THE ROAD AHEAD 2020

HOW THE C-SUITE CAN BUILD THE BRAND OF THE FUTURE
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>5</td>
</tr>
<tr>
<td>THE NEW BRAND LANDSCAPE</td>
<td>6</td>
</tr>
<tr>
<td>USE GLOBAL LEADERSHIP FOR LOCAL IMPACT</td>
<td>10</td>
</tr>
<tr>
<td>FOLLOW THE BUYING POWER</td>
<td>14</td>
</tr>
<tr>
<td>BUILD LIFETIME RELATIONSHIPS</td>
<td>18</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>25</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>26</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY
How the C-Suite Can Build the Brand of the Future provides an overview of the global landscape for brands and what they can do to make the most of opportunities while mitigating challenges. CNBC Catalyst, the commercial division of CNBC International, has interviewed marketing leaders and analyzed dozens of studies, distilling them into the trends that matter. We had written this pre-COVID-19 and want to acknowledge the current state of play whilst bringing the focus onto how smart thinking and decisive action taken now can help companies position themselves powerfully for the future.

The guidance in this report is written for Catalyst’s key client community, global brand leaders that need to connect with diverse customer bases around the world. Whether your company manages a single brand or has a complex architecture, serves businesses or consumers, or deals with products or services, this new global landscape will inevitably require new approaches for brands to succeed.

As businesses seek to adapt to the new world ushered in, they are seeking information and insight from trusted sources. In this report, we illustrate best practice approaches that are relevant now and in the future: many of the key actions entailed that were important pre-COVID-19 will continue to maintain their relevance in the long-term.

Whilst brands globally contend with economic uncertainty, it is essential to maintain trust and demonstrate through action how they live up to their values and promises. While emerging markets provide an opportunity, economic growth has been muted and is precarious. A decade after the financial crisis, growing inequality and income stagnation has led to a climate of falling trust. Demonstrating values and building respectful one-to-one relationships while delivering on brand promises are all vital.

The average CEO tenure has fallen from eight to five years in the space of a decade, while the average CMO tenure is now just 43 months, indicating that the pressure of short-termism is on the rise as time in role drops. It is critical that those within the C-Suite communicate to stakeholders that real brand performance comes from avoiding short-termism. Brand-building takes time and companies with a long-term focus outperform their peers.

To win, the C-Suite must structure global and local leadership appropriately to achieve the maximum impact.

With external pressures heightened, those in the C-Suite need to work closely together and see the CMO as a vital strategic partner to navigate through the changing business environment. While values and purpose should be set globally, senior leaders need to give local teams autonomy to market in the right ways to connect with the unique and changing needs of their customers.

Both B2C and B2B brands need to shift to new centers of buying power. Shifts in previous years mean that brands need to reconsider both their key customers and how they reach them. In advanced economies, wealth is more concentrated in older (and perhaps less glamorous) demographics. China is expected to see consumption growth more than the US and Western Europe combined. Retail spending in emerging markets is expected to exceed $8 trillion by 2022, though figures could change once the impact of COVID-19 is clearer, and close to half of that will be digitally-influenced. At this present time, the ways companies do business are being impacted heavily. From disrupted supply chains and remote working, to a sudden pivot to ecommerce, they are having to swiftly adapt to a transformed business environment. Investing in brand marketing can also help to connect with the rising number of purchase influencers and address the challenge of connecting with time-poor professionals.

More so than ever, lifetime relationships require demonstrating values through action, delivering on brand promise, making sustainability commitments, and the careful use of data and technology to connect repeatedly at scale. In an age with falling trust, brands need to work harder to demonstrate that they do what they promise and that they are socially aware. While data can be used to connect at scale, privacy must be respected.

As markets react to the spread of COVID-19, CNBC is at the forefront of giving our global audience the understanding and context they need. At the heart of all CNBC content is actionable intelligence: insight that our audience can practically apply to their business, and that is the same lens we are bringing to How the C-Suite Can Build the Brand of the Future.

Please get in touch if you have any questions, comments or feedback. We’d love to hear from you.

David Evans
Head of Data and Insight
CNBC Catalyst
THE NEW BRAND LANDSCAPE

The study shows that, more than ever before, countless opportunities exist for brands to think globally, with an unprecedented number of consumers worldwide connected to the internet, with increased spending power. But economic uncertainty persists, and global CEOs are prioritising growth in the face of this and flat consumer confidence. Brands will also need to work harder on trust and move away from short-term thinking.

TAP THE ASCENDANCE IN CONNECTED, EMERGING MARKETS

Those working for global brands will likely spend almost all of their personal and professional time being connected to the internet. As such, it is easy to forget that this is a recent development and that much of the world is either yet to come online or has only done so as smartphones proliferate. With this change being both rapid and new, brands are yet to have reaped the potential that this offers. Since the start of the Millennium, the number of internet users has risen by more than 11-fold to 4.5 billion consumers, meaning that 59% of the world is now online, typically via smartphones. As the cost of data and smartphone technology continues to fall, an even larger swathe of consumers will be within the reach of brands wherever they happen to be.

Emerging markets account for the vast majority of newly-connected consumers, who are also seeing their spending power increase at a much faster rate. In 2020, these nations will account for some $90 billion in purchasing power, compared to $59 trillion in advanced economies.

With this change underway, all global brands should make sure they are positioned to take advantage of this shift for the long term, particularly as 2020 looks to be the year where 5G ramps up, especially in China. Those that do not may see newer players snapping up market share, necessitating either costly acquisitions or accepting lower rates of growth. As explored later in the report, many brands such as Guinness are taking a 'glocal' approach, enabling them to reach and connect with such consumers.

IN A CHALLENGING ECONOMY, MAINTAIN INVESTMENT AND PUSH FOR GROWTH

Although long-term potential looks positive as more consumers come online across the world, the current picture is more muted. According to the IMF’s October 2019 outlook, global growth for 2019 is forecast at 3.0% - its lowest level since the financial crisis of 2008-09. Even though 2020 is expected to be stronger, bets should be off, as the IMF describes the outlook as “precarious”: the spread of COVID-19 will only exacerbate this.

Brands may see the impact of this in their revenues. An uncertain view on the economy has led to flat consumer confidence globally, as shown in The Conference Board Global Consumer Confidence Index, with softening in markets such as China, the US, India and Indonesia. Echoing caution from elsewhere, economist Bart van Ark remarks that “the increase in the number of markets experiencing declining confidence and somewhat increased concerns about job prospects bears watching.”

So how are business leaders responding? Despite these uncertainties, the answer appears to be to move forward rather than pulling investment. Research by Gartner shows that CEOs are prioritizing growth, whilst communicating a clear set of priorities and maintaining ethical standards towards customers. For CMOs, adapt the marketing plan and take action, without waiting for problems to develop or the market to point in a clear direction. So while the wisdom of crowds is far from infallible, brands will likely need to keep up their spend as competitors do the same.
There’s a lot of thinking going on at the moment about how you balance the need for short term sales with long term brand building. It’s long term brand building that’s going to get you over the line year after year after year, but if you’re only investing in the short term your effects are going to decay very quickly.

David Tiltman
Head of Content, WARC

Today, the most significant growth opportunities to reach new consumers exist outside of the Western world, particularly in Asia, which accounts for half of all internet users.

Internet users today now increasingly have connectivity everywhere they go through mobile devices.

As of the end of 2018, 90% of the world’s population now lives in an area with mobile broadband coverage, 47% have access to an internet-connected mobile device and 43% access mobile social media.
AS TRUST FALLS, BRANDS WILL NEED TO WORK HARDER

Back in 1972, Nobel Prize-winning economist Kenneth Arrow remarked that "virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time." Overall, income inequality is on the rise in several markets and a wide body of research shows a negative correlation between inequality and trust. Indeed, the inequality following the financial crisis has eroded trust, creating a challenge that brands must overcome.

As highlighted in Edelman’s Trust Barometer for 2019, while global levels of trust have risen slightly this year, distrust among the general population is persistent. In addition, the gap in trust between the “informed public” the “mass population” has widened to its highest recorded level.

Brands should be concerned as studies have linked trust to brand performance. Indeed, some 95% of CMOs surveyed by Brand Keys claimed that “establishing trust between my brand and the consumer” was an issue keeping them up at night. So, what should brands do to build and maintain trust in such a climate? Surveys suggest that corporate social responsibility is becoming an increasing factor and can no longer be simple lip service. In the US, roughly 9 in 10 consumers say they would buy from a company that leads with purpose, while 8 in 10 say they feel they make a positive impact when buying from purpose-driven brands.

FIGHT AGAINST SHORT-TERMISM

Amazon’s investor reports are well-known for including Jeff Bezos’s original 1997 letter to shareholders, which states that Amazon “will continue to make investment decisions in light of long-term market leadership considerations.” But outside of Amazon, “the belief that short-termism (aka quarterly capitalism) is seriously damaging our economy is so widely accepted it has become a veritable truism.”

Indeed, this is more than just a feeling among C-suite leaders. Analysis of financial data by McKinsey shows that short-termism is on the rise. Furthermore, the pressure is compounded as time in role drops. Average CEO tenures have fallen from eight to five years in the space of a decade while the average CMO tenure is now just 43 months.

Putting such practices into effect is not something that can happen overnight. Brands should monitor trends to preemptively align themselves to social causes. For example, beer brands such as Heineken are reducing their use of plastic rings and packaging. However, in a connected age, brands need to use technology to respond quickly to both large crises and individual consumers. The widespread use of social media means that trust can rapidly evaporate, as can be evidently seen in China. Following a 2008 milk scandal, Chinese consumers are particularly weary about food safety and have placed a premium on international brands. So when an employee of a French-owned boulangerie revealed the use of stale flour, within 24 hours there were more than 6 million mentions of the brand on Weibo.

But on a positive note, brands that respond effectively to crises see positive impacts on shareholder value.

Finally, while technology offers the potential for reach, it also creates the potential for distrust in the perceived misuse of data. Globally, the misuse of personal data is leading to 64% of consumers to lose their trust in tech firms. The good news is that when it comes to trust, brands are prioritizing both respect for people’s data and its security while CIOs are increasingly helping rather than hindering marketers.

An example in point can be seen from Paul Polman’s efforts at Unilever. On becoming CEO, he set a goal to double turnover and focus on sustainability. At the same time, Polman made the decision to stop full reporting on a quarterly basis, even though it led to an 8% drop in share price. Ten years after Polman took control, Unilever’s total shareholder returns were 282% with dividends reinvested, versus 131% for the FTSE index.
KEY TAKEAWAYS

Consider long-term strategy in emerging markets where large numbers are coming online. Rising incomes and connectivity in poorer parts of the world open opportunities to brands that can sell at the right level.

Maintain marketing spend but take preventative action against an economic downturn. Brands will likely need to keep up their spend as competitors do the same.

Use technology to engage with customers but respect their data to maintain trust. Using digital communications means that responsiveness and connections can both drive loyalty and mitigate the impact of a crisis on stock performance. And while data is critical for today’s marketing, its collection and use needs to be carefully managed.

Be bold in communicating the benefits of a long-term approach. Multiple studies show that this approach adds the most value for shareholders.
USE GLOBAL LEADERSHIP FOR LOCAL IMPACT

Addressing the key challenges and opportunities for growth requires skilled leadership. But how can those in the C-Suite make sure their brands have an impact at the point where they meet the customer? Collaboration, setting purpose and freeing local teams to do what works are the key ingredients for success.

START WITH C-SUITE COLLABORATION

In their seven rules for creating successful brands, T.C. Melewar and Christopher M. Walker list rule number one as “a brand must be inextricably linked to the overall corporate strategy. If it is not, then the company is in danger of offering an inconsistent level of service, inconsistent quality and communication, and, more importantly, of having no real brand quality.”

As corporate strategy is inherently collaborative, global brand performance cannot be the exclusive remit of the CMO. The complexity of today’s marketing landscape requires close collaboration between members of the C-Suite. The CMO and the CIO need to work together to make the best use of data and technology, while being compliant and respectful of privacy laws. The CMO and CFO need to use data to optimize media spend, in addition to balancing short-term expenditure that drives sales with long-term brand equity building.

However, a problem for many firms is that those in leadership do not work in such a close-knit fashion. A study by Deloitte has found that “many CMOs struggle with C-Suite acceptance… [as they are viewed] as senior tacticians rather than vital strategic partners.” Meanwhile, separate research by the Financial Times finds that even though digital transformation efforts have increased collaboration, responsibilities have become blurred and alignment between different CxO roles varies. That being said, there is now evidence that CIOs and tech leaders are now champions of marketing rather than barriers to performance.

Making sure that leaders at the top are united and have good working relationships is a critical first step. While it’s impossible to eliminate all tensions, the good news is that those at the highest echelons are looking to improve engagement and relationships with their colleagues in the C-Suite.

SET COMPANY-WIDE PURPOSE, VALUES AND PRINCIPLES

In recent years there has been a tendency for large global brands to talk of disruption in worried tones. As one Harvard academic put it in *The New Yorker*, “disruptive innovation is competitive strategy for an age seized by terror.”

While many brands are now rightly considering how to adapt, global leaders should remember that the foundational stage for building a strong brand with value is to create and maintain a strong identity. Recently, issues of social responsibility have become a key part of that identity, and those within the C-Suite should make this clear at the highest levels. As an example, Unilever communicates this loudly to its investor base, stating that its purpose “is to make sustainable living common place. We believe that this is the best way to deliver long-term sustainable growth.”

An alternative approach can be to emphasize values. In interview, P&G’s Chief Brand Officer Marc Pritchard said “We actually got into the purpose world about ten years ago. But purpose can sometimes be as very broad and disconnected from the brand. [Instead], we focus more on things like citizenship values.”

Purpose, values and principles act as a guiding light for those further down the management chain, where they come to life in campaigns and messaging. For P&G, this can be seen in the #LikeAGirl campaign for Always, which was followed by its End Period Poverty initiative to distribute free sanitary products to girls in need.

Values can also take the form of making a firm commitment to customers, which can be particularly powerful for B2B firms. IBM’s Global Chief Evangelist Nancy Kramer gives a clear example, stating “IBM will never monetize our clients’ data for our benefit… The client owns all the data and we will never monetize or compromise that data in any way.” This principle then sets behaviors across the business which builds trust in the brand as a whole.
DO YOU KNOW YOUR PLATFORMS?

Baidu 2bn
WeChat 1bn
Tencent QQ 889m
Toudou Youku 500m
Tmall 493m
Meitu 456m
Sina Weibo 445m
Meituan-Dianping 290m
Fliggy 200m
Zhihu 160m

Baidu
Search, and network of services
WeChat
AI purpose messaging, content and shopping
Tencent QQ
Instant Messaging
Toudou Youku
Video
Tmall
B2C shopping
Meitu
Photo editing and sharing
Sina Weibo
China’s version of Twitter
Meituan-Dianping
Discounts, reviews, shopping
Fliggy
Travel and shopping
Zhihu
The Quora of China

Our CEO Dave Hoffman put forward a blueprint for growth and it covered all aspects of the business and what I really wanted to have was a team that would interpret that and deliver it in fresh ways at speed and scale. And so some of the folks that came in really have an understanding of how to move at speed... Every business is being disrupted either by technology or a new set of consumers or a new set of players. It’s easier than ever to build a business and disrupt and everyone is facing that... I think customers reward bravery. I think they respond well when you do something that is an unexpected or bold move but it’s really important that you do it consistent with the brand’s core values.

MARK PRITCHARD
CHIEF BRAND OFFICER,
P&G

We need to have a creative way of engaging in China the way it works there. So we don’t direct a lot from the center in terms of what we do there.

ROEL DE VRIES
SENIOR VICE PRESIDENT MARKETING,
NISSAN
EMPOWER LOCAL PEOPLE WITH AGILITY AND AUTONOMY

Once global leaders are united on a plan and have set key values, the question is how this should be implemented at the local level where the customer interacts with the brand. But with digital technologies having increased the speed at which opportunities and risks can emerge, management methods that worked previously are not necessarily fit for purpose. Rigid, top-down management can now be more of a liability than a guarantor of results. In his book *Agile Transformation*, Neil Perkin states that incumbent firms "need leadership and cultures that support moving fast, greater experimentation and a wholly different way of operating."  

Global leaders need to hold back from overly burdensome management and give more freedom to those closest to customers. This is both true for CEOs and CMOs. Corinne Sklar, CMO at IBM iX, is adamant in this regard. "You have to give autonomy to the individual markets. But in a lot of companies, there’s a corporate overlay and you push down strategy. But you have individuals in these markets who know the markets… you need to make sure you give the individual marketing organizations in those countries autonomy." This doesn’t mean global brand consistently needs to be removed, but rather that local teams should be empowered to make messaging relevant. Nissan’s Senior VP Roel De Vries remarks "I’m a firm believer that brands are global. I don’t think you have brands that are fundamentally different in one market to the other. But how you deliver that and engage with people has to be tailored to the market." Such an approach has been termed "glocal" - where global brands customize both their products and promotional strategy to fit local markets.  

Diageo’s Andrew Geoghegan provides two useful examples of this. "In Europe, Guinness is synonymous with Ireland where the draft pint is part and parcel of Irish culture. But some of our biggest markets are in West and East Africa, where we use the same core positioning and idea, which we then bring to life through the energy of Africa… For Haig Club, David Beckham is powerful because celebrities like him are so well-known across the world. But we also recognize our main influence is bartenders, so we have a program called the Bar Academy which turns those bartenders into an army of advocates.” Local products should also be considered as part of growth initiatives. Indeed, analysis published in the Harvard Business Review shows that in 2017, 75% of the top three brands in the categories and markets studied were small, new or local brands.  

CMO Amanda Jobbins notes, “In China there are a number of new emerging platforms that very much mirror some of our own.” As an example, Baidu could be compared to Google. But some products such as WeChat are far more. “WeChat is more than just a messaging platform; it really is a full online experience.” For the largest brands, close working relationships with the tech players is essential. Raja Rajamannar at Mastercard remarks, "you need to have partnerships with these local platforms which are at a gigantic scale.” Overall, it may be better for brands to manage consumer data locally rather than look for the efficiencies in centralization. This can help in complying with local regulations (such as GDPR and the California Consumer Privacy Act) and provides local teams with the data they need as is relevant for them. CIOs and CTOs will need to enable this to happen.

USE LOCAL DATA AND PLATFORMS – ESPECIALLY IN CHINA

Markets have always had different media outlets and channels through which to reach consumers. In traditional media, TV channels and newspapers will reach local audiences. But today’s consumers all over the world are engaged with technology at a growing rate, allowing reach from anywhere. As OMD’s CEO John Osborn notes, "personalization is really important. But there are also new opportunities we have to speak to a larger group of people than perhaps ever before." However, this reach potential shouldn’t shadow the need for localization. Brands should use local data to improve the impact of messaging to local audiences. Osborn adds, "it’s incumbent on us… to make sure that the content is representative of the context in which we plan it. All of that is fueled by data.” There's one key market in which localization is a critical factor for success. China requires a unique approach as it stands out for both the size of its market and in the uniqueness of its platforms. As Oracle’s CMO Amanda-Jobbins notes, “In China there are a number of new emerging platforms that very much mirror some of our own.” As an example, Baidu could be compared to Google. But some products such as WeChat are far more. “WeChat is more than just a messaging platform; it really is a full online experience.” For the largest brands, close working relationships with the tech players is essential. Raja Rajamannar at Mastercard remarks, "you need to have partnerships with these local platforms which are at a gigantic scale.” Overall, it may be better for brands to manage consumer data locally rather than look for the efficiencies in centralization. This can help in complying with local regulations (such as GDPR and the California Consumer Privacy Act) and provides local teams with the data they need as is relevant for them. CIOs and CTOs will need to enable this to happen.
BURGER KING’S WHOPPER DETOUR

Initiative, data and creativity all came together for Burger King with the Whopper Detour campaign, which won the top prize at Cannes 2019. Consumers were offered a Whopper burger for 1 cent if they opened the app whilst at McDonalds. “It was completely brilliant... just pure genius” said the Cannes jury president. The campaign generated 3.5 billion earned media impressions and drove 1.5 million downloads of the Burger King app. Fernando Machado, CMO of Burger King, tells CNBC Catalyst how the idea was fostered:

“

Our agency came with an idea that was similar to the Whopper Detour but not exactly the same. We gave feedback to them, we helped them understand what we needed, and then they took a couple of months of going back and forth with us around the idea and sure it became Detour. Which is normal. Many times people present an idea to us and we look at it and we think, ‘Oh, there is something there.’ Sometimes you don’t even know what it is at first, but we nurture that. We don’t kill it, we nurture it. Because we believe that ideas need to be nurtured to grow and that’s why we invest so much in having creative partners. You need that relationship to nurture an idea and that’s what exactly happened to Detour. It grew, grew and grew until it became the monster that ate the Titanium Grand Prix at Cannes, which is mind blowing and unbelievable.

FERNANDO MACHADO
BURGER KING CMO

KEY TAKEAWAYS

Prioritize developing relationships with your colleagues in the C-Suite.
Setting global standards, values and ways of working is a collaborative effort.

Communicate the importance of social responsibility to external stakeholders and investors. As an inherently long-term activity, it can be difficult to demonstrate immediate value under short-term pressures. Be clear and firm on why this is important, even if there may be an impact on share performance when you do so.

Set values at a global level, but allow local teams freedom in their approach.
Local teams have intimate market knowledge about how consumers want to align with their brand. Allow them to pursue what works and to tailor their approach to the market.

Consider localizing data to empower local teams and assist in compliance with local laws and regulation.
While centralization has its benefits and Safe Harbour Privacy Principles permit sharing of data between the US and EU, it might not be the optimal approach for global brands.

International brands in China need to understand and use local technology and platforms. While each market will have differences, China stands out both in terms of its opportunity and in the unique nature of its tech landscape.
In more advanced economies, be careful about obsessing over youth and aspiration. Brands have coveted youth since at least 1944, when LIFE magazine discussed how businesses were targeting the “teen-age” market. But various indicators suggest that the relative wealth and spending power is declining among younger consumers. In the US, the generational wealth gap between “Baby Boomers” (often defined as those born in the two decades after the Second World War) and those in their twenties and thirties has grown dramatically. In countries such as the UK, this situation is even more pronounced. In the US, there are also twice as many consumers in the Boomer group than those ages 25-34 and on average, they spend 15% more on non-housing expenditure each year. Brands should make sure they do not forget older consumers with higher wealth and more disposable income.

But there’s another change in consumer finances that brands should be aware of. In advanced economies, real wage growth is lagging and middle class earners are more likely than ever to fall back into lower earning segments. Furthermore, lower and middle class consumers are seeing their share of income falling. In addition to falling trust, this shift has had an impact on how consumers view their living standards. A survey from the Pew Research Center shows that among G7 countries, 48% believe that the financial situation of a person is worse today than 20 years ago. In advanced economies, brands should adapt to perceived drops in financial standards, both in which groups they target and in careful use of their messaging. On the former point, consumers are looking increasingly at private labels to save money. On the latter, messages of aspiration should be carefully considered to avoid being seen as out-of-touch. As an example, Peloton’s Holiday ad was widely mocked for perceived undertones of classism and sexism, resulting in a rapid drop in its share price.

Target China for the greatest consumer potential. As issues with consumer finances paint a lacklustre picture in advanced economies, China presents a standout opportunity. Even as the nation’s economic growth slows, it is still adding the equivalent of the entire Australian economy to its GDP annually – while its forecast consumption growth over the next decade will be as much as Western Europe and the US combined. But to capture this, digital plays an even larger role. China's online retail sector is both faster growing and larger than in markets such as the US, meaning that brands need to put digital efforts front and center. As mentioned in the previous section, local knowledge of both the consumer landscape and the unique tech ecosystem is critical here for driving success. The differences mean that piecemeal or supplementary growth efforts are unlikely to have much success. Brands will need significant investment and local talent. But starting from a blank slate with technology can be helpful. Fiona Noble at Quintessentially notes there is “the benefit of not having had many of the legacy technologies and indeed many of the legacy approaches to marketing and advertising.” At the top end of the spending scale, China also sees a growing number of high net worth (HNW) shoppers. The good news here is that the HNW and luxury segments may prove easier to reach with established methods and similar messaging. Analysis by Credit Suisse shows that China dominates in the middle percentiles for global wealth, and HNWs in general “tend to share the same lifestyles – participating in the same global markets for luxury goods... even when they reside in different continents.” Wealthy Chinese consumers are also spending more of their luxury dollars locally rather than making purchases abroad and account for 33% of global luxury spend. And in contrast to the market as a whole, the vast majority of luxury spend is done offline.
The first thing to recognize with China is the market is different. Ecosystems are different. The way consumers are using media and technology is different. In many ways they are far ahead of many other parts of the Western world in how they have managed to use technology to deliver to consumers and customers much more meaningful content, and a much more meaningful way of managing their lives right.

SITAL BANERJEE
GLOBAL HEAD OF MEDIA & MARKETING PERFORMANCE, PHILLIPS

In the USA, Boomers have 12x higher net worth than their Millennial counterparts.

In the UK it is as much as 17x higher.

China has got its own unique characteristics and what it means to people may not necessarily be exactly the same as what happens to people in some other country or some other continent. So the first thing you’ve got to be cognizant of is how relevant audio is when you’re producing content from the Chinese audience. Extremely critical. (Also) you need to understand usage habits and consumption habits where content is concerned.

RAJA RAJAMANNAR
CMO, MASTERCARD
EXPLORE THE LONG-TERM OPPORTUNITY IN OTHER EMERGING MARKETS

For brands looking to develop further afield, there is positive news in terms of the size of consumer wallets. At a global level income inequality between countries has been falling since 1990, meaning that consumers in emerging economies are catching up, making them of increasing importance to global brands. BCG estimates that by 2022, the total value of retail spending in emerging markets will reach $8.3 trillion, with ecommerce making up 20% of the total. In addition, close to half (47%) of all spend will be digitally-influenced as consumers turn to the internet for information, regardless of whether they buy online or not.

Providing products and services can be created for consumers with local incomes by global standards, there is a long-term opportunity in serving them, as internet penetration continues to rise and the opportunities for brands to reach them grows. Brands across all categories should consider the growth potential in emerging markets as it can be seen across almost all areas. For example, sales growth in consumer packaged goods is two to four times higher in emerging markets. By 2024, these countries will see more than 1 billion people using smartphones for mobile financial services, from microloans to money transfer. Lifestyle spend is also on the rise, in areas such as food delivery, streaming services and online gaming.

However, brands should also act tactically in choosing countries for investment as there are significant differences in opportunity between countries and regions. In Africa, for example, seven countries—Nigeria, Ethiopia, the Democratic Republic of Congo, Egypt, Tanzania, Kenya, and South Africa—will soon hold half of the continent’s population. In Latin America, Brazil, Mexico and Argentina account for over two-thirds of purchasing power. In Asia, India is set to become the third largest consumer market in the world, reaching $6 trillion by 2030. As such, markets in smaller countries may not yield as much, particularly if differences in language, culture and regulatory conditions pose significant barriers to entry and expansion.

FOR B2B, BUYING POWER DEMOCRATIZES AND MOVES TO SELF-SERVICE

In 1987, an article on ‘B2B Selling Methods’ lamented the fact that “an average of 5.5 calls are required to close a single sale” using “new selling techniques such as national account management and telemarketing.” Today, achieving such performance with so few phone calls would likely be outstanding. The use of digital technologies has had a number of profound changes in the distribution of B2B buying power and decision making. While traditional approaches to B2B marketing would speak of a “decision maker”, today that is more likely to resemble a committee. Research from the CEB shows that the number of people involved in B2B solutions purchases climbed from an average of 5.4 people in 2015 to potentially more than 10 by 2018. B2B brands must therefore market to a wider target audience, including junior members of staff. A study by Google found that 18-34-year-olds accounted for almost half of all researchers throughout the buying journey. It also found that while 64% of the C-suite have final sign off, so do almost a quarter (24%) of the non-C-suite. Furthermore, around 8 in 10 of this latter group have a say in purchase decisions.

As the internet is increasingly used for B2B purchase research, B2B brands need to provide online experiences that allow potential customers to self-serve. Forrester has found that three times as many buyers want to self-educate rather than speaking with a salesperson – and if they know what they want, 93% prefer to just buy online rather than talking to sales. The self-serve trend is clear as the B2B ecommerce market grows rapidly. It now is six times the size of the B2C market, with the Asia-Pacific region accounting for the large majority of global share. Therefore, that it should be no surprise that Amazon has muscled in on the act, and by 2018 it grossed $10 billion in sales for its business marketplace.
ORACLE’S EFFORTS IN CHINA AND ASIA PACIFIC

When brands want to run campaigns in new markets, it is not enough to simply translate them. Oracle’s CMO Amanda Jobbins describes how she approached the issue:

“At Oracle I ran an international brand campaign and that entire campaign had to be localized for all our markets both in the EMEA and Japan and Asia Pacific. That means not only the language but also translating the creative. So making sure that it really makes sense to the customer not just translated... we have to see ourselves in any advertising or any engagement materials online, otherwise we’re not going to interact with it.

This meant that both the imagery and visuals had to make sense in order to drive engagement. “I have seen that we do need to have a different visual identity.”

Distribution and promotion also required local channels, particularly in China. These included Baidu for search and WeChat for customer engagement. This included webcasts broadcast via WeChat, which has had significant success. “We’ve had 400,000 people on a video cast on a Tuesday evening for one of our technology shows. How incredible.”

KEY TAKEAWAYS

Avoid the allure of youth in advanced economies. Buying power and wealth is shifting to older consumers, making them a more attractive market.

Be mindful of changes in income in advanced economies. With the malaise of perceived falling living standards, brands should be careful in how they present themselves, particularly if they are strong on aspirational messages. Exploring private label options may be a way to keep hold of spending.

Target consumers in China for the greatest potential growth, but make sure to invest in local tech and marketing. With the digital ecosystem being so different, an approach that works in other markets may not be easy to carry across without the right efforts.

Explore other emerging markets for the long term, but be strategic in choosing the right countries. Not all emerging market countries have the same scale of opportunity.

For B2B firms, reach more broadly across buying units and provide opportunities to self-serve. Buying decisions are now more broadly spread with junior staff having a say. Furthermore, buyers want to research and make purchases increasingly by themselves without involving a salesperson.
BUILD LIFETIME RELATIONSHIPS

Brands need to move away from short-term thinking to grow for the future. But what actions should be taken to create lasting customer relationships? Demonstrating values, building respectful one-to-one relationships while delivering on brand promise are all vital.

DEMONSTRATE VALUES THROUGH ACTIONS TO WIN TRUST

Regardless of where a firm's customers are, trust is a key ingredient for success in the long term. Brand marketers have acknowledged this even before the digital age in terms of how a buyer's predisposition impacts their attitude.69

But where brands had more control of messaging previously, the internet now provides a way for consumers to both search for information and share it with others. In addition, general falls in consumer trust create a situation where distrust can spread more quickly. This has a real impact. An analysis of more than 7,000 companies by Accenture Strategy quantified the impact of a fall in trust, in that it reduces its competitive power and has a disproportionate impact on revenue and EBITDA.66

As such, it is even more important now for brands to demonstrate how they live up to their values and brand promises—and to build trust as a result, particularly as consumers are sceptical. One survey by Deloitte found that of the 13,000 Millennials they surveyed, 27% say businesses should try to improve the environment, but only 12% believe business is doing so.70

As mentioned earlier, campaigns and initiatives that bring their values to life are one method to demonstrate values—such as the #LikeAGirl campaign for Always. But efforts should also stretch over a longer time horizon. Since 2004, P&G's Children's Safe Drinking Water Program has provided more than 15 billion liters of clean water to people in need across the world.71

But brands should also build trust through their actions with individual shoppers. Customer reviews also have an important part in purchasing decisions, so brands demonstrating attempts to fix a problem can both benefit from higher individual loyalty and the public demonstration of making things right.

BUILD ONE-TO-ONE RELATIONSHIPS AT SCALE – BUT RESPECT PRIVACY

While large scale initiatives and campaigns help to demonstrate values of social responsibility, brands also need to connect at an individual level. Today's technology offers significant potential here. Social media offers the chance for consumers to connect directly with brands. More than seven in 10 shoppers aged 18-34 say that they would be more loyal to a brand that replies to them, while half say they are likely to post negative experiences to social media.72 Brands should make sure they have resources to engage with individual customers. Philips acts an example here, as they have an in-house social media team available 24/7 for both optimization and responding.

When it comes to reach, brands should also use data to tailor their ads down to an individual level. For advertising efforts, personalization and targeting based on purchase intent can have a dramatic impact. Analysis by IRI finds that purchase-based targeting improves campaign return on advertising spend (ROAS) by up to 20 percent and achieves significant sales lifts. Furthermore, real-time measurement and optimization can lead to return on ad spend improvements of up to 80 percent, even for bricks-and-mortar purchases.49

That being said, personalization can become "creepy" when done poorly, with one study finding that two-thirds of US consumers claim to have stopped buying from a brand because of such practices.73 As a result, data should be used carefully for personalization, and short-term gains should not make brands lose sight of long-term relationship building.

The use of data becomes even more important considering the impact of legislation. From GDPR in the European Union to California's privacy laws, brands face stiff penalties if they do not comply.
We consider ourselves to be a data company and we consider our customers’ privacy paramount. There’s also this question in media and advertising and marketing around how much personalization is creepy and how much is acceptable... We definitely want some personalization. We want it to be relevant to us and the data gives us that opportunity. But we also at the same time have to make sure our customers trust us. And that we provide them with the utmost security and privacy.

AMANDA JOBBINS
CMO, ORACLE

We’ve thrived and survived because of the trust and transparency that we have with our clients and we help them get from here to there. We and our partners have our own kind of initiatives about how do we do good in the world to build that relationship with audiences... Tech for good is not just an IBM thing but a thing that we all participate in.

GEORGE HAMMER
CHIEF CONTENT OFFICER, IBM
INVEST IN BRAND MARKETING TO CONNECT WITH CHANGING NEEDS OF PURCHASE INFLUENCERS

Consumers are sceptical of the messaging that brands put out. According to a survey of 6,000 consumers globally by Jack Morton, more than half believe that "brands today rarely live up to the promises they make" - with 60% in China feeling this way.\(^{14}\)

While living up to socially responsible values is one aspect of improving customer lifetime value, the individual experience is also key. Older generations can be particularly discerning, as 44% of Boomers say they would walk away from a brand after a single bad experience.\(^{25}\)

As such, messaging alone cannot build long-term customer relationships. Instead, brands need to develop holistic and creative ways to improve the customer experience. Each touchpoint provides an opportunity to assess the experience and offer something new.

The exact experience of a brand will differ depending on the market in which it is in, so teams with local knowledge can provide recommendations beyond simple advertising. These can even extend to products that are seldom sold online. As an example, Chinese produce brand Nongfu Spring launched its '17.5° digitally traceable orange', which allows consumers to scan a QR code in order to find out where their orange comes from, how it was grown, its growing process, and other details regarding its quality. This allows it to prove it is delivering on its brand promise and sell its oranges at double the price of its competitors.\(^{76}\)

FOR B2B, BUYING POWER DEMOCRATIZES AND MOVES TO SELF-SERVICE

As buyers increasingly engage in self-serve behaviors, providing information that helps make decisions is key. Around half of business leaders say content has triggered a buying process, second only to vocalizing a pain point or challenge.\(^{77}\) However, cutting through the noise is a key challenge. Around three-quarters (73%) of B2B buyers say they have less time to devote to reading and research,\(^{78}\) with many also stating that the amount of trustworthy information they encounter is overwhelming.\(^{79}\)

For content to cut through the noise, deploying technology carefully can be particularly fruitful. Marketing automation can deliver the right content at the right time to relevant prospects, helping nurture sales. Account-based marketing and personalization also allows brands to tailor messages and optimize their media spending. These can all help increase sales opportunities.

However, B2B brands should also be aware that the use of some technology is becoming less effective with overuse. For example, email open rates have been on a consistent decline for a number of years\(^{80}\) while more than three-quarters of buyers feel uncomfortable about sharing their phone number online as they download content.\(^{81}\)

So in addition to using technology to generate more leads, B2B marketers should also look for opportunities to build their brand. Analysis by Les Binet and Peter Field shows that B2B brands drive the greatest efficiency when they spend 46% of their advertising budget on brand building.\(^{82}\)

As the number of purchase influencers continues to rise within B2B environments, brand marketing helps to achieve a wider reach and can help to address the challenges involved in connecting with time-poor professionals.

For social responsibility should also play a role in B2B brands. Schneider Electric has aligned its actions with UN development goals and assesses impact throughout the value chain. As the CMO Chris Leong states, "we feel that as a brand what differentiates us is our purpose. It's why we come to work every day."
HOW IBM HELPS CLIENTS DELIVER EXPERIENCE

Bringing around lasting change can be particularly difficult. To assist with this, IBM focuses on the principle of business design. As Billy Seabrook and Nancy Kramer explained:

“By business design we mean working on the employee experiences as well as the customer experiences and bringing it all together to ultimately drive business outcomes. And that might require reinventing the way people are working or reinventing away companies operate when we say business design.”

But in practice, there are often common challenges. “When it comes to working with our clients, many of them come to us with two challenges. They want to grow their business and they want to change their business. And often that means simply changing how they work inside their own company.”

Using approaches from innovative startups, IBM provides a variety of different methods, from design thinking, to agile or dev ops, that represent more nimble ways of working. To do this, IBM co-locates with the client in what they call a garage. “That teaches these assembly skills. When we co-locate with them, we then create new ideas to change their business. We then execute with them and then we co operate. Those new business products that we've developed together can then scale at an enterprise flight level.”

From this, incumbent brands can become more efficient and develop new customer experiences that help them adapt in a changing world.

KEY TAKEAWAYS

Avoid mere lip service to brand values and purpose. Take actions to bring them to life. Both large scale campaigns and interactions with individual shoppers are an opportunity to build trust.

Have resources in place to speak with your customers one-to-one. Whether on customer review sites or through social media, consumers want brands to interact with them.

Assess customer experience across all touchpoints. Remedy issues and think creatively to surprise your customers.

For B2B firms, invest in brand marketing even if other approaches demonstrate short-term ROI. Increased noise and reduced effectiveness of some digital marketing methods mean that B2B brands should cast a wider net.
WHAT CNBC CATALYST CAN DO FOR YOUR ORGANISATION

CNBC Catalyst is the in-house advertising agency of CNBC International, created to be the secret door for brands to access the C-Suite.

We connect brands to the world’s most influential business leaders, investors and innovators. By combining CNBC’s unique actionable intelligence proposition with our exclusive ABCDE advertising solutions, we deliver compelling campaigns that spark change with the most powerful people on the planet.

As we solve our clients’ most important brand challenges, it is critical to understand the intrinsic needs of the target audiences we cater to, which enables us to produce compelling content and connections that provide the utmost value and importance to their working lives, delivered in relevant formats, across the platforms they use most frequently.

MAX NEWNHAM
DIRECTOR OF BRAND & CREATIVE STRATEGY,
CNBC CATALYST
CNBC Catalyst would like to thank the following CMOs for their help with this report:

Amanda Jobbins, CMO, Oracle
Andrêa Mallard, CMO, Pinterest
Billy Seabrook, Global Chief Creative Officer, IBM iX
Chris Leong, CMO of Schneider Electric
David Tiltman, Head of Content, WARC
Fernando Machado, CMO, Burger King
Fiona Noble, CMO, Quintessentially
George Hammer, Chief Content Officer, IBM
Marc Pritchard, CMO of Procter & Gamble
Nancy Kramer, Global Chief Evangelist, IBM iX
Pedro Earp, CMO, Anheuser Busch InBev
Raja Rajamannar, CMO, Mastercard
Roel De Vries, CMO, Nissan Japan
Seng Yee Lau, Chairman of Group Marketing and Global Branding, Tencent
Sital Banerjee, Global Head of Media and Marketing Performance, Philips
Tony Weisman, CMO of Dunkin’
Laila Mignoni, Global Creative Excellence Director, Bacardi
John Osbourne, CEO, OMD USA
In association with

Market² Marketers