The Brexit Effect

How is Brexit affecting British marketing? Your faithful London correspondent has been out asking the question, and this is what he found.

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Brexit means Brexit, but we can't agree what No means

English is a Germanic language. It is also a Romance language, following lengthy visits here by the Romans and Normans. The Vikings contributed a layer (Thursday, husband, law, ugly) and so did colonialism (dinghy, trek, pyjamas, jungle). The resulting complexity drives English students mad everywhere, but offers rich possibilities for communication. And non-communication. In English you can talk for days and say nothing, which is very useful for politicians and managers who seek ambiguity. Earlier this year Theresa May gave a speech about a 'Global Britain' which offered some clarity about Brexit, but not much. The reaction of Europeans can be summarised as follows: "Nein/Non/Nee/Nej,

The economy? So far so good

Confidence is fundamental to both customer and marketer, so this question is central. Brexit voters scoff at the pessimists who predicted a recession after last June. It never happened and the Bank of England has now raised its economic forecast three times. The UK will grow by 2% this year and 1.6% in 2018. Last year ad spend grew by 2.1%, more than expected, but will shrink by -0.7% in 2017 and grow modestly (+0.7%) next year (IPA Bellwether report on Q4 2016).

The outlook for importers and exporters

Overall, however, business leaders are worried: 66% think the impact of

cies based in Brussels are claiming that the location of their British competitors is already a handicap. Paris, Frankfurt and other cities are trying to seduce global businesses away from London.

London as EU HQ? Maybe

Many global firms keep their European headquarters here because we belong to three clubs: European, Transatlantic and Anglophone. What will be the impact of Brexit and can global businesses wait two years to find out? Hard to say, but there is certainly no point keeping a European HQ that cannot sell to the EU. In January HSBC, UBS and JPMorgan Chase all talked at Davos about plans to move from the UK. And then there are the EU entities based here. If, for example, the European Medicines Agency

The opportunity

There is renewed focus on how brands are perceived, say the marketers I spoke to. Reputation is almost everything, especially in the absence of hard facts about Brexit. Relationships based on trust are the most likely to survive Brexit intact.

What to fix

Marketers also discussed what they need to fix. First, financial waste gets most attention when times are tough, and in 2017 marketers will demand more transparency from programmatic. Procter & Gamble's Chief Brand Officer believes the media supply chain is "murky at best, fraudulent at worst" (IAB Annual Leadership Meeting, 2017). Last year

you will not leave the EU and cherry-pick from the Four Freedoms". For some in Britain this means No, as Mrs Merkel and others keep trying to tell us. For others, European thinking obeys the rules of English (being the best European language), where No actually means Maybe. This second group is sure Brexit will be a huge success.

The outcome of the Brexit negotiations? Absolutely no idea

Long-term thinking is harder than usual, what with uncertainty surrounding the EU and Theresa May's new best friend in Washington. So marketers are developing two plans in parallel: adapt to the reality they can see outside their window, and prepare for a life after Brexit which will probably start in 2019. And what will this life look like? For now there are no facts; only speculation.

Brexit will be negative (Ipsos Mori, 5 February). In the short term, rising input costs (what we pay for the goods we have to import) are causing inflation which will slow British domestic demand. The pricing battles have already begun: Unilever recently wanted to raise some of its prices to cover higher costs. Tesco refused because it is anxious not to lose share to competitors like Aldi and Lidl. Exports have risen since the pound devalued, but it is too early to say if higher input costs will remove the advantage our exporters are now enjoying. And Brexit has emboldened our European rivals who sell services to the EU. Irish lawyers are placing ads to remind European clients that they speak English too. Consultan-

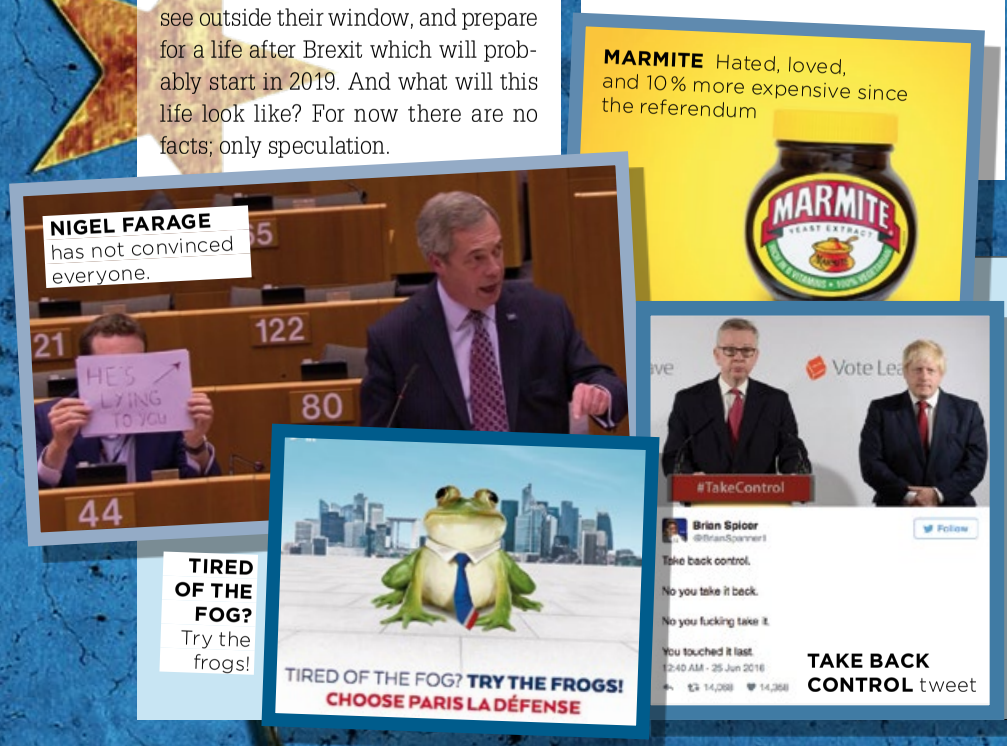
left London, the impact on our pharma industry would be profound.

The rush for certainty

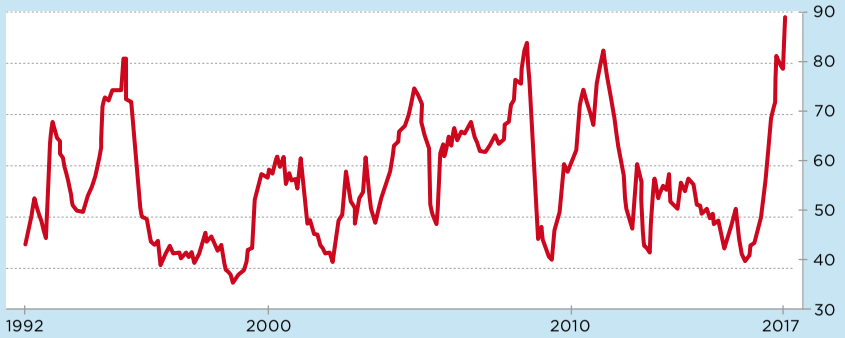
A global trend is giving Online an ever-bigger share of the marketing pie. In the UK last year it was worth 50% or £10 billion, up from £224 million in 2000 (Advertising Association). Google and Facebook are fast building a duopoly, taking 70% of US online spend in 2016 (Advertising Bureau). Changing consumer behaviour is not the only factor. The appeal of a reliable ROI (return on investment) is especially strong when marketing departments can't see what the future holds. And so adtech firms are promising new levels of sophistication in targeting and measurement. Precision is seductive, but wise marketers know that they must also make sense of the data, which is an art. Not to mention the perennial need for big, bold, creative ideas.

WPP spent $5 billion and $1.7 billion advertising through Google and Facebook. Its boss, Sir Martin Sorrell, thinks adtech firms will earn trust when they stop "marking their own homework". Secondly, the growth of ZBB (zero-based budgeting): businesses too often use last year's spend as their benchmark for what to buy this year. Starting from zero, with no budget guaranteed, can make marketers think much harder about where they will get best value for money. Unilever and Diageo use it and like it. Thirdly, marketers should do much more to understand people who are not like them. New BBC research confirms that those who are most pro-Brexit tend to have the lowest levels of education. Highly educated marketers in big cities everywhere (and not just in the UK) need to understand fast why anti-EU populism works.

by Jamie Priestley



UK input costs rising as the pound falls



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