QUARTER 4 SEPTEMBER 2011

Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

How to pick a winner

Luke Johnson

AESTHETICS, JUGS AND ROCK'N'ROLL

Paul Feldwick

GLOBAL KNOWLEDGE, LOCAL DELIVERY

Graham Mackay

IGNORE CULTURE AND BRAND FIT AT YOUR PERIL

Terry Tyrrell

MARKETING SOCIETY

Market Leader
QUARTER 4 SEPTEMBER 2011


LIMITED EDITION
"STRIDING MAN"
BY
Johnnie Walker
JOHNNIE WALKER.
BLACK LABEL.
Blended Scotch Whisky
AGED 12 YEARS
40% vol
70cl e

What not to do

WHEN PEOPLE submit articles for *Market Leader*, I try to ensure that, given our readership of practical marketing folk, the article gives a clear idea of what the reader should do, having read it. This mostly happens, directly or indirectly and the 'to do' points are usually helpful. But I've always had a sneaking feeling that telling people what not to do may be more effective.

So, I recommend serial entrepreneur Luke Johnson's cover article in this issue. Few people know as much about the tricky business of spotting winners as he does and his experience and mistakes make his advice about what to avoid in sizing-up an entrepreneurial venture particularly valuable. Should you be thinking of starting an entrepreneurial venture yourself, here is a solid-gold list of mistakes to avoid. And for the non-entrepreneurs in the audience, the list of what makes a bad business plan could also be headed 'what makes a bad strategy document' since the skills of clarity, conciseness, engagement and plausibility are central to persuasion of any sort.

Another collection of mistakes to avoid can be found in Jonathan Richman's discussion of why so many digital campaigns fail and why the aspirations behind them are often pure fantasy. One would like to think the reasons are complex, subtle and sophisticated. Richman says no. It's very simple: most digital campaigns are terminally boring. The competitive frame for a digital campaign isn't just other companies in the sector; it's everything that people would prefer to do rather than to study your website. Put that way, failure is hardly surprising, but making a campaign interesting, surprising, likeable and shareable is another thing.

In the 'never thought of it that way' category, Paul Feldwick treats us to a delightful essay on the role of aesthetics in creativity. The essence of this nuanced examination is that the conventional definition of creativity – originality – may not quite cover it: aesthetics need to be part of the equation. Indeed, the artistry in the execution may be more important. Proponents of the 'big idea' school of advertising should take note.

The role of marketing is prominent in three other pieces in this issue. Ruth Saunders argues that marketers need more boardroom credibility, and Terry Tyrrell supports this view with an analysis of why so many M&As fail – ie insufficient attention to the culture and brand fit of the companies involved. However, on a more positive note, Mhairi McEwen and Andy Bird extol the importance of marketing as one of the key growth drivers.

Judie Lannon

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Market Leader

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

Brainwaves

Our selection of light reading from around the world of marketing

Mad Men versus the real Mad Avenue circa 1950

BY WINSTON FLETCHER

HOW HONEST and truthful (we'll ignore legal and decent) is the TV programme *Mad Men*? We can answer this question with some confidence because there is a terrific book, published in 1958, which tells it like it really was. *Madison Avenue USA*, by journalist Martin Mayer, was a worldwide best seller, and in its original foreword David Ogilvy wrote: 'This is the best book about advertising ever written.'

Ogilvy withdrew his generous accolade five years later when he published his own worldwide best-seller *Confessions of an Advertising Man*. The great Scotsman had numerous admirable qualities, but modesty was not one of them.

Sadly, Mayer's picture is less glamorous than the one painted by the TV series. After the 1930s recession and the Second World War, in the 1950s advertising boomed.

More importantly, particularly in the USA, television swiftly came from nowhere to become the biggest and brawniest advertising medium of all. It grew much larger, and much faster, than the internet, but that's another story.

The new medium was ascribed with almost supernatural powers. I recall, as a student, attending a debate on the motion 'Television commercials can sell anything and everything to anybody and everybody'.

(Eat your heart out, ITV.) The ad industry, naturally, loved being seen as all-powerful, and fostered the image. But in reality it was struggling to understand exactly what made television advertising tick.

Consequently, as Mayer shows, on Madison Avenue conflicting theories and philosophies of how advertising works abounded, each propounded by its own agency. And each agency claimed its own approach was the only one that really did the business.

Led by Rosser Reeves, Ted Bates proposed its Unique Selling Proposition; at Norman Craig Kummel, founder Norman B Norman plunged deep into psychoanalysis; Marion Harper, founder of Interpublic, was much motivated by motivational research; David Ogilvy was the high-priest of high-class imagery; Bill Bernbach at DDB promulgated witty, Judaic self-deprecation… and so it went on. These guys were clever, and worked their butts off. As their agencies surged forward, their staff were expected to kowtow to their masters' philosophies zealously. And they did.

> After the 1930s recession and the Second World War, in the 1950s advertising boomed

During those heady years, each evening in the 21 Club and Maud Chez Elle, young Mad Avenue admen argued fiercely about the different agency philosophies. Nor were they above mildly malicious backbiting. For example: 'Ogilvy's a snob, so he just gives his products snob appeal'; 'Marion will make Interpublic the biggest in the world… for about ten minutes'; 'Reeves taught me everything I know about advertising. Pity nobody could teach him a thing.'

How does *Mad Men* reflect all this? Not very well. None of the above-named guys was much of a boozer. They weren't notorious philanderers. And they weren't especially dapper dressers. Sure, they cared about making big bucks, but they wanted to do it by making great ads. But then *Mad Men* is fiction. And fiction is, well, fictional. ■

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

NICOLA MENDELSOHN

The best advice I got ...
Was from John Hegarty: do interesting things and interesting things will happen.

The worst advice I got ...
Was from a creative director who told me to go out and sell a creative campaign to a client and not to come back till the job was done.

Don't underestimate ...
The importance of long-term relationships.

Don't overestimate ...
A bad situation. You can diffuse things just as quickly.

The experience that taught me most ...
Is being lucky enough to have my own agency and building it up with my partners.

The most fun I had ...
Was, and is, developing the culture at Karmarama.

The worst moment ...
Was unsuccessfully investing in a property scheme. Stick to the things you know.

My peak career experience ...
Karmarama winning Agency of the Year, *Sunday Times* best company to work for, and becoming IPA president in the same month.

Nicola Mendelsohn is chairman and partner at Karmarama
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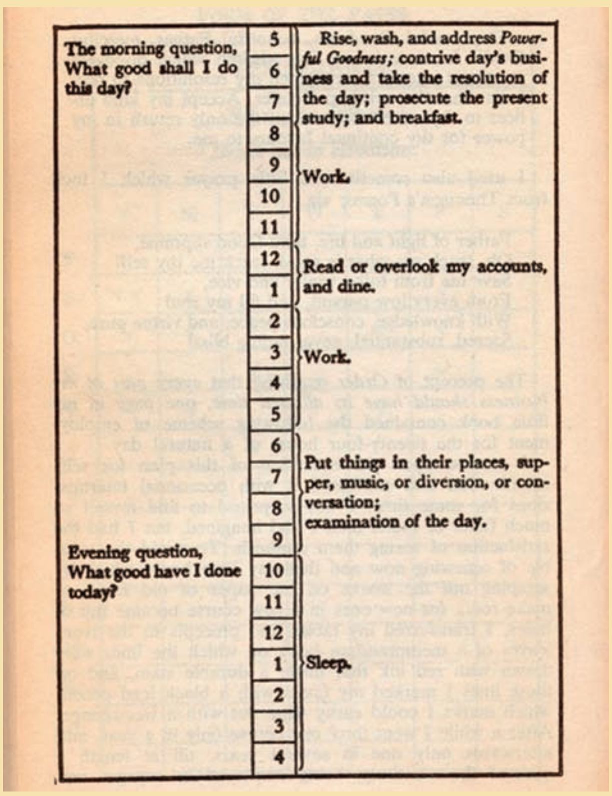
THOUGHT FOR THE DAY

FROM BENJAMIN FRANKLIN'S DIARY



The morning question, What good shall I do this day?	5	Rise, wash, and address *Powerful Goodness;* contrive day's business and take the resolution of the day; prosecute the present study; and breakfast.
	6	
	7	
	8	
	9	Work.
	10	
	11	
	12	Read or overlook my accounts, and dine.
	1	
	2	
	3	Work.
	4	
	5	
	6	Put things in their places, supper, music, or diversion, or conversation; examination of the day.
	7	
	8	
	9	
Evening question, What good have I done today?	10	
	11	
	12	Sleep.
	1	
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Blogbytes: lessons from the herd with NOTW

THE MOST popular Marketing Society blog article over the summer was by Alex Batchelor on lessons in normative herd behaviour from the *News of the World*.

He wrote: 'Amid the hysteria surrounding the *News of the World* (NOTW), what interests me are the lessons in human behaviour. We are a herd species (cf Mark Earls, author of *HERD*) and our behaviour continues to be affected by those around us. This current story, however it plays out, is a lesson in group behaviour.

'Next time, as a marketer, or as a member of any group, you see something that you strongly believe is wrong, being perpetrated with a sketchy justification, how are you going to react?

'What we are really seeing in all the discussions are the pernicious effects of suspicion in undermining any resolution to disputes. When I am suspicious of the intentions of those involved I can be blind to outcomes that I would accept in a less-emotional environment – and I can see even well-intentioned proposals as hostile.

'As Antonio Damasio, professor of neuroscience at the University of Southern California, says: "We are feeling machines that also think and not thinking machines that also feel." Suspicion, once created, lingers for a very long time and this shows the importance in all walks of life of a reputation for honesty and fairness.

'I can promise that the fastest way to prolong the feelings of anger, contempt and sadness is if we feel that actions of those involved are insufficiently penitent, or if we feel that their penitence is insincere.

'So, the sad lessons for marketing are that you should never underestimate the value of a reputation for honesty and fairness (although you may not think you need them until it is too late) – and that suspicion and democracy are powerful weapons against even the most powerful.' ■

Alex Batchelor is the COO of BrainJuicer
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Words worth

Unless you live in Westward Ho! or Saint-Louis-du-Ha!Ha!, use exclamation marks sparingly

IN CHEKHOV'S short story *The Exclamation Mark*, a civil servant trying to get to grips with the rules of punctuation develops a paranoid fantasy in which everyday objects transform themselves into malevolent exclamation marks.

I'm with F Scott Fitzgerald who wrote: 'Cut out all those exclamation marks. An exclamation mark is like laughing at your own jokes.' Elmore Leonard wrote of exclamation marks: 'You are allowed no more than two or three per 100,000 words of prose.'

GET A GRIP

An exclamation mark is like shouting or whooping. It's like screaming, 'I REALLY MEAN THIS', after you've spoken. And in business writing, exclamation marks are not to be encouraged, aside from special occasions.

Too many emails use exclamation marks, and they're especially irritating when used in groups of two or three. Admittedly, email has seen exclamation marks make something of a comeback.

Before the 1970s, typewriters did not have anything akin to an exclamation mark on the keyboard, which may have been another reason for their rarity. It was a lot of effort to type a full stop, then back space, push the shift key and type an apostrophe.

So, when to use exclamation marks? Use them sparingly and then they will have the impact you need. They should be used to demonstrate surprise, anger or joy. That's all. And, if you're not sure, use a full stop instead. So is 'Thanks!!!' more grateful than 'thanks'? I don't think so. ■

Elen Lewis
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FIVE WAYS TO... LISTEN

1 Silence. Spend three minutes a day in silence. This will reset your ears and help you recalibrate so you can hear the quiet and the subtle again.
2 The mixer. Differentiate the noise. How many channels of sound can you distinguish in a coffee bar? In the street? At a lake? This exercise will improve the quality of your listening.
3 Savouring. Learn to enjoy mundane sounds, from the waltz of your tumble dryer to the coffee grinder. Mundane sounds can be richly fascinating if you pay attention: discover the hidden choir.
4 Listening positions. We listen through filters, most powerfully our intention. Change your listening position and it can change your world.
5 RASA. This acronym is also the Sanskrit word for juice or essence. RASA stands for Receive (pay attention to the person); Appreciate (make noises like hmm, oh, okay); Summarise (the word 'so' is important in communication); and Ask (ask questions afterwards).

Watch Julian Treasure of The Sound Agency on TED.com.
For more, visit www.juliantreasure.com.

Golden brands of 1961

Here, the Marketing Society digs into its archives of 50 golden brands: a year of lemon, Fairy and Jaguars

LEMON. IF there was one word that summed up marketing and advertising in 1961, it was lemon.

In the US, a VW print campaign was causing ripples across the advertising industry. Using simple headlines like 'Lemon' or 'Think Small', VW and its creative agency Doyle Dane Bernbach were masterfully persuading the American public to fall in love with a German car in the shadow of World War II.

Breaking conventions, this creative style was based on the subtle sell, and it marked a new approach for ad agencies – pairing copywriters and art directors as part of an equal team.

This side of the Atlantic, an altogether sleeker-looking car was causing waves – the E-Type Jaguar, Britain's affordable answer to the flashy Italian Ferrari.

It was snapped up by celebrities such as footballer George Best and George Harrison from The Beatles. And it wasn't the only British brand innovating in that year. Wilkinson Sword began to attract attention internationally for the first time, with the launch of a new and revolutionary Teflon-coated blade.

Two iconic strands of British advertising also debuted this year. Fairy Liquid's memorable slogan 'Now hands that do dishes can feel soft as your face, with mild green Fairy Liquid', sang onto the screens. And there was a new kid in town – Nestlé's Milky Bar Kid. ■

1961 SNAPSHOT

Current affairs: John F Kennedy becomes US president, the Vietnam War officially begins, construction of the Berlin Wall, and Tottenham Hotspur wins the League and Cup Double.
Films: *West Side Story*, *Breakfast at Tiffany's*.
Books: *Catch 22* by Joseph Heller.
Music: The Beatles perform at The Cavern Club for the first time; the careers of The Beach Boys and The Temptations begin.
Births: Diana, Princess of Wales, George Clooney, Ricky Gervais.
Deaths: Ernest Hemingway, Vanessa Bell, George Formby.
www.50goldenbrands.com

Want to keep your competitors up at night? Hire Gapingvoid for your next campaign, and sign up to the Free Daily Cartoon at www.gapingvoid.com

My seven wonders

ALAN GILES

ALAN GILES is the former CEO of the HMV Group. Now chairman of Fat Face and board member of The Marketing Society, he tells Elen Lewis about the seven wonders of his world.

1 **View.** From my seat at Madejski Stadium, home of Reading FC. My spirits soar when I see this view, at least until we concede the first goal.

2 **Work of art.** *OK Computer* by Radiohead. Fourteen years after it was released, it is still an astonishingly varied, beautiful and challenging album.

3 **Journey.** Cycling from Hambleden to Christmas Common. An exhilarating ride through the wonderful rolling scenery of the Chilterns, with one long, steady climb to raise the heart rate.

4 **Book.** *Birdsong* by Sebastian Faulks. Moving, harrowing, and thought provoking, it is the best work of one of the most talented writers of the modern era.

5 **City.** San Francisco. An inspiring, vibrant blend of cultures with a stunning setting. Compact enough to walk around, with stunning food, buildings and an all-pervasive 'can do' attitude.

6 **Building.** Mob Quad, Merton College, Oxford. A sense of timeless tranquillity and scholarship, with the humbling thought that little has changed not just since I was an undergraduate, but since the 13th century.

7 **Hotel.** The Sanctuary on Camelback, Scottsdale, Arizona. Stylish, peaceful, great cooking and a spectacular view. I relax immediately upon arrival, and I have booked my next trip already.

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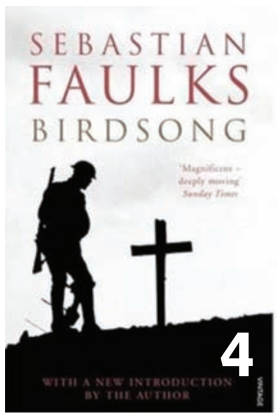

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Ideas & issues

The annual festival of creativity is an indicator for the state of the global economy and the state of marketing communications

CREATIVITY

Iterative marketing and ecosystems

FROM JULIAN BOULDING

THE ANNUAL Cannes festival of creativity is a significant indicator for two issues that concern us all: the state of the global economy; and the state of the marketing communications business.

On the first metric, the global economy has bounced back. The 2011 awards contests received a record number of entries and the number of registered delegates was almost 9,500, close to the all-time high of 10,000 in 2008.

Seminars were packed. You had to get there early for Google, or you could forget about seeing Eric Schmidt. Latecomers would be in the balcony of the overflow theatre watching the live video feed.

But what about the marketing communications business? The top creative awards went to an interesting mix of traditional advertising from 'new' markets, such as Romania, China and South Africa; and innovative, technology-driven work from established markets including the US and Korea. And that's a pretty fair reflection of the business today.

But behind – and beyond – the parties and the prizes, what was being talked about and what did we all learn?

LAST YEAR COMPARED WITH THIS YEAR

The talk in Cannes in 2010 was all about the 'what'. What is the industry doing? What is the role of brands? And, most of all, what should companies stand for?

This year was all about the 'how'. In an interconnected, interactive, collaborative, mobile world, the key challenge is how to engage with consumers in a creative and original way.

Essentially we heard three schools of thought.

1 The intuitive approach

Fortunately, there are still some renegade geniuses to remind us that creativity is unpredictable and does not arrive through logical distillation of facts.

John Hegarty gave his great speech about zagging when others zig, illustrated by famous BBH TV commercials. Everyone else plays the full 30 seconds – or the 90-second directors' cut, or the three-minute video explanation of why the idea is creative. Hegarty plays only the first six or seven seconds, because everyone immediately recognises and remembers them. Arrogant, but awesome.

Chuck Porter and his team from Crispin Porter + Bogusky (CPB) talked about 'method advertising'. Like Stanislavsky's 'method acting', this means getting fully into character by using the products and brands you're working on, before allowing your intuition to create stories about them.

CPB walked the talk by throwing out all their Macs when they won the Microsoft account. The FedEx-style order-tracking system they developed for Domino's pizza has to be one of the greatest creative uses of technology, and you have the feeling it probably didn't come out of a focus group.

2 The process-driven approach

Ogilvy invited Sir Ken Robinson, an author of several books, to give a commemorative lecture to mark David Ogilvy's centenary.

Robinson defines creativity as 'the process of having original ideas that have value'. If you think creativity is a process, forget BBH and CPB, Ogilvy is the agency for you.

Ogilvy, like many WPP companies, has bet big on data. The CEOs of large corporate clients keep their jobs by predicting their quarterly earnings accurately, which means they hate uncertainty. Data appeals, as it reduces uncertainty.

Also, data is now far more widely and deeply available than ever before, thanks to the internet. It's a natural preserve of the media companies that control most of the cash flow in the marketing communications industry (such as Universal McCann and its clients, which devoted its seminar to glorifying data).

The problem is that many marketing companies still use data reactively. They look at what the consumer did last month, or last year, to predict what they will do next. The problem is not just that things move faster today – although, of course, they do – but that the nature of data has changed. Traditional research is simply being sidelined. Today's metrics are YouTube views and Facebook 'Likes'.

3 The iterative approach

Of all the topics raised at Cannes 2011, this was the big one. For 'iterative' read: carry on until you get it right, and then make it better. And it profoundly impacts the nature of marketing creativity today.

The artists of the European Renaissance instigated a new view of the world: a world of perfectly composed stasis, seen from a defined and unmoving perspective. Jazz, cubism and other movements in the fine arts moved this on many years ago, but advertising and data stayed put.

'Snapshot' research fixed the consumer in a point of time, allowing advertisers the time to craft a perfect message. Remember when it routinely took a year to create a new campaign? A lot of people would be more comfortable if our industry still worked this way, but it doesn't.

> In an interactive, mobile world, the challenge is how to engage with consumers in a creative way

Creativity – indeed, marketing itself – is now iterative, and many of the best seminar speeches discussed this. Jonah Lehrer put it succinctly: the recipe for success today is to 'fail fast and fix it'.

Some people view this as a source of concern. Paul Polman, CEO of Unilever, feels that the industry is 'like a deer in the headlights', not knowing where the next trend will be. He is buying time by doing away with quarterly results announcements (hooray!) and hedging bets by shifting the marketing balance from 'one-Unilever-global', to more local activity. Keith Weed, his CMO, said 'we want to be the most local of the global players', but his acknowledgement of 'the challenges of managing complexity' was refreshingly candid.

Some people sit on the fence: the 70/20/10 model seems to be the new norm, where 70% of the marketing budget goes to what you know all about, 20% goes to promising new initiatives, and 10% is devoted to things you know nothing about, but which sound interesting and trendy. Amazing and revealing to hear more than one of the world's leading marketers confess to this.

Other people were more positive. Malcolm Gladwell put forward the view that the world belongs to the 'tweakers'. This means not only the Chinese, adapting and exploiting western ideas, but also people such as Steve Jobs, adapting and modifying the PC, and the inventors of Google improving on the early search engines like Alta Vista.

Coca-Cola's concept of 'liquid and linked creativity', discussed elsewhere in this issue (page 35), makes the same point from a different perspective.

For example, Google tried its advertising on YouTube before risking it on television in the Super Bowl. CEO Eric Schmidt said: 'Successful business models are iterative… if we want to change our website, we test it on 10% of users. When we make a change, we leave 10% of users with the old version.'

IT'S ALL ABOUT PLATFORMS – OR IS IT?

If marketing is iterative, then the future belongs to the flexible platforms. Of course, it helps if you own the platform. In that case, you let others do the work while you collect the money – as Facebook does with Zynga, another frequently quoted example.

To reference Schmidt again: Facebook, Apple, Amazon and, of course, Google are all platforms. So is Unilever's ice-cream vending machine that recognises smiles and starts a relationship with consumers. (Thanks to SapientNitro for that one.)

And so too is Nike. Bob Greenberg of R/GA explained how he had helped the company to move beyond the Nike + platform to a 'functional ecosystem'. This was done by incorporating GPS into the kit, so runners know where their friends

>

actually are, not simply that they are getting fit.

If you really want to know where our business is going, the best idea is usually to pitch up and listen to Bob. And this year, again, his speech was the best. It's a shame that he hasn't agreed for it to be posted on the Cannes Lions website, as most speakers have.

Basically, as Bob sees it, the world of marketing communications first moved from horizontal integration (global campaigns) to vertical integration (co-ordinated campaigns) and is now about

> If marketing is iterative, the future belongs to flexible platforms. Of course, it helps if you own the platform

to move forward again, to functional integration.

Essentially, this means moving from platforms – already yesterday, for Bob, just when the rest of us had started to work them out – to ecosystems, where product, brand, company, technology and consumer are all crucial participants. As agencies become skilled in technology as well as creativity, they will become more than agencies – they will become business consultants.

Their role will be to help marketing companies develop brands that 'create value for consumers, like Google; rather than simply enjoyment, like Coca-Cola' (his words, not mine).

So, circle back for a moment: enjoyment comes and goes, but value continuously develops.

In today's marketing, there is no 'establishment'. The future belongs to the people who keep moving. ■

Julian Boulding is president of thenetworkone.
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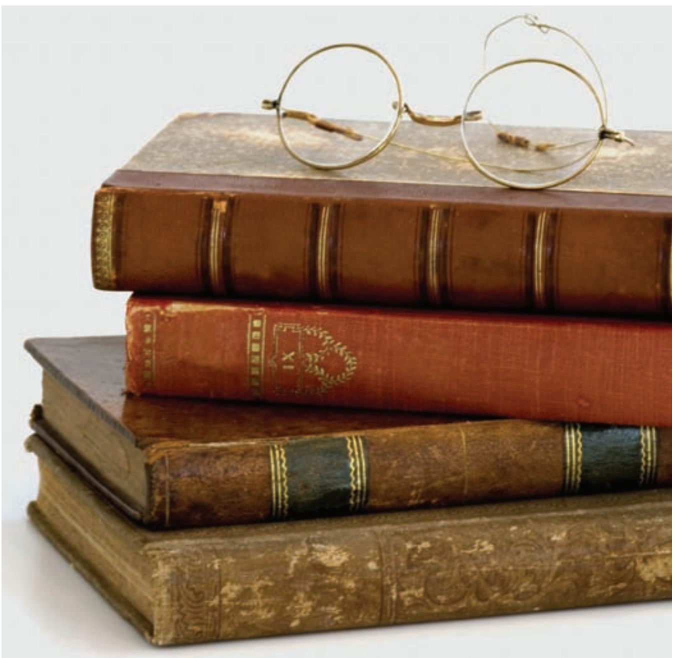
COMMUNICATION

Story power + experience = brand legends

FROM SIMON GLYNN

IN THE article 'Storytelling in a virtual world' (*Market Leader*, Quarter 3, 2011), Julian Saunders argues that the decline of advertising is endangering the storytelling that brands such as Orange and Nescafé have historically used so memorably. And he laments this danger because storytelling is so fundamental to how humans communicate and relate to each other.

Our research and experience confirm the declining role of traditional advertising-based storytelling. In today's radically transparent world, brands don't get to tell their own story much, and the reality of the customer experience dominates. But what's declining is the narrative storytelling isolated from the ad campaign. A new storytelling is emerging that's more authentic and linked to the brand experience, creating the stories that people spontaneously pick up and retell. It's this that will be at the core of building tomorrow's brands.



When we measure a brand, we look at two dimensions of customer perception: 'story power', which describes how favourably consumers at large rate the brand; and 'experience power', which describes how much the brand is loved by the people who actually use it and know it through

> Brand legends are great stories based on a truth

their direct experience. The successes, the 'brand legends', are those that score well above average for their sectors on both storytelling and experience: legends are great stories based on a truth.

EXAMPLES OF SUCCESS

Brand legends in our most recent UK research include O2 in telecoms, Apple in electronics, and BMW in automotive. By contrast the 'brand myths' are those that score above average on story power only: myths are great stories that are not based on a truth. Not surprisingly, we find that the financial performance of brand legends is consistently stronger than that of brand myths: an average of 8% annual growth in revenues for brand legends in the UK, for example, compared with an average of -1% annual decline in revenues for brand myths.

Instead of spending most of their money telling stories directly, the brand legends create branded experiences that stimulate people to discover and retell their stories for them: the reward treatment and treats from O2, the physical delight of using Apple products, and the thrill of perfection from BMW.

Are these the sort of values-based stories that Julian Saunders is craving? Arguably they are. Behind O2's indulgences is an enlightened belief in investing in long-term customer relationships rather than short-term exploitation; behind Apple's delight is an appreciation of pure design craft and usability over technological gizmos and features; behind the BMW thrill is the reward that comes from their perfectionist engineering of every detail.

To create such strong, branded experiences, a focus on the brand story is crucial. But that brand story is no longer the advertising narrative. It's the succinct expression of the brand idea that is so simple and relevant that people can relate to it, and want to retell it because it's touched them emotionally. It is so purposeful that people want to attach themselves to its values, and so tangible that it permeates the experience and gives customers something real, not just myth, to love.

The form of the story may have changed, but the need for it has not. Brands that embrace the new digital channels as ends in themselves, not as new means of storytelling, will become bland. Digital-conversation tactics won't work without a 'being-worth-talking-about' strategy. ■

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EHRENBERG REVISITED

How brands grow: work in progress

FROM DAVID COWAN

THE BAYING and mooing of marketing sacred cows being slaughtered can be heard emanating from the pages of Professor Byron Sharp's book *How brands grow: what marketers don't know*. Deeply held marketing ideas and widespread practices are denounced and derided – marketers likened to medieval doctors, with their principles and practices compared to those of blood letting.

The book is an accessible compendium of the work of the late Professor Ehrenberg and his colleagues. It has been reviewed in *Market Leader* (Quarter 2, 2011) but, given its iconoclastic nature and that it is based on more than 50 years of scholarship, it requires much attention and some challenge by the marketing community.

LOYALTY PROGRAMMES DON'T WORK

I am a partial convert to Ehrenberg's ideas and have been since the early 1970s. However, in Sharp's book there are areas where in my view his 'evidence' fails to convince and there are key issues that he doesn't address at all.

A central Ehrenbergian assertion, with only minor caveats, is that a brand's share is determined by the number of users is has. To grow, it must get more users; it can't grow by inducing existing users to use more. Ehrenberg/Sharp have studied hundreds if not thousands of brands in different markets and geographies and nowhere do they find brands with greater loyalty than their competitors. Their deduction is that 'more from existing users', an oft-stated marketing strategy, never works.

Although there are some major unanswered questions about this, I have always felt comfortable with putting penetration as the header objective if growth is to be achieved. It seemed to me to be a corollary of the Parfitt and Collins (1967) trial and repeat-purchase model of how new brands become established in the first place.

> Their deduction is that 'more from existing users', an oft-stated strategy, never works

I also have no problem with his evidence that light brand users are of great importance for both current and future sales and therefore relationship marketing and CRM programmes that ignore them are a bad idea.

And I agree with his evidence and argument that loyalty programmes have weak effects on brand share and are unprofitable. I have always thought the provenance of these programmes suspect. They have usually originated in the *Harvard Business Review* or the like before being picked up and sold around the world by the large management consulting and IT firms but their evidential foundation has always appeared dubious to me.

It is therefore particularly gratifying to read the demolition job done on the article (Reichheld and Sasser in HBR 1992) that claimed that companies can boost their profits by almost 100% by retaining just 5% more customers. Sharp shows that although this may be true, arithmetically it is nonsense and can never happen.

The chapter on price promotions is particularly worth reading. He also demonstrates how advertising can be working even if sales don't increase. And I have always found the Ehrenberg assertion that the main role of advertising is to reinforce memory structures compelling. And there is much more good in the book – it is essential reading.

TWO FINGERS TO ORTHODOXY

Sharp's audacious objective is to overturn the precepts that underlie today's marketing orthodoxy, and the reader is likely to have the disturbing feeling that much of what they believe is being proved untrue. This is not the case. The impression is created through a combination of destroying straw men, exaggeration and going beyond the evidence. There is also a major flaw in the whole project that is not acknowledged.

The first object of attack is the 'ideology' that 'differentiated brands should sell to different groups of people'. He presents academic evidence to show that brand usage is not related to customer personality type and presents many tables for a large number of brands showing that brand users don't differ much by demographics, media habits or general values, by which he means TGI type statements – for example, 'I can't bear untidiness' or 'children should express themselves freely'.

This may disturb some marketers but this is a straw man. The concept of target group – 'different groups of people' – means people who want or who are attracted to >

slightly different functional or symbolic things, not people who are different in the ways being described (although there may be correlations with demographics etc).

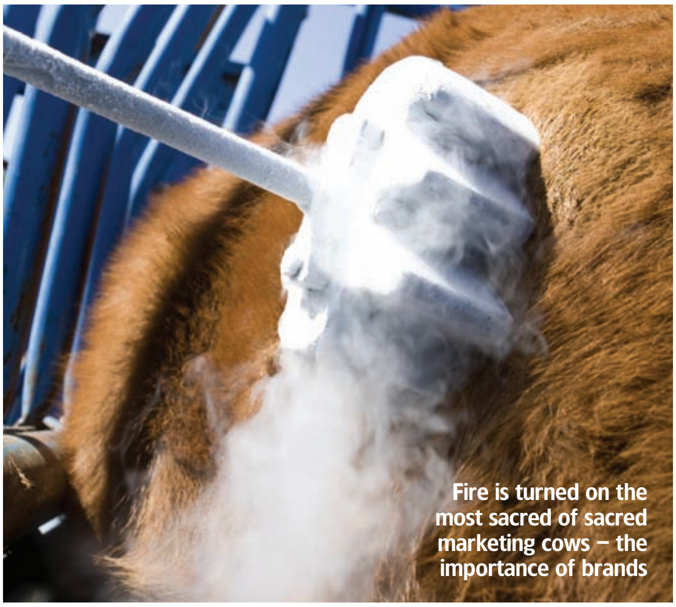
The professor may think he is addressing this point when he attacks Philip Kotler for saying that different flavours of soft drinks, such as Coke, Lilt, Fanta, cater to different people. A position he demolishes by showing that large proportions of Lilt and Fanta buyers buy Coke.

This is another 'straw man' created through a combination of Kotler's exaggeration and an unwillingness to embrace the spirit behind Kotler's idea. Sure, the buyers of Coke, Lilt and Fanta are not completely different people but I am sure there are people who have a hankering (a need-state) for Lilt more often than for other brands and/or who would buy it more often if it were available or available in the right size or simply people who are in the mood for one or other of these drinks at different times. If this is the case, is it so silly to conceptualise these people as Lilt drinkers? I think not.

MAJOR HERESY

Fire is then turned on the most sacred of sacred marketing cows – the importance of brands. The attack is made on seven or eight fronts. The first attack is on the named versus blind product test, a cornerstone in the argument for branding importance which has received a significant boost in recent years with reports that brands stimulate brain activity in the hippocampus and other areas concerned with cultural knowledge. This is dismissed as being a symptom of familiarity rather than anything else but he presents no substantial evidence.

Ehrenberg/Sharp acknowledge that there is such a thing as brand loyalty but they assert that this is a phenomenon of the product sector, a habit adopted by humans to make life simpler. This is undoubtedly true. They quote experiments that show that under test conditions, consumers show loyalty to trivial differences – for example, loaves of bread labelled as L, M, P and H.


Fire is turned on the most sacred of sacred marketing cows – the importance of brands

However, to establish the case that brands in the normal sense of the word don't contribute to loyalty, it would be necessary to show that under similar conditions – for example, perfect distribution – the levels of loyalty were no higher than to the trivial alphabetic brands. This has not been done.

Furthermore, the most important point about brands – that they command higher prices – is not addressed.

Qualitative research among brand users who show emotional attachment to brands is dismissed as myth originating from interrogating small samples of biased customers who are paid for interviews and reported by biased researchers.

Despite this scornful dismissal, Sharp acknowledges that brand fanatics do exist but asserts without proof that all brands have them in proportion to market share and that even for iconic examples like Apple and Harley Davidson they have little impact on loyalty. The customer advocacy effect on recruitment is said to be negligible due to the small number of fanatics but again no evidence is presented.

GLARING WEAKNESS

The glaring weakness of the Ehrenberg/Sharp project is that it is a static analysis. It compares competing brands with different market shares at fixed moments in time. They have never studied how brands become established in the first place and the mechanisms by which the largest acquired the greatest number of users – so the book is not about how brands grow.

Studying how growth has actually come about gives an insight into growth that a static analysis can't give.

At one point in the book, Kotler is taken to task for saying that brands should target specific segments but, according to Professor Sharp, segments don't exist.

Let's take a dynamic case – how Dove deodorant grew. Dove deodorant's share plateaued a year after launch. A new scent variant was introduced but it cannibalised the original and the total hardly increased.

In year four, a variant for sensitive skin was launched followed two years later by one 'with added moisturiser' and then one called Invisible that didn't leave marks on clothes. Each benefit was advertised and market share grew and stayed up with each introduction and there was negligible cannibalisation. By year ten, market share had doubled.

An Ehrengbergian snapshot, say over a six-month period, is highly likely to reveal that buyers of the variants have bought the original too and their analysis would conclude that there are no segments. I would submit that the brand grew because there were consumers who had a predisposition towards a product for sensitive skin, another group who wanted moisturiser and a third interested in Invisible. The new scent found no significant segment and, therefore, failed to grow the brand.

Throughout his long career, Andrew Ehrenberg strove to make himself clear, believing that this was the way to win acceptance for his ideas. But this was the wrong diagnosis. Professor Sharp's book is admirably clear but despite what could be described as a *tour de force* I am still only a partial convert. The problem isn't lack of clarity, the problem is that at its heart the analysis is one dimensional and therefore incomplete. ■

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'How brands grow: what marketers don't know.' Professor Byron Sharp, OUP (2010)

CONSUMER BEHAVIOUR

Should my brand be following the latest trend?

FROM JOSEPH GELMAN

COMPANIES, ESPECIALLY those in the fmcg world, have a profound interest in understanding where their consumers are heading. Cool hunters, trend watchers, urban influencers: all of these subjects have become a known and relevant part of the corporate world, with the objective of better understanding how consumers' lives are evolving and how this can translate into innovative products and services.

Typically, a company will put effort into identifying these consumer trends and use this knowledge as one of the inputs into the innovation process. When confronted with these trends, companies usually embrace them and try to respond to them. In some cases, they are able to become first movers or shape consumer behaviour by owning a certain trend at the appropriate time and with the right propositions.

RIGHT PLACE, RIGHT TIME

Trend identification is not an exact science. Evaluating the relevance (and even existence) of a specific trend can be increased with systematic observation and non-traditional research methodologies.
Yet, even if a trend is identified and understood, a company needs to reflect on some key questions before using it as a guiding light for evolving its brand:

- Is this trend real and does it have staying power?
- Will it be relevant in my category?
- Does my brand have the permission/capacity to respond to this trend?
- Will focusing on this trend affect my current positioning and therefore alienate my key consumer groups?

Answering these questions will help a company define the relevance (if any) that a specific trend should have on the innovation process and, ultimately, over its brand.

One approach is to embrace the trend. Some brands have been very successful in doing this. A good example is IKEA, which understood early on the intersection between the 'do it yourself', 'simplicity', and 'modern look and feel' consumer trends and made them the basis for its products, price points, and overall consumer experience.

We could say that IKEA has been so successful at this that it has actually become the trendsetter that other companies in their category have followed, with special emphasis on the 'do it yourself' part of the equation (today it feels like it is impossible to buy furniture in Europe that one does not need to assemble at home).

Another good example is how McDonald's has responded to the 'healthier lifestyle' trend by reshaping its menus, being more transparent about its products, and even starting to change its look and feel towards a palette that is dominated by the colour green. It's likely that McDonald's still makes most of its money by selling Big Macs and fries, but it has gone through an evolution based on its views on how consumers are changing. Does this mean that every brand should adopt new trends in such a transformational way? Not necessarily.

KNOW YOUR CONSUMERS

Consumers are complex, and their needs are not uniform. On the one hand, there will be segments of consumers that will not follow a certain trend and, on top of that, other consumers will embrace trends differently based on product category or even specific consumption occasions.

This means that every trend has an implicit 'anti-trend' associated with it, and there are opportunities for brands at both ends of the spectrum.

Table 1 provides some examples of opposing consumer needs that can result in a trend and an anti-trend. We know that the anti-trend-driven consumer needs to feel counter-intuitive, but the reality is that a good number of brands have been very successful in following them.

In the fast-food example, it is clear that Burger King has achieved success by following the anti-trend; it's all about the all-American eating experience versus the healthy/good citizen approach that McDonald's has taken. And they are both doing well.

BE SELECTIVE

We need to consider that trends that at first glance appear to be antithetical, can actually co-exist. For example, there is a key consumer trend around the 'need for mobility', which has resulted in numerous easy-to-consume, single-serving and on-the-go products that are very much in tune with the 20-something's lifestyle (or so we would think).

At the same time, Heineken has developed a keg beer for at-home consumption, which seemingly goes against the trend, unless there is some specific trend about spending more time at home sharing with friends versus going out to clubs. Confusing isn't it?

It is important for brands to pay attention to trends, but observations and responses need to be systematic, avoiding oversimplification that leads to superficial analysis or hasty reactions.

After understanding the trend, you must understand if it is a relevant one for your category and brand. If it is, use it as one of the inputs for the innovation process. If it isn't, think of the possibility of following the anti-trend and make your brand different from all the others. ■

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TABLE 1: EXAMPLES OF OPPOSING CONSUMER NEEDS THAT CAN RESULT IN A TREND AND AN ANTI-TREND

Trend-driven consumer need	Anti-trend-driven consumer need
Living a healthier lifestyle	Searching for pleasure and indulgence (regardless of health)
Participating in the 'eco' movement via consumption	Believing that eco impact has been exaggerated, not paying more for eco
Looking for the best consumption experience (pure, high-quality, sensory experience)	Focusing on products that meet basic needs, whatever is available
Knowing more about the product, becoming an expert	Disregarding product information or regulation

MARKETING TECHNIQUES

Which is the sharpest tool in the marketer's box?

FROM LAURIE YOUNG

WRITING A book is not easy but the one I have just finished was particularly hard. It started out as such a simple idea. Like all marketing people, I have used different ideas, tools and concepts throughout my career.

Yet, during the past 30 years, so much has changed that I wondered how solid many familiar terms (such as 'product life cycle' or 'positioning') are and where they came from. I wanted to write a series of essays on their relative strengths and weaknesses. It's been so difficult that I am convinced that it has broken my brain. Yet it's taught me something quite fascinating, which is that many concepts that are routinely and effectively used by marketers are to be found, neglected, at the back of the toolbox.

Take, for example, viral marketing. During the advent of the internet, many of us were tempted to try out this remarkable technique in the virtual world. Some of us messed up until we learnt to integrate it with other media and to institutionalise the skills that make it work.

Now, many routinely use it with other communication methods to build brands, generate leads or communicate with buyers. Although pundits such as Seth Godin and Malcolm Gladwell put this new version on the map, it has been around a long time. John Pears was certainly not familiar with the term but he used viral marketing to kickstart a 300-year-old brand by getting 18th-century schoolchildren to run around London with catchphrases.

And, in the same period, Japanese traders (such as Mitsokusi) used it to market high-end goods alongside hand bills. So, why, after a hundred years of so-called marketing science are young professionals just being taught it? It would have helped many of our predecessors to know that successful business people have, intuitively, used this technique so effectively.

NEGLECTED IDEAS

One of the most worrisome examples of this neglect is 'thought leadership'. This is common currency in leading global firms such as IBM, Microsoft, Deloitte, Clifford Chance or Accenture. Many see it as their prime method of marketing and have made millions from it over the past decades alone. Serious, smart people have made up concepts like 'shareholder value' or 'CRM' to sell to their customers.

Moreover, it is another tool that has been used for centuries. People such as Josiah Wedgwood, William Lever and Robert Woodruff used it to persuade their intended customers that they needed a new idea as much as a new product or brand.

It is one of the most useful ways of stimulating demand from latent markets and is responsible for the ubiquity of much that we take for granted today (particularly technology). There is even a credible argument that it has been as effective and influential as advertising. So, why doesn't 'thought leadership' appear in any marketing textbook?

Another term familiar to many is 'value proposition'. People arrive at these valuable constructs in different ways but they are routinely used to remind marketing and sales people that life is about more than price discounts and fights for market share.

> Brands set a firm apart from competitors and create a unique bond with customers; they create margin and profit

In some major global companies, such as Fujitsu, sales people are not allowed to approach customers with a deal unless they have been through a 'value-prop workshop'. Agencies and marketers dedicate enormous amounts of time and effort into getting their heads around the right mix of price and features.

Properly executed, value proposition development maintains margins and safeguards profit. Again, this idea is normally at the back of the box.

It is strange that these tools have been virtually ignored by theorists. They are supposed to work out what we all do and condense our successes into concepts or techniques that will help subsequent generations. However, it's impossible to avoid an impression that they have built a closed world view about accepted marketing thinking. This view holds onto long-standing ideas (like 'the four Ps' or 'Boston matrix') and more recently 'relationship' or 'services' marketing, some of which are shockingly suspect.

So, it seems that we are largely on our own. My original sense that, after years of experience, we have to come to our own judgement about the viability of these concepts was right. There really is no canon of marketing knowledge; and we are a long way from having the armoury of professionally verified tools that, say, architects or lawyers have. For me, the best include: value propositions, viral marketing and thought leadership.

BRANDING IS TOP

The exercise of writing the book has made me an even bigger fan of branding. For a long time, this was also at the back of the box, mixed up with 'packaging' or 'promotion'. Now there is a plethora of insightful publications on it.

This is the tool I most value, the most useful contribution that marketing skills have ever made to businesses. Not only do brands set a firm apart from competitors and create a unique bond with customers, they also create margin and profit. And they are durable.

In researching the book, I found 100s of brands sold today that have been in existence for over 100 years. In an era when many business people believe that it's difficult to create enduring value, these brands have been commanding attention for many generations. To a great extent, marketing is branding and, for me, not much else matters. It's clearly the sharpest tool in the box. ■

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'The Marketer's Handbook: Reassessing Marketing Techniques for Modern Business.' Wiley, 2011.

BRAND ETHICS

How important is it for brands to be 'good'?

FROM JANE ASSCHER

WHEN IS a consumer durable not a consumer durable? The answer, of course, is when it's an indispensable status symbol that just happens to double-up as something useful. But what if that same status symbol happens to have been manufactured in a sweatshop by poorly paid workers? Should it change how we relate to it? The findings of a new research study* suggest that it should.

The study asked 2,000 people about their attitude to brand ethics and how it impacts their buying decisions.

Of those polled, 91% said the way a company behaves towards its customers and communities is influential when considering a purchase; 74% said they like to know about the behaviour of a company before buying; 60% said that awareness of a company's ethics – environmental record, sourcing, employment policies, charitable donations, etc – affected their purchasing. Although attitudes tend to exaggerate intended behaviour, these are high numbers. It seems we are becoming more inclined to judge ourselves by the company we keep, and that includes the brands to which we might attach our loyalties.

WHERE SHOULD WE LOOK FOR EXPLANATIONS?

We can first thank the arrival of the internet. In a world where everything is accessible in real time, there is nowhere to hide. If a brand makes false claims or behaves unethically, sooner or later it will find its way into the blogosphere, leaving damning and indelible digital fingerprints.

> Most of us like to support a brand that does good because, by extension, we are also doing good

In addition, the economic turmoil of recent years has resulted in a breakdown of trust in authority and a greater reliance on personal communities. In an age of austerity, we understand that brands value our money, and this knowledge empowers us. As individuals we may lack muscle; collectively, however, we can control a brand's economic fate. Most of us like to support a brand that does good because, by extension, we are also doing good.

But what does it mean for brands? Essentially, they must up their game – not only by doing good but also by providing information to show when and how they are good.

This means delivering a joined-up message, as Unilever found to its cost when it attracted criticism over its Dove 'For Real Beauty' campaign. The Dove campaign sought to highlight and counterpoint the exploitative portrayal of women in advertising; while a parallel campaign for Unilever's Lynx deodorant appeared to be trading on the very image of women that Dove claimed to reject. As advertising pundit Russell Davies observed: 'I know what Dove believes in, and I know what Lynx believes in. I just have no idea what Unilever believes in.'

So this begs the question: what is being 'good'? Our research suggests it goes beyond conventional norms of corporate social responsibility (CSR) – ie self-regulation and compliance with ethical standards. 'Goodness' has tended to be associated rather narrowly with environmentalism (with complicated price trade-offs) but we believe that it is much broader and may not involve price trade-offs at all.

IN THE MARKETPLACE

We are experiencing a seachange, a new ethos of engagement, but one that has yet to become universally embedded in companies.

The highly successful *Evening Standard* (*ES*) Get London Reading initiative is one example of this cultural shift. *ES* chose a subject that is not only directly relevant to its brand but intrinsic to it. Unlike a cause-related marketing (CRM) or CSR programme where there's merely a neat alignment, the topic of illiteracy is fundamental to *ES*.

Having grasped the nettle of the embarrassing incidence of London children who couldn't read, the brand mobilised commercial partners as enablers of literacy, including A-list celebrities, Mumsnet and Argos. Most importantly, it recruited *ES* readers, encouraging them to volunteer as mentors and fundraisers, not only giving them an active role – as any proper CRM campaign should – but also an involvement that creates a virtuous circle with readers reading about themselves doing good in the pages of *ES*.

Involvement in a worthwhile cause can generate massive publicity, both for the cause itself and, by association, a brand. To achieve this we know that a brand's marketing and CSR goals must be aligned with its communications in a credible way, and not just bolted on.

Communicating an ethical initiative effectively has always been as important as the initiative itself, but the new era of 'good' behaviour requires more than this. The brand needs to use the new social media tools to enable people to become collaborators in the cause. Brands that are seen to collaborate – with customers, staff and the world at large – make us feel good about connecting with them.

Successful brands also make it their business to maintain a flow of relevant and transparent content – in abundance. It means going beyond traditional advertising – communicating in forums, generating word of mouth, buzz marketing, social media, local marketing, gaming, entertainment, events and more – while continuously evaluating these channels to measure performance.

At the heart of the new corporate good is a move towards consumer-driven behavioural change. Brands that recognise this and structure their businesses around genuine principles will benefit. Being good gives a brand a competitive advantage; it gives consumers another reason to buy; it makes people believe passionately in their work and, most importantly, it's great for society. ■

***Market research by Trajectory, conducted across the UK in June 2011, commissioned by 23red.**

Jane Asscher is founder and chairman of integrated agency 23red.com

In praise of scepticism

Jeremy Bullmore says we shouldn't worry if people are sceptical about marketing, it's scepticism about the police that should concern us

YOU'D EXPECT, wouldn't you, that any prolonged and evolving drama, starring journalists, lawyers, politicians and policemen, while certainly leaving some of them worse off in the public's estimation, would surely burnish the reputations of others? After all, what draws us to drama is white hats and black hats; the knowledge that some will win and some will lose; that good will triumph over evil or vice versa. Yet, astonishingly, the phone-hacking/*News of the World*/Murdoch/Cameron/Coulson drama left every single protagonist a loser. It's like the joke ending of an Elizabethan tragedy: a cast of thousands and every one of them dead on stage.

I haven't seen any new poll rating for the respective standing of professions involved, but it seems inconceivable that any have prospered. Perhaps their only comfort is that most of them started at such lowly levels that they didn't have far to fall.

Some years ago, when the *Today* programme sponsored a poll, the ten least-respected professions were: MPs, estate agents, government ministers, lawyers, journalists, footballers, advertising executives, car dealers, company directors and accountants. Traffic wardens and call-centre staff comfortably trumped them all.

Of all the professions involved in the latest shenanigans, the police have by far the most to lose. Traditionally, the police score well – up there with farmers and doctors and teachers and soldiers and vets. And the reason, I believe, that these occupations share such positive ratings, and what distinguishes them from the lower-scoring professions, is certainly something called Trust: but more helpfully, it's the lower levels of scepticism with which we believe they can be engaged.

Scepticism is a seriously underrated instinct. Scepticism is not, as many suggest, the halfway stage to cynicism: the two are almost unrelated. Cynics have made up their minds: their minds are closed. Sceptics have open, speculative minds. Just as pain serves to protect us from further injury, scepticism serves to protect us from the consequences of naivety. Scepticism is evidence of both intelligence and experience. Scepticism is informed wariness. Scepticism cultivates discernment. Scepticism does not signify distrust; just the absence of blind trust. Scepticism should be taught in schools.

It is right and proper and deeply beneficial for absolutely everyone that journalists and politicians and marketing executives and estate agents and lawyers and car dealers should be the subject of scepticism. We should all rejoice that that's the case. Healthy, educated scepticism is cost-free and serves to monitor trading far more effectively than most legislation. Laws quite often inhibit initiative; scepticism allows the competitive trader to trade competitively, to push his luck, to try things out, to test the limits of persuasion. Laws are top-down, indiscriminate and inflexible; scepticism is bottom-up stuff, exercised individually.

The existence of scepticism – necessary, benign scepticism – means that the lowly rated trades, of which marketing is one, are destined to remain lowly rated. Careers advisory departments and status-conscious parents may regret this fact but we shouldn't. We should all stop wistfully wishing that we attracted the unconditional respect enjoyed by farmers and veterinarians. We never will; and if we ever did, we'd live to regret it.

When people have dealings with bankers or grocers or insurance salesmen, when we buy just about anything including our power and water, we're doing a deal. We know what's in it for us; and we know that there's also something in it for them. We just hope that the deal is a fair deal and we're watchful to see that it is. Competition helps to keep it that way – and so does scepticism.

We know that people's motives, more often than not, are not pure but mixed. Plumbers provide an essential service and we're grateful to them for that. We don't expect them to replace our thermostat for nothing; we expect them to make a living. But we're right to remain unconvinced when they tell us that what we really need is a new boiler.

We don't believe that what motivates the investigative journalist is an undiluted, selfless dedication to the truth. We know that vanity, the pursuit of fame, scoops and sales come into it as well – and that sometimes those pressures may corrupt the outcome. Scepticism doesn't negate our admiration – but it usefully tempers it. A competitive world without scepticism would be utterly unworkable. Scepticism, painlessly, keeps us all, just, on the right side of the fair deal. We need to learn to love it. To be rated way down on the respectability scale is a very small price to pay for such a bonus.

But now let's think of those more respected trades: of doctors and nurses and teachers and soldiers. And the police. The reason that we rate them so highly is because we believe that scepticism about them is much less necessary. And so it should be. There's no social value whatsoever to be gained from popular scepticism centred on the police. Yet through their behaviour, that's exactly what they're beginning to make inevitable. We should be a lot more concerned about that than the status of marketing. ■

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How marketers need to raise their game

Marketers need more boardroom credibility. **Ruth Saunders** advises on how to improve performance

THE AVERAGE lifespan of a company, according to the Standard & Poor's 500, has dropped from 65 years recorded in the 1920s to only 15 years today, showing how quickly established companies can underperform, so much so that it's estimated that by 2030 over 75% of the companies in the S&P 500 will be ones we don't know today[1].

One of the reasons for a company's demise is often its lack of customer-led growth. Strategies for growth tend to differ from company to company – with some focusing on organic growth and others on mergers and acquisitions. But in both cases, strong marketing strategy is pivotal. In *Market Leader* (Q2, 2011), Hugh Davidson identified 12 levers for generating profitable growth, half of which are the primary responsibility of marketing, with marketing contributing significantly to the others. Similarly, in this issue, Terry Tyrrell (see page 28) attributes the failure of many mergers and acquisitions to the poor fit and management of the acquired brands, which is an area where marketing acumen is critical.

So, are marketers sufficiently commercially sophisticated to develop strong growth strategies that the business can deliver profitably? Are they a key driver in the boardroom discussions and decision-making process? Can they galvanise the business to implement the growth strategies successfully?

HOW MARKETING IS SEEN TODAY

To have the impact needed in the boardroom, 93% of senior managers in our 2011 survey said it was very important for marketers to be commercially aware. Yet only 78% of senior marketing managers, 49% of middle managers and 18% of junior managers are perceived to be so.

This lack of commercial awareness has in part contributed to CMOs having the lowest tenure of any boardroom member (28 months versus CEOs at 54 months, CFOs at 51 months and CIOs at 52 months[2]) with such a high turnaround that 50% of all executive searches are commissioned to replace CMOs[3]. Given this, it's unsurprising that only 30% of marketers aspire to the CMO role, with the other 70% aspiring to general management[4]; only 4% of all UK CEOs have a marketing background[4].

Of more concern:

- A recent Research International study showed that marketing's reputation as a discipline has dropped to the bottom of the pile with a huge gap between it and the next worst.
- The CMO Council believes that 'only 40% of CEOs rate their CMOs as strong' with 'nearly two-thirds of CEOs thinking that their marketers don't provide adequate evidence of ROI to gauge marketing's true performance'.
- The Marketing Society's *Manifesto for Marketing* states: 'Many chief executives believe that their marketers are not stepping up to the challenge as they lack the discipline and capabilities to drive profitable growth.'

THE DIVIDE BETWEEN THE BOARD AND MARKETING

To be successful, it is important for marketers to have three key mindsets:

- **A creative mindset** that intuitively understands customers, and builds strong brands, breakthrough innovation and distinctive marketing campaigns for the future.
- **A risk-taking mindset**, with the bigger the innovation or creative leap, the bigger the rewards but also the bigger the risk.
- **A mid- to long-term mindset**, taking time to build and deliver truly breakthrough ideas that will lead to step-change growth.

Yet to protect and manage the company successfully, it is important for the board to have:

- **An analytical mindset** that focuses on growing shareholder value by delivering profitable, sustainable growth.
- **A risk-averse mindset**, optimising the net present value (NPV) of new initiatives, using testing and in-market tracking to course correct quickly when needed.
- **A short- to mid-term mindset**, looking for ways to grow the business now, along a proven timeline and with a proven cost to achieve a proven result.

While these differing mind sets are important for company success, they can create a divide between marketing and the board day to day. CEOs are often frustrated with the following: marketing's lack of financial rigour, especially the difficulty in measuring ROI of new product ideas and in-market activities; desire to take risks, committing huge sums of money to seemingly unproven marketing campaigns; and long-term mind set, often expecting marketing campaigns to take a while to 'take off', rather than delivering the quick wins that the business demands.

BRIDGING THE DIVIDE

'The nature of the deep reform that I believe business must lead is nothing less than a shift from what I call quarterly capitalism to what might be referred to as

long-term capitalism (at least five to seven years)… This means changing how we view business's value and its role in society.'
Dominic Barton, managing partner, company, 'Capitalism for the Long Term'

Since marketing's strength is in delivering mid- to long-term growth, boards increasingly need to understand the importance and value of marketing. But this will not happen until marketers themselves have greater credibility. This credibility will come from improving performance in a number of areas including the following:

1 **Developing marketing strategies that are proven to deliver profitable quick wins** that build trust with the board as well as mid- to longer-term business growth – by working closely with cross-functional teams to identify quick wins, select which products, customers, geographies, channels and brands to focus on, and understand the barriers and costs of being customer centric, thus developing value propositions that will deliver profitable growth.

For example, a telecoms company identified that two of its five customer segments were key to its business growth as they bought their biggest-selling profitable products, yet only 30% of the company's spend was directed to this group. Additionally, one of the reasons for these segments dropping out of the purchase process was poor call-centre performance (ie it took a long time to get through, they were sent the wrong information, contact details were difficult to find). Thus, by focusing on improving call-centre performance as well as refocusing spend on the two most important customer segments the CMO was able to deliver quick wins and sustainable growth.

2 **Building a compelling business case** that the board can buy into – one that is structured in an easily accessible top-down way, supported with strong business financials to make it a robust and clear business case.

For example, a financial services company struggled to get board buy-in to a brand name change three times, primarily due to the lack of financial rigour, such as the commercial upside for the business, and the timeline, costs and risks of doing it. By building a strong business case and syndicating it individually with each board member early on, the marketing director got approval when it next went to the board.

3 **Tracking in-market performance to manage risk** – including measuring the ROI of in-market activities and quickly killing underperforming ones, closely tracking in-market performance and quickly course correcting when needed, and continually testing and learning in-market to identify the best performing activities.

For example, when an fmcg company launched a cosmetics brand in a test market, the marketing team went out to the test market area in week one to watch how people shopped at the in-store fixture and to run focus groups to understand how well the advert was working. By doing so, they quickly realised that the on-shelf presence was sub-optimal, and the advertising was poorly branded and so they were able to fix these issues quickly.

It's tougher than ever for companies to grow, and marketing is increasingly important in helping companies achieve this. Yet, marketing teams often struggle to have the commercial impact they need in the boardroom to be successful. To be commercially credible, marketers need to be better at showing how their marketing strategies will build shareholder value, building compelling business cases that the board can buy into and tracking in-market performance to manage risk. ■

CMOs need to have a creative and risk-taking mind set to make the most of big rewards available from taking a gamble on products or marketing plans

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Sources:

1. 'Creative Destruction' by Richard Foster
2. Spencer Stuart Survey, 2008
3. CMO Council
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How to pick a winner

Successful entrepreneur **Luke Johnson** acknowledges that researching the psychological make-up of entrepreneurs is difficult, but here he offers some tips on how to identify, and make the most of, potential

ENTREPRENEURS ARE a poorly understood breed. If academics, investors, civil servants and politicians were more familiar with the entrepreneur tribe, returns on capital would improve and industrial policy would be more effective. Founders are by nature individualistic and hard to analyse. Literature on the subject is neither extensive nor profound; given the importance of entrepreneurs to job and wealth creation, it is a costly omission. Academics have tried over the decades to categorise entrepreneurs to provide insight into their motivations and likelihood of success.

For example, Robert Hornaday proposed a simple division between 'craftsmen', 'promoters' and 'professional managers'. The first type take great pride in the technical aspects of their products; the second are 'wheeler dealers' who concentrate on making money; the final sub-species have a structured approach to their trade, adopting many of the habits of large corporations. Craftsmen are passionate about quality, but often insufficiently ambitious. Promoters lack a long-term perspective. Professional managers can build scale, but may be too inflexible.

Orvis Collins predated this work, with a study in the early sixties. In *Enterprising Man* (Michigan State University Press, 1964), he and his colleague David Moore wrote about 'trained' entrepreneurs, who study MBAs; 'like father, like son' types, who inherit a family business; and 'opportunistic' entrepreneurs, who seize chances as they arise.

And in the work of researcher Douglas Gray we find an extensive set of typologies, including soloists, inventor-researchers, acquirers, speculators, lifestyle entrepreneurs and conglomerators. In all this work there is a degree of confusion between personality types and outcomes. For example, a 'promoter' might become a 'conglomerator', and a 'professional manager' might be an 'acquirer' or an 'inventor-researcher'. It all seems rather academic, in every sense of the word.

RULE BREAKERS

What interests me most are psychologies, backgrounds and spotting winners. Of course, actual people do not fit into theoretical definitions. By their nature, entrepreneurs are rule breakers who do not conform to sets of rules about their traits and what inspires them. If their magic could be simply identified, it would be a straightforward matter to recognise and back future business champions. Any venture capitalist will tell you how hard it is to know in advance which business prospects will turn into the big hits, and which will stumble and fail.

I like to think my judgment about prospective business partners is getting better, as it should after decades of trying. But there are no guarantees. The most impressive characters can suffer commercial disasters, and the most robust can have breakdowns. I read endless lists of what to look for and what to guard against. But that sort of perfection is impossible in the real world; we are all flawed and, anyway, many of the true stars would never tick all the boxes.

However, I do hold one firm view about entrepreneurs: strengths are more important than weaknesses. If you have one or two remarkable talents, they may carry you to the top in spite of many shortcomings. So, if you are a wonderful salesman, or a brilliant inventor, or a phenomenal picker of people – it might be enough, even if you are a poor general manager.

Entrepreneurs are not typically well-rounded human beings. Like artists, writers and other creative people, entrepreneurs have a mission and a skill they feel an overwhelming urge to pursue. In addition, drive and energy are necessary attributes, while luck and a special ingredient such as those listed above are also required. Even with a comprehensive databank that enabled an exhaustive examination of every living entrepreneur, no one could deliver sure-fire predictions. The sheer breadth of personalities who ascend to the summit shows that there is no single gene for success. I think we can all take comfort from that.

SHOULD I INVEST?

There are five questions I ask myself before investing.

1 **How good is the management team?** The quality of the management of a business is the acid test. If I do not like the people who run the show, forget it. I do not ignore instinct – if my gut feeling tells me the operators are useless, I walk away. Management must have achieved things in their careers. Do not back mad no-hopers who are always punting a crazy new idea. These types will lose you money. Look

for winners who are obsessive about their business and who can demonstrate past performance.

Make sure the management team is honest. Working with crooks as partners is a gruesome experience. I recall putting a small amount of money into a tiny print company. Unfortunately, as soon as I invested the sales collapsed, although the business continued to use a constant amount of paper. The operator was doing business off the books, avoiding the taxman and me. I very quickly sold him my shares at a loss.

Managers must have high energy levels and be totally motivated. If they are sickly then the enterprise is doomed – no one who is ill can cope with the demands of building a profitable undertaking. Most importantly, the managers must have knowledge and experience of the trade: they must know the technology, customers, competitors and the best staff.

Finally, many of the best management have a large part of their wealth tied up in the enterprise. Most entrepreneurs are at least partly motivated by money, and to have cash at risk helps focus the mind and management's interests with those of shareholders.

2 **Is this company going to win big?** Rather than dealing in and out of endless marginal situations, I look for investments that have the potential to grow substantially, where I can double, treble or quadruple my money. These are the investments that really make the difference to me.

Ideally, I want to see companies that can expand their sales, margins and their multiple. In other words, I pursue situations that will attract a higher P/E ratio over time, having demonstrated significant organic growth in sales and profits.

Generally, I ignore nice, safe little businesses with limited upside. An investment portfolio will only really

Any venture capitalist will tell you how hard it is to know in advance which business prospects will turn into the big hits, and which will stumble and fail

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The hardest thing in business is to build sales from scratch – so I prefer to support an entrepreneur who understands the marketplace and how to satisfy it

perform once it's found a few of the fabled 'ten-baggers' (stocks which rise tenfold). Such investments will allow you to end up with excellent returns despite several miserable performers.

Both Peter Lynch and Warren Buffett – two of the legendary investors of our time – agree that longer-term investing in outstanding companies produces above-average returns. The effective private investor focuses on a few sound businesses, running winners and dropping losers.

3 **Have they found a solid niche?** It's unusual to find big new British companies growing rapidly. I am much more likely to identify opportunities with a vast upside among small, specialist companies. Such businesses should possess decent barriers to entry, be it a brand, patent, contracts, franchise or other proprietary situation. Ideally, the company should be unique, since it must compete against large competitors which will be better financed.

In the real world, such companies should have products or services that are evolutionary rather than revolutionary, since markets can take years to accept radical changes. Such drawn-out plays can produce low annualised returns that fail to match those produced by small companies delivering follow-on, adapted technology that is usually quicker to profit.

4 **Is this firm making sales today, or hoping for sales in future?** I want companies that have sales and can market. I tend to avoid entrepreneurs with marvellous gadgets with no proven commercial potential. The hardest thing in business is to build sales from scratch for a new business – so I prefer to support an entrepreneur who understands the marketplace and how to satisfy it.

I avoid research-and-development specialists who do not understand the importance of distribution and coping with the competition.

5 **Do management understand the numbers?** Do I understand them? I read all available information about the prospective project – be it an annual report, a prospectus, business plan, budget or management accounts. They need to clearly explain the key facts about the profitability, balance sheet and cash flow of the company.

They should identify any obviously scary items, and get me comfortable with them – or give up. There will always be another deal. If the transaction reveals itself as a stinker, I will walk away, no matter how much time and effort I have devoted to the proposal.

I must believe the numbers, and know how the funding and cash cycles and margins will work for the business in question. Only then can I make sensible valuation comparisons with other opportunities and make the right yes/no decision.

BAD BUSINESS PLANS

I spend a lot of my time studying business plans from entrepreneurs who are looking for investment. Many are impressive, but some are ghastly. Among the worst offences are the following:

Aggressive confidentiality clauses and an over obsession about non-disclosure agreements. I find this sort of pushy legal stuff very off-putting, especially for start-ups. Often you are expected to sign-up to very rigid terms without even knowing anything about the proposition. In such circumstances, I just turn the deal down flat. If the entrepreneurs distrust me that much, they ought to seek backing elsewhere. Would-be restaurateurs are often the worst offenders – would I really bother stealing their idea?

Overly technical documents. Business plans should be written in layman's terms and avoid all jargon and endless acronyms. They should be readable and accessible, not obscure. Inventors can get too wrapped up in their subject – they forget that there are always thousands of projects seeking money. And promoters often use long-winded gobbledegook to disguise a fundamentally bad idea. If I can't understand the deal, then I don't get involved.

Lack of focus. Plans that cover too much territory and companies that try to do too much at once don't appeal to me. Successful concepts are mostly simple, and successful entrepreneurs generally concentrate on a finite market and product range.

Preposterous valuations. Obviously, things that are far too expensive go straight in the bin. Such plans usually work back from a daft conclusion based on wild future projections, or spurious comparisons. Instead, valuations should be based on sensible estimates of what investors would actually pay. Of course, this means you miss the odd Facebook, but I can live with that.

Biographies. These should be honest and full. They are perhaps the single most important part of the entire proposal. I want to really know the owners and individuals who will make the thing happen. Vague or brief CVs make me suspicious. The chief executive and finance director's résumés are the ones that matter: big-name non-executives cannot compensate for weak executive management who are actually running the business.

The numbers. This is really critical. The funding requirement, the estimated returns, and the cash-flow projections – these must be attractive and sufficiently ambitious to be worthwhile. No one is going to put huge effort into a project that will never grow beyond 'one man and his dog'. The figures should all be stated up-front in an uncomplicated format. Do not bury them at the back of the pack. Everyone knows whatever you budget will be wrong, but a target to aim for is better than nothing. The key calculation is your cash break-even point; once you hit this revenue and cost combination, you know you can survive – then you can build.

Details of the competition. All capable entrepreneurs know their competition well. If they say they have none they are fooling themselves. A solid business plan has plenty of specifics about their rivals, and why their particular proposition has a genuine competitive advantage.

Perfection. Every situation is flawed, and if you look for an opportunity with no drawbacks then you will never invest in anything. I quite like deals with a known problem, because then it can be addressed and the price can be adjusted to compensate.

Huge appendices and too many spreadsheets. These might be necessary for loan applications, but equity investors tend to decide based on a few key points. All the supportive evidence and background material can be supplied later if the proposal is of real interest. Don't bury the hooks with padding.

Getting someone else to write it. It shows when advisers rather than principals author a plan – it lacks authenticity. By all means have experts critique your work but actually do the first draft yourself.

Make sure it can be emailed. Do not rely on the post, or present would-be backers with voluminous amounts of paper. Just get their email address and send them the core presentation online. Catch their attention early and it may lead to something.

Unbelievable margins, profits and returns. Plans that suggest your company will quickly achieve operating margins of 35%, returns on capital of 100% and so on are not credible. Be realistic and conservative and you are more likely to be taken seriously.

Writing a compelling business plan is an art. It should give a venture the best possible chance of securing finance and it is worth taking huge care over the task.

A LIST OF DON'Ts

There are quite a few advisers out there helping start-up companies – banks, accountants, small-business agencies. Much of what they say is sensible enough, but few of these mentors have actually done it themselves. So allow me to present to you a handful of things entrepreneurs should not do when taking the plunge into self-employment.

> Use PR. There are so many media outlets now, thanks to the digital revolution, that any new product or service can get some editorial coverage if you try hard enough

Do not leave your job. Do not rent fancy commercial premises. Initially use your home or garage. And if you have to get space, make sure it's short term, like serviced offices. In 1975, Bill Gates dropped out of Harvard and started Microsoft in an Albuquerque motel room. Do not be vain about such matters – low costs are everything.

Do not be put off by the prospect of a downturn. Many great companies are founded when times are tough, and often remarkable opportunities arise despite the economy struggling. I took control of Pizza Express in 1992 – when Britain was in recession – and it changed my career.

Do not spend money on advertising. Especially for fledgling enterprises; PR is a much better bet. There are so many media outlets now, thanks to the digital revolution, that any new product or service can get some editorial coverage if you try hard enough. And not only is PR much cheaper – editorial attention has much more impact.

Do not engage expensive advisers. Teach yourself the basics of commercial law, accountancy, property and so forth. All these professionals will charge substantial fees to tell you things you can discover easily online or in a beginner's handbook. By gaining a solid understanding of these disciplines you will make better-informed decisions. For complex matters, such as a 120-page lease, you will need advice, but simple things like registering a company you can do yourself.

Do not take on partners in a rush. By all means work with others, but tread cautiously before actually setting up in business with someone. You need to know someone well – their motivation, their ambition, their honesty – before embarking on such a journey together. Running a company is often a demanding affair, and incompatibilities soon come out. Work initially on a trial basis as a partnership before making binding commitments.

Do not go ahead if your spouse or partner is against it. Make sure they are totally supportive of your plans. It is almost impossible to succeed in the challenging task of building a new business if you have huge domestic upheaval too.

Don't be over ambitious. By all means dream of reaching the stars, but start on a realistic scale and grow. Develop a pilot, make it work, prove the concept, and then seize the day. There will always be unexpected problems and obstacles. Learn how to overcome them while operations are small.

Don't be lazy or impatient about research and homework. Know your market intimately. Study your prospective customers and rivals obsessively. Learn everything you possibly can about your scheme: the costs, technical issues, staff needs, pricing, marketing and so on. Prepare a comprehensive business plan, even if you don't need finance, simply as a discipline. ■

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This is an edited extract from the book 'Start it up: Why running your own business is easier than you think', published by Portfolio Penguin, 2011.

Terry Tyrrell argues that the mismatch of cultures and failure to examine brand fit lies at the root of the problem with strategies of many mergers and acquisitions. A more prominent role for marketing in the due diligence would help

Ignore culture a
fit at your peril

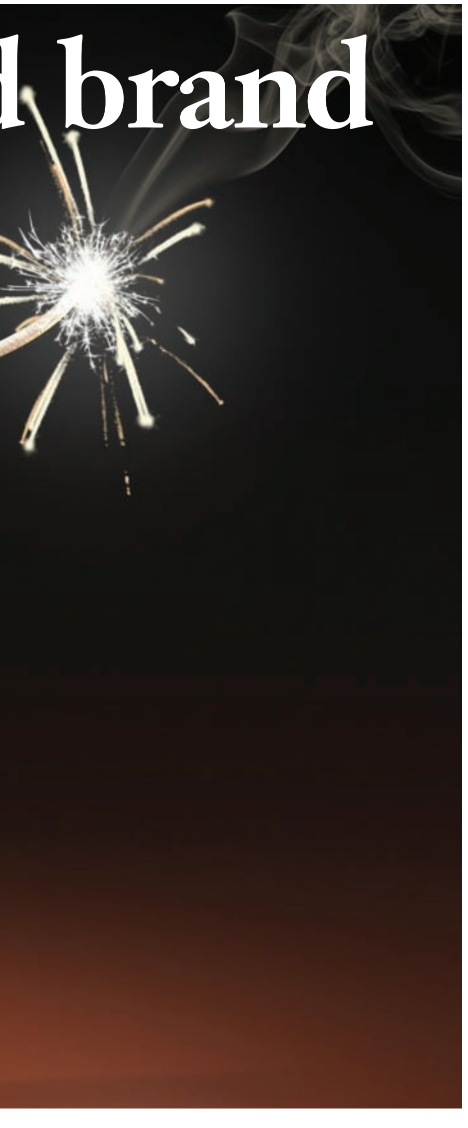
MERGING OR ACQUIRING is a perfectly sensible strategy for growth and one that, on the face of it, would seem to promise faster and more secure earnings than an organic-growth strategy. But despite the successes, the overall record is surprisingly poor.

'I'm into murders and executions,' says the character of Patrick Bateman in Brett Easton Ellis' gruesome tale of 1980s Wall Street. A tongue-in-cheek twist on his daytime activities of mergers and acquisitions, the insightful remark from *American Psycho* is somewhat on the money.

M&As are considered by many to be 'murders most foul' with a body count that includes AOL-Time Warner, HP-Compaq, Alcatel-Lucent, Daimler Benz-Chrysler, Mattel-The Learning Company and Novell-WordPerfect, to name but a few.

Some mergers failed so spectacularly that the combined company went belly up; others ensured the demise of their masterminds; some companies struggled to reverse their fortunes but not without substantial cost; while others were simply bad ideas doomed from the outset.

Don't just take my word for it. Much research also supports this gloomy outlook. According to some reports, up to 80% of M&As were considered disappointing, with the main reason being the deterioration of their stock market value. To start with, two-thirds of big mergers lose value on the stock market. Less than half the mergers created in the 1980s and 1990s have created value for shareholders, according to The Conference Board. Perhaps most



shockingly McKinsey & Co found that 80% of mergers don't earn back the costs of the deals themselves.

The problems aren't just a matter of P&L. Hewlitt Associates' research also shows that less than 10% of management time is spent on brand fit during M&A due diligence; and 70% of failed mergers are due to poor communication and integration issues (Roffey Park Management Institute). The number-one cause of acquisition failure is due to cultural differences not being addressed (Mitchell & Holmes); and anticipated economies of scale do not always materialise.

IN THE REAL WORLD

At worst, operating results deteriorate instead of simply maintaining value and shareholders suffer all round.

On paper it might sound as simple as combining computer systems, integrating a few departments and using brute size to force down costs *et voilà*, a more profitable giant post-merger. But if this was the case, how do things like 'ChryslerDaimler – a marriage doomed from the start' end up splattered across the headlines?

Mergers and acquisitions are very much back in the headlines. McKinsey reports that this year there will be an upturn in M&As on the back of renewed boardroom optimism and struggling businesses ripe for the picking. But there's nothing headlines love more than a failed merger.

However, it need not be all bad news. Dieter Zetsche, DaimlerChrysler's outgoing CEO, said in the aftermath of Chrysler's failed union with Daimler Benz: 'We obviously overestimated the potential of synergies. I don't know if any amount of due diligence could have given us a better estimation in that regard.'

I disagree: 360° due diligence would have identified the pitfalls ahead prior to embarking on an M&A, had it put brand at the centre of its strategy.

WHY BRAND?

One of the primary objectives of any M&A strategy should be to increase brand equity. Your brand is your reputation, and reputation sells. Consideration of the reputations of the two merging organisations is critical in ensuring the success of the organisation, post-merger. Like it or not, the world will judge the new brand partly on the 'why' behind the merger. Do you and your employees know the answer?

Intangible assets, for example a company's goodwill, make up most of the value of M&A deals, with brand making up a considerable portion of that asset value. It's worth remembering that Google, a brand with lean traditional assets, is ranked first on BrandZ's top 100 Most Powerful Brands list with an eye-watering brand valuation of $114,260m.

Having acknowledged the value of brand on the balance sheet, why is it that consideration of brand strength and brand migration issues is typically left until after the deal is done? Sorting out the combined companies' brand portfolios is rarely part of due diligence and is typically evaluated post-paperwork and under the heading of 'cost structures'.

Acquisition is typically motivated by product or market synergies. Deals are brokered and wars are waged round boardroom tables by investment bankers and lawyers, grey 'suits' who do not necessarily represent the cultures of the companies in their corner. While not all M&As fail, those that ignore brand issues and cultural differences are putting themselves in danger of failing.

The brands should be part of the central organising principle, with thorough reviews of positioning compatibility and brand migration strategy of the betrothed brands from the outset. After all, the 'soft issues' can cause hard landings if not properly addressed.

BRAND FORENSICS – HOW TO AVOID THE BLOODBATH

It is imperative to consider brand impact early on. Ask the following questions:

1 **What are the combined drivers of reputation that can add value?** Apart from the obvious operational synergies, strategically aligned brand reputations and their reach can lead to attractive revenue synergies. For example, enhancing the acquirer's sales, enabling it to operate in new markets and increasing the likelihood of success when introducing new products. This was one of American Kraft's primary motivators behind its hostile acquisition of British Cadbury.

2 **How will the new company position itself?** Is it merely a matter of combining two sets of reputational assets, or a new opportunity to reposition the combined business, where 1 + 1 = 3?

3 **Will the acquirer have the majority of the target company's voting stock to acquire complete brand control?** This will prevent nasty surprises around brand control. Volkswagen learned this lesson the expensive way ($400m to be exact) when it overlooked the small print and bought a pile of Rolls-Royce metal and not the Rolls-Royce brand.

4 **What are the relative brand strengths of the two entities?** Consider this in the due diligence process. This will help guide both short- and long-term brand strategy and future brand transitions. The recent Continental-United Airlines merger indicates that the new brand will feature the United name recast in Continental's font, a move we hope is not simply cosmetic and all veneer.

>

5 **What are the other values that brand analytics offer?** An audit of brand product portfolios and overall brand architecture and understanding strengths, weaknesses and synergies will be vital in 'selling' the merger to shareholders.

THE RULES OF ENGAGEMENT

Perhaps the single most important area for review is cultural fit. This could make or break the long-term success of the deal. Among the minefield of problems when bringing two companies together, is a difference in corporate cultures. Companies are like families, each having their own habits and rituals. If not acknowledged, the outcome can be resentment, an unwillingness to work together and shrinking productivity.

> According to some reports, up to 80% of M&As were considered disappointing, with the main reason being the deterioration of their stock market value. To start with, two-thirds of big mergers lose value on the stock market

Cultural fit is vital to talent retention, which is in turn vital to reputation management. After all, your people are your biggest asset – people are your brand. More than half of the respondents to a recent CIPD survey who had recently undergone an M&A said they actively thought about leaving their jobs, citing 'I find myself in a job I did not pick, working for an organisation I did not choose to work for'. The departure of Phil Rumbol, marketing director at Cadbury and mastermind behind the 'Cadbury's gorilla', is the latest in a line-up of departing executives in the wake of the Kraft takeover. I would hazard a guess that the reasons extend beyond 'relocation difficulties'.

While culture may seem like a soft issue when evaluating mergers, compared with product, market and resource synergies, the opposite is actually true because culture is pervasive. From the post-room staff to payroll to the principal, it permeates every pore of your business. It affects how the everyday procedures are done, whether there is shared understanding during meetings and in promotion policy, how priorities are set and whether they are uniformly recognised, whether promises that get made are carried out, whether the merger partners agree on how time should be spent, and so forth.

Cultural conventions emerge to make individual firms more efficient by creating a shared understanding that aids communication and action. However, when disjointed, conflict and misunderstanding are added hurdles to realising economic efficiencies.

HEARTS AND MINDS

Vision and communication are at the heart of brand building, which is also at the heart of successful integration. When intercultural differences are ignored during the evaluation and negotiation stages of a merger, integration inevitably fails.

Train your leaders, managers and HR personnel of companies in intercultural competency. Through sensitively managed interviews, questionnaires and communication audit (internal and external), assign a metric that allows identification of synergies and gaps across key cultural areas:

- senior management style;
- management style and culture;
- employee attitude and engagement;
- brand alignment – strategic;
- brand alignment – work environment;
- brand alignment – employee engagement; and
- brand 'touchpoint audit' alignment.

An essential part of your risk management is knowing ahead of time what issues can inform the decision to pursue the M&A and inform the integration strategy. You need to consider what the added value of combining a company's two best bits is. Also, consider the end point at the beginning and have the best goal in mind from the start and map your strategy towards it.

This exercise should not be seen as reactive damage limitation but as a positive, proactive means of creating cohesion, maximising efficiency and building a competitive advantage. It's vital to get your people onside early. After all, coups originate from within a country's own army. If you haven't got the civil service onside, no prime minister can build an empire. ■

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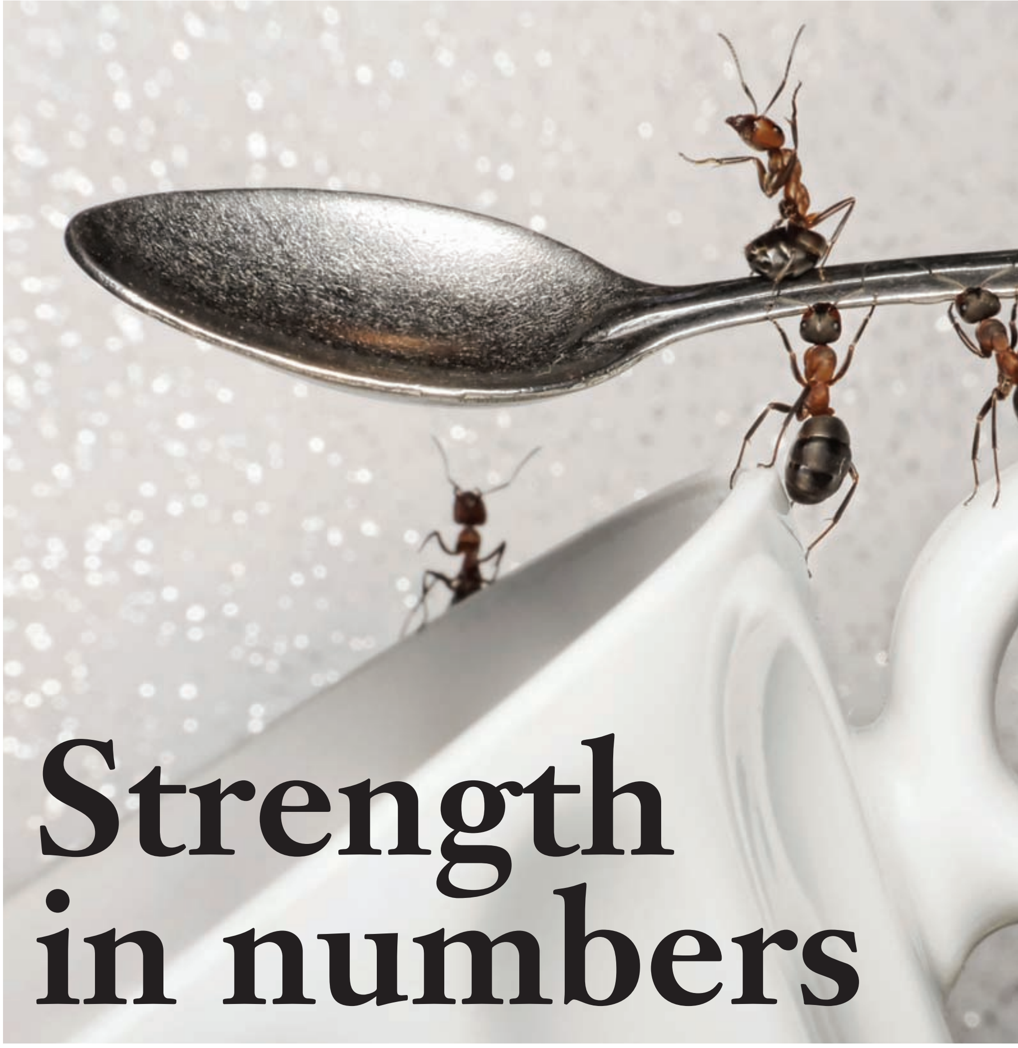
Companies find it hard to co-operate. They should try harder. A strategy of working together can help national competitors to sell internationally by increasing the potential markets and taking advantage of shared economies of scale, say **Damien McLoughlin**, **Mary Shelman** and **David E Bell**



Strength in numbers

THE ROLL-CALL of food and agribusiness firms of global scale is noteworthy but short. 'Co-opetition' is a strategy that invites competitors to compete in some areas and co-operate in others. The advantage, from an indigenous firm's perspective, is that scale can be relatively cheaply and quickly assembled. The authors use two Harvard Business School case studies[1] to demonstrate the strategy's potential.

INTERNATIONAL BUSINESS 2020 AND 'CO-OPETITION'

Few crystal-ball gazers in 2000 could have predicted both the mayhem and the opportunities that exist in the global business environment today. Looking ahead from 2011, what is more predictable is that global food markets in the next ten years will have a number of qualities in which scale will be a very useful asset. Primary among these is the location of growth. While most Western economies appear to be returning to their somewhat normal economic pattern, the location of higher economic growth has undoubtedly shifted to Asian, South American and African economies.

The first principle of a growth strategy is to be in the markets of highest growth. These economies offer the greatest potential but working there requires a level of time commitment, resource investment and risk that is challenging for all but the largest firms.

Second, the so-called 'hell' curve of the market is likely to continue to punish those who are neither the lowest-cost producer nor recognised as producers of the highest quality. Achieving the former is very difficult for food companies outside those with scaled national production, while the latter requires a brand that provides the opportunity to secure a price premium, cope with the power of the retail trade and drive consumer demand.

Third, the understanding and appreciation of risk has changed since the financial crisis. Firms expect higher levels of volatility and a greater frequency of so-called 'Black Swan Events' – those that happen with little warning but which are capable of rapidly changing the rules of the game. While risk management and environmental-scanning techniques are developing to meet the revised concern for volatility, a certain level of scale is required to buffer organisations from these shocks.

Food and agribusiness firms face two options before putting new growth plans in place: wait until their scale allows them to meet the challenges outlined above, or find a way to get around them. In our opinion, 'co-opetition' is the best way to do this; it offers a speedier option than organic growth and a cheaper option than acquisition.

PUT SOME ZESPRI INTO YOUR STRATEGY

Following a second catastrophic collapse in prices for New Zealand kiwifruit in 1992, a government-sponsored review pointed to the need for the kiwifruit industry to adopt a greater customer focus and place less emphasis on commodity trading. This ultimately led to the establishment of Zespri, a 'corporatised co-operative' with three aims: produce kiwifruit with consistent quality and taste; increase the size of the global kiwifruit market; and improve the returns for the large and small kiwifruit growers who owned the organisation. One important factor in Zespri was that while growers and packers competed for sales in Australia and New Zealand, they decided that international markets had to be tackled as one.

New Zealand is not the largest producer of kiwifruit in the world (China and Italy are larger and Chile is also a significant producer) nor the cheapest (its production costs are estimated to be 50% more expensive than Chile due to expensive land, labour and transportation). It was therefore forced into a strategy that would allow premium pricing.

The Zespri brand name was launched in 1997 as a response to consumer research which found that consumers saw kiwifruit as 'ugly as sin and tasty as hell' and the desire to capture this uniqueness.

To fuel its brand, Zespri 'virtually' operates an integrated supply chain linking New Zealand growers to consumers around the world.

Every year, Zespri delivers the world's best kiwifruit by enforcing a common set of standards in areas such as quality, traceability and sustainability. It also invests in product innovation. In 1998 it launched Zespri 'Gold', which is an intellectual-property protected yellow-fleshed (rather than green) kiwifruit with excellent taste and superior farm productivity. The premiums that this and other new products (eg organic versions of Zespri Green and Zespri Gold) produce are essential to support the brand story, fund additional research and maintain the premium price paid to growers.

Genuine customer focus is important for Zespri because it enables the brand to be sold at different price points and have different positions in the international markets in which they work. For example, in Japan, consumers are willing to pay a 30% premium for Zespri Gold because of its sweeter taste and perceived health benefits.

Customer focus is also important because grower-led organisations are most often focused on supply concerns (returning the highest price to the farmer) rather than demand builders (investing in innovation and branding), which inevitably limits their ability to drive profitable growth in geographically diverse markets.

Aligning its economic interests with those of distributors and retailers, Zespri's ambition is to maximise retailer returns on shelf-space through higher prices (and correspondingly higher margins), more frequent inventory turns and lower waste. In return, it seeks partners who will support the product at the store level.

Zespri's support for retailers comes in a variety of forms including strong local TV advertising campaigns, driving the benefits of kiwifruit which are most prominent in the market, and an active programme of in-store sales promotions and product demonstrations.

In 2010 Zespri held 30% global market share for kiwifruit by volume, but 70% by value with exports to 60 countries. It enjoyed strong growth in Asia, helped greatly by its Gold variety, and had a number of new technology-based initiatives in the pipeline to support the global brand. Its ambition is to double sales by 2025.

PUTTING MUSCLE ONTO THE IRISH BEEF INDUSTRY

The challenge facing the Irish food and agribusiness sector is similar to New Zealand's (both have very small domestic markets), but with an added twist. The post-2008 bursting of a property bubble in Ireland led the country to the brink of economic collapse and a bailout from the EU/IMF. The Irish government looked to the indigenous food industry and its potential to expand exports into a rising global food market as one route to economic recovery.

> Food and agribusiness firms face two options before putting growth plans in place: wait until their scale allows them to meet new challenges, or find a way to get around them

To meet this objective, the Irish Food Board (An Bord Bia) commissioned a study by two Harvard Business School agribusiness specialists. Their report, *Pathways for Growth*[2], identified 'co-opetition' as one of four strategic actions that the industry could take to increase its share of global food markets.

Taking beef as our focus (perhaps surprisingly, Ireland is the world's fourth-largest exporter), the greatest potential for 'co-opetition' lies, inevitably, in the areas of most difficulty. Like many traditional agricultural nations, Irish pasture-based beef farming lacks scale (the average herd size is 18) and has been late in adopting new technology. Beyond the farm, the processing industry is overbuilt, with overcapacity as high as 50% in off-peak production times. There is also a strong enmity between the beef processors and farming organisations that makes it difficult to work together to achieve consistently higher quality.

While the industry with the support of the Irish Food Board has been successful in introducing a (voluntary) national quality mark and an innovative programme to measure the environmental impact of beef production, it lacks a differentiating feature beyond being grass-fed and coming from an island known for its green and clean environment.

These latter advantages have strong potential, but exploiting them internationally would require a unified

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approach including mandatory quality standards and investment in a brand identity that can be leveraged to drive demand for Irish beef.

While the advantages of working together seem clear, the landscape for 'co-opetition' in the Irish beef industry is very different from that faced by Zespri. Most notable is that most of the larger Irish beef processors are profitable and have been in recent years. It is also unlikely that a collapse of the kind the New Zealand kiwifruit industry faced on a number of occasions could prevail in the EU.

Rather than coming together to secure survival, the Irish beef industry's task is to work together to take advantage of global opportunities. Many obstacles stand in the way. Besides those mentioned above, historical rivalries among Irish beef processors are especially damaging. All of the major firms are privately owned, so family history plays a big role in decision-making and disagreements and defeats tend to be remembered for longer. While the industry has been very successful in building a base of customers among the leading European supermarket chains, these retailers are generally quick to use the intensity of this rivalry to bid down Irish beef prices.

However, in the six months after the publication of *Pathways to Growth*, two of the largest players in the beef industry adopted a strategy of 'co-opetition' in response to a situation that threatened not only individual players but the industry as a whole. During the past few years, Irish farmers have found it more profitable to sell calves abroad to be raised in other countries rather than feeding them to maturity. Increasing exports of live calves has two effects on Irish beef processors.

First, it reduces the actual volume of beef available for processing – exacerbating existing overcapacity problems and putting at risk their ability to supply European retailers and restaurant chains who require a guaranteed supply of beef. Second, it can lead to a reduction in product quality as there are fewer beef cattle in the supply chain and older dairy cows become a greater proportion of input.

To counter this downward spiral, Kepak and Irish Food Processors developed a 'co-opetition' programme in October 2010 that basically guarantees farmers a set price for their cattle in two years that covers their costs and awards a bonus if they meet certain quality standards. To make this work for the processors as well as the farmers, the two firms secured a contract from a leading food service firm to buy the beef at a set price reflecting the costs of both farmers and processors. With an initial programme for 30,000 head of beef cattle per year, this classic 'co-opetition' initiative puts in place a structure that ensures the sustainability of the Irish beef processing industry.

LESSONS FOR MARKETING

Although the pathway followed by Zespri and the Irish beef industry was not an easy one, its history and that of other examples of successful 'co-opetition' in food and agribusiness suggest that there are several conditions present to enable competitors to work together.

A common enemy. The benefit of a common enemy is that it provides a way to 'rally the troops' and take the focus off perceived competition with the farmer or firm next door. For Zespri the common enemy was the rise of Chilean kiwifruit growers which threatened the existence of the high-cost New Zealand industry. The emergence of 'co-opetition' in the Irish beef sector was based on a less immediate threat to survival but one that all players saw as having great potential for disruption.

Vision. The creation of a common vision, which all of the parties can buy into, is vital. It helps if the vision leads to a 'bigger pie' that can be shared rather than a reallocation of existing business. The New Zealand kiwifruit industry was able to create and convey a vision of world leadership through superior quality, innovation and branding that would lead to category growth and higher prices. Zespri makes sure that every grower and every supply-chain partner understands the market opportunities that come from working together. In the Irish situation the initial vision of a differentiated Irish beef brand was an external one, which was sponsored by the Irish Food Board.

Measurable benefits. In the case of Zespri these benefits are accrued in financial form (through higher farm-gate prices and institutional ownership shares and dividends) and non-financial forms (research inputs that enable the development of new varieties of kiwifruit which themselves achieve higher premiums and create a virtuous cycle). In the Irish beef situation the initially small programme to support Irish supply had measurable benefits for farmers in price terms and processors in terms of their enhanced relationship with a food-service customer but the highly scalable nature of the programme meant that each party could also see a long-term future in the 'co-opetition'.

Permission to act. The apparently spontaneous emergence of a joint buying programme in the Irish beef industry was observed by an industry leader as being a result of the 'permission' that the Irish Food Board gave to the industry to experiment with the practice of 'co-opetition'. This permission was important in identifying a reason and a method to overcome historical enmity. It also removed a misunderstanding that working together with a competitor would be viewed legally as anti-competitive practice.

Find neutral ground. Both the New Zealand kiwifruit industry and the Irish beef industry came to 'co-opetition' on the back of a crisis, albeit of different natures and magnitudes. In both situations the 'co-opetition' strategy got a foothold by focusing on neutral ground. For the New Zealand industry it was an explicit focus on international markets; for the Irish beef industry, it was a new initiative.

Co-operation doesn't come easily but the benefits are well worth the effort. ■

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One size doesn't fit all

Kate Cox, **Denise Turner**, **John Crowther** and **Tracy Hubbard** examine how advertisers have coped with the notion of integrated communication strategies. Based on a new IPA report, the article describes a range of models. Significantly the analysis shows that the choice of model should be on a 'horses for courses' basis

A **RECENT GLOBAL** report by Aprais*, the marketing relationship management company, highlighted the critical importance that marketing professionals now place on delivering integrated solutions, and their increasing frustration with their agency partners, who they perceive as failing to lead the complex process of delivering solutions across channels. This leadership role falls to the marketing team, as it is viewed as 'too important to leave to the rhetoric of agencies'.

The Aprais analysis also investigates the perspective of agencies, especially those working in the US, UK or with multinational clients. Agencies recount the sheer complexity of working in integrated agency teams across six to eight different marketing specialisms, especially when they admit they are 'genetically programmed to compete'. Furthermore, as agencies tend to be paid on time spent related to implementation, they cite the ownership of the idea as a critical route to achieving their own business success.

Marketing practices in this area have yet to be fully established across the industry, with many clients using bespoke methods to achieve integration. There is also evidence that these approaches, developed in the mid-2000s, are now in a considerable state of flux due to the increasing dominance of digital channels opening up new ways of connecting brands and people, as demonstrated by Coca-Cola's new strategy, 'Liquid and Linked'.

COCA-COLA'S 'LIQUID AND LINKED' STRATEGY

'Liquid and Linked' is Coca-Cola's new strategy to deal with integration in the digital age. The springboard for this approach was the response to the fragmentation of traditional media and the mass reach of the plethora of digital channels. Brands need strong 'contagious' ideas that spread across multiple platforms in order to amplify the idea and increase brand engagement.

Coca-Cola has developed an approach it calls 'liquid and linked' to cross-media marketing. 'Liquid' relates to the need for a brand to be aware of the constant changes in the marketing and media landscape and be able to adapt its approach accordingly in near 'real time'.

'Linked' relates to the idea that all brand messages, in whatever consumer touchpoint, need to belong to an overarching brand strategy. Coca-Cola aims to tell dynamic brand stories across all these touchpoints – developing an engaging narrative first and then working out which channel tells which part of the story best. Channel planning for Coca-Cola is thus a more tailored way of engaging people across channels in longer narratives.

DIFFERENT MODELS

A recent publication from the IPA, *New Models of Marketing Effectiveness: From Integration to Orchestration*, aims to shed light on the murky area of integrated marketing communications planning for the marketing and agency community.

It contains deep analysis of more than 250 cases from the IPA Effectiveness Awards, and aims to put a 'stake in the ground' for the industry by defining the different ways of integrating marketing activity, or 'models' of integration, observed in recent years – also assessing their relative effectiveness in terms of driving results. Importantly, it aims to quantify the additive benefits of seeking to integrate across channels versus planning each channel separately to specific channel objectives – arguably a far easier task to coordinate for marketing clients and their agency partners.

The report identifies four different ways in which marketing campaigns have been organised and proposes that creating and delivering effective integrated campaigns is becoming increasingly like conducting an orchestra. This trend has increased in the past couple of years as the digital age continues to open up the potential for millions of conversations, and as advertisers and their agencies look for ways to make the growing multitude of channels work in harmony together. This move towards 'orchestration' is then compared with more established models to try to understand the most effective methods of structuring marketing activity.

FROM INTEGRATION TO ORCHESTRATION

The analysis uncovered four distinct ways that campaigns were integrating messages, exemplified in the IPA case studies.

1 No integration where a campaign either used a single advertising channel or took a *laissez faire* approach to merging channels.

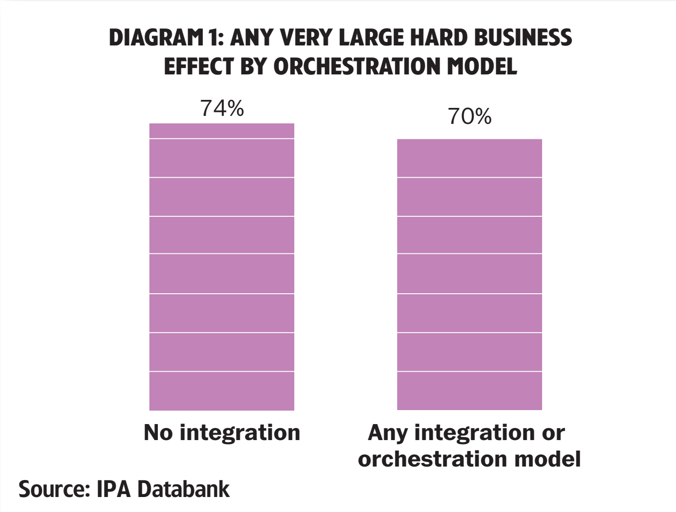
2 Advertising-led integration around a common creative platform. This ranges from visual identity only – the so-called 'matching luggage' approach – to a full-scale advertising creative idea across multiple disciplines, including non-advertising channels.

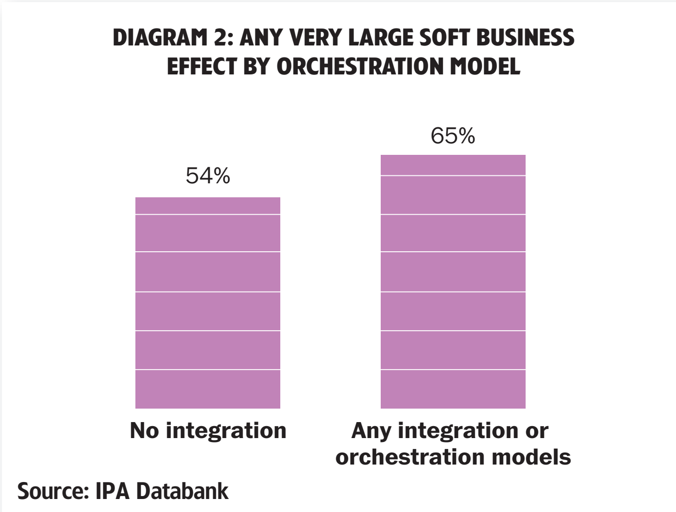
3 Brand idea-led orchestration where there was unification around a shared brand concept or needstate platform. Within this segment, the creative work does not look united by a common advertising idea, yet the audience is able to decode the strands as part of one brand's message.

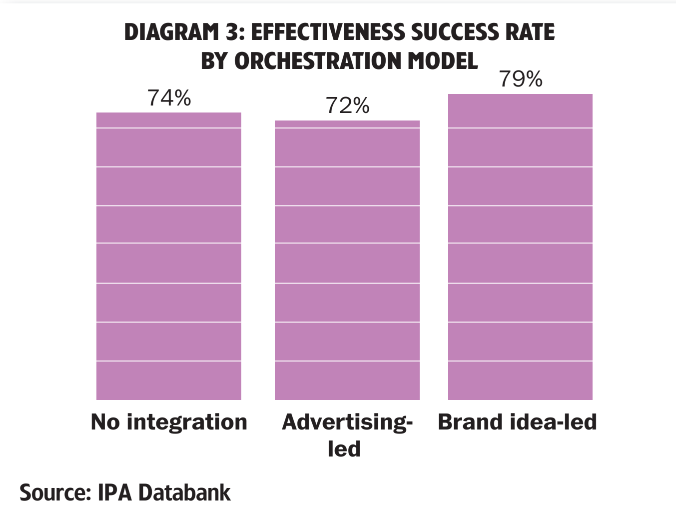
4 Participation-led orchestration where the goal between brand and audiences is to create a common dialogue, co-creation, experience or 'conversation'.

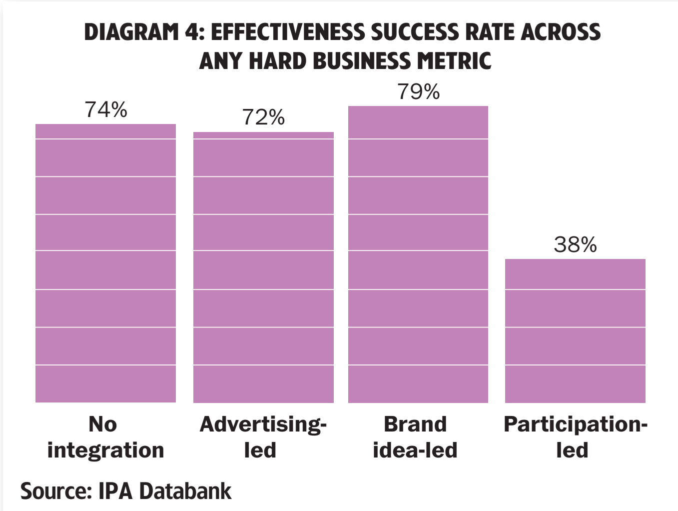
The IPA Databank of case studies contains numerous celebrated examples across all segments including Dove's 'Campaign for Real Beauty', Johnnie Walker's 'Keep Walking', Honda's 'The Power of Dreams', O2's 'The O2', Cadbury Wispa's relaunch in social media and Walkers crisps' 'Do Us a Flavour' co-creation approach.

The results of this analysis have a number of interesting implications >









for marketers and their agencies, especially around working practices and ways of structuring client and agency relationships.

INTEGRATION IS NOT NECESSARILY MORE EFFECTIVE

Increasingly, it has been assumed that integrated campaigns must deliver more success than so-called non-integrated campaigns. However, one of the revelations of our analysis was that campaigns with no obvious integration device are on average just as successful as the majority of campaigns in the IPA Databank, as measured by the achievement of at least one very hard business effect.

This is defined as a brand achieving one of a number of different success measures, including: sales gain, market share gain, reduction of price sensitivity, customer retention/loyalty, customer acquisition, profit gain or market share defence. See diagram 1.

The relative success of the non-integrated approach makes sense when considering that such a strategy can be a reactive and flexible solution, as each channel and marketing discipline is given the freedom to develop ideas to deliver focused goals. For example, advertising can be used to drive brand consideration in combination with direct marketing mail shots to close the sale. However, when viewed through softer measures of business success such as brand awareness, fame, differentiation or strengthening brand values, it can be seen that integration does have significant additive benefits over a non-integrated approach. See diagram 2.

Again, it can be argued that the benefits of additional frequency of the same idea delivered in a consistent way across channels will increase the likelihood of correct brand recognition and attribution.

However, these findings have interesting implications for the industry, as they start to suggest that a slavish pursuit of the perfect integrated campaign may not be the best way to achieve more effective communications in all circumstances. The addition of more communication channels, which are given separate tailored campaigns, may actually be an easier route to business success.

This is a factor often omitted from the literature around integration; if achieving perfect message integration produces a better impact than a pragmatic approach, but requires significantly more marketing resource to manage, is it still an effective route to pursue at a business level?

The answer to this question lies in the degree of additional success achieved. It may deliver business results greater than the additional investment in marketing resource, or it may not. Since the IPA Databank does not directly capture the full costs of creating and managing different communications strategies by channel, this is a factor that cannot be evaluated here. The idea that it may be more efficient to develop separate unique media campaigns rather than attempt any form of integration is a provocative one, and worth exploring elsewhere.

THE POWER OF A BIG BRAND IDEA TO ORCHESTRATE ACTIVITY

The IPA Databank analysis suggests big brand ideas are better at delivering business results than other ways of organising marketing activity. They are also effective at driving softer brand metrics such as brand fame, awareness and differentiation versus campaigns with advertising-led or no integration. See diagram 3.

This is an important lesson as it demonstrates that generating a hard business response does not require 'matching luggage'. There are many pragmatic reasons why brand ideas win over visual advertising-led ideas. Interviews with leading marketing practitioners and entrants to the IPA Effectiveness Awards suggest that this approach may not always be the output of the communications planning philosophy, but rather a function of the timescales required to deliver the activity.

The advertising-led model requires campaigns to be built around a common visual identity and demands that a strong central creative work is developed which can then be sequenced across different media. However, sometimes there simply isn't time for this approach, and work needs to be developed in parallel around a loose and higher-order idea.

INTEGRATION CAN EVOLVE INTO AN ORCHESTRATION MODEL

The IPA Databank records many long-running campaigns, including several of the brands in the interviews, namely HSBC, which had run for ten years, O2 for eight years and Audi for 27 years.

With these sorts of campaigns, often they had developed and changed en route. For example, the HSBC paper entered in the awards in 2010 described a ten-year journey. The 'World's Local Bank' started life as an advertising idea, but the requirement to deliver meaningfully against the promise in the creative execution rapidly turned it into a brand idea that has grown and developed, and now permeates business strategy around the bank.

> The addition of more communication channels, with separate tailored campaigns, may be an easier route to business success

The Johnnie Walker global case study also demonstrates this point with an 18-month launch period that used advertising channels almost exclusively to introduce the 'Keep Walking' brand concept across the globe. This was opened up and developed into a more orchestrated brand idea-led approach using local sponsorships, PR and CSR initiatives to tailor the activity to each individual market.

As campaigns bed-in and show effectiveness, confidence grows and often very executionally led campaigns gain the freedom to become more conceptual. The passage of time also allows the development of an initial advertising idea into something more powerful and longer-lasting for the brand.

PARTICIPATION-LED MODEL IS YET TO PROVE ITS WORTH

A further surprising finding of this analysis was the relatively less successful performance, in terms of hard business effects, of the newly emerging model of participation-led activity. This segment contained famous examples of modern marketing such as Cadbury's use of social media to relaunch the Wispa chocolate bar and Walkers crisps' 'Do Us a Flavour'. On the other hand, participation-led orchestration was the most effective model at delivering softer effects, and also the most effective route for a brand pursuing fame as a key objective. See diagram 4.

The analysis showed that the participation-led model was excellent at achieving market share defence but less successful at driving new customer acquisition, suggesting that campaigns that demand higher levels of engagement need to be built on a degree of existing love for the brand and are therefore usefully employed by large, mature or declining brands needing a shot of brand fame.

In these cases it is harder to demonstrate large business effects because even very successful years tend to be measured in fractional percentage gains in market share rather than huge lifts in sales. It is also true that our ability to measure this activity probably lags the development of ideas in this space.

It is possible that these campaigns are a newly emerging hybrid of two communications disciplines – advertising and direct marketing – and that the link through to sales has yet to be made from a direct marketing perspective. This makes measures such as customer lifetime value impossible to apply. However, these campaigns tend to fall short of traditional measures of advertising business effectiveness, such as econometric modelling, due to the length of time the activity is in market.

This is useful knowledge when considering a participation-led approach. Interviews with leading practitioners highlight the considerable extra investment in time to deliver this model, and the requirement for a major change in behaviour from both clients and agencies. Participation demands a collaborative approach to campaign development, with the client closely involved throughout the process.

While this can be said of other model types, the demand is heightened when participation is required. Not only do lines between roster agencies blur but the distinction between client and agency also fades. There is a sense that for this to work, everyone has to be in it together and egos have to be banished. ■

'IPA Datamine 3, New Models of Marketing Effectiveness: From Integration to Orchestration', was co-authored by Kate Cox (kate.cox@mpg.com), Denise Turner of MPG Media Contacts (denise.turner@mpg.com), John Crowther of Creston Unlimited (jcrowther@crestonunlimited.com) and Tracy Hubbard of i to i research, with advice from marketing consultant Peter Field. It is available to purchase from www.ipa.co.uk/Content/Datamine-3-New-Models-of-Marketing-Effectiveness or www.warc.com/newmodels.

**** The study 'Timelines, Bottom Lines and Egos: How to Manage the Creation of Effective Integrated Communication' is the result of 50 in-depth agency and marketing management interviews, and datamining of 8,000 individual Aprais relationship evaluations. www.aprais.com***

Aesthetics, jugs and rock'n'roll

Definitions of 'creativity' are elusive. Here, **Paul Feldwick** examines what exactly aesthetics contribute to our appreciation of the world – concluding that creativity might be better defined as an aesthetic quality rather than originality

I **WAS IN** my kitchen one day last summer, wondering what to talk about at the TEDx New Street conference I'd been invited to, when my eye fell on two jugs on the top shelf of the dresser.

You can see them in the picture. They're both British, modern studio pottery, and I'd bought them both in the past few years.

What interested me about these two jugs was this. I was noticing that I've always liked one of them much more than the other. Yet they're basically very similar – hand-made, earthenware, about the same size, same general shape, and with a similar origin.

At the TEDx talk I invited the audience to express their own preference. Slightly to my surprise, not everyone made the same choice as me – but it did seem that most people found it easy to make a choice.

The left jug comes from John Leach pottery in the Somerset Levels. The right jug is made by Svend Bayer, who works down in darkest Devon. For me, there's something about the Bayer jug that puts it in a different class from the Leach. For me, it's easily more – what? creative? beautiful? special? rewarding? Certainly if I had to keep only one of them, this would be it.

But it's not easy to say exactly why my response to the two jugs is so different. I can try to put it into words: I like the sexy roundness of the Bayer, I like its distinctive texture, it seems to have been made with some kind of energy that I don't get from the Leach. But even these comments don't go far to explaining my response; we seem to be in the realm of very subtle, sensual differences which resist analysis or definition.

Now I want to propose that the way I make this choice between the two jugs represents an important aspect of many consumer choices. Indeed, if the jugs were in a shop together they could be an actual consumer choice. And I know which I would pay more for.

VALUE ADDED VIEW

I propose that the principal dimension on which I'm making this choice between the two jugs is aesthetic. According to Ken Wilbur, since the 18th century we have made a separation in our minds between three sets of values – the moral, the instrumental, and the aesthetic.

- Moral – is it right, ethical?
- Instrumental – does it work, is it effective?
- Aesthetic – is it beautiful (or grotesque, comic, sublime)?

My experience is that in organisations, it's instrumental values that dominate. And conversely, 'aesthetic' is not a word that commands much respect. Maybe its associations with Oscar Wilde and the 'aesthetic movement' haven't helped: it carries historical overtones of elitism, effeminacy, impracticality. But more fundamentally the word means something highly subjective, something resistant to analysis and control – therefore, it is something with which organisations feel uncomfortable.

So we don't hear the word 'aesthetic' used much in business. A word we do hear quite a lot, although it's still treated with some suspicion, is creativity. It's commonly said that this is a good thing and business needs more of it. Ad agencies and others hail it as their core value. To some extent, I believe the word 'creativity' stands in for 'aesthetics'.

But to get inside corporate HQ – even to get inside the ad agency – the word creativity has been redefined to mean something that is very different from what I mean by aesthetics. And I think by doing

Neither jug is original or innovative. Their beauty, energy, and aesthetic quality have nothing to do with novelty

this, we have put ourselves in danger of missing something very important – and something that business really needs.

A MATTER OF OPINION

I've read a lot of management and academic literature on the subject of 'creativity', and I've also observed first hand how the word is used in advertising and marketing. And I've noticed two things that are almost universal, but which I find increasingly odd:

- creativity is defined as involving originality or innovation;
- it's nearly always linked with the phrase 'the creative idea', as if the output of creativity is always 'an idea'.

Sternberg and Lubart, at the start of their massive academic *Handbook of Creativity*, define 'creativity' as 'work that is novel, original, unexpected'. The Royal Society of Arts' report on *Creativity in Organisations* talks of 'creativity and innovation: words we treat as synonymous'. Elsewhere, it equates creativity not just with novelty but with 'new ideas'.

The commonest image for 'creativity' is the lightbulb going on – the 'bright idea'. People in ad agencies universally talk about 'creative ideas'. James Webb Young called his famous book *A Technique for Producing Ideas*. You can find examples just about any week in *Campaign*, such as the feature 'How Advertising's Big Ideas Are Born'. The IPA's booklet, *Judging Creative Ideas*, uses the same type of language on every page. And I've just opened chapter 1 of *Hegarty on Advertising*, 'Ideas', which begins: 'Ideas are what advertising is built upon. We worship them, we seek them, fight over them, applaud them and value them above everything else.'

> 'Aesthetic' is not a word that commands much respect: it carries historical overtones of elitism, effeminacy, impracticality

You may be so used to these ways of talking that they seem natural and sensible, and of course, they come on powerful authority. Yet to me they seem increasingly strange and even wrongheaded. Not just in terms of what the word creativity means to me, but in terms of what, in reality, I think it contributes to business success.

I can illustrate this by applying these thoughts to my two jugs. I might say that Bayer's jug is more 'creative' than Leach's. But this makes no sense if 'creativity and innovation are synonymous'. Neither jug is original or innovative. Bayer is working, as far as I can see, in a tradition of ancient Devonshire ceramics that goes back centuries. This jug could almost be 200 years old. Its beauty, its energy, its aesthetic quality have nothing to do with novelty.

Neither does it make any sense to me to talk about the 'creative idea' behind either jug. The idea is – what? – a vessel made of clay for holding and pouring liquid? Such banalities add nothing to our understanding of what makes them good. Creativity here does not belong in an idea, it is in the thing itself.

APPLYING THE IDEAS

Are my jugs an exceptional case? I don't think so. The same is true of almost any cultural artefact. Take, for instance, Gehry's Guggenheim Museum in Bilboa. >

> If you listen to a recording by Elvis Presley, it's the same three-chord sequence that is behind a million rock and blues songs. Whatever makes this exciting, memorable or moving isn't innovation, still less a creative idea. It's taste, timing, energy, presence, artistry

Here, you could certainly claim a high degree of innovation or originality. But is it good merely because it's original?

Or are we here looking at something that happens to be original, and good? And what is the 'creative idea' here? Any answer to this would represent, at best, an early stage in the architect's imaginative process: applied to the actual building, it's probably an absurd question.

We needn't limit ourselves to the field of architecture. If you listen to an early recording by Elvis Presley – such as 'Money Honey' – musically, you hear nothing new. It's the same three-chord sequence that is behind a million rock and blues songs, there's little melody to speak of and the rhythm is regular and predictable. Whatever makes this exciting, memorable or moving isn't innovation, still less a creative idea. It's taste, timing, energy, presence, artistry. As with my jugs, we can try very hard to put it into words, and ultimately never succeed.

What is the creative idea behind a painting by Kandinski, or Monet's *Water Lilies*, or Schubert's Unfinished Symphony, or Jimi Hendrix's 'Voodoo Chile'? The fact is, we don't respond to 'ideas'. We respond to actual buildings, paintings, musical performances. Or actual advertisements.

THE PUREST FORM

Our common notion of 'creativity' has been redefined so as to airbrush aesthetic quality right out of the picture. Yet I argue that it is this aesthetic quality that generally makes most of the difference when people choose designs, advertisements, or brands.

Aesthetic doesn't have to be a dirty word. Its original sense, from the Greek, was of 'perception through the senses'. The idea that we can know and respond to things directly through the senses, not just through abstract reasoning, was developed in the 18th century by Giambattista Vico, as a challenge to Descartes' idea that the mind was somehow separate from the body.

Modern writers have suggested a definition of aesthetic as 'emotional response to a perceived stimulus'. This should sound familiar to us: we now have more and more evidence suggesting that human choice is fundamentally affective, holistic, non-analytic, a subconscious, emotional response to sensual stimuli. Paul Watzlawick argues that it is 'analog' communication – largely non-verbal, based on gesture and nuance, beyond analysis – that influences our relationships with people or things.

If we understand 'aesthetic values' in this context – a direct, emotional response to sensual stimuli, that may take place subconsciously and that normally resists analysis – they may well be central to how people prefer and choose one design over another, one package, one brand, one advertisement.

If that's so, our present discourse about 'creativity' is misleading and counterproductive. Based on our improved understanding of how people make choices, we ought to redefine creativity, so that it is primarily about aesthetic quality rather than originality for its own sake. And we need to recognise that it is manifested in tangible images, sound and performance, not in abstract ideas.

I'm convinced this is what Bill Bernbach meant when he said: 'Is creativity some obscure, esoteric art form? Not on your life, it's the most practical thing a business man can employ.'

A successful ad from the 1920s for a US music school's correspondence course had the famous headline: 'They laughed when I sat down at the piano but when I started to play!' Bernbach commented: 'What if this ad had been written in different language? Would it have been as effective? What if it had said: 'They admired my piano playing…' Would that have been enough? Or was it the talented, imaginative expression of the thought that did the job?'

'The difference,' he concluded, 'is artistry – the intangible thing that business distrusts.' And maybe that's a word we should value more today. I urge you to prove this to yourself, by considering any highly successful artwork, advert, pack design or brand. Ask yourself honestly – what makes this excellent, powerful, moving? Hardly ever will it be its degree of originality. Nor will it be that meaningless abstraction, the creative idea. It will be the aesthetic quality, the artistry of the whole. ■

Based on a talk given at TEDx New Street on 9 October 2010. www.tedxnewstreet.com/paul_feldwick.html

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Smarter campaigns

Every day, marketers and their agencies devise their next big digital marketing programme: the websites will be visited by millions, their iPhone app will rise to the top of the Apple store, and videos will go viral. **Jonathan Richman** explains why most of these expectations are fantasies

LET'S FIRST try to understand why it is so difficult to make something that people even notice these days. When we marketers sit around and devise our plans we like to analyse our competition. It makes sense. Who is doing what? Which products have advantages over ours and which have weaknesses? When we do these exercises, our definition of 'competitor' is usually pretty narrow. You can't account for every product in the world in your SWOT analysis after all.

While it may be appropriate to narrowly define our competitors when we're talking about devising our key messages, our in-store product placement, or even our packaging and branding, you don't have the same luxury when it comes to digital. The simple reason is because when it comes to digital, everything is your competitor.

Your competitors in digital are everything else that takes time away from your digital programme. Your competitors aren't just a product in the same category or even brands in the same industry. It's everything. That means that your competition online isn't just your arch nemesis' brand site, it's also missed TV, blogs and friend networks.

You need to think of these types of digital properties as your competitors because when it comes to your customers' time, there isn't much of it to go around. Every minute they spend doing something else online means another minute they won't be spending on your site, with your app, or perusing your Facebook page.

SOCIAL MEDIA: THE NEW 'PORN'?

The old adage that many people became used to hearing over the years was that pornography was the most popular activity online. Whether or not you believe the numbers is up to you but, suffice to say, it was a pretty big segment of online traffic. Times have changed, so you don't need to worry quite as much about losing time to this set of competitors. Instead, you have a bigger, fiercer rival that seems to have universal appeal: Facebook.

A recent Nielsen study showed that social media surpassed the number-two online activity (gaming) two fold: 22.7% of Americans' online time was spent on social media in June 2010[1]. That's a lot of status updates and 'Like' buttons clicked.

The point is that you now have even more competition for your customers' time and attention and it's getting worse every day. You need to reframe how you think about your competition in order to be successful. Here it is: if your customers

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can do it online or with a digital device, it's a competitor. Why would someone spend hours learning about every detail of the molecular composition of your motor oil when they could spend it watching videos of dogs on skateboards on YouTube? That's your challenge.

NO GUARANTEES... OR ARE THERE?

The cynics among us would say it's impossible to know in advance what will work. The fickle internet population cannot be understood. The optimists might suggest that we simply follow our research and we'll be loved. Sadly, they're both wrong, but there is good news. Determining if your programme will be a success is fairly straightforward. It doesn't require spending millions of dollars in research, complex mathematical formulas, or understanding some inscrutable, semi-secret algorithm.

Knowing if your programme is going to be successful or not comes down to one thing: will people 'Like' it? My choice of 'Like' with a capital L was intentional. Can you picture anyone clicking the Facebook Like button to indicate their appreciation or love of your programme? The tremendous growth of Facebook and the almost ubiquitous Like button make our research pretty simple.

Of course, to do this research correctly, you need a few things. First, you need a completely objective mind. It might help to think this way: would I ever click the Like button myself for this programme? You may as well be honest since it's your reputation on the line if you launch a tremendous digital flop. If the answer is 'no', give yourself two points for honesty, but now head back to the drawing board.

Second, you need to understand what people are actually willing to do for you and your brand. This ranges from one extreme where you might find your brand evangelists getting tattoos of your logos to the other where your brand is nothing but a splattered speck on your customers' windshield of life.

Most people these days don't have a lot of patience online. We hate filling out forms and clicking seven times to get to what we're trying to find (assuming we can ever find it). Powerful search engines have given us the luxury to jump from site to site if we don't almost instantly find what we expected. Cap this with our shrinking attention spans that drive us with an almost primal force to seek out something even better than what we're seeing right now. When you put it all together, you see that most people don't have the time or interest you need them to have for your ideas to work. That's why you need to think differently.

> Knowing if your programme is going to be successful or not is down to one thing: will people 'Like' it?

THE FOUR BIG BLUNDERS

When making digital marketing programmes, often the same four mistakes are made over and over again.

● **Blunder #1: trying to do it all.** I get asked one question a lot. The question is: what is the worst website you've ever seen? As someone who has seen his fair share of terrible sites and beautiful ones, this is a difficult question to answer. The reality is that there are a lot of 'worst' websites out there and they mostly all have one defining characteristic.

No white space. It's got everything in it, which makes it impossible to see or focus on anything. You have all your 'key messages', probably a few 'call to action' boxes or links. You've also got some giant images from the photoshoot on which you spent a small fortune. You've got links to your other sites and to your brand extensions. You've got a call-out or (ugh) a pop-up featuring your latest promotion. You also certainly have a few different boxes imploring me to 'Like' your page or share it with friends and I know you have a sign-up box for your email program.

● **Blunder #2: random targeting.** For most big brands, you can probably find a study lying around that cost well into the six figures that was commissioned to help identify 'the target' – the people who are the ideal audience for your brand messages. We pick the right age of people to show up in our TV commercials and pick the right magazines in which to place our print ads. But, when it comes to digital marketing, we seem to forget who our target really is. Just because it's digital doesn't mean that 'Marketing 101' rules don't apply.

Too often we don't bother to understand what our target audience really does online and what it is likely to do. If the average person in your target audience doesn't own a smartphone, it doesn't make much sense to create an iPhone app.

● **Blunder #3: bored to death.** Many of the digital marketing programmes I see have a common, fatal flaw. They're boring. And not just a little boring, but mind-numbingly boring. This blunder is as simple to recognise as it is difficult to avoid. Creating interesting content isn't easy. It's a skill and a gift. There's a reason why about 30% of all videos on YouTube have fewer than 100 views, and 55% have fewer than 500[2]. The reason: they are not remotely interesting to watch.

● **Blunder #4: one for all and... one for all.** There is nothing more frustrating to your customers than this final blunder. In a digital world where they are used to being able to easily search (and find) what they want, read reviews from friends, and customise their viewing experience online, your customers don't react well when all of this power is suddenly taken away.

This is another by-product of the new expectations your customers have for all digital content. They expect to be able to see what they want, when they want, and exactly how they want. They want to be able to view it anytime whether online or off. They want it in whatever format they feel like at that moment whether it be on their laptop or fancy new iPad. They expect this because they get it from other websites and it's exactly the experience that they're used to with mobile apps.

BIG SOLUTIONS FOR BIG PROBLEMS

There are four big solutions to each of our four big blunders.

● **Solution #1: do one thing really well.** The good news is that this solution is one of the simplest to understand of the four I'll offer you. The bad news is that it might the hardest for most marketers to implement. The concept is simple after all. Instead of creating an app, for example, that does ten things, each in a mediocre way, create something that does one thing really well. Simple, right?

It's hard because you have to make difficult choices. Of all those brilliant features you dreamed up and all the things your customers told you that they wanted when you did research, which do you focus on? That's actually easy. Pick the one that you can do the best. That might not be the one that's the top need for your customers, but it's better to put out your best effort than something that's just average.

My favourite example for an app that does one thing and does it really well is the 'Sit or Squat' application from Charmin. It helps you find a clean, public restroom no matter where you are. Of course, you're not going to use the app every day, but you'll be really thankful that you have it when you need it. That's all the app does. It does this simply and it works every time.

● **Solution #2: apply some digital savviness.** The idea is to understand what digital technologies members of your target audience use and are comfortable with and to focus there. I call this digital savviness. I break each person's digital savviness into four categories. You could be high (ie really savvy) in one category and low in the others or high or low in all of them. There's no one right answer and no single answer for everyone. You just need to understand where your customers are in each category.

Social: how people connect with others. This means everything from email to photo sharing to social media.

Entertainment: how your customers have fun online – watching videos, playing games, or reading blogs.

Navigating: how your customers get around online and what hardware and software they use – which browsers they use or whether or not they have broadband or an iPhone.

Productivity: how your customers use technology to make life a little simpler such as online shopping and banking and online auctions such as eBay.

For each category, rank your target customer as high, medium, or low then match your digital programmes to customers' savviness level in the category.

● **Solution #3: create 'Likeable' content.** Does it excite you or bore you? As a first step, honestly ask yourself that question. If it does bore you, then you need to reassess what you've created. If you wouldn't share it with your friends on Facebook, then you might need to reconsider.

The rest of the test is a bit more subjective. There are a couple of things you should check, especially when it comes to video, but it also applies to applications and websites. First, are you eliciting any emotion with what you've created? When most people think of 'viral videos', for example, they think of videos that are funny. Well, that's just one possible emotion. A few others to consider: joy, fear, wonder, anger, jealousy, sadness, hope, grief, disappointment, affection and so forth. The more your content can cause one (or more) of these emotions, the more successful it will be.

And here's the final check: will anyone click the Like button for this? That's a big distinction from simply 'liking' (lower-case 'l') because when you Like (upper-case 'L') something, you're announcing to all your friends that this is something worth checking out.

● **Solution #4: personalise and individualise.** You need to create individualisation. It should elicit this response from people: 'Wow. They wrote this just for me.' Not 'someone like me' and not 'every other man in Ohio'. No. Just For Me.

Of course, you wouldn't write it just for him or her. That gets prohibitively expensive in the time and money categories. You just need to invest enough effort in your back-end systems to allow this to happen automatically and dynamically. That means it happens without you doing anything and it happens in real time. Your system should know and figure out things about me and match this to your products and offers. Among the best in the world at this is Amazon.

> Customers expect to be able to see what they want, when they want, and how they want. They want to be able to view it anytime, in whatever format they feel like at that moment

You don't need a complex back-end system like the one that powers Amazon's recommendations, but you do need to invest in ways to ensure that what people get from you appeals to them on a very individual level. ■

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This is an edited version of the winning entry in the digital category of the WPP Atticus Award 2010.

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Global knowledg

Since the 1970s, many consumer goods companies have been moving brands towards global propositions, but this is rarely appropriate for brands embedded in the cultures of individual countries. **Graham Mackay** describes why SABMiller is the most local of global brewers

TWENTY-EIGHT YEARS ago, Ted Levitt, editor of the *Harvard Business Review*, wrote one of the first articles to popularise the concept of 'globalisation'. He asserted that a global proposition would ultimately always win over the local proposition. That the superiority of a global offer – both the product and the marketing – would eclipse the cultural variants that country managers always asked for. And he predicted that a centrist corporate movement would prevail based on a creed of one product: one brand: one voice: one ad campaign.

There seem to be, in essence, two interlinked arguments behind this proposition: one based on emotional association, or aspiration; and the other on management practicalities. The first asserts that consumers will naturally aspire to, and drift over time towards, international brands simply because they are international. They are self-evidently better because people all over the world have sought them out. The second argument is that it is practically impossible – unmanageable or unaffordable – to replicate at a local level the quality, look and feel of global brands so the local brands don't look as good or perform as well.

In the course of my career in consumer goods I have encountered many examples of individuals and companies that believe Levitt's thesis explicitly. Successful products, companies and careers have been built on it. An example of the first driver would be in cigarettes where international brands such as Marlboro have delivered better quality – originally, anyway – and a higher cachet through sophisticated marketing when compared with local alternatives. Another obvious example is Coca-Cola. By contrast, household and personal care are categories where consumers lack much emotional connection but welcome global brands with a more sophisticated look and better functionality.

BEER IS DIFFERENT

Alcohol is a mood-altering substance and beer in particular has a history as old as civilisation. The highly emotional characteristics of beer brands themselves and their long history and association with place, will always dictate a high degree of localism that sets beer brands apart in the fmcg universe. This is reinforced by the economics of producing and distributing what is a bulky, perishable product.

That's not to say that the brewing industry has been immune to the forces of globalisation. At the turn of this century, the top ten brewers around the world accounted for just over one-third of beer sales volumes. Since then a mass of local and regional brewers, many of them still family owned, have been subsumed into four big players – namely ourselves, Anheuser-Busch Inbev, Heineken and Carlsberg. These four account for almost half of global beer sales volumes, and about three-quarters of the profit pool.

This period of intense consolidation has undoubtedly driven the adoption of global best practice in many areas – from brewing production, to packaging and distribution. But when it comes to brand marketing, each of the brewers has a different take on where they stand in the 'global versus local' debate. To fully understand our perspective and why it differs from the consensus, it's necessary to understand where we, as a company, have come from.

FROM SOUTH AFRICAN BEGINNINGS

Today, SABMiller is the biggest drinks business on the London Stock Exchange, with interests in 75 countries across six continents and more than 200 brands. You'll recognise some of them – such as Grolsch, Peroni Nastro Azzurro, Pilsner Urquell and Miller Genuine Draft – but many more of them will be unfamiliar to you despite being powerful local brands in their respective home markets.

Since coming to London in 1999, our sales and revenues have grown by over seven-times to \$26.3bn and our market capitalisation has increased eightfold. This is from a company whose served markets (as I was fond of saying in our early days in London) did not cover the Palace of Westminster, Times Square or the Eiffel Tower but did include Dracula's Castle, the Gobi Desert, Timbuktu and the Source of the Nile.

Undoubtedly the global success of SABMiller is built upon the firm foundations and sound business principles

e, local delivery

that were laid down many years ago in South Africa.

The springboard for our expansion was the advent of democracy in South Africa, a cause actively supported by SABMiller. This freed us to invest outside the country just at the moment when wider geopolitical changes were throwing up new opportunities across Eastern Europe, Asia and Africa.

In the early days, we acquired breweries from governments wanting to privatise. These assets had often been badly neglected under public ownership, so we focused on bringing them up to scratch, applying the disciplines that we had learned in South Africa: to enhance quality, drive down costs and improve distribution. Our approach to marketing was, where possible, to build existing local brands through strengthening their associations with local heritage and cultural icons.

BREWING IS ESSENTIALLY A LOCAL BUSINESS

Despite the rapid consolidation in the beer industry over the past ten years, the beer market has remained stubbornly diverse. And brewing has remained at its heart a very local business, steeped in culture and tradition that from its earliest beginnings has been associated with place.

Until not many years ago, most beer brands were simply the name of the town where they were brewed. In many countries that remains the case – notably in Germany, which is why the German brewing industry is still very fragmented.

As the industry evolved, brewers realised that higher-quality beer was dependent on a particular type of water, giving rise to great brewing towns such as Burton-on-Trent, Pilsen in the Czech Republic or Timisoara in Romania.

Today, however, we can manipulate water to create whatever conditions we like. Hops can be processed and transported across the world. New barley strains are supporting local suppliers in markets with no previous brewing tradition, and the company itself is experimenting with a new generation of beers which rely on a different set of raw materials and production techniques. Yet beer remains resolutely local.

THE ROLE OF INTERNATIONAL BEERS

Of course, as consumers become wealthier and the middle-class grows, they look for more sophisticated products, and some are seeking out international brands.

We do cater for that with four distinct international premium brands that talk to consumers' emotional connections to place or culture, whether it is the Italians' unquestionable ownership of style typified by Peroni Nastro Azzurro, the quality and provenance of Czech brewing found in Pilsner Urquell, the charismatic eccentricity of the Dutch reflected in Grolsch or the American urban cool of Miller Genuine Draft.

Despite the array of imported beers that you see in the UK, brands consumed outside their country of origin actually still account for only about 5% of world beer volumes, and that proportion has changed little over the past ten years. Truly international brands, such as Heineken or Corona, have global market shares in the low single digits, and you need to combine more than 60 of the top beer brands to amass half of total world volumes.

Aspiring consumers are nowadays just as likely to turn to local premium beers, many of which speak to the burgeoning sense of pride and identity that comes with social and economic progress and, particularly in sophisticated western markets, to crafts and speciality beers.

For example, in the US the expansion >

Tyskie is rooted in what it means to be Polish, with a heritage dating from 1475

of craft brewers, and in the UK the resurgence of cask-conditioned ale, are aligned with the same concern for local provenance that we have seen in the food industry. But equally it is about place, identity and belonging.

WHY BEER BRANDS ARE SO TIED TO LOCAL PROVENANCE

My explanation is that they are emotional constructs, far more than they are physical ones. While there are undoubtedly some highly important functional attributes to which one can appeal in beer – refreshment being the most common – in reality the intrinsic differences between different lagers of the same alcoholic strength and temperature are subtle. After a pint you would be hard pressed to tell two lagers apart in a blind tasting, but a consumer will, on most occasions, have a clear preference. Although they will generally aver that their chosen beer is the one that tastes best, this is simply a rationalisation of an instinctive, emotional choice.

In our view the human motives of friendship, male bonding or national pride can't be accurately applied from one culture to the next without reinterpretation, and local sensitivity and local intimacy are critical to understanding the unarticulated, intuitive relationship that people have with the beer in front of them. For many men, beer is possibly the most important brand in their repertoire of personal products, when it comes to defining who they are.

But the male psyche, how men bond and what they aspire to, finds radically different expressions in different parts of the world. In many parts of Africa,

For many men, beer is possibly the most important brand in their repertoire of personal products when it comes to defining who they are

fatherhood and the familial responsibility that surrounds it, is highly aspirational to young men. But while beer campaigns in the UK do appeal largely to men, one that emphasised fatherhood, I fear would be doomed to failure.

We believe that deep, rich and rigorous consumer insight is critical to brand building. I am sure that many of our competitors would say precisely the same. However, we take it to a level of granularity that borders on the obsessive in order to understand and assimilate those attitudes towards beer which are – from a consumer's perspective – indefinable.

As a topical aside, even understanding, and combating the drivers of, alcohol misuse force an appreciation of the highly cultural nature of drinking. In the UK we have an undeniable problem among young people for whom drinking to intoxication is entirely acceptable – if not glamorous. Travel to Italy, however, where alcohol is typically considerably cheaper than here in the UK, and drinking to excess is taboo and considered socially unacceptable.

Here are three of SABMiller's brands, to illustrate what we have, through detailed research, come to understand about how different groups of people relate to their national identity.

TYSKIE GRONIE

As Poland's largest beer brand with a market share of 18% and heritage dating back to 1475, Tyskie is rooted in what it means to be Polish. But while Poland's history is rich with great artists, composers and philosophers, it is the 15th century and not the 21st that is thought to be the 'golden age' of Polish culture. Instead, its recent history is darker and more troubled, characterised by a succession of devastating wars, which means little from the past 150 years stands in its original place.

Consequently, Poles feel that they have lost a link to the heritage of their forefathers. They feel destined for greatness, but need external affirmation to feel positive about being Polish. So they will take an avid interest in the performance of Polish players in the English football leagues or hold up Robert Kubica, the Formula 1 driver, as a national hero, because of his success on a global stage. They want proof – validated by a global audience – that Poles can be great.

So Tyskie seeks to create and tell narratives that allow Poles to feel better about themselves, providing them with grounds for genuine pride. One example is when we changed the livery of the trucks exporting Tyskie to the UK to demonstrate the brand's status as an export brand and its popularity overseas.

PILSENER IN ECUADOR

In Ecuador, national identity embraces all epochs of its history – combining Catholicism, pagan symbolism and a more secular ideology. When native inhabitants were forced to convert to Catholicism by the Spanish, the conversion was often not entirely pure, with the result that indigenous elements, such as a polytheistic belief in 'spirits', became part of the new religion. The Spanish conquerors brought populations from Bolivia, Guatemala and, ultimately, Africa as slaves, and they too brought their beliefs and traditions.

This combination of influences is most powerfully exhibited in the many thousands of fiestas that take place around the country, from the Fiesta of La Mama Negra, which aligns the power of a volcano to the mercy of the Virgin Mary, to the Corpus Christi celebrations of Pujili, which combine the Catholic celebration of Holy Communion with traditional celebrations of the harvest and offers of thanks to Inti, the Inca sun god.

Pilsener is our 'national' brand in Ecuador, growing lustily and with an 80% market share. Its television commercials seek to reflect the complicated and deep-rooted connection of the people to their ancestors and the land.

CASTLE IN SOUTH AFRICA

With the football World Cup taking place in South Africa last year, we took the opportunity not to showcase a global brand to the watching world, but rather to unite South Africans behind our flagship local brand, Castle Lager, and build brand equity and loyalty with local consumers.

With 11 languages and a multiplicity of cultures and political affiliations, the Rainbow Nation has been trying to forge a common national identity since the demise of the apartheid state. While most people will acknowledge their South African identity at some level, this fails to compete with powerful racial, geographic and tribal loyalties still very much in evidence today. South Africa is a country still searching for a voice that encapsulates the country's diversity, while demonstrating a strong sense of unity to the rest of the world.

Our research found that one characteristic that unites all South Africans – regardless of their background – is the enormous pride taken in their reputation for hospitality and openness. Castle Lager, sponsor of the national football team Bafana Bafana, created a commercial that encapsulated this in the build-up to the World Cup.

Having been in decline for many years, Castle has not only stabilised, but is now in double-digit growth long after the tournament has ended and makes up nearly one-fifth of our total portfolio in South Africa.

A RESPONSIVE MARKETING ECO-SYSTEM

The results reinforce the importance of putting consumer insight at the heart of any brand strategy, and having a marketing eco-system that can remain sensitive to the idiosyncrasies of local culture, while simultaneously deploying the most effective and efficient marketing and sales techniques.

We have worked long and hard to develop such a system within SABMiller. One that gives local marketing teams the autonomy they need to respond locally, but which utilises the expertise, skill and learnings available across the business. It is an important part of how we can add value and leverage the scale of the group.

This combination of discipline and freedom is cultural, as much as it is structural. Our instincts are to employ the complete individual and empower them to develop bespoke solutions. This avoids the trap inherent in less-flexible systems, which lead to ideas that in theory fit all markets but in reality suit none.

In conclusion, we have embraced globalisation, but with qualifications, as we believe that the beer business is inherently local and will remain so. Our determination to build brands that resonate with local consumers is a key point of differentiation between SABMiller and its competitors. We recognise that our approach is more costly and more complex to manage. And, in many ways, we are 'swimming against the tide' identified all those years ago by Ted Levitt. But we are attempting to use the best of what we know globally to enhance our offering and delivery locally. In short, we believe we are the most local of the global brewers.

And while much of the global consumer goods industry is focused on identifying the ways in which everyone is the same, SABMiller is trying to work out what it is that makes everyone different. ■

Graham Mackay is chief executive of SABMiller

This is an edited version of the Marketing Society Annual lecture, 28 March 2011.

During the World Cup in South Africa, SABMiller took the opportunity to unite South Africans behind its flagship local brand, Castle Lager, and build brand equity and loyalty with local consumers

ANDY BIRD AND MHAIRI MCEWAN

Delivering growth is the key challenge facing organisations across the globe. In their book *The Growth Drivers*, **Andy Bird** and **Mhairi McEwan** argue that there has never been a more challenging – or a more exciting – time to be a marketer

Accept the challenge

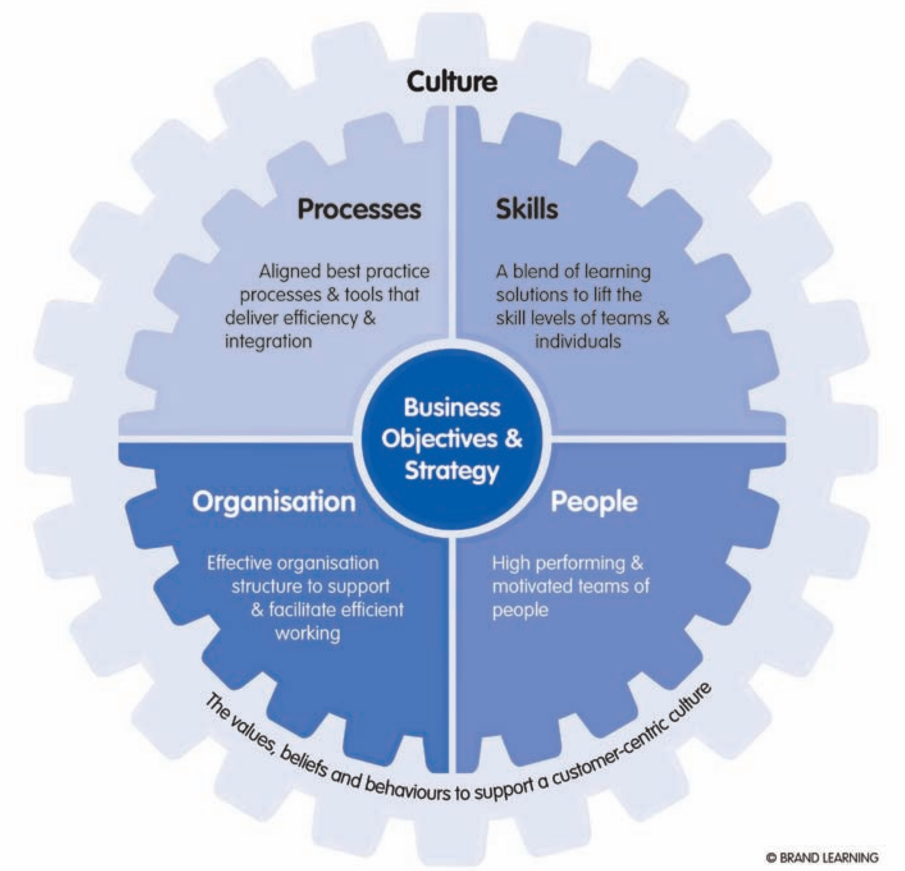
THE WORLD is changing fast. The breathtaking pace of technological advances and the advent of social media have prompted an unprecedented growth in 'people power'. In parallel, the urgency of achieving environmental sustainability, the shift in economic power to emerging markets and the cultural implications of globalisation are transforming the world in which we live.

The speed and scale of these changes are having a major impact on all organisations. Yet, as businesses everywhere strive to keep pace with these challenges, they remain under more pressure than ever to drive profitable, sustainable growth and deliver shareholder value – creating a significant growth challenge. As organisations struggle to weather the storms of economic recession, the focus for many is on the financial drivers of shareholder value, on cost reduction, efficiencies, staff severance and budget restrictions.

But costs can only be cut so far. There is now a growing recognition of the need to embrace new market opportunities, to create value in new ways and to drive growth in a more proactive and sustainable way that addresses the needs of all stakeholders – customers, shareholders, employees and society as a whole.

We believe that the most urgent priority facing all organisations striving to drive growth today is to pay as much attention to the marketing drivers of performance as they have traditionally paid to the financial ones. In *The Growth Drivers*™ we focus in detail on the critical contribution of three key, interrelated drivers of business growth.

- **Marketing:** the discipline and practices of marketing, which enable companies to create better value for their customers and thereby drive sustainable, profitable, demand-led growth.



The Brand Learning Wheel™ is a simple model to help organisations appreciate what building marketing excellence requires in practice and helps them prioritise the core capability drivers

- **Marketers:** the people who are responsible for specialist marketing tasks and activities – however these are defined in any specific organisation.
- **Marketing capabilities:** the ability of people, teams and organisations as a whole to manage the marketing activities needed to create better customer value and drive demand-led growth.

Of the three, marketing capabilities deserve particular attention because without focus on developing and sustaining these, the potential impact of the other two on commercial performance is unlikely to be realised.

The challenges facing marketers are considerable. Let's be under no illusions, it's a demanding job. As markets mature, competition intensifies, and the pace of technological and social change accelerates, the relentless search for cut-through innovation and better value to maintain competitive edge is increasingly difficult to achieve.

For companies to succeed and flourish, investment in building the marketing capabilities of their people, teams and the organisation as a whole needs to be an important strategic priority. At a time when many organisations are facing unprecedented challenges in driving growth in today's global networked markets, this call to action has never been more timely or more important to commercial success.

FINDING THE WAY FORWARD

Investing in 'training' is not enough. Organisational leaders who want to drive demand-led growth need to take a more strategic, holistic and integrated approach to the development of marketing capabilities. By investing greater time, effort and resources in building marketing capabilities, they will be better equipped to improve commercial performance and drive growth.

In our experience, marketing capability development needs to be approached in a way that is focused on supporting the marketing capability needs and strategy of operating teams, business units and the whole organisation – not just individuals within it.

THE DRIVERS OF MARKETING CAPABILITY

Early on in our work with multinational companies, we realised the outdated concept of 'training', as opposed to capability development, was so deeply entrenched in some quarters that we needed a simple way to challenge that thinking and to explain the power of a more holistic approach. This would move beyond the focus on individual skill development and training to embrace the impact of a range of other important drivers of capability that influence the way marketers work in practice.

We explained this new approach by creating the Brand Learning Wheel™. This simple model helps organisations appreciate what building marketing excellence requires in practice and helps them assess and prioritise each of the core drivers of their own organisational marketing capability.

DEFINING A MARKETING CAPABILITY STRATEGY

Given the acknowledged importance of marketing capabilities as a key growth driver within an organisation, we believe that strong senior leadership and proactive development of a strategy to build marketing capabilities is essential. Yet this is often not the way capability development is managed in reality.

In order to define the best marketing capability development strategy for any particular organisation, it is vital that two golden rules are followed.

- **Golden Rule number one: Marketing leaders must lead marketing capability development.** In our view, it is the direct responsibility of the marketing leader and leadership team to drive the strategic marketing capability agenda because it is they who are ultimately accountable for marketing's contribution in terms of driving growth for the business. If they are to ensure the contribution of the function is in line with the requirements of senior management, they need to manage their expectations appropriately and build the capabilities needed to succeed.

In all the work that we've done with our clients over the years, the single biggest factor that has influenced the effectiveness of marketing capability programmes has been the extent to which senior management and marketing leaders have seen these programmes as a strategic means of proactively driving business growth.

- **Golden Rule number two: Marketing capability development must be planned strategically.** It is critical to apply the same rigour and discipline to the development of a marketing capability strategy and plan as that which lies at the heart of effective marketing strategy and planning. There are many such ways in which the approach to marketing capability development can draw from marketing disciplines but this is one of the most important.

STRATEGIC PLANNING STAGES

The key stages of defining a marketing capability strategy are similar to the development of any effective strategy.

- **Step 1: Define the vision for marketing.** To lead a programme of effective change, the first step is to begin with a clear and compelling vision of the future which sets ambition and context, inspires people with a sense of possibility and engages them emotionally to commit their energy to making the vision a reality.

So, marketing leaders wanting to drive change in the capabilities of their people, teams or organisation, need to define an inspiring vision for the role of marketing in the business. They need to align other stakeholders in helping to shape that vision and establish the scale and scope of the marketing capability development needed.

- **Step 2: Conduct a marketing capability situation analysis.** Once key stakeholders have agreed on the vision for the role that marketing will play in driving organisational performance, the next step is to assess how well the marketing function, and potentially the broader business, is equipped to deliver this vision in practice.
- **Step 3: Define and align objectives.** Having defined the main marketing capability issues facing the business, marketing leaders must then establish a clear and ambitious view of the role they want marketing capability development to play and the related objectives and metrics.

At the highest level, we have found it is helpful to start by crafting a simple statement of the overall goal or mission of the programme.

Marketing capability mission statements define clearly and simply what the marketing capability programme is setting out to achieve. They help align other stakeholders and sharpen the focus of subsequent strategy and programme development. However, it is also important to drill down objectives to a more detailed level, defining specific, measurable targets and key performance indicators (KPIs) that >

ASTRAZENECA

AstraZeneca launched a marketing capability 'Health Check' for its new Global Marketing teams using a mountaineering analogy with powerful emotive and visual imagery. People were initially inspired with examples of world-class marketing from other industry sectors and then the teams worked together, led by their senior manager, to rank themselves on a five-point scale across a set of the eight key areas within AstraZeneca's own marketing capability framework.

"It was good for us because there were new teams coming together and it allowed them to have really good discussions about what they do, how they do it and their ambitions for the future. It helped us identify key capability gaps and themes for our programme to focus on."

Tim Bailey, head of marketing academy, AstraZeneca

EXPERT OPINIONS

'We live in an environment that is changing hugely. Competition is continuously more challenging, the fusion of media and technology is transforming the relationships between brands and consumers, and there is a need for brands to possess a social integrity beyond their economic intent. So it is critical, if we are to continue to deliver results and win in our categories, that we build up stronger specialist marketing capabilities across the organisation.'
Mark Baynes, global chief marketing officer, Kellogg

'Training in a traditional sense wouldn't apply in our business because it's a whole change programme we need to go through – changing processes, changing attitudes, changing behaviours, a whole raft of things. It is not something that happens just over one workshop or attendance at one programme, but it happens in people's day-to-day tasks and that needs to be embedded over a period of time. It takes many months, even years to achieve that, but when you get there it makes a significant impact on the business.'
Navjot Singh, global marketing manager – recruitment and HR communications, Shell

'It's not something to be undertaken lightly. You have to be single minded and determined that you want to bring a level of consistency across the globe and across the brand. I do think it is very helpful, maybe even critical, that you get a number of the functions joined up here because if people had seen The Diageo Way of Brand Building (DWBB) as just a marketing thing, the opportunity to chip away at it would have been huge. But the fact that there are a number of people joined together that are really driving this is very important.'
Nick Rose, former chief financial officer, Diageo

MARKETING CAPABILITY DEVELOPMENT – MISSIONS

'To help build great hotels guests love by developing best in class skills and processes in hotel brand management, sales and marketing.'
Intercontinental Hotels Group

'Giving marketers the confidence to outperform.'
Unilever

can be used to help set direction and track progress over time.

The ultimate measure of success of a marketing capability programme relates to its impact in creating better customer value and driving profitable business growth. However, to be meaningful, objectives and KPIs need to differentiate the unique impact of capability building activities from the other drivers of business performance.

● **Step 4: Develop the marketing capability strategy.** Having defined and aligned clear, focused capability development objectives, the next step is to develop the marketing capability strategy. Up to this point, there may be clarity on 'why' a marketing capability initiative is needed, but not on what that initiative will comprise.

Underpinning the strategic decisions taken at this point are usually some guiding principles or beliefs that emerged in discussion with senior executives during the earlier stages of the strategy development process.

● **Step 5: Build the implementation plan.** The final step in defining a marketing capability development strategy is to agree all the core elements of the capability programme implementation plan. What will it look like in practice? What will be its scope, impact, timing and resources? What will be the key deliverables such as priority processes, best practice or mandatory tools, job role profiles and blended learning programme elements (for example, workshops, virtual classrooms, online portals)?

There will also need to be a time plan, an engagement plan and clarity on the budget scope and responsibility. Another important component is a clear explanation of the internal roles and responsibilities for making things happen.

With significant resources invested in global brand innovation and communication campaigns, organisations are becoming well aware that small improvements in the quality of these activities can make a big difference to the return on investment delivered from marketing.

Martin George, managing director for group development at Bupa, explains: 'Inside a business it's a war for resource. The CEO only has so much money and so many people, so either we get them in marketing or the HR director gets them or finance get them. The person who ultimately succeeds in securing resource will be the person who is going to add most value to the bottom line. Profit is the common denominator; that is what you've got to learn to focus on.'

IN CONCLUSION

There has never been a more challenging time to be a marketer – or, one could argue, a more exciting time. However challenging the developments facing organisations, as in many earlier periods of revolution, they are creating enormous growth opportunities for businesses to seize the moment and actively shape their future.

But marketers must first build the engine to drive the growth. The growth itself will come from effective marketing, but it is the capabilities needed to drive better marketing performance that will provide the energy and momentum for success. ■

Andy Bird and Mhairi McEwan are the co-founders of Brand Learning and authors of The Growth Drivers™: The Definitive Guide to Building Marketing Capabilities (John Wiley & Sons). Readers can pre-order the book from www.wiley.com and receive a 20% discount with the code VB528. Brand Learning is a global leader in building organisational marketing capabilities. www.brandlearning.com.

Following wealth sirens of the global economy

Since the 2008 banking crisis and recession, the mood of the country has been one of austerity. But the mega-rich still influence aspirations, says **Melanie Howard**

AUSTERITY HAS prompted widespread shifts in behaviour away from the frothy consumerism of the Noughties. So it seems paradoxical to suggest we turn our attention to the activities and shopping choices of the 2% that own more than half of the world's total domestic wealth for ideas and inspiration of what is coming next.

Trendspotting in the 1980s meant hanging about on street corners to predict which branded goods were about to become the next must-have designer label or sports shoe to benefit from the global wave of youth mass consumption. But now, with the spread and globalisation of the 'wealth sirens' (our moniker for the super rich) it is incumbent on the assiduous contemporary trendspotter to hang around on La Croisette for inspiration and ideas.

It seems certain that the mega-rich population will swell, as will that of the medium-rich. This is essentially a story about what such consumers will do with their prosperity at every upward-income stage through which they ascend. Despite our own belt-tightening, there is no sign that our human interest in the lifestyles of the mega-rich is diminishing. The strength of demand for celebrity as content in the mushrooming global media environment is being accelerated by the mingling of the super-rich with the super-famous and super-beautiful.

Significantly, the activities of the mega-rich go far beyond the West. Of the world's 1,011 billionaires recorded by *Forbes Magazine* in 2010, as many are from Asia as from Europe. For the first time ever, each region has its own cohort of billionaires represented in this globally influential niche, thus broadening their appeal and role as inspirational icons to billions. And it seems that there is no end to the ambitions that took the billionaires to the top in the wealth stakes. Not only do they spend on a spectacular scale, they are increasingly seeking power and influence in new ways beyond being benefactors and de facto patrons in their own regions.

WHAT THEY BUY

The implication of the wealth siren theme is that what the mega-rich devour every day the rest of us would like to taste at least once in a while. Their appetites are characterised by customised exclusivity, artisanal perfection, the best whatever the price or seeming ludicrousness. In Russia, for example, the annual Millionaire Fair showcases some of the world's most expensive items, such as a Fissler cooking pot inlaid with more than 200 diamonds, with price tags that would be excruciating to most people.

Joselito ages its Ibérico Gran Reserva ham for 68 months and, in an upgrade, each ham comes with a black leather and red silk presentation case designed by Andres Sarda, propelling the product further into a realm of exclusive luxury. Retailing at around £3,000, this delicacy is the opposite of fast food. As the numbers of the mega-rich grow over the decade to come, we believe that their influence will trickle down in more modest forms.

For example, so-called 'concierge brands' have begun to offer affordable concierge-style solutions that give consumers a small taste of the VIP world. Gilt Groupe, Vente privee, Rue La La and Ideeli are some of the online clubs that specialise in flash sales of designer wares. Jetsetter and Voyage Privé give members access to exclusive holiday and travel offers ranging from boutique hotels to luxury villas and island getaways along much of the same lines.

POLITICIANS AND PHILANTHROPISTS

The mega-rich are not merely self-indulgent consumers, they form a political class with serious expectations of influence over public policy everywhere. Roman Abramovich's role as Governor of Chukotka is well known, as is his penchant for premiership football as another route to influence. More philanthropically, the world's richest man, Carlos Slim, has '$4bn of investments ready to promote education, health and other great challenges' in his own eponymous Foundation. Some 165,000 young Mexicans have apparently been helped through university by the Carlos Slim Foundation. He has invested more than $2bn in the renovation of inner Mexico City, and his personal website is totally presidential in tone.

The INGKA Foundation was formed by the owner of IKEA, Ingvar Kamprad, to promote innovation in design. It can spend up to €45m per annum – a fraction of its total monetary value – on charitable causes. The endowment of the Gates Foundation – with its pro-health and anti-poverty agendas – runs to over $30bn, the equivalent of the US's entire annual overseas aid budget.

It seems that the mega-rich and the legions of average-rich following behind represent a throbbing human dynamic inside the forward march of the global consumer society as well as demonstrating how we can behave as concerned global citizens. They become, everywhere, more important, more numerous, more influential every year. ■

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A nation of shopkeepers

Prasad Narasimhan considers how the explosion of innovation in India can take the next step to become thriving brand ideas

NAPOLEON FAMOUSLY (and dismissively) called England 'a nation of shopkeepers'. Much indignation followed, to be mollified only by his later defeat at the hands of the English.

In India though, 'nation of shopkeepers' has taken on a different meaning altogether. With about 11 retail shops for every 1,000 people, or one shop for every 20 to 25 families, India is truly a nation of shopkeepers. Shoppers are everywhere and there are shops in every nook and corner, reflecting the new economic buzz in which India is basking. In large cities, the shop density is sometimes as high as 45 shops per 1,000 people; Napoleon's nation of shopkeepers has only four shops for every 1,000 of its population.

The fact is, Indians have traditionally taken to entrepreneurship easily – some communities more than others. The Patels have made their mark as shopkeepers extraordinaire both in Europe and the US. And there are the ubiquitous Malayalis; one story has it that it was a Malayali who served Edmund Hillary chai when he first scaled Mount Everest. Over half of Indians are self-employed, with a majority taking to small retail trade.

THERE IS A NEW KIND OF SHOP

It is, however, a new avatar of 'setting up shop' that is today taking India by storm, fuelling its economic engine with new energy. Emerging from India's huge, conservative, middle-class community is a new set of shopkeepers. Smart, very educated and unafraid global citizens, these entrepreneurs are following their dreams and 'setting up shop' in new ways – creating bold start-ups that are seizing opportunities in India and the world.

From software to solar power, mobile to media, rural to robots, internet to infrastructure, such shops are springing up everywhere.

The excitement is palpable. Magazines and TV channels cover this repeatedly. These guys are India's new superstars, the stuff of urban legend. So much so that many fresh graduates are skipping employment altogether, starting their careers as entrepreneur 'shopkeepers'.

This is just the tip of the iceberg. The 'movement' has just reached a tipping point. All the ingredients are in place: an economy growing at 8% to 10%, strong educational base, easy access to funding, new incubator infrastructure and strong technological skills, just to mention a few.

But what does it take for this movement to truly turbocharge India's growth? Three key principles of brand leadership are particularly relevant.

1 **Follow the money.** Concentrating effort and money where there is a competitive edge is the most fundamental trait of a leader brand. Where would these start-ups be best off 'setting up shop'? Early successes have typically come largely from software and mobile application spaces. And venture capitalist (VC) funding has followed. Last year alone, VC funding grew by more than 150% over previous years as per industry sources. Big sell-outs such as MakeMyTrip.com have only helped. These are spaces where Indians can create competitive advantage, and they're great start points.

But there are many new areas where we can expect the next wave to impact – health, biotech, medical tourism, higher education, holistic school education, rural development, clean-tech, distributed energy and rural credit, to mention a few.

2 **Build big brand ideas.** Despite the sheen, these entrepreneurs are often little more than overgrown technocrats. The original genius has resulted in a single-product company, but the struggle going forward is one of marketing and scale. Brand thinking is often absent. It's no wonder we often encounter businessmen who feel they have hit a roadblock, without realising that the 'sausage' of their brilliant product/service needs brand 'sizzle'.

India is an emerging economy, but people's desires are by no means emerging. They want the best brands. In a luxury-brands survey conducted in March 2011 by The Nielsen Company, India ranked third after Greece and Hong Kong in the list of most brand-conscious countries in the world. Brand building is a priority for these businesses to grow.

3 **Return on ideas.** The Indian innovation psyche has often been equated more with inventiveness (*jugaad*) than innovativeness. It is about cleverly manoeuvring situations, creating solutions and managing outcomes – less about a structured approach to innovation. While this will help create the first big invention, it is often insufficient to build big companies. Entrepreneurs will do well to find ways to maximise the return on their ideas – setting bold visions, exploding the original idea in new ways, engaging with external coaches, and hiring very different (stable, experienced?) employees, to name a few requirements.

Bill Bryson has laconically said: 'We used to build civilizations; now we build shopping malls.' In India, we are building a civilization through these shopping malls. May these shoppers prosper. ■

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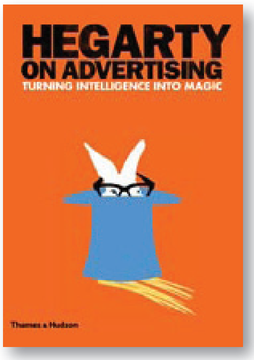
Never astride a fence

WINSTON FLETCHER



JOHN HEGARTY doesn't sit on fences. He says what he means and manifestly means what he says. In a business notoriously prone to compromise and equivocation his feisty honesty helps explain his success. But the fundamental reason for his exceptional success is his exceptional creative talent.

Consequently, as he says in *Hegarty on Advertising*, the aspect of current advertising management that most winds him up is the 'tissue meeting'. In tissue meetings, agencies present clients with a ragbag of rough campaign ideas, and everyone chews them over: compromise and equivocation personified. Worse still, tissue meetings negate creative talent like his because everyone present is encouraged to throw their tuppence-worth into the ring. Had Leonardo's Mona Lisa suffered a tissue meeting, John playfully suggests, she would have ended up with an apple on her head 'to get people wondering'. His uncompromising view is that 'whoever came up with the completely stupid idea of tissue meetings should be taken out and shot'.

John deplores tissue meetings because they are wimpish. However, there is a more fundamental reason for deploring them. They concentrate on 'ideas' rather than execution. But brilliant ideas succeed only when they are brilliantly executed, as BBH has consistently demonstrated. Think how subtly the memorable BBH campaigns have been crafted, such as Levi's 501s; sexy Häagen-Dazs; and brutal Barnardo's. The 'ideas' would have been destroyed by cack-handed execution.

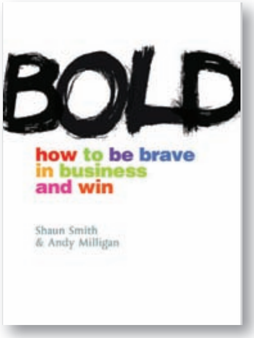
Hegarty on Advertising is in two halves. The first summarises John's beliefs about advertising, branding, creativity and agency management. The second is autobiographical, highlighting key moments in his dazzling career. For my money, the second half is the better because his career is fascinating; while his thoughts on advertising, creativity and the rest are forthright, vigorous and a good read, they are rarely unorthodox. Yes, he believes creativity is advertising's magic ingredient, thinks creatives should question briefs, considers old and new media must be integrated and so on – but who doesn't't?

Reading his vehement – and entertaining – diatribe got me wondering: might tissue meetings be the smoking gun that has triggered the much discussed, and much lamented, demise in the quality of British advertising? Sounds depressingly likely, to me. ■

Hegarty on Advertising*, *John Hegarty*, *Thames & Hudson*, *£16.95

Rewards for bravery

ALLYSON STEWART-ALLEN



SHAUN SMITH and Andy Milligan's latest book, *Bold: How to Be Brave in Business and Win*, follows the successful format of many business books: get a range of corporate leaders to tell you how they do it so the rest of us can replicate their DNA.

The book is easy to read, with each chapter organised as a mini case-study of an international B2B or B2C champion applying bold ideas to engender customer, staff, supplier and overall loyalty to a memorable brand relationship. URLs are sprinkled throughout as useful signposts to more information on the concepts or companies.

Companies studied include Virgin Galactic, JCB, Burberry, O2, Zappos.com, WWF, with a range of leaders interviewed. While most carry typical job titles – managing director, marketing director, CEO, founder – a few are hilarious such as Geek Squad's minister of propaganda.

While the book gives us in its penultimate chapter the what, why and who for 'bold' business, what's missing is the *how*. Knowing that the authors are in the consultancy business, clearly those who complete the final chapter's 40-item 'Bold practice survey' can get Shaun and Andy to help with the execution of their bold plans along the lines of several categories including: keep the main thing the main thing; demonstrate zealous leadership; dramatise the customer experience; be in pursuit of 'wow'. The book is also embedded in an iPad app, claimed by the authors to be a publishing first

Hopefully, that execution of this book's ideas will be led by more than just the marketing function since being bold and doing right by the customer requires a joined-up organisation, a strategy and a culture that encourage risk-taking and, one assumes, values the customer. Perhaps we'll see the British tabloid newspapers applying this flavour of bold which would perhaps contribute to their long-term sustainability, an implied lesson of the book.

As my former professor Peter Drucker is meant to have said: 'Culture eats strategy for breakfast.' Let's hope Shaun and Andy's next book (*Bold 2?*) gives us more specifics on how to do it simply and profitably. ■

Bold: How to Be Brave in Business and Win*, *Shaun Smith and Andy Milligan*, *Kogan Page*, *£16.99

Round-up of inspirational titles

JOHN KEARON

OVER THE past decade we've seen many books that challenge in one way or another the conventional notions of what motivates us and how we make decisions. These are the five that inspired me most, together with the impact they've had on me.

2010 *Obliquity: Why Our Goals Are Best Achieved Indirectly* by John Kay. Impact: Never forget happy customers always precede happy investors. There are some things in life that cannot be pursued directly, like happiness. Happiness is the consequence of other things like a rewarding job, family, hobby etc. Profits are the same. Do not manage your business for shareholder value but do something you're passionate about. Delight your customers and profits will follow.

2010 *Drive: The Surprising Truth About What Motivates Us* by Daniel H Pink. Impact: Inspiration to make sure BrainJuicer is a juicy place to work. Most jobs are a hangover from the Industrial Revolution where we bribe people to do dull work. In the 21st century, jobs should allow people to do something they're passionate about, providing them with the mastery and autonomy to do it well.

2005 *Stumbling on Happiness* by Daniel Gilbert. Impact: Challenges everything market research (MR) thought it knew about how people make choices. It shatters deeply held convictions about how your own mind works, and about happiness. The book has become our inspiration for translating breakthroughs in behavioural economics and psychology into MR tools that better understand and predict human behaviour.

2004 *The Wisdom of Crowds: Why the Many Are Smarter than the Few* by James Surowiecki. Impact: The inspiration for challenging 80 years of MR dogma. If people in a large, diverse crowd are asked their opinion, and those opinions are aggregated, they will be consistently more accurate than experts or scientifically sampled audiences. Six years and 500 head-to-head experiments later, we've confirmed that a crowd buying and selling shares in 'ideas' will be as accurate, more discriminating and better able to spot breakthrough ideas, than classic research approaches.

2003 *Emotions Revealed: Understanding Faces and Feelings* by Paul Ekman. Impact: The inspiration for exhorting brands to get emotional about advertising. There are seven universal emotions we recognise in people's faces. Ekman's work is used in the US in airport screening. We used it to create MR's first universal measure of emotions and have spent the past five years proving that the degree to which an advert moves people emotionally is a better predictor of effectiveness than traditional persuasion-based metrics. ■

If society is broken, can brands fix it?

MERRY BASKIN

IN 1971, Stephen King's definitive essay – 'What is a brand?' – described the role of the brand as providing reliability and guaranteeing quality in an uncertain world. He puts Andrex's spectacular growth in market share down to the fact that it 'has been formed into a brand that is valued highly by consumers'. He goes on to explain how marketing has created this added value.

Fast-forward 40 years, and buzzwords today include 'integration', 'behavioural economics', 'social media', 'engagement' and 'sustainability'. This book is focused on the latter two, about how trusted brands are (still) highly valued by customers. This is a stimulating (if pedagogical) read about the role that valued brands can, and conceivably should, play in making lifestyles more sustainable. It is a well-considered perspective on the dodgy ground brands stand on in championing sustainability. Apparently, 98% of green claims made by 2,200 US products in 2008 were false, misleading or exaggerated. This isn't sustainable under any definition of the term, but the opportunity for brands remains to take a proactive, meaningful and enduring role in developing a better (healthier, happier) consumer society.

Building high 'social capital' is a term you will read frequently in this book. The authors believe this should be the primary focus of successful brand strategies, over and above mere sustainability. Social capital is defined as 'the strength and inherent value in our societies through qualities such as dialogue, shared thinking and widespread trust' and, guess what, these are the very values deployed by any successful brand engaging with consumers.

The premise that the disintegration of social capital ('trust') lies at the root of society's problems points up the role for socially valued brands: to deliver imaginative, compelling ideas that bring people together. This has been facilitated by the explosion of social media channels that are changing the way communities connect and interact with each other. An idea whose time has come perhaps. The premise of *Brand Valued* is a worthy and interesting addition to the canon and provides some answers to the question: 'What should the brand be in society today?' ■

Brand Valued by Guy Champniss and Fernando Rodés Vilà, John Wiley & Sons Ltd, £19.99

Think before you link...

Keith Lucas looks at the dangers of alienating consumers with inappropriate product tie–ins

WHAT DOES the man who plays a Steinway Concert Grand drive to the concert? Would you be surprised if it were a shiny black BMW 7-Series? Probably not. Now, what about the driver stepping out of his Bentley Continental, what do you suppose he's wearing on his wrist? A large and impressive-looking Breitling perhaps?

Some brands seem made for each other, and mutually reinforcing shared values seems natural. Others leave you wondering just what they were thinking. Can anyone, for example, make any sense of the 'Aston Martin Edition' of the 'Nike Hyperdunk Kobe Bryant' trainer? When Lady Gaga (pro-gay pop star) signed an exclusive tie-in with Target (US traditional values retailer) it seemed bizarre (even for Lady Gaga). Target's customers were as outraged as her fans. Had she sold out? 'I did it to reform them,' she later taunted, after the whole charade bit the dust.

IMAGE MAKERS MAKE MISTAKES

No one, it seems, is above making brand miscalculations. Branding titans Coca-Cola (ubiquitous American soft drinks) and L'Oréal (sassy French haircare and cosmetics) are each masters within their respective categories, but when they got together to concoct an improbable-sounding 'nutraceutical' drink called Lumaé (which sounds disturbingly like a potion from a Harry Potter story), audiences for both brands assumed it must be some kind of elaborate hoax.

Problems generally arise when rational analyses, based on objective measures (such as audience correlation data), are allowed to override an intuitive sense of what feels right for the brands in question.

David Ogilvy famously noted that brands are defined not only by their constituent parts (product, packaging, logo, advertising, etc) but by the people with whom they are associated. Brand stereotypes can be enduring and persistent. By way of illustration imagine, if you will, a young woman, dressed in a blue anorak, jeans and slip-on shoes, drinking a coffee outside a café, with a dog sitting at her feet.

Now, what if I told you that the woman in question was actually wearing a Barbour quilted jacket, Armani jeans and Gucci loafers and that she was drinking a macchiato outside Patisserie Valérie in Chelsea with a black labrador at her feet. I suspect you have a rather more focused picture in your mind's eye.

What if I said that she was wearing an FCUK parka, Bench jeans and Adidas slip-on trainers and

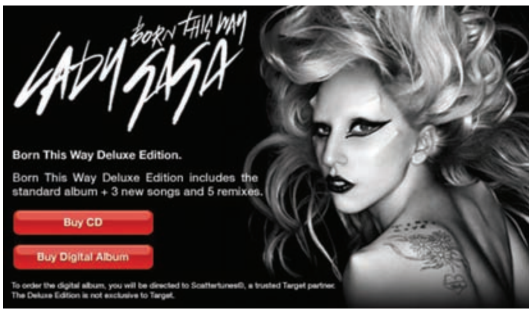
that she was drinking a latte outside Wimpy in Romford with a Staffordshire Bull Terrier at her feet, you might have another, similarly focused, but quite different image in mind.

In both illustrations the essential, objective, facts remained identical but the brands (including the place name and dog breed) are enough to change the mental picture and the inferred lifestyle of the young woman.

Would you sense the dissonance if I told you that the first woman was wearing 'Intimately Beckham' perfume and that her favourite drink was a Bacardi Breezer? Or that the second was wearing '24 Faubourg' by Hermès and her favourite tipple was Pimm's?

Of course, such a vividly polarised image makes it relatively easy to spot when something simply doesn't fit; perhaps because it overtly links the brand with the personality of its users. Unfortunately, many classically trained marketers often fail to take account of such apparently ephemeral sensibilities when signing-up brand partnerships, focusing instead on a theoretical overlap of target audience demographics.

Of course, some brand partnerships will be less critical than others; after all, either of our



caricatures might drive a Mini Cooper, carry a Visa card or use an iPhone. But an assiduous brand owner will not leave this to chance.

Marketers considering entering a partnership between their brand and another (or thinking about incorporating a 'brand inside' their own – such as Intel, Bosch, Pininfarina, etc) should ask themselves if they sense an instinctive emotional fit between the audiences of the two brands. If they can't decide, then perhaps they ought to get to know their brand better.

CONSIDER THE BIGGER PICTURE

There are ways in which any brand's distinctive emotional values can be teased out and captured for future reference. Whatever you do, don't rely on traditional audience demographics. For example, if you think your brand appeals to ABC1 females, aged 20 to 35, living in London, earning £30k+, who are Facebook users and listen to Capital FM, think again. Both women described earlier could fulfil such criteria and if one is a good fit for your brand, there is a reasonable chance the other may not be.

Ultimately, we should remember that brands do behave very much like people. We get on best with those who understand us and reflect our values

> Problems generally arise when rational analyses, based on objective measures (such as audience correlation data) are allowed to override an intuitive sense of what feels right for the brands in question

(or sometimes the values to which we, perhaps secretly, aspire) and as the relationship grows so do trust and loyalty.

But when a friend suddenly acts out of character or announces a commitment to a third party, who is conspicuously unlike us, we can feel angry, confused, even betrayed. And that is how customers can feel when a brand they thought they knew behaves out of character and breaches their trust.

The picture broadens when we appreciate that brands are not the preserve of consumer goods marketing, they are also built around individuals, places and political parties, among many other things.

Consider, for instance, how passionately many Liberal Democrat supporters felt, perhaps irrationally, when their party appeared to have compromised its essential values by joining a coalition with the Conservative party.

However compelling the strategic rationale, many supporters felt betrayed and, as a result, the party was punished at the earliest opportunity; its share of the vote collapsing from 17% to just 4% in less than a year, resulting in an ignominious fall from second to sixth place.

Now, much of this is to do with the software of communications rather than the hardware of strategy and decision-making, but politicians seem no less guilty than marketers when it comes to understanding such ephemeral sensibilities.

To parody an old TV commercial: think before you link before you dive. ■

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Would you ask someone to give up their seat?

Rory Sutherland describes how potential embarrassment is an underestimated force in marketing

IF I were to mention the Milgram experiment, most people reading this would think of the electric shock experiments on obedience and authority conducted in 1961. Less well-known, however, but almost as interesting, were a series of experiments from the 1970s, in which he asked his students to travel around on the New York subway asking strangers to surrender their seats.

In the end the experiment revealed you could get up to 68% of people to give up their seat when asked. But far more interesting was the effect the experiment had on his students.

When proposed to one of his graduate classes, they refused. Finally, one student, Ira Goodman, volunteered to try it with a partner. But instead of coming back after 20 trials as he had promised, the pair returned with only 14. When Dr Milgram asked what had happened, he said that it was just too emotionally painful to go through with it.

Belittling his students' fears, Dr Milgram set out on his own. But when he approached his first seated passenger, he gagged. 'The words seemed lodged in my trachea and would simply not emerge,' he confessed. In some instances, other people attempting the experiment were offered seats without uttering a word, since the act of summoning up courage to ask made them appear physically ill.

These findings seem to support the belief that we are social animals to our core. But, even more, they support a comment Dr Nick Southgate made to the effect that the fear of mild social embarrassment is one of the most underestimated forces in marketing.

So, of all the marketing benefits of the internet, one of the most significant (and least celebrated) is that it enables customers to engage in complex interactions without fear of the many social pitfalls you encounter when you deal with fellow humans: the freedom to ask questions without the risk of looking stupid; to chase low prices without the risk of looking mean; to act like a demanding customer without the risk of looking like a prat.

Imagine, for a moment, the last time you booked travel online. You may have investigated the prices of perhaps 17 flights on four different airlines. Now imagine the same interrogation performed over the telephone or face to face with a travel agent. After investigating perhaps three possibilities, sheer awkwardness would prevent us asking after a fourth.

Or imagine the question: 'How much is it for a larger room or a suite?' Simply by asking this question, we have become a hostage to the hotelier. We can of course say: 'No, at £900 a night, the suite is a bit pricey, I'll stick with a standard room.' But only at the cost – viscerally felt – of a minor loss of self-respect. Online, however, you can ask the cost of the Presidential Suite and risk not a shred of embarrassment.

If you doubt this, ask yourself how many times you have bought something even after discovering at the till it is far more expensive than you thought, simply to avoid the mild discomfort of handing it back. (One of my daughters, when aged three, owed her adored $150 cashmere cardigan to this effect.)

The strong feelings evoked in all of us when we deal with other people can make or break products – some great ideas that fail because they make the user feel a little weird. Yet because they are products of our unconscious minds, these dangers may not emerge in conventional research.

When working for easyJet, I suggested that Speedy Boarding would work best if those who had paid to board in advance were given an orange hat visibly to mark them out from everyone else. Experience suggests I was right – as things stand, priority boarding on low-cost airlines is a social nightmare occasioned by the fear of being thought to be a queue-jumper, even when you have paid £15 specifically to jump the queue.

With hotels, I have long recommended they abandon the practice of insisting on carrying your luggage to your room. People generally feel uneasy about losing sight of their luggage, yet refusing the offer makes you feel like a crank or a neurotic.

But the greatest source of personal social unease in any sales environment must be the car dealership. What should be a fun visit is turned into a terrifying experience through fear of unwanted, pressurising human contact.

There are, after all, two sales processes in buying a car. The act of being sold a car is one – but, more important perhaps, is the more private process of selling the purchase to yourself. Unwanted attention generally prevents the second stage from taking place. Car dealerships could perhaps learn from my frivolous easyJet suggestion – supplying a range of brightly coloured hats at the entrance, on the understanding that nobody wearing one of these hats will be approached under any circumstances. ■

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What do you call a brand that sells solely on price?
A commodity.

A commodity has no mystery, no history, no kiss 'n' tell story.

No try me, buy me, take-me-home-and-fry-me.

And no, absolutely no, come on, pay-a-little-more-for-me.

As compared with? Well, there's: Guinness, Penguin, Boddingtons, Twix and Wall's. Dolmio, John West and Stella Artois.

Hammerite, Cheestrings, Hovis and Swan. Crunchy Nut, Budweiser, Birds Eye and Drench.

Penhaligon's, Molton Brown, Flora, Strongbow and Silver Spoon.

We could go on.

These are just a few of the names we've helped over years twenty-one.

Brands forever.

Commodities never.

jkr