

STRATEGIC MANAGEMENT

Time to be socio-political

Many companies admit that they handle socio-political matters poorly. This is usually because they are less familiar with the issues, expect others to be able to deal with them, and are more focused on short-term financial pressures. Even so, a McKinsey study confirms that senior executives know that environmental problems, offshoring, data protection, and other matters will ultimately influence their profitability. The challenge is how to become more socio-political aware.

Expectations of business change over time. Most socio-political issues begin as “frontier” matters, on the fringes, and may be regionally-based or seem fairly innocuous. Over time, they develop into semi-formal expectations and if they are not met, or seen as crucial, they are formalised into legislation. The boundaries between what is legal and what is a responsibility are rarely clear, and shifting values, concerns for safety, sensitivity to risk, changes in demographics and fast-moving technologies act to blur these boundaries further. For example, responsibility appears to be shifting from individuals to protect their health to companies who are seen to be profiting from the sale of unhealthy products.

It is not surprising that companies become defensive. Many are not accustomed to dealing in “soft forms of power” and find it hard to respond to emotional arguments of NGOs, as opposed to their usual hard evidence approach. The current conflict between marketers of snack foods and the arbiters of children’s health is one example. However, there is no advantage in ignoring it. These trends can alter the landscape of an industry, they have long-

term financial and reputational impacts, and more positively, may spur new product or marketing strategies.

First, companies need to develop better “issue radars”, particularly in local or regional areas, where “frontier” matters often begin. When parents a school succeed in changing the menu of the school canteen it is a sign of a wider trend. Once they notice small trends, it is time to place strategic bets. However, not all trends will spread to the wider population and they are difficult to predict. Toyota’s Prius was an example of an early bet that turned out to be well placed. Second, companies must begin to take a greater role in external debate. Having a voice is almost as important as taking action, because society needs to be well informed about the tensions that exist, for example, in the power sector, between low prices, energy security, and the environment.

Finally, companies need to collaborate, cooperate and coordinate, a simple alliteration that is more difficult in practice. How much should powerful companies cooperate with each other, and how much should they keep in reserve? If they take a coordinated approach, will they have to tone down their views to suit the majority? Whatever they choose, they are already agents of social change, but as McKinsey says they must become more deliberate in understanding the way they affect society. By becoming more deliberate, they can turn this business environment into a positive force.

The power sector and the tobacco industry are well versed in dealing with socio-politics. Meanwhile, many industries are not in the habit of defending their turf. Snack foods, which once seemed so innocuous, are now the target of governments and activists everywhere in the widespread concern about child obesity. All managers must ask what will be next. No industry can afford to be complacent about its products, particularly as various stakeholder groups become more skilled at using the media to protest and take action.

Bonini, S. et al. (2006) When social issues become strategic. MCKINSEY QUARTERLY (USA). Num 2, online.

Boycotters harness capitalism

The word “boycott” originates from the name of the Captain who dealt with irate tenants during the Irish “land war” of the 1800s. Since then, boycotts have become more sophisticated and increasingly able to bring companies and even nations down. Clever boycotts find ingenious ways to use capitalism to attack it from within and the internet allows information to flow quickly to whoever needs to know.

The Muslim boycott of Danish companies following the infamous Prophet Muhammad cartoons is projected to cost them 36 bill Euros by next summer. It is unprecedented because of its ferocity, use of market-breaking principles, the inability of Danish executives to redress it, refusal of the government to apologise, and its uniqueness. Meanwhile, Karmabank provides an online virtual market platform for monetising dissent through “smart boycotts” where hedge funds attack the share price. Some campaigns have the capacity to run almost endlessly, such as the 25-year boycott of Nestle for its baby milk powder. Others are quickly forgotten, as consumers return to buying what they need, such as petrol from Shell.

Companies that respond, such as Nike, can restore their reputations and profitability even after severe negative press. How they respond is critical, as a poor response may be worse than none. It is crucial to safeguard long-term reputation even if it means sacrificing short-term business, and it is better to be proactive rather than reactive. Usually there are early warning signs, giving the opportunity to develop a number of strategies and a plan for if or when the crisis hits. Managers must engage with the media (even before a crisis), be timely and truthful, and must

avoid saying, “no comment”. Emotions and pictures go further than talking in the media. Managers should try to understand the public’s point of view (there are more of them than there are shareholders).

In the court of reputation, it appears companies are guilty until proven innocent. This is to some extent because a few companies have sullied the reputations of the others, and a few recent documentaries have cast corporations in a bad light. The boycott of Danish companies by Muslims goes further, attacking not only companies but the nation behind them and its western philosophies. It could be argued that no company could have been prepared for a boycott of this nature. On the other hand, the level of unease since the Iraq war is fertile ground for anything that hits the West where it hurts most.

Donkin, R. (2006) The boycott threat. WEBER SHANDWICK (USA). Apr 27, online.

The sustainable consumer

People find it difficult to change their lifestyle, even when they are presented with all the facts about where their current behaviour may lead them. When it comes to sustainable living, the behaviour of western consumers falls well short of the ideal, even though it is in everyone’s collective interest to adopt more sustainable lifestyles. The question is why don’t we change and what we can do about it.

As consumers we have finite resources, whether financial, cognitive or time-based, for dealing with sustainability (or any other issue) in the context of our busy lives. External conditions are also as important as personal ones, for example, someone may find it difficult to buy organic food or to travel by any means other than a large car. It may be easier to change external conditions for a community of people than to expect each individual within the community to make personal change. Finally, whether people change or not depends on their personal motivation and the perceived difficulty of the change.

As it can be problematic for individuals to change on their own policy-makers need to remove both individual and external constraints to change, and to educate people so they feel more empowered

to make a difference. This is better than trying to make them feel guilty for their current behaviour, which is after all a normal lifestyle that has been encouraged and the result of structural conditions created by government and business. Forceful language can also produce the opposite effect, as any parent knows. It is also very important to give feedback when people are making an effort to change, for example, stating how many plastic bags are being saved, or how much less water is being used. Finally, authorities should correct common misconceptions about what others are doing, for example, showing that other people are making an effort too.

Business can make an effort in two areas: by empowering individuals in the ways suggested above, and to work in external areas, such as helping to combat pollution in local areas or reducing their own waste. Consumers will be more motivated if they feel that business is on their side in creating a more sustainable existence, particularly if their own resources are relatively low. Empowerment comes from a sense of belonging, for instance, doing things for the environment together with other people. Without the sense of empowerment, they are more likely to claim they are victims. This is currently happening in relation to obesity as some people say that food manufacturers are doing it to them.

It is also interesting to note that the suggestions for policy makers support research on how to help people change other examples of negative behaviours, such as the strategies used to help people with heart conditions. The interaction with others, the small wins as changes occur, the emotional connections based on fairness and constant reinforcement are all lessons learnt from healthcare that can be applied to encouraging changes in other types of behaviour.

Thøgersen, J. (2006) How may consumer policy empower consumers for sustainable lifestyles? JOURNAL OF CONSUMER POLICY (Neth). 28, 143-178.

The green aesthetic

As companies are urged to consider their environmental responsibilities, the pressure is on consumers to buy organic, natural, pesticide-free products. Once considered the preserve of hippies, and lacking in style, the new aesthetic is not only

green but considerably upmarket. It extends from cars, to clothing, to interior decoration and, in fact, as far as people will allow it to stretch. As long as the demand is there, there will be a company ready to supply it.

Some commentators suggest that the main focus of hybrid car buyers is to show the world that they care about the environment, rather than any innate urge to do good. They also claim that people want to display their eco-concerns through their clothes and their home interiors. If they are right, then the trend is more style than substance. Perhaps then we should not be too surprised when companies jump on the green bandwagon with similar attitudes.

At the same time, the green aesthete is finding its way into mainstream stores like Wal-Mart, which is now selling organic food. If the trend becomes more mainstream, then the people who want to display something meaningful about themselves will lose their cachet. Companies that want to benefit from the new greenie will have to tread that line between providing for opinionated and self-aware individuals and reaping the economies of scale available from selling to the wider midmarket.

Pink, D.H. (2006) Rise of the neo-greens. WIRED.COM (USA). Apr 14, online.

MEDIA

In editors we trust

People are more likely to trust the media than their governments, according to a poll of ten countries commissioned by the BBC and Reuters. America and Britain are the exceptions, with 67% of Americans trusting the government (59% the media) and 51% of Britons trusting their government (47% the media). About 54% of people across all 10 countries agreed the media report all sides of a story, but only 29% of Americans and 32% of Britons agree. The most trusted news source was national TV (82% trust it), followed by national/regional papers (75%), local papers (69%), and public radio (67%). Over a quarter of those surveyed had abandoned a news source in the last year because they lost faith in it.

The least trusted source was blogs (25%) and 50% could not say whether they trusted them. Reuters claims that this will change as they become more accepted, and that newspapers were in this same position a hundred years ago. Gender differences show up in the use of news and sources, with women more likely to watch TV and men more likely to read newspapers (perhaps the women are multi-tasking). Young urban males are deserting TV in favour of the internet and 19% of all young people, 18-24 yrs, make the internet their first choice for news.

We should not be surprised that people are still cautious of blogs, particularly as there are so many of them. One of the advantages of TV and in newspapers is that there are relatively few media companies behind them. The BBC, CNN and Reuters, for example, are long term, trusted brands. There is likely to be a massive shakeout in blogs, as people learn which ones they can trust and abandon the others. Over time, the audience for online news will grow, as young people grow up with their online habits. But they will still visit their favourite sources: the challenge is to become one of them.

Anon. (2006) Internet gains trust as news source. SYDNEY MORNING HERALD (Aus). May 3, online.

BUYER BEHAVIOUR

Jumping the queue

Waiting in line for service is an accepted part of life, even though many of us complain about it. Queuing is considered to be fair, particularly when the price of a service is quite low, but this does not mean that there could be a market for time saving. An insight into such markets comes from offering to pay people to jump the queue, eg in a bank or for a train ticket. In the US offering \$1 makes relatively little difference to people's willingness to let someone in, but offering between

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\$3 and \$20 can lead to someone letting the person in.

People were apparently convinced that the person needed to jump the queue by the amount of money that they offered. But curiously, most of them let the queue jumper in without accepting the money! Those who did accept were more likely to be students or women. The question is why they let the queue jumper in without accepting the money.

One reason is that they do not want to be seen to be exploiting the situation, particularly the person who seems to be so in need to jump the queue. They may also perceive that letting someone in will inconvenience the people behind in the queue, and they do not want to benefit financially from impeding them. Critically, the more money the person offers, the more needy they seem to be. The thread running through these responses is a sense of fairness. Nobody wants to be seen to be acting unfairly (especially when they are in the presence of others).

An interesting twist was that people reacted very angrily if they were asked twice for a place in the queue. All sense of fairness was lost and the experiment had to be abandoned! It therefore appears that people are more tolerant when they believe a situation is a one-off, or a special case. When it becomes clear that this is not a special case, they become indignant. Perhaps, rather than feel they are exploiting the queue jumper, they begin to feel exploited themselves.

Few companies seem to operate in the market for time, perhaps because it would be seen as unfair if customers were able to jump queues. It is of course standard practice in airports to let higher paying passengers through express check-ins. But other companies, like the car company Morgan, pride themselves on creating scarcity and only selling cars on a first-come, first-served basis. It seems as though the fair play surrounding queues is fundamental to society, at least in America and related cultures. It may not hold in other countries with different social norms, as is clear in many Latin countries.

Silverthorne, S. (2006) The cost of cutting in line. HBS WORKING KNOWLEDGE (USA). May 8, online.

MARKET RESEARCH

The business of research

There has been impassioned debate over the problems assailing market research and its role in marketing's woes. No-one agrees on the real problem and, ironically, many suggest there is no real problem. But discussion and debate are essential if market research is to provide the input that senior managers need to make decisions that will drive their business. This encapsulates one of the problems with market research. Instead of being based on how to resolve business problems, it is too often focused on stated research objectives or learnings.

This implies that business and research objectives often differ. Research focuses immediately on heavy buyers or new customers and their views as suggested by marketers, instead of first understanding the business matters. These are often straightforward: how to increase penetration, how to increase the level of buying by existing customers, and how to steal (or avoid losing) customers to the competition. These should be basic drivers of research projects, but are too often overlooked in briefs to research suppliers.

This view is an extension of the argument that marketing is increasingly removed from business decision making, with its own metrics that do not link directly to business metrics. It also reflects that research is often a long way down the management chain. The question is why this persists, when many have highlighted its damaging consequences.

There are many reasons for this. Pressures in corporate research departments mean many have no time to think about these important, but broader business issues. This is because research is at the end of the management chain and is often simply

told what to do. Unfortunately these tasks are often then used to justify decisions or protect managers higher up the chain. The problem may also reflect the lack of wider marketing and business experience among researchers, limiting their ability to ask pertinent questions.

Many research agencies will probably suggest they can help in this business-oriented role, but it must be asked if they are close enough to business decision makers in the company to understand. This problem is compounded by the need for research companies to focus on the skills of researchers, such as analysis of data. Specific skill sets will continue to conflict with the need for wider business skills. However, as others have noted, research is part of marketing and has to become more relevant to business decision-making, without losing its existing skills.

Altman Weaver, D. and Grapentine, T. (2006) The right questions. *MARKETING RESEARCH (USA)*. Spr, 16-21.

SPONSORSHIP

In need of better practice

Case studies help to explain why some marketing strategies succeed, but they can also give a false impression that most companies will be following these leading approaches. This is true in sponsorship where major brands sponsor high profile events and follow the fundamentals of setting objectives, measurement, and creative leverage of the property. Unfortunately, these case studies may be the exception not the rule, as

demonstrated by sponsors of the top 44 UK football clubs.

The main reason for sponsoring a club is no longer simply because it is the chairman's favourite club, but interviews with sponsorship managers indicate that many decisions to sponsor are still based on emotional and parochial reasons. Many managers seem to believe that, because football is so popular the sponsorship must work, so they do not set objectives nor proactively manage the program.

This is compounded by the way clubs come to sponsors seeking short-term commitments at short notice. Clubs appear to have most of the power in the relationships and few managers seem to actively pursue long-term relationships with the clubs. This gives the impression that many sponsors are glory hunters, sponsoring winners and withdrawing when a club does not win, even though there is little evidence that winning in the short term is a key to sponsorship success.

Many decisions to sponsor are made by senior managers and the program is then handed to sponsorship managers to run. Sponsorship managers then need to try to make the most of a deal they did not initiate and may not believe to be a good deal. Consequently they are often hamstrung in creative executions, limited in budgets to support the sponsorship (dollar support for each dollar of sponsorship appears rare), struggling to define ROI measures for the sponsorship, and taking a corporate view that sponsorship is a tactical action not integrated into strategy.

It appears that sponsorship in many companies is still not seen as integral to brand strategy. In fact this study suggests that, even for an extremely popular property like football in the UK, sponsorship decision-making fails to meet even the most basic of premises. There is little long-term thinking, objective setting, or measurement. Even though they are

smaller organisations in the relationship, the clubs seem to hold all the power.

Chadwick, S. and Thwaites, D. (2005) Managing sport sponsorship programs: lessons from a critical assessment of English soccer. *JOURNAL OF ADVERTISING RESEARCH (USA)*. 45:3, 328-338.

IN BRIEF

Future spending

Futurists are busy predicting the impact of baby boomers in 2020 when they will have retired and be spending their wealth. Many techniques are being used, from scenario planning to questioning today's boomers. But one obvious technique has not been as widely used as it ought. There are already many areas with a population that matches the demographics of the boomers in 15 to 20 years' time, and there are considerable relevant demographic data available from bureaus of statistics and market research companies.

The principle of the technique is to match age demographics in these regions to projections for national demographics for, say, 2005, 2010, 2015, 2020. The actual use of services and buying patterns can then be compared to current data. US data suggest that, by 2020, some general trends will be in place. Older consumers will spend more of their income than today, continue to prefer cars to public transport, spend larger shares of income on healthcare, watch more TV, stay in their homes, be politically conservative, be civically active and influential, and spend less on apparel and fast food, but more on housekeeping and household supplies. These trends fit with predictions from other techniques. However, other factors besides age will also influence future spending patterns, including technology, changing tastes with maturity, and the state of the economy.

Jarrell, S. et al. (2006) Dollar daze. *MARKETING RESEARCH (USA)*. Spr, 27-32.

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