IMPACT™

ISSUE 8 JAN 2015

USING EVIDENCE & INSIGHT TO MAKE A DIFFERENCE

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Vodafone shows its softer side

The power of loyalty

Getting under the skin of consumers to understand their purchasing behaviour

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Living loyally

Jane Bainbridge
Editor

So here's a question to ponder – think of it as a welcome diversion from worrying about your new year's resolutions. To what do you feel genuine loyalty? There are three things that, all my life, I've never deviated from supporting – my family, my football team (and that one's been sorely tested at times) and my political party (ditto).

I am a Taurean and from Yorkshire, which – if one believes in such non-scientific, collective personal attribution – makes me a disproportionately loyal person. Of course, loved ones and sports teams are easy to feel allegiance to, but how does this manifest itself in a business context?

Loyalty is such an emotive word – implying passion, love and steadfastness. Is it really something one can associate with a tin of baked beans or a car marque? Are shoppers ever emotionally attached to a brand?

This is a subject explored in some depth in this issue's special report, 'The Lifetime of a Habit' (p28). Interestingly the neuroscience implies that the best scenario for a brand is to be chosen without conscious thought – which feels counterintuitive to the concept of being actively loyal to something.

The report reveals that it's more about habit, also known as behavioural loyalty, and – taken one step further – that it equates to a desire for consistency. And consistency, if positive in nature, leads to customer satisfaction – to know that, repeatedly, the brand lives up to customer expectations and delivers what is promised.

It's interesting how loyalty shifts with life stage. When I was a student, managing my meagre food budget for the first time, I would traipse around four shops for my groceries, and was loyal to each one for different reasons – be it fresh vegetables, bargain-bucket tea bags, or cheap canned food.

Now, as an employed adult with more time constraints than budget ones, the only retailer I am truly loyal to is the one that makes my busy life easier; the one that takes the hard work out of finding the right products, saving me from the arduous task of searching multiple websites for the best offer – something for which age and a lack of time has made me extremely grateful; and it pays its taxes!

So this illustrates the complexity of understanding consumer behaviour that faces our sector. Researchers, in all manner of industry sectors, have to contend with how circumstance affects behaviour shifts. They are expected to combine the behavioural, rational and emotional aspects of our consumer society – and that is no mean feat.

Here's wishing all our readers a happy new year from everyone at *Impact* magazine.

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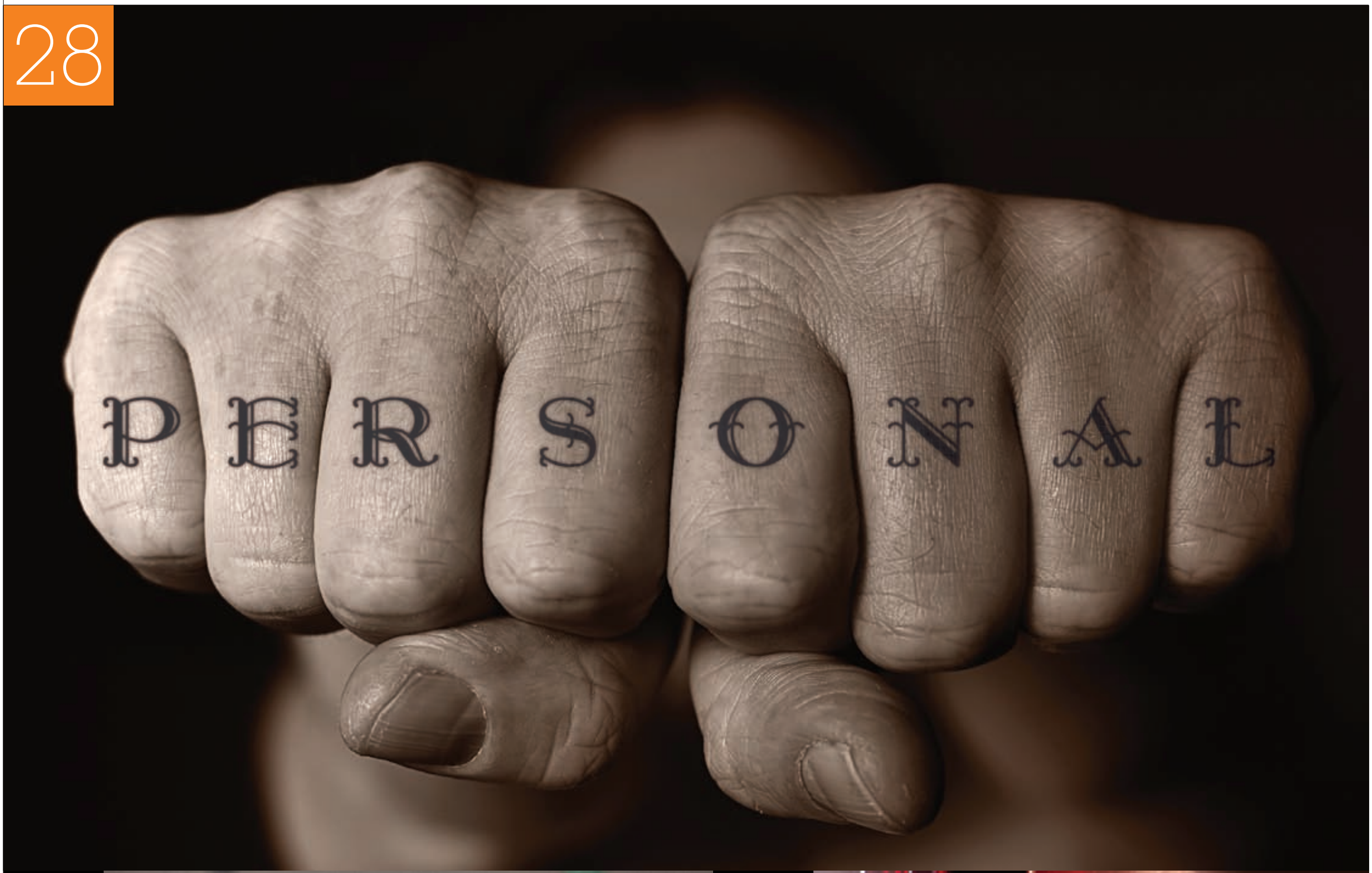

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Jo Bowman

Bowman writes about marketing and research for magazines in Asia and Europe. She takes a look at Peninsula Hotels on p44.

Jane Simms

Simms, former editor of *Financial Director*, interviewed Vodafone's Daryl Fielding for our insight and strategy feature on p38.

Will Amlot

Amlot, a regular contributor to *Impact*, photographed Bulldog founder Simon Duffy for our Profile piece on p22. willamlot.com

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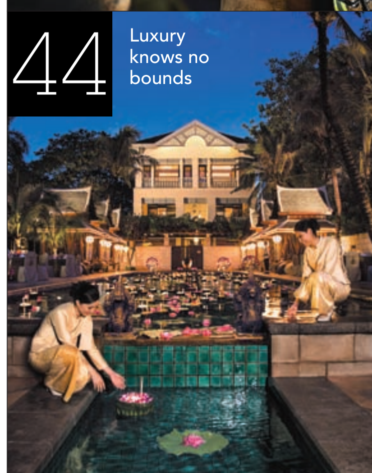

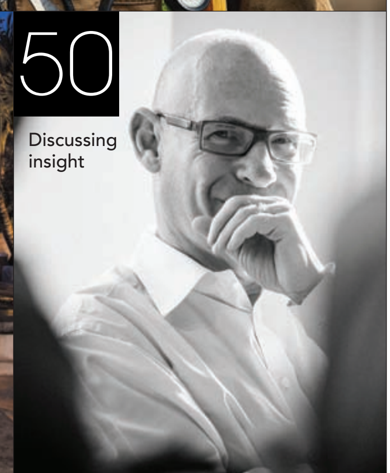

Ben Bold

Bold is a journalist and copywriter specialising in media, marketing and technology. In his first article for *Impact*, he interviews Simon Duffy on p22.

Bronwen Morgan

Morgan is a former researcher, and deputy editor of *Impact*. She writes on the complex world of customer loyalty in our report on p28.

MULTI AWARD-WINNING IMPACT
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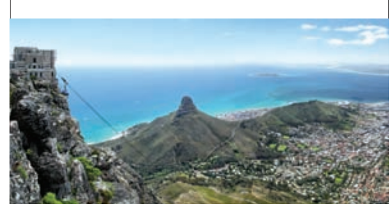
MRS Evidence Matters™

US – p10

American citizens' views of privacy have been shaken up by the Edward Snowden revelations – but it's not just their opinions of government that have been affected. Their trust in how companies use their data has also been influenced.

AFRICA – p12

The African continent is complex for marketers; experience in one country doesn't necessarily translate to understanding customers in another. There is a role for research in helping overcome these challenges.



Global briefing

News, views and insight from around the world. From US privacy perceptions to shifting trends in Chinese consumerism. Compiled by **Jane Bainbridge and Bronwen Morgan**

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UK – p8

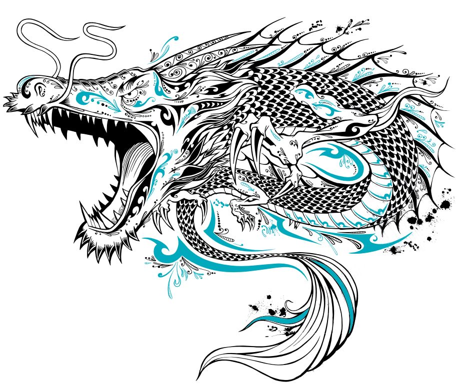
Which trends will have an impact on consumer behaviour over the coming year? From the entrenched budgeting learned since 2008 to the rise of digital content creation, conversations, and reviews from people's sofas – the top 10 trends from the Future Foundation provide food for thought for consumer-facing brands across all sectors.

MONGOLIA – p16

Mongolia is a new frontier for many brands, but – as one of the fastest-growing economies in the world – it is replete with untapped potential. Chris Riquier, CEO of TNS Asia-Pacific, discusses expanding in the region, and the opportunities it presents.

CHINA – p14

Traditional displays of wealth are losing popularity in China – however, old hierarchies still have an influence on purchasing behaviour and the choices people make about the brands they buy.



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UK Forward

What trends for the coming year do consumer-facing brands need to know about? **Jane Bainbridge** reports

The lure of a crystal ball – to see what future challenges, adventures, good fortune and tribulations are heading your way. Even the best futurologists can't give specifics about what's on the horizon, but trends can be posited and identified. So, here, insight consultancy the Future Foundation has come up with its prediction for the top 10 consumer trends – marketers and brands take note.

#1 My price

Big data has brought individualised marketing initiatives and specifically targeted promotions, and the next step will be personalised pricing. While this won't extend to all sectors – conventional shopping culture will remain in grocery stores – areas such as travel and tourism, and financial services may see more opportunistic pricing. Online services help permit discreet conversations between brand and customer, so that personalised pricing is easier to achieve.

#2 De-pop

Modern labour markets will be disrupted by the arrival of mass automation, robotisation and the rise of people-free service delivery. For example, brands such as Google, Volvo and Mercedes-Benz are already testing autonomous vehicles. While there's much anxiety about the impact of automation on employment, and about how global economies will cope, it is a trend that will last. The implications will be significant for personal incomes, growth, employment, leisure and the work-life balance.

#3 Cruise control

Never before have people had so many tools of self-reliance: apps, big data, wearable tech – they all help to measure and manage multiple aspects of people's lives. So brands need to recognise how much people enjoy controlling their lives. The social norm will favour personal control and people will expect others to eschew laziness, manage weight, stay productive and avoid excessive debt. Personal finance apps will be *de rigueur*.

#4 Counter-culture

With billions of experts, reviewers and commentators vocal across several channels, consensus on any given matter is becoming impossible. Every corporate claim is dissected by online consumer detectives probing its veracity. These endless claims and counter-claims make the job of communications director tougher than ever. Brands have started to adapt; for instance, McDonald's 'Our Food. Your Questions' campaign, which invited people to submit frank questions about its food production.

#5 Brief encounters

A quick burst of private entertainment and then it's gone – that's the Snapchat generation. Consumers can be happy with intense, fleeting experiences; it doesn't always have to be about quality to last. Think pop-up vs department store. The urge to own things is declining; in 2011, 47% of Brits agreed with the statement 'I feel the need to own more things', but this figure had dropped to 33% in 2013.

into 2015

#6 Celebrity next door

The internet has established a stage for everyone, as blogging, vlogging, vines and tweets allow even the most humble to reach wide audiences. Creating content is within the reach of everyone, so consumers become broadcasters. This trend predicts internet icons complementing the offerings of traditional entertainment brands.

#7 Living without boom

As the probability of the eurozone re-entering recession increases, and income growth stagnates, improvements in living standards can no longer be assured. This will have a direct impact on the buying-power of individuals. Behaviours learned since 2008, such as budgeting and smarter choice management, will remain acute.

#8 Surprise me!

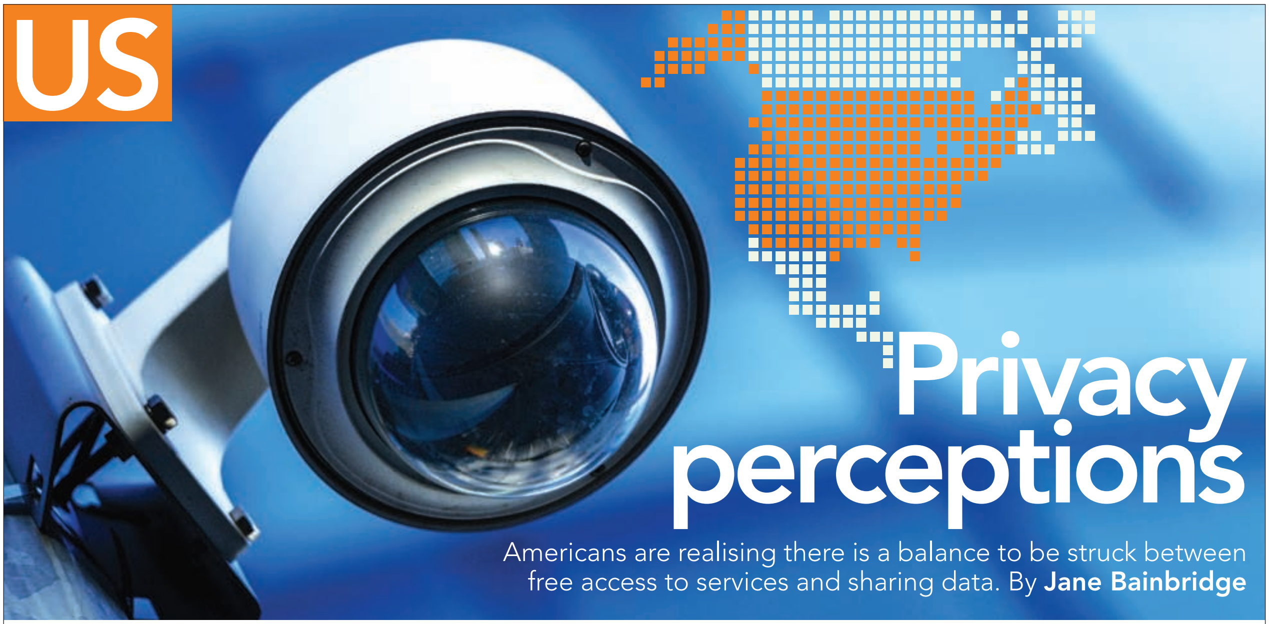
In response to over-programmed lives, there will be a growing consumer need for the unexpected – the need temporarily to encounter media/products/services from outside their comfort zone. Almost half (44%) of Europeans agree with the statement: 'I like surprises and I am always looking for new things to do'.

#9 The continuum

Conversations move effortlessly from one device to another – without the thread being broken – and, with this, new communication styles, techniques and etiquettes are learned. For brands to be part of these conversations, marketing insight will be required.

#10 Searching for *duende*

The cold efficiencies of the internet and commoditisation are restimulating an appetite for more soulful living – the spiritual over the functional. The hunt for spiritual living requires a more mindful, holistic picture of health.



US

Privacy perceptions

Americans are realising there is a balance to be struck between free access to services and sharing data. By **Jane Bainbridge**

After whistleblower Edward Snowden's revelations about the extent of government surveillance, privacy has become part of a societal debate.

No longer restricted to discussions about the height of a neighbour's fence, the concept of privacy in this digital era has extended from local networks to social networks, and everything in between.

Magnified by the ever-growing number of news stories about businesses accessing and mining customer data, people's perception of privacy and security is altering. Indeed, the majority of US citizens feel they no longer have control over their personal information, and are now more concerned about advertisers than government having access to the data they share on social media.

According to Pew Research Center's Internet Project, 91% of respondents to its survey agreed, or strongly agreed, that consumers had lost control over how personal information is collected and used by companies.

The picture painted by the study is one of diminishing confidence among Americans about their ability to control their information; 88% of adults agreed, or strongly agreed, that it would be very difficult to remove inaccurate information about them online.

In terms of social networking, 80% of those who use these sites said they were concerned about third parties – such as advertisers or businesses – accessing the data they share. Indeed, 64% believe the government should do more to regulate advertisers, compared with 34% who think the government should not get more involved.

However, there is still a significant minority who think greater surveillance is necessary, with 36% agreeing, or strongly agreeing, with the statement: "It's a good thing for society if people believe that someone is keeping an eye on the things that they do online".

Within a commercial context, US consumers understand that a trade-off exists – being able to use free services requires them to allow access to their personal data. Just over half (55%) agreed with the statement: "I am willing to share some information about myself with companies in order to use online services for free".

What is evident from this research is that Americans cope with the challenge of online security by adopting multiple strategies for managing their identity and reputation. In some situations they disclose more information while, in others, they are more circumspect, depending on the context. When people post comments, questions and other information they use a range of identifiers – such as a screen name, their actual name, or total anonymity. Less than half (42%) have done so anonymously; 55% have used their real name; and 59% said they have posted comments and questions with a user name or screen name that people associate with them.

The level of anonymity they adopt often depends on work-related issues. Almost a quarter (24%) of employed adults said their employer has rules or guidelines about how they present themselves online.

The survey was conducted among more than 600 adults by GfK, using KnowledgePanel, its nationally representative online research panel; 26 people also participated in online focus groups. The research is part of a report involving four surveys throughout the year, investigating Americans' attitudes toward privacy.

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AFRICA

Tracking challenge

Brands looking to succeed in Africa cannot rely on their experiences in other markets – they need data, says **Peter Searll**, of Dashboard Marketing Intelligence

Few would dispute the importance of Africa as a source of new business growth. As demonstrated by McKinsey & Co, its 2007-12 growth rate has not only been faster than any other global region – at 22.4% – but its predicted growth rate to 2017 also sits on top of the pile, at 13%.

However, those who think they can replicate their first-world operations and brand positioning on our home continent – and reap the same degree of success as they do in developed markets – are wrong. There are many instances of businesses that failed to make the expected headway in Africa, even among top, established brands in other African markets.

Consider Woolworths, a premium South African retailer, which entered – and subsequently left – Nigeria after a year and a half. Another case of entry and withdrawal is Nando's, the fast-food franchise started in South Africa, and enjoying success in other countries, including the UK. The same applies to Telkom, South Africa's state-owned telecommunications provider.

According to an *Africa Report* interview with Stephen Kaboyo, former director of financial markets at Uganda's central bank, and now managing director of Alpha Capital Partners, the key driver of business failure is a lack of accurate data. For example, he said, a private equity fund wanting to enter the Ugandan real estate market would find it difficult even to identify the top five real estate companies.

Numerous global brands are hoping to establish themselves as leaders in the fastest-growing region in the world, within some of the most diverse and least-developed business environments. The overriding challenge for global brands is to *deliver* competitive, locally relevant products and experiences in each market, while aiming for a consistent and compelling global brand experience. This is the key to positioning your brand for growth against its global competitors.

The unique African environments pose challenges not usually experienced in first-world markets, such as Europe and America. Yes, these markets may have many different languages – and even different cultural groups – but nothing like the diversity that exists in Africa.

The key challenges that research needs to overcome include:

- Extreme diversity of language, culture, response patterns (especially scales).
- Vastly different levels of literacy, especially computer/IT literacy.
- Limited access to services taken for granted in first-world countries (internet, medical, legal, financial services and support, and variable electricity supply).
- Establishing a network of reliable

South Africa data

Population
52.98m

Approximately
51% female

Gauteng is the largest province with a 12.7m population

About 29.2% are 15 years or younger and 7.8% are 60 years or older

Life expectancy is 57.7 years for men and 61.4 years for women

Infant mortality is 41.7 per 1,000 live births

Source: Statistics South Africa 2013

and quality field partners.

- Quality control processes.
- Rapid adoption of mobile technology.
- Lack of government data, such as population and industry statistics.

In addition, the atypical technology environment adds complexity to design, project and field management – and, indeed, interpretation of results.

Any decent brand tracker includes metrics on: user experience; drivers of customer satisfaction; product and channel use; perceptions and barriers to use; acquisition drivers; perceptions of brand; and other key metrics of competitiveness. Ultimately, these should identify and prioritise future growth potential.

I'd advocate a customised solution, not an off-the-shelf or one-size-fits-all model. Opt for something that can be reconfigured to take account of your product category, distribution strategies and brand and business objectives. Armed with effective information, your chance of business success is greatly enhanced.

Peter Searll is managing partner of Dashboard Marketing Intelligence, which has conducted the largest continuous brand tracker in Africa and the Middle East for the past six years.

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CHINA

Enter the new dragon

Chinese consumers are rejecting traditional displays of wealth in favour of more considered shows of intellectual sophistication. However, with this new independent thinking comes social tension, writes Bronwen Morgan

In 2011, China's luxury goods market grew by 30% – a meteoric rise that made Chinese consumers responsible for one-third of all luxury consumer goods and fashion sales worldwide. However, the upward trend has since lost momentum; growth faltered in subsequent years and is now sitting at just 2%.

According to Rhiannon Price, head of qualitative at Northstar Research, this decline in growth has been driven by four key factors. It's linked in part, she says, to a relative slowing of China's economy as it matures, leading to consumers becoming more cautious.

Another influence has been a government crackdown on corruption via corporate 'gifting', which has stemmed the volume of luxury goods being purchased. Third, the increased ubiquity of luxury goods has led Chinese people to look for new ways to differentiate themselves, beyond traditional displays of wealth. While China is still very much a material country – an Ipsos study found that 71% of Chinese consumers gauge their success by the things they own – Price believes much of the slowdown in the luxury goods market is tied to shifting attitudes among the population.

One driver she identifies is a growing distaste for 'first-generation rich'. "A particular term – *tuhao*, or 'crass rich' – has come about because of that phenomenon," Price says. "Money has become a bit of a dirty word because these people are being so ostentatious."

Elspeth Cheung, global brand valuation director at Millward Brown, agrees that showy displays of wealth have become less desirable among Chinese consumers. "In the past, Chinese people tended to do anything to do with wealth more explicitly," she says. "They would wear logos on everything, and would go for the best, most-expensive cars."

Cheung believes that exposure to social media and a growing notion – attached to this exposure – among the Chinese that they are opinion-formers, has led to a change in how they see themselves.

"There's a higher sense of self-worth, especially among younger people," she says. "The older group experienced the cultural revolution – the very worst period of China. The younger ones are growing up in rapid economic expansion, so

their experience is to try to be themselves, to be different from other people."

Price agrees. "You notice that customers are now showing this need to progress and become more independent and individual; that's the new face of China," she says.

However, Price adds, this development isn't what makes China an interesting case; the trend of consumer focus shifting towards demonstrations of personal, rather than material, worth has been observed in a number of other emergent markets. What sets China apart, says Price, is the very particular influence of Chinese culture.

"[Chinese consumers] are bound by different versions of self-worth, which all mix in their heads and have their influence when they are choosing how to live and what to buy. There is the collective 'we'; there is the material 'I' – which is, ironically, heavily affected by the collective; and then the emergent and individualistic 'I'," she explains.

Price uses an example from the automotive segment to illustrate the emerging conflict between the 'we' self-worth of collectivism, the 'I' self-worth of materialism, and the 'new independent reality'.

The process of buying a car has traditionally begun with a desire – "or rather, need", says Price – for import over domestic: "People are willing to spend a lot more money not to have those Chinese characters on the back," she says.

The next influence is that of the "ubiquitous social codes" linking certain brands to certain societal roles. "Audi is for government officials and, hence, commonplace, and associated with a particular segment of society; BMW is for 'new money' and Mercedes Benz is for 'old money' – and, usually, driven by a chauffeur," says Price.

The other main effect of collective self-worth, she explains, is tied to the notion of 'face'. "People will not buy below or above their station and disrespect others. I have heard things like: 'My boss has an Audi A6 so I couldn't get one'."

Returning to the new wave of independence, Price explains that this is manifesting itself in a number of ways in the Chinese automotive industry. There has been a rise in popularity of SUVs – traditionally seen as irrelevant in a market dominated by business sedans – as they are regarded as projecting a progressive personality. There is also, according to Price, a growing preference for clever interiors, as they are seen to make owners appear clever by extension.

For now, these changes are limited to tier-one cities, and are not reflective of the country as a whole. "We're talking about ripples of change in more progressive cities," she says.

Cheung, though, feels that social media is prompting this trend to spread: "Second- and third-tier cities can see what's happening in Shanghai and Beijing, and want to do the same," she says.

Regardless of the scale of change, those working in the luxury goods market are watching closely. "The shift we are seeing is fascinating because it is absolutely happening," says Price. "But it is nuanced and full of tension, and palpably frustrating for the modern Chinese consumer."

MONGOLIA

First steps

There are opportunities for brands looking to enter the Mongolian market, but they must research and respect the culture, says TNS Asia-Pacific's **Chris Riquier**

Mongolia is often seen as being 'off the beaten track' for brands trying to find new frontier markets. Yet this land-locked Asian country has one of the fastest-growing economies in the world, with many untapped opportunities. The Asian Development Bank predicts Mongolia's gross domestic product (GDP) will grow at 9.5% in 2014 and 10% in 2015, and the government is taking steps to promote a more favourable, transparent business environment, both for domestic and foreign companies.

We have been helping international brands to understand the opportunities in Mongolia for some time, and, this year, we established our own presence in the country.

Y&R, the WPP advertising agency, will be acquiring the creative advertising and research agency of MCS Holding – one of Mongolia's largest conglomerates – with clients including MCS APB, Herbalife, JTI and Dell. The research business will become a TNS affiliate.

When travelling in Mongolia, I have been struck by how few brands – with the exception of automotive ones – have a significant presence, relative to other Asian markets. It's an exciting time to partner, to help companies to identify unmet needs, establish how to create brands that will resonate culturally, enter the market successfully, and drive sales.

We opened our first Asia-Pacific office in Australia, in 1964 – as Frank Small & Associates - and, in the 50 years since then, have expanded into 18 countries across the region. Our first office beyond Australia was Singapore, which we opened in 1973. Back then, research in Asia was about performance measurement or understanding consumers. Today, it is a vital decision-making tool, which needs to be delivered quickly to guide short-term tactical decisions that will support a client's bottom-line growth and inform long-term investment.

As our industry continues to develop, we will see this speed increase, with real-time reporting, more technology integration and an increased ability to forecast with precision.

Across the region, we draw on diverse inputs - sometimes for a marketing decision, sometimes for a policy decision. However, the decision is always based on understanding people, and why they make the choices they do.

We have seen companies fail over the years because they have underestimated the importance of appreciating the culture of the country in which they are looking to build a business. In Mongolia, with its strong cultural heritage and nomadic traditions, this will be more important than ever. ∎

Chris Riquier is CEO, TNS Asia-Pacific

Mongolia statistics

Gross domestic product
= 7% (Q3 2014)

Unemployment rate
= 6.4%

Inflation rate
= 12.1%

External trade balance
= $131.4m

Population
= 2,982,835

Source: National Statistics Office of Mongolia

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Inside view of the customer

Jane Bainbridge and **Bronwen Morgan** report on the Market Research Society's Customers Exposed conference, sponsored by Respondi, which looked at everything from cultural conversations started by brands, to making friends in a social networked society

BELOW: The Nursery's Peter Dann said brands should focus on how they fit in people's lives not on persuading people to buy

Picture credit WILL AMLOT

'Brands are not gods, they're heuristics'

Brands looking to drive loyalty should focus attention on fitting into consumers' lives, not on persuading them to buy, said Peter Dann, of the Nursery.

He argued the supposed "death of loyalty" is an unnecessarily emotional way to define customer behaviour, based on an outdated notion that brands are people, and that creating loyalty requires consumers to have a relationship with that brand.

Instead, Dann argued, loyalty should be based on the notion of helping consumers to make decisions in a crowded marketplace. "Brands are not gods or life partners," said Dann. "They're heuristics. Loyalty to brands is more like familiarity or convenience; making it easy for consumers to come out with what they want, to make choices when they don't have time to explore."

Dann compared the change in thinking around brand loyalty to the enlightenment that led to the industrial revolution. "Customers are not disloyal; they're disinterested. But this doesn't mean the death of brands any more than enlightenment meant the death of government. We just have to reframe the way we market to more enlightened, distracted customers."

Dann urged researchers to take lessons from the Church of England in Victorian times, explaining that 1904 saw a high point of church-going in the UK. When you look closely at what Victorian churchmen were doing to improve church-going following the age of enlightenment, Dann said, certain parallels can be drawn with Byron Sharp's guidelines for marketing.

The focus of church activity, said Dann, shifted from insisting people must come to church every Sunday to asking them to come just once or twice; this can be translated to the modern practice of not marketing to heavy users of brands: "Don't preach to the converted," urged Dann.

The Victorian church also recognised its competition wasn't other denominations, but all the other activities which could be done on a Sunday. Similarly in today's marketplace, a lager brand's competitive set is not just other lagers, or even other beers, but everything else that's available in a pub setting, including fruit machines and juke boxes, said Dann.

"There's a role for research in marketing enlightenment," said Dann. "We need to focus attention not on how to persuade people to buy brands, but how brands can fit into their lives."

Changing face of friendship

In a more anxious world, friendship lies at the heart of what it means to be a human and is profound to our lives said Becky Rowe, managing director, ESRO.

"What do your best friends mean to you, how do you engage with them and what does that friendship mean to you?" asked Rowe.

The digital world is changing friendship but also augmenting it – making it easier to stay in touch. The negative side of this is it can also become a substitute and a distraction from reality.

"There is also a whole cohort of new mums who felt deeply alone. They were doing the right thing – they had lots of contact with new mums and opportunities to make friends, but they couldn't go that one step further to make those friendships meaningful. Are we learning the wrong skills around developing real world relationships?" said Rowe.

So while technology is empowering some, it is isolating others. Rowe said as marketers and researchers we must work out what that means for us.

"Friendships need to be a state of trust, enduring and mutually beneficial; an investment in each other, where we can be ourselves. But the challenge is that reality is not always as pretty and easy to manage as our online selves.

ABOVE: Is social networking teaching us the wrong skills for building real friendships, asked Becky Rowe of ESRO

Online we can create an ideal that we don't always live up to in the flesh," she said.

A concern is that we have learnt to be great consumers of what friendship is, rather than invest in building those relationships.

Pop culture moves below the line

The 'Facebookisation' of culture means that people have an expectation they will be able to share, comment and interact with content of all forms said Tom Ewing, content director, BrainJuicer Labs.

Post-Facebook friendship networks (such as WhatsApp and Kik) have become more private while interest networks (such as Tumblr, Pinterest and reddit) have gone in the other direction said Ewing.

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CLOSE TO PEOPLE
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"Most of pop culture is happening below the line – comments, memes, fanvids, parodies, reblogs and user reviews. Culture and brands respond to this, so it's more common for brands to build in some level of this as we saw with 3 and the Dancing Pony ad," he said.

Mainstream culture is now becoming a zone of conversation; from Beyonce joining in with conversation about feminism, to the discussion sparked about consent and violence that grew around Robin Thicke's *Blurred Lines* song.

"Brands are doing this – whether they want to or not," said Ewing, citing Dove's Real Beauty and Always' #likeagirl work. "There's an element of controversy – should they be doing it? When you're releasing content you'll start conversations whether you intend to or not," he said.

"Interest networks may be on social media but from a user perspective it's individualised media – so unsurprisingly you find that conversations on social media are about identity – about diversity and reputation."

BELOW: UK citizens are showing more self-directed behaviour – being self-reliant and valuing freedom, said GfK's Joe Staton

Helping customers do more with less

Brands must learn to manage the more/less paradox affecting society. As brands are dealing with a finite amount of time in which they can reach consumers, they must manage the paradox of people needing to achieve more with less, said Joe Staton, director GfK market opportunities and innovation (MOI).

So while there is more urban living, there is less rural; there are more distractions and less time, and more data and less clarity, he said.

Within this more/less paradox, brands have become more powerful, said Staton. He pointed to a number of global drivers that are beyond customers' control, but are at the root of this change: 'experience' – everyone wants great experiences, not just holidays but from brands continually; 'streamlined' – keep it simple; 'considered consumptions' – are you authentic and honest as a brand; and 'redefining value' – do I want it, can I afford it? What is its quality?

"We look at personal values – the guiding principles by which we live our life. We use this to connect brands with values. When they connect, there are high levels of traction," said Staton.

He also went on to define consumers into the

CONSUMERS IN A MULTI-CHANNEL WORLD

JASON NATHAN, GLOBAL MULTI-CHANNEL CAPABILITY DIRECTOR AT DUNNHUMBY, EXPLAINS THE EVOLVING BEHAVIOUR OF CUSTOMERS

In the world of multi-channel, retailing is well documented and not always easy to follow. How are these behavioural changes manifesting themselves? Think back to a shopping trip in the pre-internet age. Shoppers would take a predictable and linear path to purchase: making a list, looking for (or seeing) offers, going to a store, picking off the shelf, paying at checkout, going home and then consuming the products they had purchased…and then repeating.

In the multi-channel world, the path is non-linear and different steps can, and do, occur on different channels.

If we consider a shopping trip today: a customer might log on to an account with a grocery retailer and add some items to a basket. Then, a couple of days later, receive an email with a set of offers that they activate on their half-built online basket. They might go into store to have a look at some new products but decide not to buy them… and then buy them online. They may have an offer shared with them on social media….which they then use in a store (perhaps having found the nearest branch to them using their smartphone).

These non-linear paths, and the increase in channels used, has increased complexity and opportunity for both brands and retailers to divert and influence customers on those paths. What both retailers and brands want

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following groups: Survivors – living hand to mouth; Traditionalists – particularly in terms of gender; Achievers – they have money and want to buy things; Hedonists – just want to have fun, the majority in Europe falls into this group; Social rationals – caring, social responsibility; Self-directors – don't follow the herd, are their own person; and Nurturers – friendship circles are important to them.

"We see self-directors growing globally," said Staton. "By 2030 the majority of UK will be showing self-directed behaviour – values of freedom, self-reliance and authenticity. There will be growth in social rationals too – if you're a brand you've got to align your values with these."

Emerging markets leading change

Looking at changing trends across the globe, a greater amount of the world's wealth is being generated by emerging markets as these countries become more educated and more urban said Rob Myers, managing director, Ipsos Marketing.

All countries – both developed and developing – are faced with rapidly ageing populations. "Most dramatic of all is Japan. It has become the test market for ageing marketing and in 2013 adult diapers outsold children's for the first time," added Myers.

And as digital affects the world, Myers cited the trend of Amazonification. "It's a company with an extremely low cost model, squeezed margins. When we did a study looking at mums in the UK, for every purchase they'd jump back to Amazon to check prices," he said.

ABOVE: Rob Myers from Ipsos Marketing discussed global trends affecting the industry

Most of the trends observed are putting huge pressure on sustainability and Myers pointed to people believing 'we are heading for environmental disaster unless we change our habits quickly'. "People do care and recognise it's a problem but everyone believes companies aren't doing enough," he said.

So overall while there is a uniform human desire for a simpler life, and there are high levels of anxiety and low trust in governments, people across the world, in general, believe people of different nations share more in common than differences.

to know is where best to spend their money.

More than ever before, the answer lies with an obsessive focus on the customer and the data their behaviours are generating. Retailers and brands are collecting and looking at data, but often the data is used for specific ends. For instance, plenty of retailers will use the data for reviews to look at which products are winning and which are in decline, but few retailers will capture and present this data to understand customers. Meanwhile they know, at the level of an individual, a pattern of review posting will be part of a set of indicators to understand that customer's propensity to purchase again and, maybe, when they would do so.

In the world of grocery and fast-moving consumer goods (FMCGs), retailers will capture the levels of substitutions and rejections in baskets composed of dozens of stock keeping units (SKUs) when they are delivered or collected. But how many retailers are looking at the data through the customer lens? Would a customer who had received 20% of their basket as substitutes three times in a row (and rejected half of those on each occasion) compared with a customer who had received three consecutive perfect orders, be more or less likely to lapse?

The challenge for retailers and brands is technical and commercial. Technically, linking their data assets to understand the multi-channel path to purchase is difficult – legacy systems built for specific ends and ambiguous data ownership structures are barriers to overcome. In many cases the data capture at customer level may not even exist yet. Retailers and brands will need to ensure their technology plans seek to plug these gaps in understanding.

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Despite minimal marketing spend and insight investment, men's skincare brand Bulldog has grown significantly from its challenger-brand beginning. Founder **Simon Duffy** talks to *Ben Bold* about how it started and what comes next

Real men moisturise

Simon Duffy is wearing three days of facial hair when he meets me in a cafe/bar under Bulldog Skincare's west London offices. He is not sporting the stubble as a fashion statement, however; he's grown it for research purposes.

"We've got some new shave-prep products that we're testing out," he explains. "I'm waiting to test-drive them."

Duffy's hands-on approach – and Bulldog's modest premises – are an apt introduction to the male skincare company that Duffy and his friend and business partner, Rhodri Ferrier, founded in 2006. Bulldog is, as Duffy describes it, a down-to-earth brand for the man who "is not super-ripped, not David Beckham, not a gorgeous guy, and who's probably a little bit overweight".

The timing of Bulldog's launch was unfortunate: it went to market in 2007, just a year before the collapse of the global economy. However, its ambitions were large – seeking to revolutionise men's facial skincare with naturally formulated products. It was unusual in a market dominated by brands that were either an extension of primarily female skincare brands – such as Nivea Men or L'Oréal Men Expert – or that adopted an overtly macho tone, such as Gillette or Lynx.

Building a start-up during a recession was hard, Duffy admits – especially as it was selling

products that are among the first to disappear from the shopping lists of cash-strapped consumers. However, the straitened climate of Bulldog's formative years worked to its advantage. "Doing it in a tough economic period got us fighting fit and hungry, and focused on the right things," Duffy says. "Hopefully that stands us in good stead now."

Today, Bulldog has listings in 12,000 stores, across 12 countries, and gives established FMCG and cosmetics giants Procter & Gamble, Unilever, Beiersdorf and L'Oréal a run for their money in the burgeoning men's skincare sector.

Taking on the big boys meant Bulldog was often dubbed a challenger brand – and, on the surface, it still is, with a small, eight-strong team and a nimble culture. However, stresses Duffy, the brand's market share, its forecast £9m in sales in 2015 (see box), and its driving growth in a generally flat UK category mean that the start-up label no longer sticks.

"We've moved onto the next level," he says. "We're bigger than Unilever's Dove brand in the men's skincare category [IRI data] and we've survived Procter & Gamble launching Gillette Skincare in the UK – so we've seen off some heavyweight competitors."

While Bulldog may be performing strongly in terms of sales, it doesn't enjoy the same levels of marketing and research investment as its big-budget rivals. Accordingly, Duffy's attitude to using market research to shape and drive his business reflects the business's modest size and small coffers.

> "Building a start-up in a tough economic period got us fighting fit and hungry, and focused on the right things. Hopefully that stands us in good stead now"

"We're not a massive company underpinned by thorough research because we have to cut our cloth according to the state of our business," he explains. "We're doing much more at the moment, but – at the beginning – it was more instinctive."

Yet Duffy is no stranger to using data and research. Before he and Ferrier launched Bulldog, he worked at advertising agency Saatchi & Saatchi, and one of its spin-off agencies – specialising in product innovation – Fahrenheit 212. Working with clients such as Diageo meant that Duffy had access to vast amounts of market research to inform product innovations.

However, Bulldog was founded not on the basis of sturdy research that identified a market rich in pickings, but on a personal insight – an

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CV

SIMON DUFFY

2006
Founded Bulldog with Rhodri Ferrier and went to market a year later in an exclusive deal with Sainsbury's.

2002
Still under the aegis of Saatchi & Saatchi, Duffy joined new business and innovation consultancy Fahrenheit 212, based for several years in New York and New Zealand. Clients included Coca-Cola, Starbucks, Diageo and Procter & Gamble.

2000
Joined Saatchi & Saatchi and worked under global chief executive Kevin Roberts, developing the Global Ideas Group, which sought to transform the parent company from an advertising agency into an 'ideas company'.

1995
In his gap year before university, Duffy worked as an Andersen's Scholar at accountancy and consultancy group Arthur Andersen, rejoining the firm after graduation. He worked across the company's audit and business advisory services.

Education
Oxford University, MA double first in modern history.

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intuitive "lightbulb moment" that occurred in New York nearly a decade ago. "I was shopping for naturally formulated skincare products for my girlfriend, Annabel, who is now my wife," Duffy says. "I used to go to Whole Foods, which specialises in organic food, and has a thriving natural and organic health and beauty sector."

Whole Foods sold skincare products with natural, organic ingredients that were paraben- and chemical-free, and that adhered to stringent guidelines. "I was thinking I would get some for myself, but there was just nothing for men," Duffy says. "That was a lightbulb moment, if that exists. Rhodri and I were looking for a business idea at the time, and I wanted to create a brand – something physical that I could walk into a store and see.

"You think, 'that's the gap in the market' – but then you have to figure out, is there a market in the gap? Can you make a business out of this? Why is no-one else doing it? If you did do this, would anyone buy it?"

One could argue that it would be pretty hard to answer these questions without the benefit of some good market research – so how could Duffy know there was a market out there?

"The flat answer is that you don't know," he says. "It wasn't something we felt we could research ourselves to satisfactory confidence. So it was a big risk when we did it. It was a product that was named and formulated unlike any other.

"We were really solving a problem for ourselves, as outsiders to the industry frustrated by the choices that were out there. I didn't feel I wanted to spend £30 on a moisturiser in a department store. I didn't feel that L'Oréal was a brand designed for me, as it's so obviously female. I wanted natural ingredients as all the brands have such commoditised, conventional formulations, with parabens etc. We were really creating the products for ourselves."

With the idea for the business decided, "proof of concept" was the next stage. While holding onto their full-time jobs, the friends spent their mornings, evenings and weekends – over several months – working out whether the idea was viable, until they "were satisfied and understood more about the challenge" – at which point, they quit their jobs. "That was quite scary," Duffy admits.

They then dedicated their energies to building Bulldog, raising money, formulating and testing products, gaining government regulatory approval and coming up with a brand name.

> "It is the fastest-growing brand in the men's facial skincare segment, growing in value by 44.7% in the half year to 13 September, outperforming a market decline of 1.4%"

"Bulldog is totally focused on men, and it was named after Rhodri's dog. It's quite quirky. We think the positive masculine attributes are loyalty, doggedness, and tenaciousness – and the dog is a daily companion. We sum it up as man's best friend," says Duffy.

One of the toughest parts of launching a product of this type is securing those all-important listings. Persistence, lots of cold calls, a big dose of luck, and a retailer that ultimately "shared our vision" resulted in an exclusive deal with Sainsbury's.

In June 2007, Bulldog launched nationwide, on the shelves of the supermarket. The following year, the brand doubled its range from six to 12 products, and the end of the exclusivity deal with Sainsbury's meant Bulldog was rolled out to Waitrose, Tesco and Boots.

TRINITY McQUEEN
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Today, Bulldog retailers include Ocado, Planet Organic, Superdrug and, with pleasing symmetry, Whole Foods. The company has also expanded overseas, and its products can now be found in Norway, Sweden, Germany, the US, Ireland, Austria, Australia and New Zealand.

Bulldog's Original Moisturiser is the company's biggest seller, commanding around a 15% share of the UK male moisturiser market, and outperforming Gillette's skincare products and Dove Men+Care. It is the third-biggest brand behind L'Oréal Men Expert and Nivea Men.

It is also the fastest-growing brand in the men's facial skincare segment, growing in value by 44.7% in the half year to 13 September (AC Nielsen) – outperforming a market decline of 1.4%. The only other brand to grow in value in the period was L'Oréal Men Expert, which was up by a marginal 0.8%.

Duffy attributes Bulldog's growth not just to eating into the shares of bigger rivals, but also to growing the category itself. There is still a huge untapped audience of men out there, he insists. Currently, between 20% and 25% of men regularly moisturise, compared with around 90% of women. While the gender divide will always be wide, there is room for growth, he says.

> There is still a huge untapped audience of men out there. Currently between 20% and 25% of men regularly moisturise, compared with around 90% of women

What is Bulldog's target market?

"The purchase data would suggest it's quite a broad church, across various ages and geographies," Duffy says.

"There's a dynamic within the category that means – at most of our retailers – our products are likely to be bought by a wife, mother or girlfriend rather than by an end-user. If that's the volume target, the brand target would be male, urban, professional, university educated, probably in the early stages of his career."

Reaching prospective customers is a challenge for Bulldog, especially as it cannot command huge marketing budgets. However, Duffy does not underestimate the power of marketing and advertising, and the business has punched above its weight.

In 2009, it sponsored 40 episodes and two series of video shorts fronted by *Peep Show* star, comedian and columnist David Mitchell. These consisted of three- to five-minute comedy monologues on subjects as diverse as football and personal hygiene.

The content format was innovative, and has been credited with laying the ground for brands such as Foster's, with its Alan Partridge online video series.

"We didn't realise it was so pioneering," Duffy says. "This sort of stuff would live forever. It gave us a creative angle to underpin the growth that was going on in trade."

Today, Bulldog advertises across traditional media, including print, online and outdoor. Duffy hints that other more "innovative" marketing initiatives are on the cards for the middle of 2015, while a more mobile-friendly website redesign is under way.

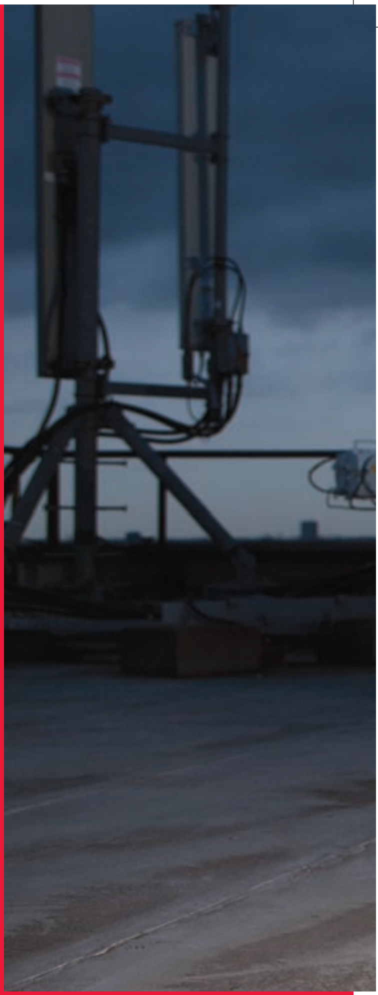
Bulldog's packaging – bearing the striking, quirky and eponymous "man's best friend" brand ID – is an important component in the marketing mix. "We've always thought the shelf in the supermarket or Boots is our billboard – that's our advert," Duffy says.

He compares Bulldog to category challengers such as Gü, Innocent and Green & Blacks, with their premium, standout packaging that sets them apart from mainstream brands. "They will always have phenomenal packaging versus their peers," says Duffy. "Packaging is something you can really be world class at; you can't be world class at broadcast TV advertising unless you've got £20m to spend – but with packaging you can be."

The business is also active in PR and on social media, with more than 5,000 Twitter followers. It uses the social network to monitor customer sentiment and have "direct interactions with consumers".

"We fundamentally believe that the best brands have to be close to their consumers," Duffy says. "So we're very conscious of staying in the loop about what people think of our brand. But whether that comes to us through paid-for research is a separate discussion."

That's not to say Bulldog is anti-research – more that budgetary constraints necessitate greater



BUSINESS STATS

Bulldog's revenue (reported and forecast) for financial year ending 31 March.

- **2012** – £2.4m
- **2013** – £3.4m
- **2014** – £5.9m
- **2015** – £9m (forecast)

Bulldog projects a revenue of £20m by 2017.

discretion. "The trick with research is that there's lots of stuff that's nice to know, but what you really want is to focus your research so it's actually going to help you make a decision that impacts your business," says Duffy.

Bulldog, therefore, commissions qualitative research with panel groups, usually conducted around key decisions. "For example, we changed our packaging a few times – it's been through three key iterations," Duffy says.

The most recent brand overhaul started in 2009, when Bulldog worked with Razor Research and branding agency B&B Studios. Razor conducted various qualitative studies that informed the brand's third iteration in 2011, after research found that the bulldog was "barking too loudly – so we softened our logo a bit". The marketing team runs periodic brand internet surveys, supplied by ICM, to check on progress.

Bulldog has always prided itself on its relationship with retailers and, moving forward, Duffy is enthusiastic about the rich veins of data that could potentially be mined. "Broadly, I feel we can learn a great deal more about everything we do with Nectar, Clubcard and Advantage Card," he says

More immediately, the firm is engaged in a data-sharing exercise with one of its biggest retail partners. "We're doing something with Boots, to try to understand more about trends within the male-grooming category – and, specifically, the role that Bulldog is playing," he says.

"But we don't have the results yet – it's something that's ongoing. It will give us access to more insight than we've had before."

Bulldog's work with Boots will enable the brand to delve deeper into its customer and consumer data and behaviour. It will also help the business to shape its strategy for the future – both in terms of new product development and marketing communications.

Bulldog's ambition is not just to steal share from rivals, but to grow the male skincare market. Crudely speaking, it wants to persuade more men to moisturise.

"I don't want to get too philosophical, but I think male attitudes are changing, positively," Duffy says.

"I don't think it's vanity with male skincare – it's self-improvement and I think more men than ever will be using some protection.

"The brashest lads' mags will jump from gorgeous girls to a round-up of the top five moisturisers. So there's no longer any stigma about it among the younger generations."

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The lifetime of a habit

Does true loyalty exist, or is there always another, more rational, explanation? This special report examines the different types of consumer loyalty, and how research can help brands ensure their customers come back for more. By **Bronwen Morgan**

My grandmother used Nivea face cream every day for 40 years. Many others of her generation did the same. On the face of it – pun intended – she was a loyal customer, but, in reality, there were very few other products to choose from. Nevertheless, long-running brands such as Nivea often claim a degree of customer loyalty that goes beyond rational choice.

However, Peter Dann, co-founder of research agency The Nursery, believes this is simply not the case. “People don’t think in terms of being loyal to brands – they think in terms of buying a brand that’s mentally and physically available. They don’t buy a brand because they’re emotionally attached to it.”

Dann refers to the work done by Andrew Ehrenberg and, later, Byron Sharp to demonstrate that popular brands don’t grow through driving repeat purchase, but by increasing penetration. The notion of loyalty, they argue, is not only misguided, but inaccurate, and based on assumption rather than science. What we perceive to be loyalty is actually misinterpretation of other behaviours.

To understand this more deeply, it’s useful to take a few steps back to understand how consumers make choices more generally.

Drivers and goals

According to Phil Barden, managing director of Decode Marketing, the ultimate driver of behaviour is survival – “but that’s not particularly useful when it comes to developing a brand positioning,” he says. “If everyone was trying to relate to survival, everyone would be shouting the same message and it would be a bit meaningless.”

So, says Barden, the thinking has to be more granular. Beneath survival are three primary drivers of customer behaviour – as well as ‘hybrid’ areas, where these overlap – and each is related to specific behavioural goals. The three drivers are: autonomy (encompassing goals


Loyalty

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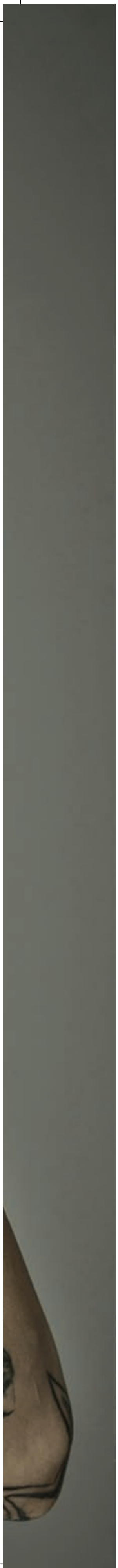
of power, success and recognition); security (warmth, belonging and trust) and excitement (curiosity and variety). If a brand's characteristics match an individual's goals, this is taken to be a driver to purchase.

There are also two types of goal: explicit and implicit. Functional, explicit goals are those that consumers can – and will – tell researchers about. Implicit goals are those that they either won't talk about – perhaps because of embarrassment, or fear of being politically incorrect – or can't talk about because, Barden says, "as humans we simply lack the introspective access to these goals".

Taking the detergent market as an example, consumers are explicitly looking for a product to get rid of stains and smells. However, implicitly they may be matching with, as an example,



Persil's claims that 'Dirt is Good' – which, according to Barden, meets the psychological goal of relief.

"At an implicit, neuropsychological goal level, the 'Dirt is Good' campaign addresses the dilemma mum faces between keeping her kids indoors to make life easier, but not wanting to curb their development by doing so," he says.

By contrast, Ariel talks about cleaning efficacy at low temperatures, which would be associated with goals in what is known as the 'discipline' field, which are more about precision, reliability and efficiency.

"That would speak to goals such as money-saving, but also doing their bit for the environment. Psychologically, that's a very different goal," says Barden.

Once the alignment of these goals has been established, the theory is that loyalty is built by this process – of matching goals with brand characteristics – becoming automatic through repetition. Or, as Daniel Kahneman might put it, moving from a system-two process to a system-one process (see, The Science of Loyalty page 34).

Going back to that ultimate driver of behaviour – survival – the brain is constantly looking to take the easiest option to conserve energy. Making fast, efficient decisions without the need for conscious processing avoids burning too much energy – so, if a brand gets chosen without the consumer's conscious reflection, it's doing well.

> "That the greatest success a brand can achieve is to be chosen without conscious thought is challenging for marketers"

"That's quite a challenging thought for marketers – that the greatest success a brand can achieve is to be chosen without conscious thought," says Barden. "You might then say that is a measure of loyalty; it's – literally – a no-brainer."

Breaking the habit

This suggests that loyalty in the world of fast-moving consumer goods (FMCG) is more akin to habit than deep emotional connection. Matt Hunt, head of strategy at full-service agency Futureproof, is a former head of marketing at Hovis. Bread buying, he says, is a classic example of an habitual purchase.

"Loyalty implies a sense of affinity and a depth of engagement that habit doesn't," he says. "Bread is habitual, but this can be construed as loyal: people buy what they know works for them. Once they have discovered something that works for them, they question it very often."

This habit – also known as behavioural loyalty – in FMCG purchase is aided by online shopping, as most online retailers will allow customers to save a basic grocery list of products they repeatedly buy. This, says Hunt, proved to be particularly beneficial for brands such as Hovis.

"People place more trust in what's coming when they're not going to ▸

THE FUTURE OF LOYALTY PROGRAMMES

A 2013 study revealed that 92% of consumers use loyalty schemes at least once a month. However, 30% revealed they often forget to bring their loyalty card with them when they go shopping, and 75% said they would like their loyalty card to be linked to their payment card. Could this be realised in the future? Oliver Harrison, loyalty strategy director at dunnhumby, offers his view on the future of loyalty programmes.

"With technology offering more opportunities to identify customers and what they buy, wherever they buy it, successful retailers will look to make identifying a customer a seamless part of the shopping experience. While the ubiquitous card is still the norm, the need to carry around a wallet full of them is set to become a thing of the past. Customers will demand easier options to engage with their preferred retailers and brands, by integrating their existing habits and behaviours into the experience.

Be it by an app on your phone, your payment card, or by tapping your NFC-enabled (near field communication) phone, the card-based approach will inevitably be eroded and diluted by allowing customers more control over how they interact with retailers in a physical store.

In fact, loyalty programmes will become more about taking the effort and inconvenience out of the retail experience for customers. Starbucks already allows customers to pay on their phones via their app – which is, arguably, the most compelling part of the overall loyalty proposition for customers.

From a retailer's perspective, value exchange is still centre stage – always the crux of loyalty programmes: rewards in exchange for visiting the retailer and being part of the programme, and an expectation that the information customers provide will be used to improve their shopping experience.

However, while these 'rewards' will probably still have some basic monetary value, there needs to be a growing recognition of an individual customer's value. With the increasing opportunity to personalise the retail experience for each and every customer, the exchange of information, the saving of time, and the use of data to be genuinely helpful to customers will be a more powerful currency for retailers to deliver, beyond points, pounds and pennies.

We will see feedback loops with personalisation and targeting engines incorporated. The power of the positive review will take centre stage: retailers and brands will engage more in a real conversation, allowing them to learn continually and make the shopping experience better for customers.

Retailers and brands have to give up control: the real power of loyalty is to enable customers to have a voice and to be heard – for example, through word-of-mouth platforms such as Amazon Vine. Loyalty programmes will become more aligned to the customer experience and a channel for creating connections with them on a personal level.

Loyalty programmes of the future will involve a broader range of interaction with retailers. Personalisation and customisation are, therefore, key to ensuring the right elements of customer experience are delivered to the right customers. Equally, retailers need to create opportunities through their loyalty programmes for customers to engage in what's important to them.

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see it, touch it or pick it up before they buy it, if it comes from a brand."

If that is the case, then not only does brand loyalty depend on habit, but on a desire for consistency. Add to this other cognitive influences – such as status quo bias and loss aversion – and it means that, unless a brand fails to deliver against our expectations, or a different brand intervenes with an enticing offer to lure us away, the brain's natural preference is to stick with what it knows.

The cost and the effort to dethrone a favourite brand is huge, and can take time, because these patterns build slowly over many years. Once a strong neural network of associations has been formed, it takes time, effort and money to change those.

This means brands may grow cautious about making big changes in case it forces their 'loyal' customers to engage with the decision-making process and, potentially, reassess their preferences. Hunt recalls how a Hovis packaging change in 2013 meant customers couldn't immediately find the product, so they picked up the closest-resembling alternative instead.

It can pay off, however. In the early 2000s, Hovis introduced a – now well-known – change, where its packaging was covered in baked beans. It made the product stand out, and pushed it to the top of the category, says Hunt. But, he adds: "It went through three scary weeks when people couldn't find what they were looking for. Its sales dropped. After those three weeks, it caught the public's imagination – and it ran."

Life-cycle and engagement

This kind of habitual, 'no-brainer' processing is far from universal. Two of the biggest differentiators of engagement in the purchase process are the length of the customer life-cycle and the emotional engagement when buying. For FMCG products, the cycle is short, and the emotional engagement is typically low. However, in the automobile industry, for example, this is very different.

"On average, people buy a new car every four years and – for some customers – the purchase comes emotionally close to the birth of a child," says Stephan Thun, European CEO at MaritzCX. "This presents varying risks and opportunities to keep customers loyal."

> "Every time you do a customer acquisition offer and ignore the retention side of things, loyal customers get a bit cheesed off"

Thun believes, to maintain loyalty, brands with a longer life-cycle must be more proactive in their relationships with their customers: to engage with them continuously; check their temperature; keep a dialogue going; and identify risks and opportunities before it's too late. Retailers, on the other hand, must ensure the experiences they provide are "rock solid at every single transaction, every day".

However, says Thun, the underlying goal of customer satisfaction remains the same. "The biggest driver of loyalty across all industries is – and will always be – customer satisfaction. There is no doubt that happy customers buy more, more often, and spread the word; that is, they help to grow the customer base for every company."

Rational loyalty

The customer life-cycle makes loyalty a particularly complex issue for the financial services and energy markets. Paul Kavanagh, managing director of Beehive Research, argues that this is because these companies face the dual challenge of growing their marketplace with customer acquisitions, as well as trying to retain existing customers.

"Unfortunately, these goals are polarised. Every time you do a customer acquisition offer and ignore the retention side of things, loyal customers get a bit cheesed off," he says. "But how do you get loyal customers unless you put an offer out?"

Many energy companies do appear to be ignoring retention: a story in London's *Metro* newspaper, in November 2014, claimed that many of the 'Big Six' energy companies in the UK have been operating a "two-tier customer service system". While new customers calling Scottish Power were kept waiting on the phone for around 50 seconds, existing customers were kept waiting for up to 57 minutes.

In a recent piece of research, Beehive and Kavanagh found that loyalty to car insurance providers was costing UK consumers between £2.2bn and £3.6bn, while loyalty to

UK'S TOP LOYALTY SCHEMES

Boots Advantage Card
Launched in 1997. 17.8m active users. Around 90% of active members are women, representing nearly 60% of the adult female population in the UK. Members collect four points for every £1 spent in store. Each point is worth 1p.

Nectar Card (Sainsbury's and others)
Launched in 2002. 19m active card users. Also covers a number of other retailers, including Homebase and Argos.

Tesco Clubcard
Launched in 1995. 16.5m active card users. One point for every £1 spent in store. Every point equates to 1p of shopping bought.

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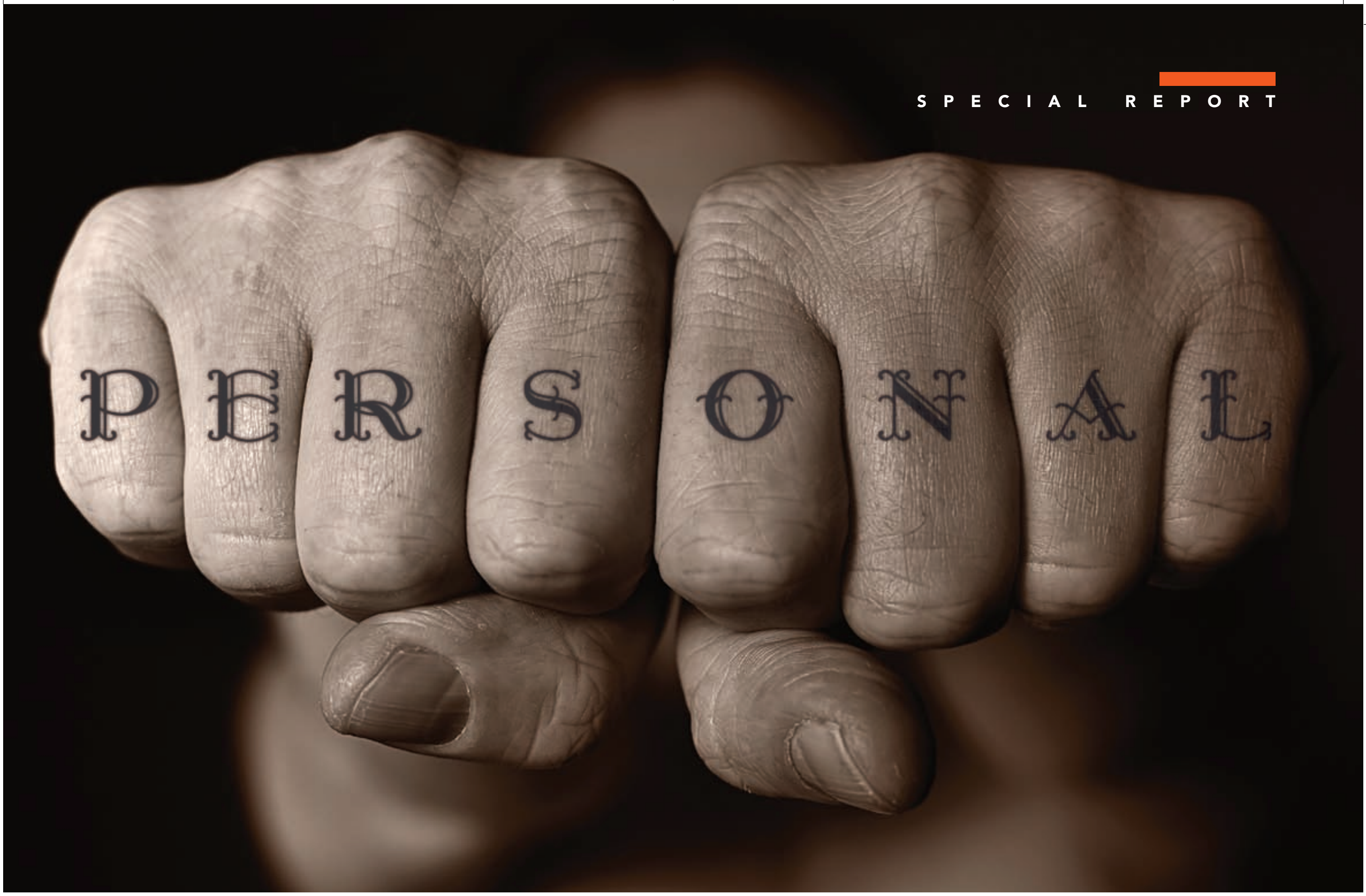
SPECIAL REPORT
PERSONAL

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household energy providers could be leading to losses as great as £4.1bn. That research was part of a segmentation of British customers based on their attitudes toward switching insurance and energy providers. Kavanagh and Beehive found that 40% of British customers had become 'conditioned switchers'. These customers are described as serial switchers, where "the deal is the most important factor, they don't trust brands much, and don't think they are being looked after".

A conditioned switcher would probably leave the energy company that kept them waiting for 50 minutes. Another of Beehive's segments, 'passive loyalists' (20%), may be pushed over the edge by the wait, but it's less certain. Passive loyalists, says Kavanagh, are time poor and will only switch "with the right trigger".

The other two segments are 'sceptical loyalists' (31%), who are

THE SCIENCE OF LOYALTY

Kahneman's 'system one and system two' model of dual processes in the brain describes system-one processes as the automatic, intuitive, spontaneous and very fast processes. System two represents the reflective, more explicit, controlled, conscious processes.

A scientific paper from 2004, *Nonlinear Responses Within the Medial Prefrontal Cortext Reveal When Specific Implicit Information Influences Economic Decision-making*, demonstrated that a 'favourite' brand can be selected without engaging system two.

Respondents taking part in the study were asked to name their first-choice brand in a number of categories, as well as other brands that they would consider buying (the consideration set).

Respondents were put into an fMRI (functional magnetic resonance imaging) brain scanner and shown a series of images of the brands they had named. They were then asked to choose a brand they would buy from the images shown. When the choice included the respondent's first-choice brand, the brain showed reduced activity in the areas linked to working memory, planning and reason-based decision-making, compared with when the first-choice brand was not present.

"The brain showing lots of activity is thinking; it's engaged in considered response – whereas the other one has already seen its favourite and made its decision," says Phil Barden, of Decode Marketing. "This sort of autopilot response circumvents the need for effortful processing."

loyal because they don't trust any other supplier to be different; and 'loyal opportunity switchers' (8%), who are unsure if they want to switch, but don't find it inconvenient to – and, "given the right conditions, could be converted to being 'conditioned'".

When conditioned switchers stick with their existing provider, it can be seen as a rational form of loyalty: the customer is weighing up the value of the product or service – as well as the level of inconvenience of switching their account – to make a calculated decision about their relationship with a brand.

We can see, then, that loyal behaviour depends not only on the nature of the product (its cost and life-cycle), but on the attitude and motivation of the customer. However, like Thun, Kavanagh believes the best way to encourage customers to remain loyal – regardless of their natural propensity for switching – is for companies to act more positively and proactively; an approach that, Kavanagh explains, incorporates opportunities to upsell.

For example, if a customer of a mobile phone operator is about to exceed their data limit for the month, rather than simply inform the customer of the situation, that operator could use the opportunity to suggest a different package that might better suit their needs. "It's not just how brands react when you contact them," Kavanagh says, "but what opportunities they have to do something proactively."

Emotional loyalty

While habit is often mistaken for loyalty in FMCG, in B2B, inertia can masquerade as loyal behaviour. Nick Hague, a director at business-to-business research specialists B2B International, explains that the dearth of supplier choice in some commodity markets means that companies rarely have the opportunity to move away. However, where a conscious choice has been made to stay with a supplier, that loyalty can be closer to the kind we experience in our emotional lives, says Hague.

The nature of commodity markets, where competitor products can be almost indistinguishable from one another, means that personal relationships with suppliers are key.

"In B2B markets, the augmented product or service that wraps around the tangibles drives loyalty," Hague says. "Not to say that brand isn't important – industrial companies and B2B companies have cottoned onto that, and do place more emphasis on brand these days. But it's very different from the consumer marketplace, where there are thousands of customers and you can't build that same relationship."

Points for purchase

Having a large customer base can mean a loss of one-on-one relationships, but personalisation is still possible. It has been made easier by loyalty programmes. The first in the UK, Green Shield Stamps, was launched in 1958, and retailers – primarily petrol stations and supermarkets – gave one stamp for every 6d, six old pence, of shopping. These were collected in a book and used to buy items from a Green Shield Stamp shop, or through a catalogue.

Most modern programmes also operate on a 'points for purchase' basis (see box, page 32), but their power lies not in how much people can save on a loaf of bread, but in the data retailers collect when customers use their cards. This information allows companies to identify their customers, understand their needs, and personalise the offers. While customers clearly benefit, and it can drive repeat custom (see box, page 31) the ability to target them this precisely is, arguably, of more benefit to the retailers. With a growing public understanding of the possibilities of big data, customers are beginning to realise the power they hold.

This underlines the importance of businesses adopting longer-term loyalty strategies. "Anyone can bribe a customer to switch in the short term, but this will not support margins," says Martin Hayward, senior vice-president of global digital strategy and futures at customer loyalty management company Aimia. "Future winners will be those businesses that create real relationships with their customers over the longer term, understanding their needs in detail, and deepening engagement that transcends short-term price offers."

> "When companies grow, they become more removed from the person who's using the product. That's where market research steps in"

The role of research

This is a strong reminder of the importance of research in driving loyalty, whether that loyalty is behavioural, rational or emotional. Understanding the drivers and the context of customer purchase – and enabling a degree of personalisation – are the areas in which customer insight is invaluable.

"When companies grow and grow, they become more removed from the person who's using the product," says Kavanagh. "That's where market research steps in."

For Laura Lee – UK customer experience director of brewing company and distributor Molson Coors, and a client of Kavanagh's – building loyalty relies not only on involving the customers in the feedback process, but ensuring they know their opinion has been heard. "The more customers feel connected to the business – and the more they ▸

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feel they're helping to shape the direction in which you're going – the more loyal they are, as they have a vested interest in seeing what they suggested play out," she said.

Molson Coors operates a system by which survey results are fed back to sales managers, who are encouraged to call 'detractors' – customers who have given negative feedback – to "close the loop". They do this by going through the negative feedback with the customer, seeking more detail, then outlining how this area will be addressed. The company's UK board of directors also make 'detractor calls' each quarter.

Kavanagh adds that technology allowing constant feedback has been a key component of this. "A sales rep can be out there, talking to customers, but they're not there at the point of consumption. The fact that we can now get real-time feedback, whether on the street or in a manufacturing plant, means we can find out if an order has been delivered on time and in full."

While customers can be shaken out of their FMCG habits by change – whether that's a packaging or price alteration – straightforward research is not always enough to be able to anticipate these reactions. "Consumers aren't very good at telling you how they'll behave when you change something," says Hunt. "You have to read between the lines. Understanding that system-one subconscious, where 90% of low-interest category purchase decisions are made, is key."

The basic role of insight is in understanding consumers' explicit and implicit goals, and how the category and brand can meet them. Then, research should be used to understand what is so distinctive about your brand that it can meet these goals better than the competition. "Have that as your compass for development," says Hunt, "then you can inject an air of creativity into the proposition."

> "People aren't disloyal to brands; they're just disinterested. For customers to be loyal to brands, brands must be loyal to customers"

Perhaps most importantly, research can help brands to take the onus off the consumer to work out where a brand or product fits into their life. People aren't disloyal to brands, they're just disinterested. If loyalty is about reducing cognitive effort, brands need to be doing their part to make people interested; showing customers that they're relevant and useful to them. For customers to be loyal to brands, brands must be loyal to customers.

"This means being salient," says Dann. "It means being easy to call to mind, easy to recognise – and behaving consistently. You're dealing with an audience that are spending the vast majority of their time thinking about things unrelated to you and your sector. It's research's job to work out how brands can fit into their lives." ■

END NOTES

Chime Insight & Engagement rounds off this special report with a plea for commercial pragmatism and performance

Over the years, organisations and researchers have frequently changed the lead metrics they focus on to improve the customer experience and, ultimately, profitability. Customer Satisfaction; Customer Commitment; Customer Advocacy; Customer Loyalty; Net Promoter Score; Customer Effort – the list goes on.

The scales used have also varied, including numeric (0 to 10, 1 to 10, 1 to 5) and complex semantic scales (extreme satisfaction to extreme dissatisfaction, or even delighted to appalled). Debates have raged over the use of mid-points and how much to prompt, or whether to rely on spontaneous replies, as well as whether to include or exclude 'Don't knows'.

New techniques have come and some gone: neuroscience, big data, verbatim analysis, semiotics, and ethnography, to name a few. More objective mystery shopping programmes or audits – rather than potentially subjective measurements – are now an established part of researchers' toolkits.

However the customers' views are measured, one thing remains clear: it's what's done with the results that makes the difference. Measurement in its own right achieves nothing.

The hard truth is that – despite the many so-called advances in measurement and technique – much of the data broadly correlates. Most of us have seen individuals debate, endlessly, specific scores or data points, when the reality is that the action needed to drive performance improvements would be the same regardless of which interpretation wins over. A cynic might wonder if, sometimes, it's seen as easier to argue about the figures than to fix the problems identified.

As researchers, we have a responsibility to ensure that the methodology adopted is robust – and that any limitations are understood.

Most importantly, though, it is essential that commercial pragmatism is applied to ensure that the solutions we propose will help to deliver a return on investment by improving the customer experience that's under the microscope.

TRINITY McQUEEN
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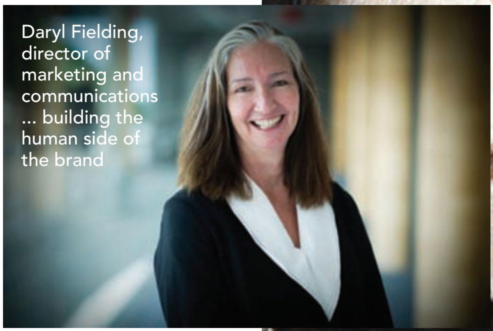
Hanging on the

Vodafone has a more serious and staid image than some of its rival mobile networks, but it is looking to balance that with a warmer message to connect humans with its services, as **Jane Simms** discovers

It's 30 years – almost to the day – that the first-ever mobile call was made in the UK, on 1st January 1985, using the Vodafone network. Since then, the fledgling mobile operator set up by Chris Gent and Gerry Whent in Newbury, Berkshire, has grown into a global colossus, with operations in 30 countries, network partners in over 50 more, and a brand worth nearly $30bn, according to Brand Finance, which ranked Vodafone as the 16th most valuable brand in the world in its Global 500 2014 league table.

Mobile is a relatively young category, and Vodafone has long enjoyed a sort of grandee status within it. But, once formal – a bit corporate and, with its bold red branding and Formula 1 sponsorship, a bit masculine – it has become warmer, friendlier, more human and accessible. Take last year's 2014 'Firefighter' ad, featuring real firemen tackling a blaze, and narrated by the wife of one of the firemen. After 27 years, she says, she still wants texts and calls from her husband to tell her he is ok, but when he does contact her it's just to ask what's for dinner. "Daft beggar," she tuts.



Daryl Fielding, director of marketing and communications ... building the human side of the brand

The ad reflects a fundamental shift in Vodafone's brand and communications strategy, explains Daryl Fielding, director of UK brand marketing and communications. "Not only does it convey a more 'human' side to the brand, but it also disrupts the trivialisation of the category," she says. As a counterpoint to the emotion, the ad also claimed that 77% of emergency services

telephone

use Vodafone, and the end-line is: 'Power to our emergency services. Power to you.'

The net effect, says Fielding, is to convey "a simple message that everyone can identify with – the importance of connectivity and the dependability of Vodafone's network."

The new, more 'engaging', approach to communications is a response to the maturing of the mobile market, she continues. "To date, mobile marketing has been driven largely by supply-side economics. But with penetration near saturation, the emphasis is increasingly on customers, and it's becoming more and more important for us to figure out how to innovate and differentiate our offering from those of our competitors."

> "Research showed the rather frivolous positioning of some of our competitors is at odds with the serious role the phone plays in people's lives"

In this new climate, customer and consumer insight has become critical. The traditional brand attributes of Vodafone evolved, almost accidentally, largely as a result of it leading the mobile network market for so long. But the new brand positioning and communications strategy are firmly underpinned by deep customer insight.

Mike Taylor, head of consumer and enterprise market research at the company, takes up the story. "You start with that old qualitative game where you 'invite brands to a party' and ask what sort of person each would be," says Taylor. "People thought Vodafone would turn up in formal wear, act a bit aloof, be a bit older than other people in the room – and while that has positives in the sense of being mature and serious, the downside is the lack of approachability. By contrast, they thought that some of the other network brands would behave like party animals and empty your drinks cabinet."

He continues: "You then start to explore the deeper meaning of what the network means to customers, and what it provides for them. And the answer coming through was that people are increasingly reliant on their mobiles. Our research showed that the rather frivolous positioning of some of our competitors is completely at odds with the very serious role that the phone plays in people's lives."

This frivolity may be appropriate for some consumer groups; but it can backfire. For

INFORMED OPINION

Vodafone increasingly uses mobile as a platform for research. Taylor explains: "Two years ago we decided smartphones were reliable enough to provide representative samples of our customers. Around 95% of all online surveys could work on a mobile device these days, and we design all our surveys now with that in mind."

Online surveys yield "a sharp response line", but the response from mobile is even better as people complete the survey immediately rather than waiting to get back to their desks, says Taylor. "We reflect that in the way we research, so rather than doing as many big field projects, we do sharper, shorter, more iterative surveys. The faster response means we can digest and assimilate the results and do two or three waves of a survey in the same time it used to take to do a traditional project."

Being able to get meaningful results within 24 to 48 hours – rather than three to seven days, as previously – "opens up whole new avenues for community and panel research," says Taylor. Vodafone now has cohort panels "ready to go," he says, explaining that it invited people to join research communities on 4G when the technology was first launched.

"We got video messages from people using 4G, about their experience of 4G, within two weeks of them joining the panel," he recalls. "That sort of feedback gives you a real proximity to consumers. Yes, they are a self-selecting group rather than a random sample, and when they've been on a panel for a while they are more 'educated'. But we get informed opinion, which is particularly valuable at early stages of development – and they are more than willing to pull apart an idea that doesn't work."

Since January 2014, Taylor has been working with Verve, a community panel research specialist, which set up a 'Vodafone Pulse' community of around 5,000 Vodafone 4G, 3G and pay-as-you-go customers.

Verve director Richie Jones says: "We've got a ready-made panel, and Mike and his team give us a range of briefs, from: 'Can you give us a quick read on this idea, is it good or bad?' to more beefy and strategic research projects."

For the past year, Verve has used the panel to do quarterly surveys of people's experience of 4G. One of the key insights to have emerged so far, says Jones, is customers' poor understanding of the number of benefits available to them with their phone contracts. "Some people want everything they can get, of course, but for some people, clearly, 'less is more'," he says.

The response rate to the Vodafone Pulse surveys is 60-65%, says Jones, compared with 35-40% for Verve's non-mobile clients. And while the community is engaged with mobile, "they are not necessarily cheerleaders for the brand".

example, when EE had a network outage last March it sent pictures of gremlins to its inconvenienced customers, compounding their annoyance. For all its new humanity, Vodafone is at pains to treat its customers with respect, explains Fielding: "Where customers feature in our ads, we are very respectful of them, and admire and celebrate what they are doing with the technology."

The new 'Vodafone Firsts' social media campaign epitomises this balance. The campaign represents a radical departure from the company's 25-year global sponsorship strategy, which it has replaced. 'Firsts' are short videos of real people doing remarkable things for the first time, enabled by technology. One of the first was 'Flying Nans', featuring two Dutch grandmothers experiencing and discussing their first-ever flight, and sharing their experience via the Vodafone network. Humorous and heart-warming, such videos not only "add warmth and humanity to the brand," says Fielding, but also "connect cleverly with the benefits of the product."

People's reliance on their mobile devices and networks is so heavy that many don't even have a landline these days, points out Taylor. And things are changing very fast. "Two years ago, standing in the middle of a field, you would only expect to be able to make a call. Today, not only do you expect to be able to call and text, but you also expect the phone to show you a map of exactly what field you are in and let you tweet about it," he says.

> "Research indicates consumer interest in smartphones might have peaked"

Both functionality and emotion have a big role to play in network marketing, claims Fielding, who disagrees that networks are essentially 'commodities'. "It is possible to differentiate on the basis of network quality," she insists. "Our Red 4G plans, for instance, are unique because of the content included – customers can choose from Spotify, Sky Sport or Netflix."

She continues: "I think it is in the gift of the category itself to determine whether or not it is commoditised," pointing out that maintaining a national network that gives people the desired coverage, ability to make and hold a call, and download video without buffering, is "harder than it looks".

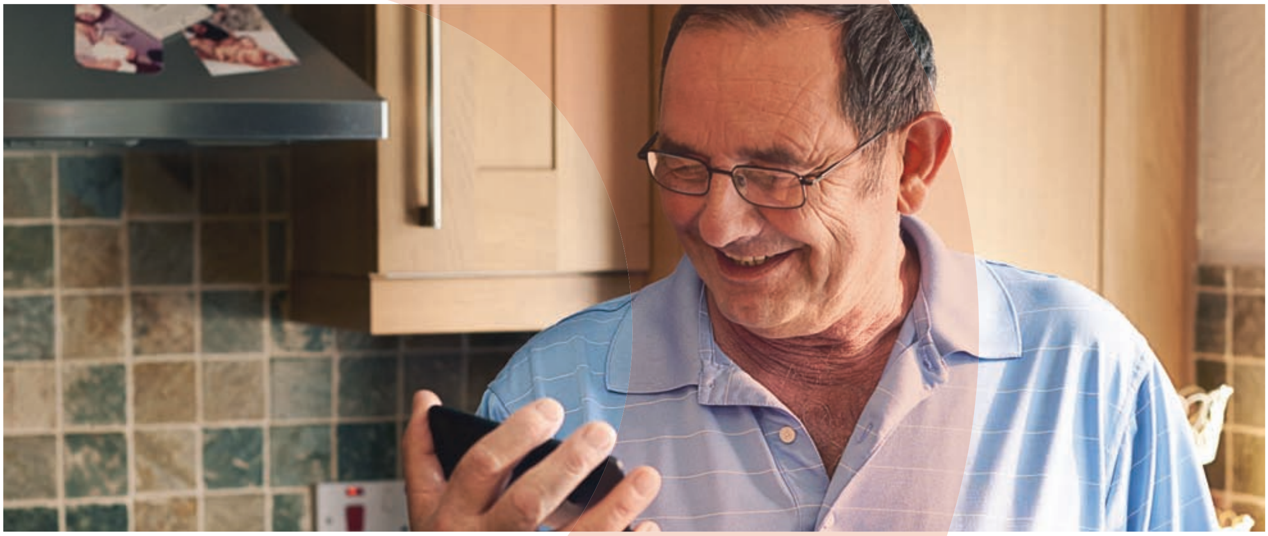
What's more, 'good network performance' means different things to different people, particularly now data has become a mass-market commodity too, observes Taylor. "Our investment in improving the network has to be more nuanced now, and we try to focus our efforts on the areas that are of most benefit to most customers."

Vodafone's 2014 ad featured a real fireman with his wife doing the voiceover

But delivering the 'boy-racer download speeds' beloved of some of Vodafone's competitors is not the answer, maintains Fielding. "The ability to make and hold a call is critical, and we are one of the few operators to talk about that," she says. It's an insight that informs all Vodafone's recent advertising, including the 'Every minute matters' executions, featuring, among other things, a new grandfather and a man talking to his dog.

What's more, while most of the consumer excitement in the mobile market has traditionally centred on the handsets, this might be about to change, notes Taylor. "Historically, the 'shiny hero' has been the smartphone, but research over the past year indicates that consumer interest in smartphones might have peaked," he says. "Some people are onto their third or fourth smartphone, and there is a sense of 'how much shinier and sexier can this box actually look?' So the handset market has matured a bit too, which has thrown the spotlight back onto where innovation is in the category. That's a great opportunity for the network providers."

He describes the network as "the oil that makes mobile communications work," adding that being able to reinforce, through advertising, the fact that Vodafone 'gets' customers' reliance on the service it provides, is important to them. He says: "Understanding what people's phones actually mean to them is a valuable insight that



The ability to make and hold calls remains critical, as promoted in the 'Every minute matters' ads

the operators who try to be shoutier and spanglier and more fun than anybody else appear to miss."

And, when translated into advertising, it works. "Our empathy with people attracts them to us, and our brand tracking measures show that customers' warmth and empathy with our brand is improving," he claims.

But infusing the Vodafone brand with more character and personality has needed careful handling, says Fielding: "It can't suddenly try to be something it isn't, because consumers won't see it as authentic."

She and her team have helped the brand to make the transition by holding onto and reinforcing one of its key elements – the 'Power to you' strapline.

> "Marketing is still about what it's always been about – customer insight, brand and getting a message across in seven words or fewer"

Some network brands go to different sections of the market in different guises – O_2 markets to chief technology officers as 'Telefonica' rather than the consumer-focused 'Be more dog', for example. By contrast, Vodafone's universal insight – people's increasing reliance on their mobiles – has allowed it to run a single communications campaign across the whole brand.

'Power to' is now used in nearly every advertisement – 'Power to the emergency services. Power to you', 'Power to the family. Power to you',' 'Power to the ones you love. Power to you', 'Power to entrepreneurs. Power to you', and so on.

"It's the first time 'Power to you' really means something," says Fielding.

The benefits of this 'unifying insight' have been even greater than the team anticipated, as Taylor explains. "In the past we have taken a slightly siloed approach to our business and consumer markets, in the belief that different things matter to each of them," he says. "But our research has found there is a lot more commonality than we assumed in terms of what they value. What's more, the two can reinforce each other; seeing businesses' reliance on the network gives consumers greater confidence in it."

The 'Firefighter' ad, he says, was "a classic example of being able to run a single ad across business and consumer markets and get real benefits." Not only was consumers' feedback very positive, "but it was also the best-reviewed ad by business customers for the past 10 years."

But while the new executions are very story-oriented, Fielding is impatient with the current obsession with storytelling, which she describes as "this year's universal paradigm for marketing". She insists: "Marketing is still essentially about what it's always been about – customer insight, brand and getting a message across, ideally in seven words or fewer."

Nevertheless, she feels if we could look back on today from a point 50 years in the future: "We would see that the broadcast era, when messages were sent out and the public lapped them up, was something of an anomaly in the history of marketing." She explains: "Marketing has normally been about individual relationships and reputations – think small-town bank. We are now reverting to a model of marketing that existed 50 or 60 years ago, albeit at a scale enabled by digital technology."

Sponsor

Room service

Luxury hotel accommodation requires a different approach to market research, as Peninsula Hotels' Rob Cheng explains to **Jo Bowman**

When executives at The Peninsula Hotels group say they take a long-term view of the market, they really do mean long-term. China's luxury hospitality brand opened its first property in Kowloon, Hong Kong, in 1928 with the ambition of creating 'the finest hotel east of Suez'. Its combination of Eastern and Western grandeur still stands out in a city now replete with luxury hotels; the property boasts a fleet of signature Rolls-Royces, its afternoon tea is legendary, and 'The Pen' remains a byword for opulence across Asia.

The Peninsula marque was launched by two brothers from Baghdad, Ellis and Elly Kadoorie, who arrived in Hong Kong via Shanghai. It remains a majority family-owned business; Sir Michael Kadoorie, the current chairman, is the third generation of family caretakers and one of his daughters recently joined the business.

"That history and family ownership really does differentiate us from everyone else, and is really at the core of the brand's DNA and ethos," says The Peninsula Hotels' vice-president of marketing Rob Cheng. "It allows us to have a very long-term view and drives everything we do. First of all, it dictates where we actually will have our hotels.

"We have a really strong philosophy of being in the most dynamic gateway cities. We're very careful and very, very patient in making sure that we have the right location and that it's in the

heart of the city. It has to be an iconic address, and the buildings and the sites themselves have to be significant enough to house a Peninsula."

Expansion has, therefore, been unhurried, to say the least. The second Peninsula hotel opened in Manila in 1976, more than 50 years after the first. The next followed comparatively quickly, with a move into the US market with The Peninsula New York – in Fifth Avenue – in 1988. Beijing came a year later, and properties have since been launched in Beverly Hills, Bangkok, Chicago, Tokyo and in Shanghai, on the historic Bund. What the group has lacked, though, has been a European presence.

That changed in August 2014, when The Peninsula Paris, in Avenue Kléber, a stone's throw from the Arc de Triomphe, opened its doors after four years of painstaking renovation and modernisation. "We had been looking in the city for about 20 years," says Cheng. "It's a beautiful heritage building that was a grand hotel when it was first built at the turn of the 20th century, and we spent a lot of time making sure that this hotel would still be relevant and

The Paris Peninsula opens its doors after four years of meticulous renovation; the Peninsula Hotels brand is renowned for its afternoon teas, bespoke fleet of Rolls-Royce cars, and traditional bellboys

> "We have a strong philosophy of being in the most dynamic gateway cities. We're careful in making sure we have the right location"

up to scratch in 50 years or 100 years. So we invested a significant amount of time, energy and resources into modernising this building while keeping the historical façade.

"We did historic research to make sure that we're true to the building's heritage and true to the craftsmanship that had gone into the original. The décor is very French; we used local designers, local architects."

Each property has to deliver on the Peninsula promise and provide consistently high standards of luxury and service, but each does that in a slightly different way, which reflects the city it's in and the different clientele of each hotel. "In Paris, we definitely err on the side of giving them a Paris experience, because a Peninsula experience is, by definition, bespoke.

"Obviously it's very high end, and catering to the clients' needs, but each hotel needs to be unique and reflective of the destination." ▸

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Stepping back, leaning forward

Research, Cheng explains, tends to be either very big picture, or focused on samples of one. For the elite sort of clientele that Peninsula properties attract, to put a 'How was your stay?' feedback card and pencil beside the bed would be a no-no.

"The formal research is limited to brand trackers," he says. "Though we do work with some of our partners, like American Express, to get a little bit more in-depth information about its members and what their habits are, and find out about its brand perceptions and purchasing behaviour through its business insights team." Understanding guests' broader needs and desires – not just what they expect from a hotel visit – is essential, he says, to understanding how to anticipate their expectations, and surprising them.

"We, at a central level, do a lot of research across the market – I, in the marketing function, talk to a lot of luxury brands and pay attention not only to the world of hospitality but the world of luxury in general, looking at fashion, retail and other fields where our clients are also consuming. We have a technology team paying attention to what's next in technology. From a high-level brand perspective, we do partner with some publishing houses and some in-market research where we test brand awareness. But in terms of the needs of clients, we're doing it the old fashioned way – paying attention to the market and talking to our customers. We haven't embarked on big quant studies just because, at this level, it's very hard to find the right methodology. We also try to be ahead of the curve, and sometimes you can't do that with research."

Observation and conversation – between staff and individual guests – are the main research tool when it comes to driving incremental innovation; that is, making the little adjustments and improvements to individual hotels' offerings that enhance the client experience. "Obviously, we don't want to send you a three-page survey after every stay so it really is based on relationships and conversations with our guests," says Cheng.

> "The kinds of changes that observation has brought about include different language settings on bedside tablets that control every aspect of a guest room"

The kinds of changes that observation has brought about include different language settings on bedside tablet computers that control every aspect of a guest room, from the curtains and temperature to the television and hotel information. "Some of our guests, who perhaps don't speak English or the local language – wouldn't it be nice if someone from Korea could operate the TV easily in their home language? Wouldn't it be nice if we could put the room service menu in Russian?"

Another change came when staff noticed a female guest blowing on her nails after a manicure. "So in Shanghai and Paris and Hong Kong, we actually have a nail dryer built into the room so our guests don't have to blow on their nails in the lift. It's

something she would never have come up with if we'd asked her, but it means we're able to surprise and delight and inspire our guests."

Throughout the group's development, the country of origin of guests has changed, leading to tweaks in the services provided, particularly as the number of travellers from China, Southeast Asia, South America and Russia increases. "At the highest end, we tend to see more similarities than differences across the different markets," says Cheng. "Of course, things like language and cuisine are things we're sensitive to. With the advent of the Chinese traveller, being an Asian brand, we do have

AT A GLANCE

PENINSULA HOTELS

- The group's first property, the flagship Peninsula Hong Kong, opened in 1928.
- Peninsula Hotels now include Shanghai, Tokyo, Beijing, New York, Chicago, Beverly Hills, Bangkok and Manila. Paris opened in summer 2014 and a site in London is under development.
- The building housing the Peninsula Paris took two years to build, before it first opened as a hotel in 1864. Its recent refurbishment took four years.
- Peninsula properties comprise more than 3,200 rooms.
- Earnings were up 17% in the first half of 2014, a rise from 14% growth in 2013.
- The performance of individual hotels varies significantly. Interim results for 2014 show revenue for the Hong Kong hotel was up 22%, while Bangkok was down 32%.

TRINITY McQUEEN
Sponsor

Chinese breakfasts. And, yes, the American or British traveller might be more interested in seeing the cultural side (of a city) and the Chinese traveller might be more interested in shopping, but that is easily taken care of at the hotel level. At the broader level, the top end doesn't have very dissimilar needs."

Special delivery

Personalisation of service is the role of staff at individual Peninsula properties, based on an approach to service that comes from management. "That ethos and long-term vision really differentiates us in terms of the physical hotels we have and I think then looking at the family ownership really drives the service element of the hotel," Cheng says. "Sir Michael (Kadoorie), who is third generation and chairman of the company, looks at every member of the Peninsula team as a member of his family. That's not your typical PR talk; it does translate into real care, which, I think, emanating from the very top, really makes every member of staff feel like they're part of something special. In turn, they're then able to give themselves fully into delivering an experience for our guests."

Individual guests' preferences are also noted, "but not in a very creepy way", says Cheng. "We're trying to do it in the more traditional way, so it's not necessarily about information in a database, but – and that's the benefit of being a small group – we talk to each other. So if we know we have a guest of Beverly Hills coming to Shanghai, the general manager of Shanghai will call the general manager of Beverly Hills and say, "We have Ms So-and-so, how can we make her stay more special?" And we have shipped candy bars and water or flowers from far-flung places to make sure that our guests feel at home. We do rely on technology, but what really makes a difference is that phone call."

> "We have shipped candy bars and water or flowers from far-flung places to make sure that our guests feel at home"

Bookings still come largely from traditional sources – travel agents, booking agencies and individuals – and, increasingly digitally. "Obviously we pay attention to TripAdvisor and social media, and I have monitoring services on all of them, and we have a head office team as well as each property dedicated to online feedback. We take it very seriously, so most reviews have a response. We treat it like a guest letter, so the general manager will write back."

The company's own understanding of what it represents, both to existing clients and potential future guests, means it doesn't use traditional market research for its communications campaigns, nor even an external advertising agency. "Our communications are focused on three points: our staff, our hotels and our cities. That's what defines Peninsula," says Cheng. "We don't research different creative. But we certainly get and appreciate feedback from our guests, so we do take that into account."

Sir Elly Kadoorie and sons; Peninsula Hotels' vice-president of marketing, Rob Cheng

Next steps

From such a slow start to expansion, the group is now growing at a comparative sprint. London is next in the roll-out plan, and an agreement with Grosvenor has been signed to acquire a site in the city centre on Hyde Park Corner. "The building itself is not interesting right now because it's an office block built in the 1960s, but the site itself – you can't get more central London than that – and it's a very large site, 1.5 acres, with views over Buckingham Palace and Hyde Park," Cheng says.

After that will come a new Peninsula in Asia; the company has bought the former headquarters of the Burma Railroad Company, in Yangon, Myanmar. "We believe in the growth and potential of Myanmar as a country, and this beautiful colonial building is right in the heart of this city that, in the past, was the gateway to India and Southeast Asia."

The group faces strong competition from other luxury hotel groups in many of its destination cities. But Cheng says while it does keep an eye on competing hotels – and invests millions in upgrades and renovations to existing properties – there is plenty of demand.

"Right now in Paris there are three other historic hotels going through renovation and for us it's great. We think cities like Paris and London can definitely take another luxury hotel."

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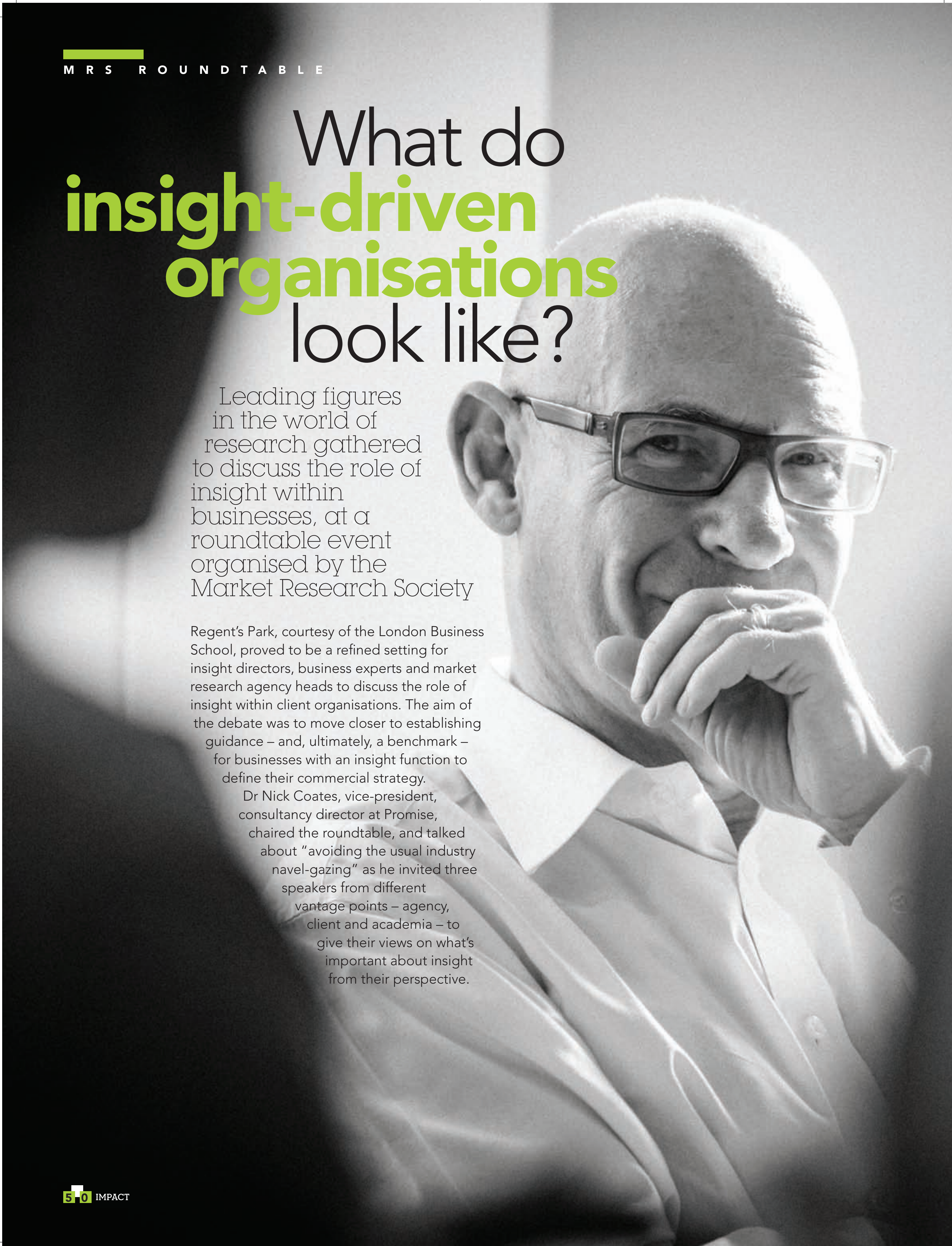


What do **insight-driven organisations** look like?

Leading figures in the world of research gathered to discuss the role of insight within businesses, at a roundtable event organised by the Market Research Society

Regent's Park, courtesy of the London Business School, proved to be a refined setting for insight directors, business experts and market research agency heads to discuss the role of insight within client organisations. The aim of the debate was to move closer to establishing guidance – and, ultimately, a benchmark – for businesses with an insight function to define their commercial strategy.

Dr Nick Coates, vice-president, consultancy director at Promise, chaired the roundtable, and talked about "avoiding the usual industry navel-gazing" as he invited three speakers from different vantage points – agency, client and academia – to give their views on what's important about insight from their perspective.

Patrick Barwise, pictured left
Emeritus professor of management and marketing at London Business School
Insight achieves nothing if it doesn't reach decision-makers and change what they do. We've got all the traditional ways of doing research and we've got new methods – ways of getting insight that are not formal market research. We have high-touch methods, such as spending time with customers, and we have big data – that wasn't collected for insight purposes, which comes out of operations – it isn't necessarily very well behaved; it's messy.

How do companies make money in the long run? You have to develop a relevant customer promise, and communicate it internally and externally. How do you know that it's relevant? You need insight

There is only one way to earn trust and that is by reliably delivering the promise. The art of brand building: A R T – 'Awareness', which marketers can create for the brand, 'Relevance', which requires insight, and 'Trust', which comes from reliably delivering the promise.

A large part of our role as insight professionals is to help people prioritise their improvement efforts. You may be trying to persuade companies to do fewer innovation projects, but make sure they are the ones that give the most benefit. Firms that are successful in the long term are relentlessly improving their offer, while making sure they can deliver it.

Then you've got the sexy bit – innovation beyond the familiar. This is the most difficult part because there are limits to how much market research can tell about how customers will respond to something beyond the current experience.

Inside all of that is 'open organisation' – making sure that the insight is valid and that it flows through an organisation and reaches the decision-makers – particularly with messages they don't want to hear; that's the real test.

Cat Wiles: "It's about the way in which insights are packaged up within an organisation. Traditionally people would look at insight/market research as the woolly bit. How do we flex our muscles from a business perspective? We have to package it up in a way that drives the business."

Tim Britton: "We fall into the mistake sometimes of thinking that it has to be the producers of the research that say in their policies what you should do within an organisation. Some organisations want to be making those decisions for themselves, and do, and that's fine. As long as we understand that that's what the client wants, it would help that research be used. For some clients, that might mean giving them a beautiful set of tables, for others, that means coming in with a one-page chart with five things that says nothing about the research, it says, 'Do this, then do that, then do that.' Both are of equal value."

Lisa Hazelden: "There's often a key process in the partnership when it comes down to the business culture. Some cultures are very accepting of insight, in others you're up against people who don't want to hear what you tell them and then it makes it a very difficult job."

Nick Coates: "There's an interesting challenge, which is how to become more multilingual and able to speak or operate at different levels, if we want to be powerful partners for organisations?"

Phil Sutcliffe: "One of the issues is what seemed to happen when research got renamed as insight in many organisations. They still did the same job, but it wasn't always delivering the true insight needed for decisions to be made. There's a lot of bad research done and I suspect that's what 25% of people are sitting there thinking: 'We spend a lot of money on this stuff and it's not impacting the organisation'."

James Holden, pictured right
Director of marketing & audiences, BBC News Group

I have five things to say about the role audience insight plays for the BBC. The first is about culture; the BBC's values are on the back of my BBC pass, and in big letters is the message: 'Audiences are at the heart of everything we do'. That's a pretty handy thing to have. The other advantage we have is that we don't have a commercial bottom line; as a result, audience insight becomes the bottom line, because it is the one consistency that you have – certainly in the UK. A lot of our ambitions are reaching and engaging audiences, including in parts of the world that maybe don't have access to free and impartial news.

Number two is people. Having the right people on the bus is fundamental. Recruitment is so important; getting external people, growing people internally with the right kind of tools, and finding people with a genuine curiosity to understand audiences better.

Number three – we must focus our resources on areas of maximum strategic or editorial decision-making; that's where we get the most bang for our buck.

Number four I call storytelling. Whether it's analytics, consumer data or metrics ratings, the information is only useful when it gets translated into a form that somebody can actually do something with it. It's about simplifying; not telling everybody everything we know, just telling them what they need to know.

Number five is being constantly open, and I don't think we've mastered it. The BBC audiences department started in 1936; we've continually had to evaluate and innovate, and I think we're only about halfway through.

To be at the top of your game, you've got to be continuously open to new theories and techniques.

DELPHI ROUNDTABLE ATTENDEES

Nick Coates
Promise – chair
Nick Baker
Quadrangle
Peter Wilson
Home Office
Nick Rich
Intercontinental Hotels Group
Colin Strong
GfK NOP
Cat Wiles
AMV BBDO
Ben Hogg
Research Now
Sara Rivas
Barclaycard
James Holden
BBC Marketing & Audiences
Patrick Barwise
London Business School
Tim Britton
YouGov
Jane Frost
Market Research Society
Alex Chruszcz
Asda
Phil Sutcliffe
TNS
Jenny Lindsay
Cancer Research
Lisa Hazelden
Direct Line Group
Oliver White

Nick Rich: "We talk about knowledge management – which you either love or hate – but it better describes where we're going. We're expected to absorb and make sense of data that wasn't designed for research purposes, and – if you move into this knowledge space – is a different sign above the door needed?"

Sara Rivas: "If insight is embedded in the strategy, there's generally a wide understanding of what it is, what it does and what the benefits are. But when the insight department is separated from the strategy, then there's no understanding from the business of the benefits. The internal PR is missing."

Peter Wilson: "You've got to be very courageous and bold, and really know the corporate agenda. To be brave enough to say: "Here are three bits of data that are going to influence this bit of key decision-making"."

Colin Strong: "All too often, research is at the bottom of the food chain. It's given to the CMO, who briefs the marketing director, who then briefs the research director, and they get someone to brief the research agency. Everybody misses out because you've got so many steps. The people executing, in client and agency, just became the execution team, rather than challenging and asking questions."

Oliver White: "We've got an environment where any idiot can go onto Google, or social media, and do market research to show you the answer to the question. As an industry, our ability to differentiate what we do from what you can find out by just listening to conversations on Mumsnet, or whatever, is quite important. We need to ask ourselves: "What is it we really do that is so differential that it deserves the cost?". I can answer that question in my own mind, but – as an industry – we fail to answer that."

Wiles: "The biggest problem is mission creep. You get quite a tight piece of research commissioned, then it goes through different people – there's a 10% compromise here, a 10% compromise there. So there's a lot of mediocre research happening – and that's down to both the research practitioner and the client. That's when we need to go back to them and ask: "What is it that you're trying to get to?'"

Alex Chruszcz: "Agencies are at the mercy of good and bad buyers. I'm lucky; I've worked for an organisation that is committed to insight and I get to talk to the board every month. They hear about issues and they act on them. I think we delivered 1,000 research projects last year. There's a level of operational trivia that you just have to deal with. Going from agency into the client side, where have I got real value from agencies? It's the ones where it is a true partnership and the agencies have evolved their teams to work with us. Agencies that have made it through the first three years have stuck."

Rich: "I don't think many companies do make the customer number one. The biggest achievement we've ever had is just giving it (insight) equal weight to financial and operational – something that the board looks at every day. Having a customer-based metric – to be the number one preferred hotel brand in the world, for example – as a business vision and statement, was a major breakthrough."

Chruszcz: "It's not just 'champion the customer' no matter what; it's making sure we understand the impact of commercial decisions. We're constantly taking costs out of everything, so we can reduce price at every opportunity. So make sure – every time you're making a decision, whether it's on checkouts or on shelves – you think about the impact on the customer."

Barwise: "You're not in the business of maximising customer happiness, because you will go bust, so you're always making trade-offs. You can meet people's needs better if you segment a lot, but that puts up your costs and so on."

Britton: "It's not 'champion the customer' – it's communicate to the customer. Putting what the customer would say, to allow the business to weigh that against the financial – or whatever the other stakeholders' point of view is."

Dr Nick Baker, pictured above

Partner and managing director of Quadrangle

What is research for? It is a means to a different end. It's to help us achieve something else – and that's often forgotten.

So there is an imperative to make sure we are demonstrating a meaningful impact on the bottom line of our clients' businesses. Connecting what we're doing within insight development to what organisations are trying to achieve.

Research is about understanding, testing, developing ideas. It's a mechanism that helps us to understand and uncover where value exists in customer relationships.

Also, it is not just about market research. There are, obviously, formal commissioned market researchers, but we also talk about ferreting about, just finding stuff out.

The amount of transactional data that many of our clients are able to provide can add a new dimension to understanding the what and the why. It's crucial we don't look down a narrow silo of formal market research. Very often the answer lies in a bit of the research and quite a lot of something else.

THINK SMALL

SMALL CHANGES, WHICH INVARIABLY REQUIRE ONLY SMALL INVESTMENTS, CAN LEAD TO BIG CHANGES IN CUSTOMER BEHAVIOUR FOR BUSINESSES – AS THE BOOK, *THE SMALL BIG*, EXPLAINS. BY **JANE BAINBRIDGE**

What could sound more tempting to businesses than the idea that they only have to make minor tweaks – be it to the wording of an ad, or the design of a loyalty card – and they can reap the rewards of significant positive customer-behaviour change?

Not much, it would seem – and it was recognition of this that led Steve Martin, Noah Goldstein and Robert Cialdini to collaborate on the book *The Small Big – small changes that spark big influence*.

Cialdini, Regents' professor emeritus of psychology and marketing at Arizona State University, has spent his professional life researching the science of influence, and laid the groundwork with his book *Influence: The Psychology of Persuasion*, first published 30 years ago. So, why now for the latest publication?

"It was something all the authors saw when we spoke of the influence process. If we ever said, 'I'm going to give you something that research shows is very small but produces a big effect', it galvanised the room. These small things are almost always costless to employ, sometimes requiring nothing more than the change of a word or two in a communication.

ACCEPTABLE RISK

"It's counterintuitive, but it provides a return on investment (RoI) advantage – a small investment that produces an outsized return is very attractive to us. The other reason for the book is that the pace, and form, of modern life has become so accelerated – as has the density of the information – that we need shortcuts more than ever to navigate our way through the overloaded daily experience," Cialdini says.

For any strategies and tactics to be implemented, it is necessary to have the buy-in of managers with responsibility for the decisions – and this is where 'the big small' concept is particularly appealing. "The nice thing about small change is that the risks are acceptable," adds Cialdini.

Most successful influence strategies occur when personal strategy is aligned to one of three motives: to make decisions efficient and rewarding; to affiliate with, and gain the approval of, others; and to allow us to be seen in a positive light.

PERSUASIVE INFLUENCE

"These are the core of any successful influence strategy. If you can align your request – and use small changes to trigger and unleash one of these motivations – the evidence is that it significantly increases the likelihood of achieving that persuasive influence," says Steve Martin, director of Influence at Work (UK).

Interestingly, the examples cited in the book show that people are generally poor at recognising what motivates their behaviour.

One study involved a group of Californian home-owners. They were asked to say which reason for conserving energy influenced their decisions, from the following four choices: it helps the environment; it protects future generations; it saves money; and many of their neighbours are conserving energy.

The one they chose most was 'to save the environment'. The least popular choice was 'many of their neighbours already are'. With this information, the researchers then randomly assigned homes with one of four signs – each employing one of the options – that was hung on their front door handles. In this way, some residents were reminded of how conserving energy saves the environment, others how it protects future generations, and so forth.

When the energy use was measured a month later, the one referencing neighbour behaviour was found to have had the most influence.

Steve Martin

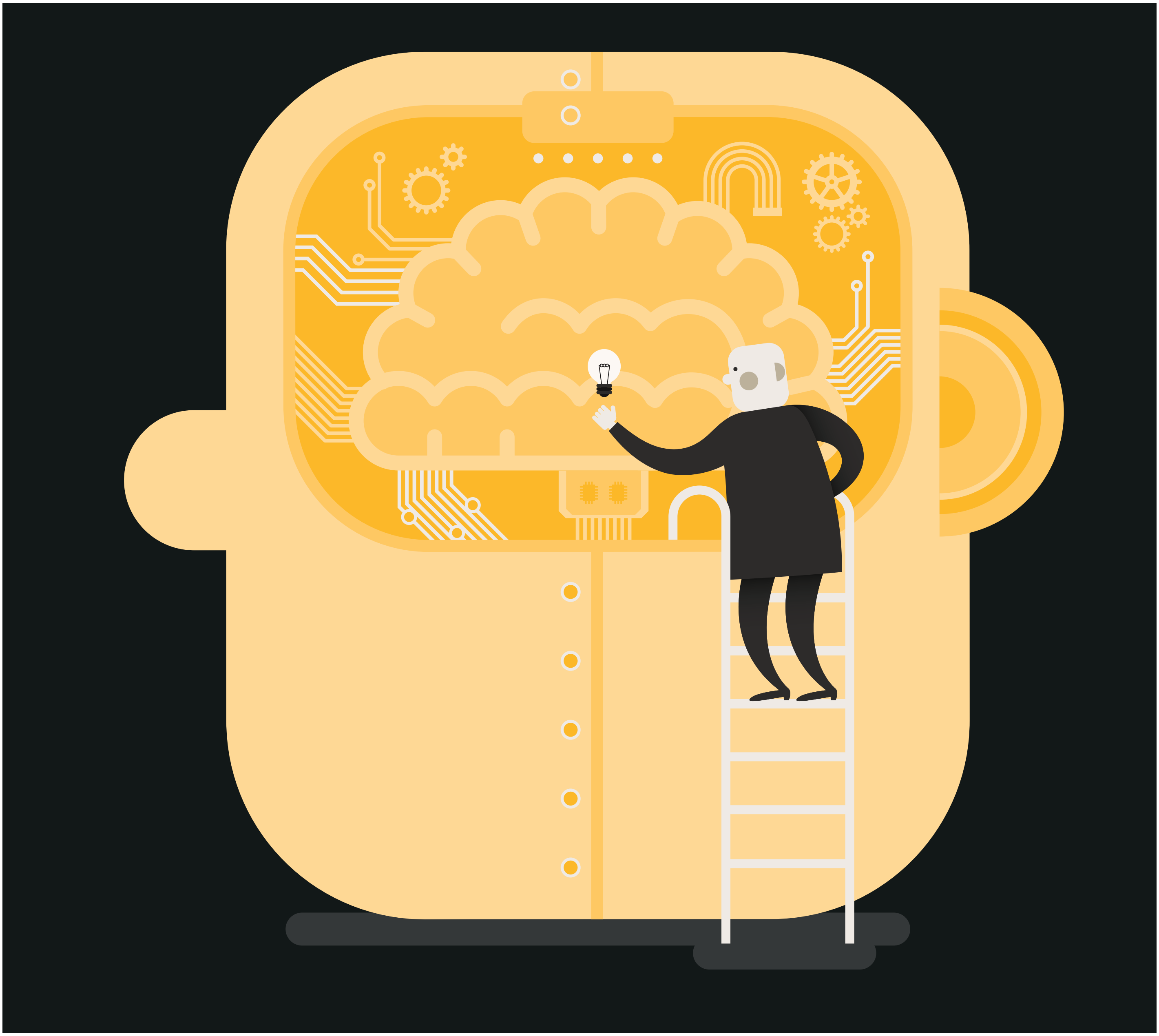
Robert Cialdini

Cialdini says: "They got the relationship completely wrong between what they thought motivated them and what did."

Martin adds: "For those in the communications industry, [this demonstrates] the potential downside of asking your customers what will influence them in the future. People are not very good at understanding what will influence them, and they are sometimes not very good at identifying what did change their opinion – even after the event."

Martin also cites a study into what motivated people to give money to subway station buskers. While people might say they gave money because they liked the song, or they were feeling generous, what was most likely to influence their donation was someone in front of them giving money.

"No one recognised it was the behaviour of someone in front that influenced their behaviour. So it can be very difficult to tap into those insights after the event," says Martin.



UNIVERSAL PRINCIPLES

These examples are demonstrations of social proof affecting influence – which is one of the six universal principles of persuasion that Cialdini first identified in his book *Influence: The Psychology of Persuasion*. The principles of persuasion are: reciprocity (people feel obliged to return favours performed for them); authority (people look to experts to show them the way); scarcity (the less available the resource, the more people want it); liking (the more that people like others, the more they want to say yes to them); consistency (people want to act consistently with their commitments and values); and social proof (people look to what others do to guide their own behaviour).

It is social proof that Cialdini thinks has changed the most in the years since his book was published.

"Technology has caused social proof – the tendency to follow the lead of those around us – to become much more prominent in directing consumer behaviour," he says.

"It's because we now have access to a range of commentary, reviews, and experiences from individuals who can testify about it, and that has elevated the principle of social proof in the hierarchy of influences.

"It's not because the influence of social proof is more powerful than it used to be; it's that we now have access to it in a way that we didn't before. I saw a statistic recently that took my breath away – 98% of online purchasers report examining customer reviews for a product or service before they buy. We can't get 98% of people to believe that the Earth is round; that tells me something about how powerful that principle is."

Social proof was used to great effect by HM Revenue and Customs (HMRC). It consulted Influence at Work to help increase the number of tax returns and payments made on time. The solution involved changing one sentence on its standard letter.

That sentence told recipients of the large number of citizens who do pay their taxes on time. The new letter, with the addition of this sentence, led to £560m of the £650m debt being collected, an 86% clearance rate (compared with the previous year of 57%).

Depending on the situation, people may want to fit with the crowd – as the HMRC example demonstrated – or stand out from it. These dual desires can be used to good effect. Another example in the book talks about how it can be used in a business merger situation, where two companies that have previously competed join forces.

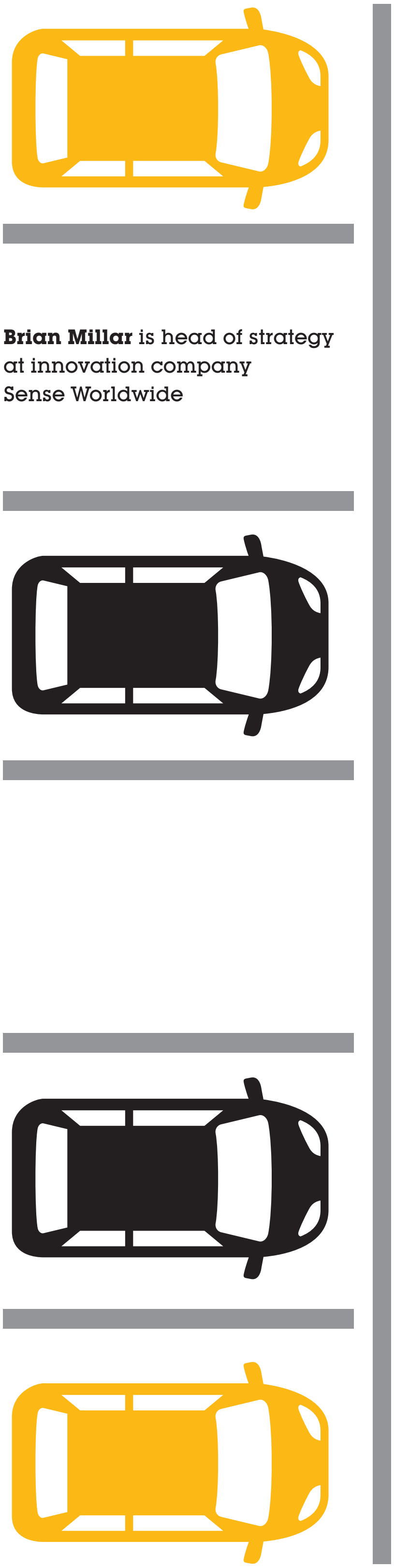
When it comes to cooperation and partnership, shared identities are important. However, to maximise the positive aspect of similarities, it is better to highlight uncommon commonalities, according to research by Adam Grant, discussed in the book – for example, focus on features shared with a new colleague that are rare to other groups. This fulfils the desire both to fit in and to stand out.

***The Small Big** – small changes that spark big influence*, **by Steve Martin, Noah Goldstein and Robert Cialdini, is published by Profile Books.**

BANKING ON RESEARCH

SENSE WORLDWIDE'S **BRIAN MILLAR** THINKS BANKERS NOW USE RESEARCH MORE CREATIVELY THAN MARKETERS

Brian Millar is head of strategy at innovation company Sense Worldwide



Just as marketers are trying to come to terms with big data, the world's most sophisticated financial minds are finding creative ways to escape from it. At Sense Worldwide, we work with consumer giants such as Nike, PepsiCo and Samsung, but we also work with private equity companies on the prowl for big takeover opportunities. I have news for the marketers out there: the bean counters are coming up with some of the most radical research briefs we've seen.

For example, one private equity company is buying daily satellite images of shopping mall car parks to predict footfall. It finds it more accurate than any econometric model. Quite a few analysts pay people to count ships and trucks. There's often little correlation between the reported amount of, say, ore coming out of a mine and the number of trucks that pull up there. A certain hedge fund legend has an even simpler way of tracking data on a coffee chain. He noticed that its receipts have a universal sales number on them. Every day, he buys a coffee and a muffin, then plugs his receipt number into a spreadsheet, and gets a pretty good estimate of sales volume. Marketers, if you want to save money on research, learn from a billionaire.

We recently worked on a large buyout for which we used social media analysis to predict future growth for the target company, and checked its quant research using our network of 5,000 influential creative thinkers around the world. The sentiment, and the thought leaders, both indicated that the brand was on the wane, even though it had reported record sales. Our private equity client factored in the marketing cost to buoy the brand back up, and passed on the sale.

So why have the spreadsheet jockeys looked up from their screens? Well, you may remember 2007, the year that the financial industry was almost destroyed by mathematical models. Nobel-prizewinning economists built valuation algorithms, such as Black-Scholes, that few truly understood.

However, a few bankers were suspicious of them. When analysts pitched high-margin mortgage products to Handelsbanken, its CEO did a radical thing. He got on a plane and went to see the homes backed by the bonds. He concluded that they'd all been bought by speculators, and passed on the deal. Handelsbanken had a good financial crisis; Bear Stearns – who bet the farm on financial models – did less well.

Say what you like about bankers, they're not stupid. They learned from their mistakes. While marketers still use qualitative research to inspire hypotheses that they take into quant, the financiers are doing the opposite. Yes, they still use surveys and algorithms, but – if they can't make sense of them in the outside world – they're rejecting them and going with their gut.

Their methodologies may sound a little weird – but when the Masters of the Universe look at the brand-valuation models touted by some of the big players, they're boggling at the idea that anybody would take that stuff seriously.

DO NOT DISTURB

ROBOT CONCIERGES, TABLET-CONTROLLED MOOD-LIGHTING AND VIRTUAL POSTCARDS ARE ALL FACILITIES AT SOME OF THE WORLD'S MOST HIGH-TECH HOTELS. BUT SMART DOESN'T HAVE TO MEAN ANTI-SOCIAL, WRITES **BRONWEN MORGAN**

The Hotel 1000 in Seattle has invested more than most in avoiding catching its guests in compromising situations; it has installed built-in infrared detectors to alert housekeeping staff as to when a room is occupied. Meanwhile at the Citizen M hotel in Amsterdam, check-in is done through a self-serve computer and each of the hotel's rooms comes equipped with a 'mood pad' that allows guests to control lighting, temperature, curtains and television to create the perfect ambience.

Closer to home, low-cost UK hotel chain Premier Inn has recently opened its first high-tech hub hotel, in London's Covent Garden. Central to its offer is a new app, which allows customers to book a room, check in, order breakfast and change the temperature or lighting in their room.

The app also acts as a kind of concierge, providing customers with a list of things to see and do, as well as recommendations for places to eat and drink in the surrounding area.

With these sorts of automated services becoming more commonplace, it seems these days you can stay in a hotel without having to exchange more than a few words with staff or fellow guests. This is in stark contrast to the thinking behind that other major trend in travel: sharing economy-style businesses such as Airbnb, which offer local recommendations and unique, sociable experiences.

But does a high-tech hotel have to mean a human-interaction-free stay? And is that what hotel guests want?

Not according to Dr Federico Casalegno of the MIT Mobile Experience Lab in Cambridge, near Boston. His team are currently working with Marriott hotels to develop a different, more social type of smart hotel.

"The hospitality industry is currently undergoing a huge transformation," says Casalegno. "Spare Room, Airbnb and mobile apps have, in the past 10-15 years really disrupted the business model of how hotels interact with clients and how they make profit."

As a result, Casalegno and his team at the Lab, which focuses its work on using personal mobile devices to "unlock potential in the physical world", are working with Marriott to attempt to innovate within the domain of hospitality. Currently, he says, this means using cutting edge technology to give Marriott guests a better experience. "We're really interested in seeing how you can design a hotel lobby or a physical space when the so-called Internet of Things is becoming more and more real," explains Casalegno. "How can you blend physical and digital data into a unique new experience?"

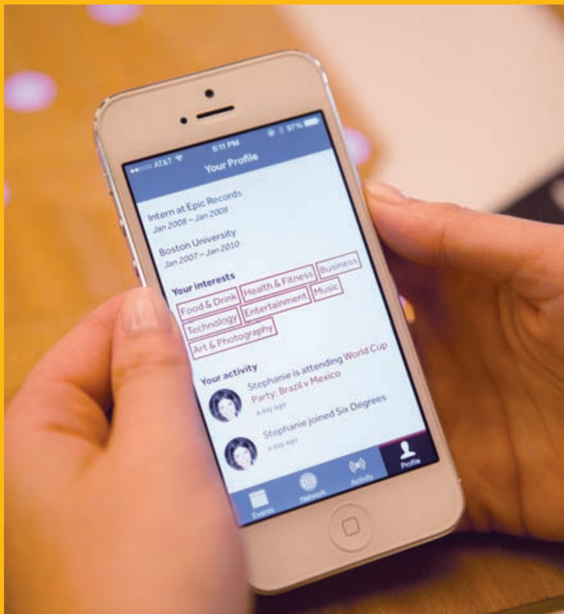
According to Casalegno, the goal of the project was not to design a smart home, or even a smart room, but instead to design a "physical space where intelligence supports social interaction and connectivity." In order to do this, the team designed a fully working prototype for the Marriott hotel in Cambridge, near MIT, that Casalegno describes as an "ecosystem of services and technology".

This ecosystem consists of three interlocking elements: a mobile app, a visualisation screen and an interactive table. The mobile app allows guests to check into the hotel – so far, so standard smart. But the difference here, compared with other high-tech hotels, is once that guest signals they've arrived at the hotel, the app looks into (with relevant permissions) the guest's social networks, such as LinkedIn, to see what potential connections could be made with other Marriott guests during their stay.

The app also asks the guest to share their interests (such as culture, food, or fitness). Then any potential connections, such as a colleague from the same company, a friend from school, or someone with the same interests, will be flagged up to the guest. The data will also appear anonymously on the centrally-located visualisation screen, and the concierge at the hotel will have access to this information in order to offer tailored services to guests.

"When we tested [the app] in the Marriott in Cambridge, the concierge saw that there were guests interested in yoga, so it hired one of most skilled yoga teachers in the city, and the hotel gave a free yoga lesson," says Casalegno. "They also saw that there were people interested in startups, so they organised a wine, cheese and startup event. This brings the notion of hospitality to a different level; hotels can customise events and host clients in a very different way."

The third element of the ecosystem is an interactive table. When a guest places their smartphone on its surface, the table glows, creating a visual display if two people sitting at it are friends, colleagues or have a shared interest. In theory, Casalegno believes that this table could, and eventually will, be replaced by any physical object – a chair or a bar could just as well support this



type of social interaction. The object itself doesn't matter, he says; it's about physical objects providing visual cues to allow strangers to connect; about objects recognising individuals personally and providing useful, tailored information.

While the current project is based on hotels, Casalegno believes it could easily expand beyond traditional hospitality to airports, shopping malls and university campuses. In the future, he believes this coming together of physical and digital data will be commonplace, and this will dictate where designers' focus should be.

"Just think, five years from now, every table, every couch, every lamp, every library could be somehow connected and able to talk to you through your watch, your mobile, or through your smart jacket.

"So how do we design for that?" ∎

REPUTATION ON THE RIGHT TRACKS

BUYING AND SELLING ON COLLABORATIVE PLATFORMS IS GROWING, AND NOW TECHNOLOGY IS BEING DEVELOPED TO CLASSIFY ONLINE REPUTATION AND SPEED UP THE PURCHASING PROCESS. **JANE BAINBRIDGE** REPORTS

The way we shop has changed irrevocably since the advent of the internet, not least because it has provided easy access to peer-to-peer buying and selling. Once limited to local jumble sales and Tupperware parties, peer-to-peer collaboration and commerce has exploded with the growth of the World Wide Web.

While this technological revolution has opened up opportunities, it builds a distance between the buyer and seller – one that's often not just geographical, but also emotional. Knowing who is reliable and can be trusted is invariably the missing stage in the process.

It was this deficiency that prompted Stephanie Griffiths, director of Alienor Studio, to start work on a tool that could track and classify people's online reputations. The tool is still in the development stage, but its working title is Good Track.

"I spend a lot of time online – shopping, and recruiting a nanny. I find the comparing and searching very complicated, but there's no quick way to evaluate the different offers you receive. For collaborative platforms, it's really backwards, despite peer to peer growing," she explains.

Good Track aims to help online buyers and sellers on collaborative platforms to have a better understanding of who to trust when making purchases. "Your reputation online might be already building – you post on Twitter and Facebook, have connections and testimonials on LinkedIn and are active on eBay or Airbnb," says Griffiths.

"We collect open and public data about people, regroup it, classify, and publish it. It's a web aggregator and syndicator – so, Google for reputation. Our algorithm collects the data that helps you build reputation. Our vision is to offer a service for people about to purchase – to check quickly if the buyer or seller selected is the right one."

As a work in progress, some of the details of Good Track have yet to be finalised – such as which business model to opt for, and how best to work with the sites to access the data. "The idea is to empower the collaborative platform, and to test the model to find the best way to work with them – we want them on our side. There are different user models; it depends which data those sites will make available," Griffiths adds.

In addition to fulfilling a personal need, the technology fits with trends that Griffiths was observing in her work with global consumer trends consultancy Future Foundation. There is 'wired guanxi', which Griffiths explains is "the idea that – at the point of purchase online – people want to be reassured, so you get things such as instant messaging and video chat to reassure you".

The other trend is 'enterprise nation' – the recession has made people rethink their jobs, and digital tools can top up their revenue or turn an idea into a business.

"The idea was underpinned by something more – I checked a lot of the quant data and trends, and it fits with the current debate on security vs privacy," says Griffiths. "The headlines are often about privacy, but – behind that – people aren't willing to share information because they don't know what they will get back, and they want to own the data.

"If you have an exchange, people are happy to share."

BLUE NOTES

A COMBINATION OF SENSORY SCIENCE AND ANCIENT ORGAN-BUILDING TECHNIQUES LED TO A UNIQUE BRAND PROPOSITION FOR DIAGEO'S JOHNNIE WALKER BLUE LABEL. BY **JANE BAINBRIDGE**

When Sam Bompas started to devise an ambitious multi-sensory project with client Diageo, his aim was anything but humble. "It was about giving people the best whisky tasting experience of their lives," says the co-founder of flavour-based experience and culinary research company Bompas & Parr.

What then unfolded was a two-year project that drew on ideas from literature, music and science and culminated in the world's first working flavour organ for Diageo's premium whisky brand, Johnnie Walker Blue Label.

The idea first came about when Bompas was talking to Diageo about taste mentoring. "A challenge is arming people with the language to articulate what's in their glass. I've been to many whisky tastings and most of them aren't that interesting. So I was thinking about how you can use the principles of rock 'n' roll and apply them to whisky," explains Bompas.

Further inspired by the likes of J-K Huysmans' novel *A Rebours,* and by Aldous Huxley, who describes a scent organ in *Brave New World*, Bompas decided to use modern techniques and technology, along with sensory science to build the instrument and "help people really understand what's in their glass of Johnnie Walker Blue Label".

The first stage was the science; Bompas contacted Charles Spence, professor of experimental psychology and head of the Crossmodal Research Laboratory at Oxford University, who specialises in how brains process sensory information. Spence has also worked with chef Heston Blumenthal on how sound can affect a sense of flavour.

Spence, and others, have been involved in research for some time to demonstrate that many crossmodal correspondences – sometimes called synaesthetic mappings – are shared by the majority of the population within a community. And if music and soundscapes correspond crossmodally with tastes and flavours (and fragrances), then playing matching sound and music while tasting could enhance that multi-sensory experience.

For instance, at the Crossmodal Research Lab various psychophysical studies into crossmodal matching have been conducted, including whether a randomly selected group of people could match aromas commonly found in wines with particular classes of musical instruments and notes. It found that participants picked notes and instruments in a non-random manner – for example, the sound of a piano proved a good match for fruity aromas of blackberry, apricot and raspberry.

"Charles' research laid out the parameters of cross modal correspondences, say

between taste and sight, and taste and sense of hearing. It allowed us to start triangulating in rhythms, tempos and sounds we needed to create to amplify people's sense of certain flavours. And then we did iterative testing with research groups to make sure we were doing it the right way," explains Bompas.

To build the instrument they called on the services of the country's oldest organ specialist, Mander Organs. The bespoke church organ took six months to build and in addition to commissioning the organ, music was composed and visual effects were also incorporated.

"[The most difficult aspect of the project] was fusing centuries-old techniques of organ building with very modern science of psychology and keeping all the interested parties on board and engaged and excited about it," says Bompas. "It was about pairing the organ builder with scientists, projectionists – and getting everyone to agree on how to do it."

Bompas says initially most time was spent on the design work and concept stage but, at the end it involved reworking and compositions. "An organ is a unique instrument; we were composing for it theoretically and we had to recompose for it when the instrument had been built."

The flavour organ – named Flavour Conductor – was first revealed last year during a Johnnie Walker experience, Symphony in Blue. Projection mapping, images and sound were incorporated to influence taste perception. So for the audience, glass of Blue Label in hand, the flavour in their mouths changed through the six essential flavour characteristics as the sound and images also changed.

This immersive experience is now on a grand tour covering Madrid, Berlin, Toronto, New York, Johannesburg, Lagos and Malaysia.

POSSIBLE EXPLANATIONS AS TO WHY CORRESPONDENCES EXIST BETWEEN SOUND AND TASTE

Common coding of stimulus intensity. The idea that we intuitively match intensity across senses: we feel brighter visual stimuli and louder sounds correspond with more intense odours and flavours.

Affective/emotional matching. We may want to match happy music with a pleasant smell because both stimuli are associated with the same emotion.

Semantic account. We feel that certain pairs of sensory impressions belong together if we use the same adjectives to describe both.

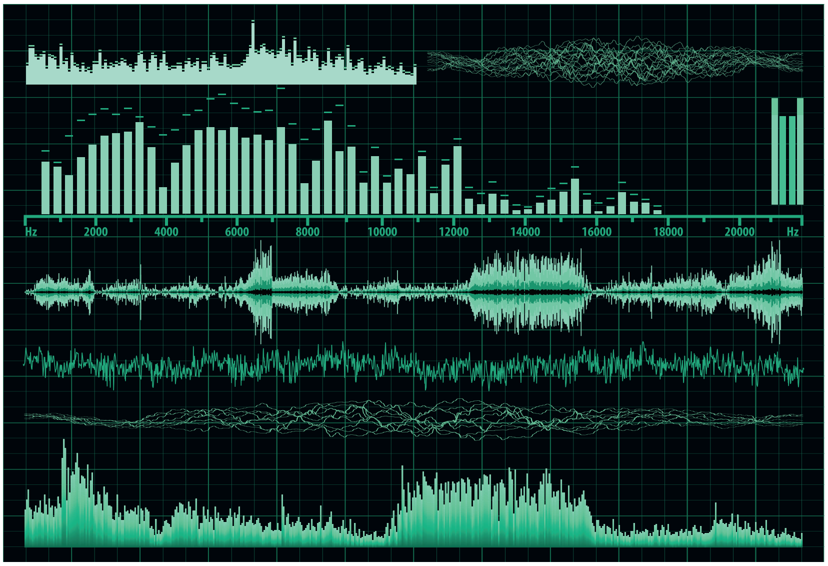
Associative learning. We pick up natural statistics of the environment; for example we associate redness with sweetness because we encounter those two co-occurring frequently in our lives.

The sensus communus. A popular early account of correspondences was that they picked up on some deeper harmony of the universe.

The semantic differential account – dimensions of connotive meaning. People can ascribe a value along a dimension that happens to be anchored by polar opposites.

Source: 'The Flavour Organ' by Professor Charles Spence

SELL TO THE RHYTHM



THE MUSIC ACCOMPANYING ADVERTISING CAN RADICALLY CHANGE ITS MOOD, BUT CAN IT HAVE AN EFFECT ON BRAND RECALL? NEW RESEARCH SUGGESTS JUST THAT. BY **BRONWEN MORGAN**

In October 2014, BBC Radio 1 DJ Zane Lowe completely re-scored the 2011 crime thriller *Drive* for a BBC project. The soundtrack had previously been described as "such an integral part of the experience of the film, once you see it, you can't imagine the film without it", so this was seen as a bold move.

The general reaction from viewers was the new score had a huge impact on the film's narrative. One critic branded it "a very different film". This doesn't come as a surprise; changing the music that accompanies a film clearly alters the overall mood and, to some degree, the interpretation of the story. But what if just minor tweaks are made to the timing of the music? Could this also have an impact on how the visual element is perceived?

Andy Rogers, a researcher at the University of Huddersfield, claims he has demonstrated there are "considerable perceptual improvements" if the synchronisation between the music and visual content, specifically of commercials, is altered by just tenths of a second.

"We found that film and TV compositions have to stick to a set of rules," says Rogers of his, and his PhD supervisor's, thinking behind the project.

"We started to wonder if there were more subtle forms of arrangement that could have a real perceptual effect."

So Rogers looked into whether he could make a difference to the benefit of advertising by nudging the audio-visual arrangement by just one video frame. He found that by aligning the transient points of music (high amplitude, short-duration sounds at the beginning of a waveform) with visual information like logos or brand messages to be recalled, a marked increase in implicit memory recall is achieved.

This effect works very clearly with volume – for example if the music has a series of loud bangs then suddenly goes quiet – says Rogers. But what's novel about his work, he claims, is that he's achieved an effect with the frequency content of music. The "ear-catching" moments he's been looking at are big changes in frequency: sounds that go from being typically low-pitched to typically high-pitched, and vice versa.

According to Rogers, this effect can be attributed to brain activity known as neuronal oscillations. "You have these background oscillations in the brain that are a way of keeping the brain efficient, so you're not constantly paying attention to everything," he says. "You become attuned to the rhythm of the music then, within that, if you have something particularly salient, 'boom', it captures your attention and resets that little oscillation."

What this means is that when the same salient point is repeated, the brain is expecting it. "The whole point of these oscillations is that your attention peaks at the right moment," says Rogers. "Your brain is trying to be efficient; it wants to get info when it knows there are salient points coming.

"If you train it properly, it becomes quite predictable as to when those attentional peaks will come."

What this ultimately means is that, in theory, if you deliver the most important information at the right time, you get better memory recall. And Rogers claims the effect is so predictable that it's reducible to a formula; he's taken pre-composed ads, displaced them according to these principles and increased recall.

Rogers has also started to think about whether this effect could work in reverse – if creating a rhythmic element in the visual aspect could create attention to an auditory track. In theory, he says, it should work the other way. He's also interested in whether normal speech – with no music – could be altered to make a difference to recall.

"Speech itself is an exceptionally rhythmic sequence. You could see if a certain pacing of vocals to deliver key information could be more memorable if you give it a certain rhythm; whether displacing words in the sequence could make a difference."

FINANCIAL RESOLVE

CRAWFORD HOLLINGWORTH LOOKS AT HOW THE SCIENCE OF SAVING MIGHT HELP WITH THOSE POST-CHRISTMAS FINANCIAL BLUES

Christmas makes us extremely good at spending money. No-one wants to be a Scrooge and surveys suggest the average household's Christmas tally is more than £800 (YouGov). This means many are forced to dip into savings or take on debt to cover the cost. The UK Money Advice Service's 2013 Christmas spending survey found that two in five people (18m of us) said they were worried about how they would afford Christmas, and one in three said they expected to start 2014 in debt because of it.

It's not surprising that many New Year's resolutions start with money: clearing debts, paying off credit cards and saving more. So here are some insights from behavioural economics to help you sort out your finances.

MENTAL ACCOUNTING

One insight from behavioural science research shows how partitioning off savings from everyday spending money has a significant impact on how much we save. Partitioning is a form of mental accounting, a concept first identified by behavioural economist Richard Thaler, co-author of *Nudge*, by which we categorise and compartmentalise money differently depending on where it comes from, where it is kept or how it is to be spent. Research shows we are more likely to be reluctant to spend money we have already mentally allocated for savings.

RULES OF THUMB

... or using them as reference points to anchor on can make managing our money and savings easier. Behavioural economist and psychologist Gerd Gigerenzer found heuristics, despite their simplicity, can be highly accurate.

Heuristics are easy to remember, so more likely to be followed. A simple decision-making shortcut to make mental accounting for savings most effective: when you have money, first pay bills and make loan repayments, second put some aside for savings and then (and only then) spend what's left. Saving is often what's left over at the end of the month. So we should reverse the process and set saved money aside for different goals earlier.

COMMITTING TO A GOAL

... can also strengthen our resolve to save or pay off debt. Asking individuals to identify a savings goal – for example money for Christmas presents or a deposit for a house – and to define a specific amount, has been shown to be successful. Similarly, outlining a clear plan to pay off loans and credit cards can also help us to feel in control and motivated. This may be because people generally feel more committed to a goal when it is specific; there's a lack of ambiguity and success or failure is easier to define.

SALIENT SAVINGS

Behavioural economists Dilip Soman and Amar Cheema found in their research in low-income households in India that people were able to save more when they attached a photograph of their children to the envelope they put their weekly savings in. These households were typically earning just 670 rupees per week (£6.60) and most only managed to put aside five rupees each week – a pitiful savings rate of 0.75%. But by the end of a 15-week trial, households using envelopes with photos on had saved 450 rupees on average – 32 rupees each week or a 4.8% savings rate. Those using only envelopes saved less – 27 rupees per week, or a savings rate of 4%.

Using the photographs meant households were also less likely to raid their savings. Images make things more salient – not only do we have an emotional response to seeing a photo, but it also helps to keep the goal front of mind.

Many financial providers put these ideas into practice with notable success. RBS/NatWest developed a savings goal tool drawing on the idea of partitioning your savings and committing to a goal using an uploaded image on the account. Its customers were saving £189 more each month than people using regular savings accounts with no explicit goals.

Similarly, the Chase Blueprint credit card has a feature called 'Split' (based on mental accounting) for customers to target specific items for repayment.

A customer's statement tracks progress using a visually appealing progress bar (behavioural science shows we feel more motivated towards a goal when we can see progress) and includes an encouraging message, further motivating repayments and a projected end date when the balance will be cleared. The credit card has one of the highest adoption rates of any Chase product.

Crawford Hollingworth is co-founder of The Behavioural Architects

Why brands should be using data analytics to inform pricing strategy

PRICE HAS A SIGNIFICANT IMPACT ON PROFITS SO, WHEN FINDING THE RIGHT POINT, COMPANIES MUST BE WILLING AND ABLE TO ANALYSE BIG DATA AND NOT JUST RELY ON CONSUMER SURVEYS, SAYS **QUENTIN MICHARD** OF EKIMETRICS

While an effective pricing strategy can instantly deliver significant returns above and beyond other marketing activities, the complexity of factors involved means price is still a lever under-managed by most companies. In fact, McKinsey recently reported that a 1% increase in the average price of a company's goods and services can result in an 8.7% rise in operating profits for a typical Global 1200 firm, if there is no impact on the volume sold.

So how can marketers identify whether an increase in price is likely to affect sales volumes? The answer lies within the data and can be very different depending on the market, the value of the brand, product lifecycles or even macroeconomics.

Companies have always started with an initial viewpoint based on internal business priorities.

Broadly speaking, companies can take one of the following three standpoints:

1. **Covering costs:** Firms take a bottom line approach where prices are set by establishing production costs and layering other cost variables and profit margins on top. However, this can be out of sync with what consumers are happy to pay and can weaken their position on the market.
2. **Competitor led:** By evaluating the competitor landscape, prices can be set accordingly. This relies on an assumption that customers will be well informed of competitor prices before making a purchasing decision. It is more appropriate for high involvement purchases such as travel and the automotive sector.
3. **Customer led:** By making incremental changes to pricing strategy and evaluating sales data, companies can search for an equilibrium that delivers optimal revenues.

KEY PERFORMANCE INDICATORS

REVENUE FOR NINE MONTHS ENDING SEPTEMBER 30, UNLESS OTHERWISE STATED

ComScore
$239m ▲ 14%
Forrester
$231.4m ▲ 5%
Gartner
$1.4bn ▲ 14%
GfK
€1.1bn ▼ 3.2%
IMS Health
$2bn ▲ 5.8%
Ipsos
€1.2bn ▼ 4.4%
Nielsen
$4.7bn ▲ 13.8%
Rentrak
$25.2m ▲ 42%*
WPP
£8.2bn ▲ 2.8%

*Three months ended September 30

This approach has always been the trickiest to establish for companies which have only relied on qualitative consumer studies to evaluate their willingness to pay.

These three approaches are far from foolproof and need to be assessed constantly, particularly on customer willingness to pay.

Surprisingly, until recently many organisations had very rudimentary methods of assessing the effectiveness of their pricing decisions. Often their only route was a reliance on consumer surveys to assist 'gut feel' pricing strategies. These methods were unreliable and responsive, leading to a cascading issue where brand marketers would struggle to build a cohesive strategy synced with price. The data revolution and the use of statistical methodologies have allowed companies to break this premise.

Making the data work for you

There has been a rapid change over the past few years, where mathematical modelling has come to the fore. Developed from principles applied for investment trading on Wall Street and statistical algorithms, dedicated tools have brought pricing to the top table.

With transactional data, typically over the past two to five years, it becomes possible to analyse the real price sensitivity for any product within a portfolio, and various customer catchment areas.

This first step in any analysis is crucial and sets out to answer the first question: what will be the impact of a price change on sales volumes?

The next step is to simulate thousands of 'what if' scenarios integrating exogenous factors such as macroeconomics, exchange rates, innovations or competitive environment. The last step involves the final choice of a winning scenario, taking into account multiple constraints and prior objectives of the decision makers.

The importance of human instinct

With the wealth of data available, it is easy to forget that human instinct, experience and knowledge counts for so much (and will continue to do so), despite the sophistication of the analysis techniques on offer.

The consultants involved in statistical analysis need to be marketers, with a strong strategic understanding of a client's market sector, the competition, and the social, economic and cultural factors that are likely to affect pricing. Unlike pure maths, statistics and pricing analysis algorithms need to be built from the ground up.

Navigating the tricky issue of brand equity is vital. A careful balance is essential to maintain long-term brand equity with high prices while still ensuring that prices are aggressive locally to support short-term marketing objectives.

Selecting the time to understand the key business issues is also important. Typically, analyses are requested and performed either in line with a campaign/product launch or as part of a regular process. Whichever is chosen, usually the aim is to plan and start to refine the operation a month prior to running the optimisation. This process has multiple benefits, from optimising profit on a product portfolio, to defending the market share of a specific product without killing the margins, or helping a company adjust its pricing strategy after a change in tax law.

Variance across sectors

In many sectors promotional addicts who exhibit low loyalty, but respond well to deals and price promotions, are easily identified, while in other sectors these factors are less important and universal pricing decisions can be adopted. Within tourism and the automotive sectors, for example, there is often high sensitivity and competition to make the right pricing decisions.

Car manufacturers have been fighting aggressively for market share for a long time, leading to the need to preserve volume of sales. Price wars have resulted in a situation where manufacturers simply looking to preserve market share have seen a negative impact on profits.

In luxury goods, pricing strategies must take into account the differing local demands within different countries, and particularly emerging countries. 'Global shoppers' have emerged who – if clever enough about what they are looking to purchase – may be able to fly to other countries close by to shop, with the flight ticket costing less than the money they save.

For fast-moving consumer goods (FMCG) brands it is difficult to control the eventual price to the consumer, as they are set by distributors. Consequently, distributors (and retailers) should be told why the product should be priced at a specific price point. Data analysis can easily assist in this positioning process by adding strong proof points for the suggested approach.

So, when building a strategic pricing strategy, ensure that you can assimilate your data assets quickly and efficiently. Each solution should be built from the ground up, and your team should be able to explain the analysis from a marketer's viewpoint. Even if the statistical analysis is particularly detailed, the principles used should make logical sense. With returns typically generating a 1-5% increase in profits, those hiding behind consumer surveys are not likely to stand the test of time.

Quentin Michard, managing director of marketing analysis consultancy, Ekimetrics UK

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Growing from the seed of an idea

LIVINGLENS CO-FOUNDER **CARL WONG** GIVES A FIRST-HAND ACCOUNT OF THE PROCESSES INVOLVED IN SECURING FUNDING

LivingLens is like Google for your organisation's video content. We give you the power to search the spoken word; type in X, and get to X immediately within your video content, in any language. We can also capture directed consumer video via our suite of Smartphone apps.

LivingLens grew from the seed of an idea on how to combat the difficulties that video presents to the market research industry, and generate real value from it. Having spent the past 15 years in the industry, I recognised the value of the idea, but realised that the build and reaching out to the right people in the right businesses was another kettle of fish.

THE BIGGER PICTURE

My co-founder, David Woods, and I scraped together enough money to build a working prototype, but realised we needed substantially more to capitalise on the opportunity. After a particularly unproductive appointment at the bank – think 'computer says no' scenario – we concluded that banks are not for start-ups, no matter how great your proposition.

Cue, the bigger picture... I started to think about whether we could get equity investment to kick-start LivingLens, and how on earth to go about it. To fill my knowledge gap, I enrolled on a government-funded programme: Growth Accelerator, specifically the Access to Finance module.

It gave me the know-how and confidence to approach potential seed investors, starting with the obvious: the world's largest research companies. When contacting investors and clients, we knew we mustn't be fearful of our product being taken and copied, an important take-away from the Growth Accelerator experience. Essentially, large companies are too preoccupied with their own business to develop the know-how, agility or desire to copy your idea. However, if they recognise value in your solution they will work with you to make it happen.

COLLIDER PROGRAMME

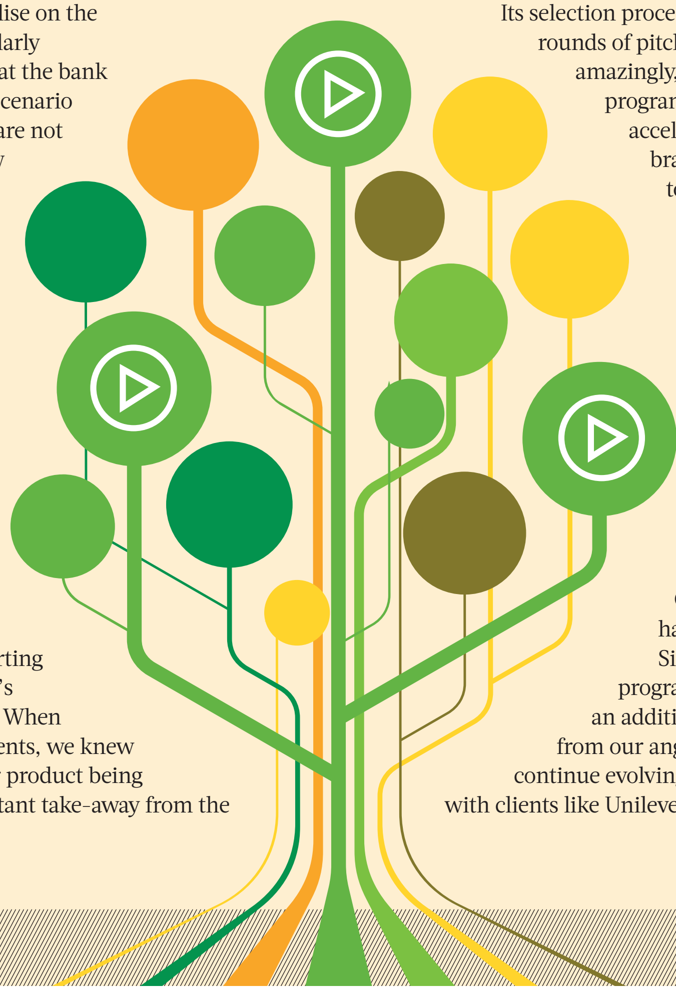
We explored the tech start-up scene – TechNews, TechHub, Google Campus and networking around Silicon Roundabout – which all pointed us back to Collider.

Collider is an accelerator dedicated to start-ups that help brands understand, engage with and sell to customers. By mobilising a pot of cash, a crack team of coaches, and an intensive programme, it supports start-ups in becoming sustainable, high-growth businesses.

Its focus is on the sweet spot between start-ups and brands, and the commercial benefits they bring to one other. It invests specifically in technology start-ups that are building disruptive platforms, products and services. Its selection process is tough, involving several rounds of pitching on paper and in person; amazingly, we got through. The Collider programme has enabled us to accelerate our proposition, meet brands that have introduced us to their worlds, and shown us how we could add value, and build our strategy and financial acumen.

The market research industry is ripe for the introduction of new disruptive technologies that lead to more insight, greater commercial line of sight and more creative thinking. And it turns out that there are businesses and people, like the folk at Collider, who can help make it happen.

Since exiting the Collider programme in May, we have secured an additional £200K round of funding from our angel investors to allow us to continue evolving and have started working with clients like Unilever and Vision Critical.



Q&A

What was most difficult about the process?
Preparing and polishing our pitch and materials. You must be able to impress and persuade in two minutes. Aside from that, developing our technology roadmap and team have been tough. Initially it was difficult to shift my perspective from my previous experience of running a business to survive, to thinking much bigger.

What went better than you anticipated?
The ambition and commitment shown by all. Senior, knowledgeable people have given us lots of their time to help us succeed. Collider has facilitated face time with very important client-side people. The 'collide and accelerate' descriptions are apt – I feel like we've done three years of thinking, decision-making and evolving in less than six months.

What advice would you pass on to others?
I cannot emphasise enough the mastery of pitching your business in two-five minutes, with and without slides and demos. Know your industry inside out to instil confidence in your investors and clients. Listen to advice and follow the principles of *The Mom Test* by Rob Fitzpatrick – it's been a revelation to me. Your team must be balanced; a good start-up team should cover industry knowledge, delivery skills and tech coding ability. Think big, investors are only interested if your product is scalable.

Specifics for the research industry?
The market research industry is a blind spot for most angel investors, accelerators and venture capitalists. Its scale, reason for being, typical way market research is applied and why, is unknown territory for these people. We've needed to educate them about our industry.

How did the two stages of your funding differ?
The funding round at Collider was a defined pitching process with a clear offer at the end of it. With the angel investment round we needed to convince those who we had met on our Collider journey, and others who hadn't seen us evolve, to put their hands in their pockets. It was more of a 'game' – potential investors would signal their interest and then wait to see who jumped in first.

Did you approach each angel individually?
Every angel needs to be approached individually and kept informed as to who else is interested or investing. There is little point in discretion so we were (relatively) open about this as many of them know each other, have worked together or invested together; just like the movers and shakers in MR Land, it's a smaller world than you think.

Carl Wong is co-founder of LivingLens

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OMNIBUS

Data date

DATA ANALYSIS HAS CHANGED THE COURSE OF MARKETING, BUT **CHRISTIAN RUDDER** USES IT TO CHANGE THE COURSE OF RELATIONSHIPS.
BY *JANE BAINBRIDGE*

Here's a bit of advice: use unusual salutations and avoid references to God if you want to get a response when looking for romance online. While these may sound like arbitrary self-help musings they are, in actual fact, supported by hard data and detailed analysis of more than 500,000 first contacts on an online dating site. Apologies to those who prefer sentiment to science to unlock the secret of true love.

But who would analyse data in such a way, and for an online dating site of all things? Meet Christian Rudder, co-founder, president and data cruncher extraordinaire for OKCupid and author of the book *Dataclysm: Who We Are (When We Think No One's Looking)*.

A Harvard maths graduate, he – along with his co-founders and fellow mathematicians – turned his maths knowledge into algorithms and insight, to add a touch of analytics to the world of match-making.

It's proven a lucrative venture. In 2011 match.com bought OKCupid for $50 million. But Rudder's early ambition when setting up the site was relatively modest.

"We wanted to do something that involved people and how to bring people together was an interesting problem. That was a challenge. And it wasn't putting people out of business; we weren't into disruption particularly," he says.

FORMULA FOR LOVE

Rudder is the embodiment of how a digital world has changed the career prospects for so many people. There was a time when being a maths graduate would lead to some very specific career paths. But now, as data and analysis have become a bigger part of the world, with even the more traditionally creative industries needing these requirements, mathematicians are called upon in a much wider sphere.

Using algorithms to create matches between people signing up to the site has been central to the success of

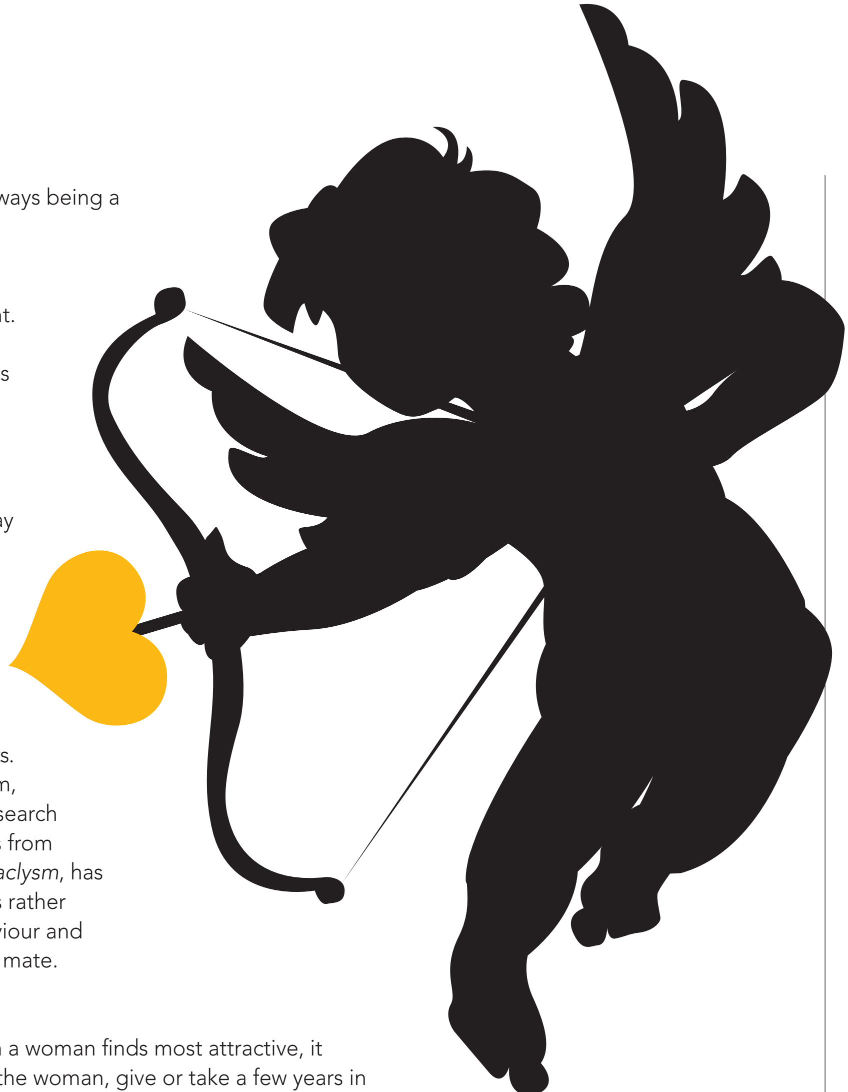
OKCupid. But Rudder is honest about this always being a work-in-progress.

"Whenever algorithms are used – for any recommendation sites such as Netflix or Facebook for instance – it's never exactly right. It can always get better. There's no provable way to recommend, so the algorithm is always in flux. What we use now is better than it was 10 years ago and it'll probably be better in another 10 years. Also we don't think of a matching algorithm on its own – it's not just the recommendation – it's also how we display photos, the visual and verbal cues," he says.

So I wonder if Rudder has experienced any backlash to his venture – that people didn't want a maths formula to have a role in falling in love?

"OKCupid has never got any user complaints; people know what we do and we are transparent about the process," he retorts.

As well as leading OKCupid's analytics team, Rudder writes the blog OKTrends, sharing research and insights based on statistical observations from OkCupid data. This, along with his book *Dataclysm*, has thrown up some fascinating – and sometimes rather disturbing – insights into online dating behaviour and people's preferences when looking for a soul mate.



HELPING TO ORDER PEOPLE

For instance, when looking at the age of men a woman finds most attractive, it increases pretty much in line with the age of the woman, give or take a few years in either direction. For men, however, no matter whether they are 20 or 50 years old, they will point to women in their early 20s.

To make matches, people signed up to OKCupid are asked questions, with users answering on average about 300. Which questions are most important is in the hands of the responders, not the site. "We wanted to make it so users decide what appeals to them," says Rudder. As people indicate answers that they consider a good match there is the danger of it leading to a very prescriptive ideal.

However Rudder points to questions such as 'Do you like scary movies?' and 'Have you ever travelled alone to another country?' as being particularly good at predicting the success of a match. Apparently for about three quarters of long-term couples brought together via OKCupid, both parties answered these two questions in the same way.

So what, in terms of the bigger picture, has OKCupid taught Rudder about love and romance? "I've learnt first-hand how judgemental people can be. I'm married now, but when I was single you move from one person to the next, all involving judgements and decision-making. I think back to the people I talked to and dismissed and now I see it online," he says.

But he is keen to point out that once the initial 'sorting' is done online, it's in the real world that relationships are made. "OKCupid is about love and sex and that happens in person, not online," he says.

"There's no mathematical secret [to a good relationship]; it's different for each person – you see the dos and don'ts in magazines, but there's no outside source that can tell you how to run your life. What we do is help order people.

"We don't explicitly use neuroscience – my point is there's no good or bad match – users choose for themselves, it's just a ranking. Someone with a 25% match could be perfect for you. It's a way to compare people so the goal is always that they decide themselves," he adds.

Rudder has become a champion of data interpolation and the way in which insight can be gleaned from it – and he's not afraid to take on the difficult topics sometimes associated with that.

So when in June last year the research and marketing community found some of its practices uncomfortably scrutinised – following Facebook admitting to altering the tone of people's news feeds and monitoring the impact on their subsequent posts – Rudder dealt with the issue head-on.

While some of the public were angry about this 'emotional manipulation' and the research community debated furiously on the ethics of such an exercise, Rudder wrote a post on OKTrends entitled 'We Experiment on Human Beings'. In it he said "We noticed recently that people didn't like it when Facebook 'experimented' with its news feed. Even the FTC is getting involved. But guess what, everybody: if you use the internet, you're the subject of hundreds of experiments at any given time, on every site. That's how websites work."

Talking about the controversy now, Rudder says "it sucks people misunderstood it" but "one positive upshot is people are more aware".

MORE CHOICE

"For both Facebook and us, it was so distorted by people who are motivated by – and whose job it is to generate – moral outrage. We were just changing a couple of numbers on a page. If we notice the algorithm may not be working, we'd make adjustments," he says.

But experimentation aside, online dating – be it aided by mathematical algorithms or managed in a less data-orientated way – has become as much a part of meeting a potential partner as going to a bar. So will the rise of online dating have much bigger implications for society in the long run? For instance if, as Rudder's data shows, looks matter more online than in real life, and that men go for younger women, for example – will online ultimately have real effects on the way people form relationships?

"It is changing the way people get together – it's giving them more choice. You could see this as a bad thing and say when there's more choice, there's always another option and that online dating exacerbates it. Or you could see it as a positive thing, and say people end up with more solid relationships because they have more choice to select their true match from," he says.

If it does have an impact, it'll be beyond Rudder's lifetime before it becomes apparent. "Only time will tell and human urges develop over millennia," he says.

THE JOB MARKET

MID-LIFE CRISIS?

Senior researchers approaching the mid-point of their working life must ask themselves some challenging questions of their path, says Sinead Hasson

Although 20 years is a long time in any industry, in the early days, hopping from one role to another barely raises an eyebrow. A healthy ascension through the junior ranks to a position of seniority is a challenging and gratifying journey.

But what then? Many find that the higher they climb, the harder it becomes to keep moving up. Then, arresting questions start to set in. Is this level enough? Am I satisfied? Am I still learning? Have I hit a career plateau? *What's next?*

At some point, all researchers have found themselves re-evaluating what they want from their careers, having concluded past ambitions no longer fit with their current way of thinking. The triggers here are varied; priorities can change dramatically over a decade or two. Economic conditions, personal relationships, children, housing, travel, even hobbies can instil a new way of looking at the working world. Others simply find that life higher up the ladder is different, somehow, to what they expected. Whatever the reason, switching jobs after 20 years is likely to have a greater impact than it did before. With this in mind, if you're mulling a change, it's more important than ever to get it right.

It's a popular misconception among 'mid-termers' that research employers are only interested in young rising talent. Such candidates would do well to remember that diversity is not only about gender and ethnicity, it's about age and experience too. Sure, an employer will assess both early and mid-term candidates for ambition, but when level pegging, a skillset battle-hardened by real world experiences counts for a lot. Remember, too, that today's insight professionals are being recruited by a much broader spectrum of organisations than in previous years, so a practical appreciation of how research and insight can be used for the benefit of the whole business, is becoming increasingly attractive. And that's hardly something that can be picked up while learning the ropes.

> "...remember that diversity is not only about gender and ethnicity, it's about age and experience too"

Performing a brutally honest self-appraisal can be an invaluable and revealing process, and one that I highly recommend. Treat yourself like a research brief. Define your personal objectives. Be ruthless about your current chances of reaching them. This will help to define precisely what it is you are you looking to change. Is it more pay? More responsibility? Greater diversity? Perhaps it's less of something. Less responsibility. Less time in the office. Less rigidity.

Don't fall into the trap of using experience as the only string to your bow. If your skills and methodologies need a refresh, then take the courses. This will boost both your confidence and employability. A strong personal brand can also make a difference. How visible and how credible are you online? It's true that age loosely tallies with social media use, but this is the digital age, so you absolutely must give LinkedIn the same attention as your résumé. You may not have the time to engage in LinkedIn groups, but your profile page should be exemplary. Companies will seek you out on other channels, too, so if you are locatable in the Twittersphere, make sure you have something relevant and interesting to say. Blogging provides a window into your expertise and opinion, but also takes time. Employers don't like half-measures, so do, or do not.

Offline, engaging in industry conferences and networking events can reinvigorate your contacts book and generate opportunities. Don't forget, too, that it's possible to remain in the industry without being on the frontline. Now, more than ever, research and insight skills are transferable to related business functions.

Our industry will continue to be influenced by advances in both technology and methodology. Researchers, at all levels, must keep their skills sharp if they want to keep pace. Mid-termers that attend to this put themselves in a commanding position. Experience still counts, even in this brave new world.

Sinead Hasson (@SineadH) is founder and managing director of recruitment consultancy Hasson Associates.

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LOOKING TO THE FUTURE

REVISED DATA PROTECTION LEGISLATION WILL IMPACT RESEARCH AGENCIES AND CLIENTS ALIKE. **DEBRAH HARDING** HIGHLIGHTS SOME OF THE KEY AREAS OF CONSIDERATION

Debrah Harding is chief operating officer of MRS and vice-president of EFAMRO

This year is likely to be a crucial year for legislative developments, notably the very protracted discussions on the revised data protection regulation. Some clear decisions will be made, although 2017 still remains the earliest likely date that the legislation will come into force.

Critical discussions on the wording of the draft regulation are currently taking place, and the research sector is making its case to all the relevant national and European parties. The likelihood is, due to much bigger considerations – the concerns about the impact of social media and the mass surveillance revealed by Edward Snowden – that the regulation is going to be much tougher than the current directive, and research may well be affected. The current focus for those making the representations on behalf of research, EFAMRO and ESOMAR, is about gaining as much traction for research as possible against the backdrop of the big issues.

At this point, rather than try and predict what might happen – and we can't rule out another Snowden-like wallop hitting from left field – I thought I would take the opportunity to recommend what research suppliers and clients should be thinking about in view of the likely future legislative changes.

TRUST AND THE SOCIAL CONTRACT

Last year the Global Research Business Network (GRBN) launched a new personal data study, sponsored by Research Now, to track perceptions of data across Europe, Asia Pacific and the Americas. The European picture is not particularly encouraging with an average of 25% (across the nine European countries surveyed) stating they were very concerned with how data is collected and used. Worryingly for research, on average three in 10 said they had low trust in the market research industry not to misuse their personal data.

Participants are also increasingly aware of the value of their data, and are making much more nuanced decisions about who they are willing to share it with, and on what basis. A study by Orange, The Future of Digital Trust, identified that consumers attribute a value of approximately €15 to an individual piece of data with a brand they know. This increases to approximately €19 for unfamiliar organisations.

Compounding this are the data scandals which have been a common feature of the past few years, although the nature of these is evolving. Data losses and cyber-attacks are still very much in evidence, but now pressure is coming via customers, whether it be in response to privacy setting changes (Facebook *et al*) or ill thought-out data use changes such as the NHS care. data programme.

TRANSPARENCY

The growing sense of imbalance in the data-sharing relationship between consumers (and citizens) and business, the deterioration in trust, and the commoditisation of personal data, all point to a future where diminishing numbers of people are willing to participate in research or allow their data to be shared with researchers.

To stem this tide, organisations should be thinking about how they can strengthen trust in their brands, with a

strong and clear 'Social Contract' with their customers. This does not mean making changes to terms and conditions. This is the necessary legal backstop for any organisation, but it does not engage customers, nor does it inform them.

Companies that get ahead of the trust agenda – tell their customers up-front what they do, what they won't do and how they protect customers – are likely to be in a much better position as we enter the next phase of our digital lives.

PRIVACY-CENTRIC

One of the early discussions at the start of the data protection revision process was the concept of 'privacy by design', an approach to product and service developments that promotes privacy and data protection compliance from the outset. Although this is unlikely to be an explicit requirement in the new regulation, the concept of taking a 'privacy-centric' approach remains a valid one, particularly in light of the need to build trust. This requires integrating privacy considerations into existing research approaches, and ensuring that privacy is a key consideration for any new products and services that are developed.

RISK, ACCOUNTABILITY AND CONTROL

The 'privacy by design' approach is also a risk management approach. Designing products and services with privacy as a central plank can enable potential problems to be identified at an early stage, increases privacy awareness and reduces the likelihood of inadvertent breaches. This approach, however, must also cascade throughout the research and data supply-chain to be effective. To be successful, strong supply-chain management, knowing how suppliers are delivering services, monitoring supplier delivery and awareness of outsourcing by suppliers, will all be essential.

STAFF

Finally the continuous and broad development of staff will be fundamental. The above approaches can only succeed if staff are appropriately trained and fully engaged within the process.

If I am wrong about the likely changes, *mea culpa* (I am no Nostradamus), but irrespective of what kind of regulation we end up with, I believe the characteristics I have discussed will be essential for organisations that wish to flourish in the new economy. ■

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Making the news in 2015

By the time you read this, Christmas will seem, well, a year ago, and eyes will be firmly set on the months ahead. Before we rush into the next set of challenges, I hope that many of you will still be luxuriating in the afterglow of the MRS Awards 2014. Try to keep hold and nurture that sense of pride and achievement for a few weeks more.

There was certainly a sense of pride in our sector around the table at the Delphi Group event (see p50). Defining what it means to be 'insight-driven' will help unlock the commercial potential of research for any business. MRS will be launching a benchmarking tool later this year that clients can use to measure their progress and identify areas to develop.

Meanwhile, 2015 is rich with high profile events and talking points that highlight the purpose and potential of our sector – notably the 800th anniversary of Magna Carta and the UK general elections. So expect MRS to be making the news on a regular basis.

You should have received a programme for the MRS Annual Conference with this magazine. It's a thrilling line-up, which underlines that we've not only got a lot to look forward to, but we've also got a lot to be talking about.

I look forward to working with you to ensure 2015 is the year that the research sector takes its rightful place under the spotlight, and enjoys the warm afterglow of success it deserves.

Happy New Year.

Jane Frost CBE, chief executive, MRS
jane.frost@mrs.org.uk

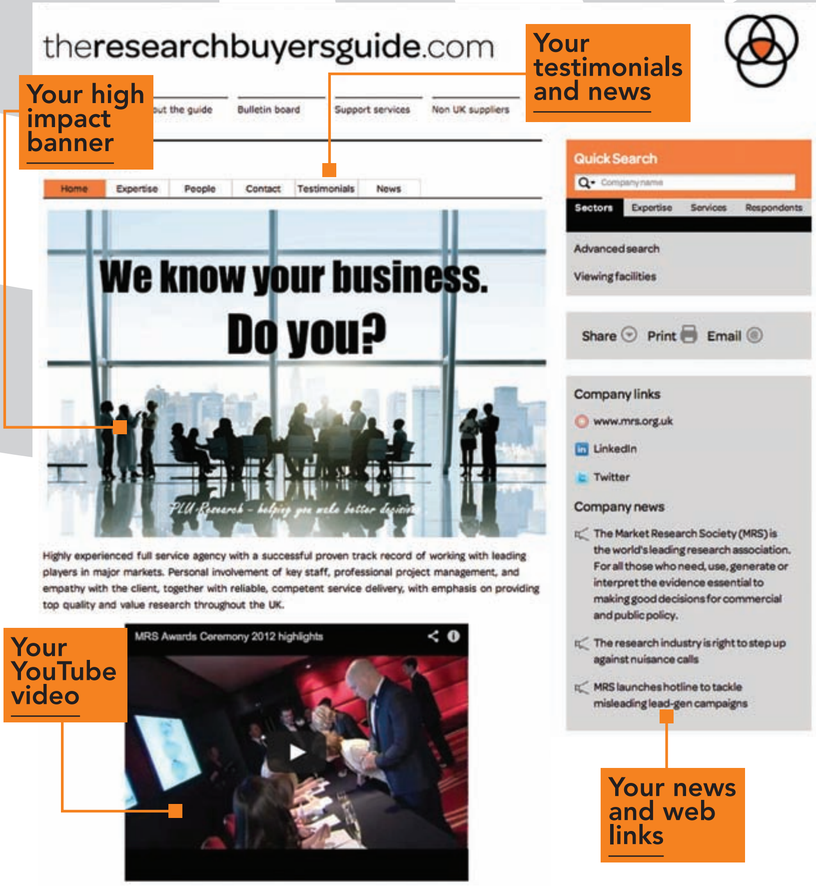
MY SOCIETY

How the agency client relationship needs to change

"I visualise a day when research agencies have become marketing consultants, joined at the hip with a client, and working with a brand on an on-going basis."

Don't miss our interview with Stan Sthanunathan, senior vice-president, consumer & market at Unilever. Stan also discusses the potential and pitfalls of social media research and big data.

Watch the interview at mrs.org.uk/unilever



Optimise your company listing

With the print edition of the Research Buyer's Guide 2015 in the post, it's time to turn your attention to your company listing on theresearchbuyersguide.com.

You can now publish your own press releases and other news straight to the website, throughout the year. Providing topical content will drive a lot more traffic to the site, turning theresearchbuyersguide.com into a destination for industry news, rather than just a directory.

Access your pages via the same web link that you use for your print listing. You can add your social media links, YouTube videos and high impact banners too.

An early bird rate applies if you optimise your company pages before the end of February.

See online at theresearchbuyersguide.com/optimise

New in MyMRS

All MRS members should create their own web account at mrs.org.uk/mymrs to access premium content and services, and manage their account

- Latest social media measurement case studies from the #ipasocialworks initiative
- A two-part interview with Edwina Dunn, Tesco Clubcard pioneer, on the data skills crisis
- *Impact* magazine archive - all the previous issues available in digital format

Calendar

Member events

January
12 – Let's talk about loneliness

February
9 – Hook, line and thinker: Communicating insight

March
4 – IJMR Lecture
11 – Watching the Wealthy: How understanding the few can predict the behaviour of many

Training highlights

February
6 – Introduction to Gamification
This workshop will help attendees understand how gamification can be used to electrify surveys and boost response rates.

26-27 – Statistical Methods Masterclass
A practical understanding of statistical techniques that will transform your ability to use research data and deliver insight to clients.

March
24-26 – Essentials of Qualitative Research
All aspects of the qual research process, from briefing and research design, through fieldwork and analysis to the presentation of the findings.

April
15 – Neuroeconomics
The focus will be on a hands-on exploration of neuroeconomics, an increasingly important field within market research.

24 – Advanced Games for Research Playshop
Understand the use of fully immersive ResearchGames, which will enable you to bring this methodology to the mainstream.

Conferences

January
29 – Kids and Youth Research

February
5 – The Performance Lab
12 – Healthcare Research 2015
26 – The Information Economy

March
5 – The Innovation Lab
17-18 – Impact 2015: MRS Annual Conference

Find out more at mrs.org.uk/events

Where next?

You've reached the end of *Impact*, but there's plenty more original content to enjoy in MRS's family of publications, including Research-live.com and *IJMR*

RESEARCH-LIVE.COM

Looking into the mind of a city
Sam Zindel of iCrossing, along with a team of data analysts, used a new piece of technology – Emotable – to investigate the emotional content of tweets about Brighton. They were able to access the feelings of Brighton residents in real-time, as well as reveal the most emotional time of day for that population.
http://bit.ly/1y4hKbu

2015 a crunch test for pollsters
In two separate articles, ICM's Martin Boon argues that pollsters overestimated the eventual 'yes' vote in the Scottish referendum, while NatCen Social Research's Penny Young counters that polls are not the problem. However, Young says, their reputation will be on the line in 2015 and their job will be more difficult than ever.
http://bit.ly/1zInb1L

Time for MR brands to stand out and be strong
Market researchers constantly help companies to hone their brand communications, but often neglect their own. Lucy Davison of Keen As Mustard Marketing believes it's time for research companies to show off their differences to boost not only their own profile, but that of the whole industry.
http://bit.ly/1y4fj8A

CREATIVITY LABS

The Performance Lab – an afternoon event to be held on February 5 in London – aims to launch you into 2015 with the skills to gain a smarter edge. Hosted by Tiffany St James, a line-up of inspiring speakers, including polar explorer and leadership coach Paula Reid, and CEO and founder of PR agency Limelight Susanna Simpson, will help you hone your personal, team and organisational performance.
http://bit.ly/1z8E0mz

IJMR

Influences of co-creation
Herbjørn Nysveen and Per Pedersen explored how customer co-creation participation can affect brand experience, satisfaction and loyalty, and found that while it can be positive, negative outcomes are common. They say it is important to carefully manage the process.
http://bit.ly/11JdPrp

Mobile market research in 2014
Ray Poynter looks at what mobile market research meant in 2014 as online research and computer assisted telephone interviewing grows in us. He considers the impact of mode on research results, ethical issues, and improving range, breadth and depth of sampling options.
http://bit.ly/1vJPfRO

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