of our agency planners
- trawling the internet and other published sources for 'fast knowledge'.

I'm sure our competitors are not slow in accessing the wealth of published reports on how consumers are responding to the economic downturn – there have been at least 50 different reports produced by various organisations. However, we feel that very few of those gave any sense of the practical, on the ground implications for our particular business. So we've really encouraged our consumer planners to use every opportunity possible to identify actionable implications that can be implemented quickly.

### SOME EXAMPLES OF 'FAST KNOWLEDGE'

An example of this in action is an initiative by our consumer planners in the USA. They created a 'consumer planning challenge' (with a prize) where the function in the USA was divided into four competing teams. Each team was given an issue and required to head out into the on trade and take a look at what accounts or brands were doing to compete effectively in the current environment and come back with ideas that could be used quickly. Each team was given a budget of only \$200 and encouraged to also use its networks, connections and existing data sources to complete the assignment. It produced fast, insightful and actionable results.

In Great Britain, we have another example. 'Pub of the Month' gets consumer planners and category development managers out into the on trade to get real-time information, insights and implications. The focus is on pubs that are performing well in the economic downturn to understand why and how we can capitalise on these insights. These visits allow one-to-one conversations with pub managers, which are always interesting and insightful as well as providing an opportunity to see competitor activity and execution. Again, the key with this initiative is to ensure we generate actionable implications that can be implemented quickly.

So my advice to any company with an 'insight' function wondering whether it has invested in an indulgent luxury which should be culled is to ask this simple question: was the 'insight' function really having an impact on the quality of the marketing ideas during the good times? If it was, then you need those people more than ever now in the bad times.

If, on the other hand, you invested in changing the name and logo of the old research function into 'insights' but, hand on heart, did not see any real change in your brand's marketing programmes (any 'big ideas') or any growth attributable to consumer insight, then send them back to the back room and throw away the key – they were of no value to you in the good times and certainly have nothing to offer in the bad times!



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