

THE MARKETING ASSOCIATION OF AUSTRALIA AND NEW ZEALAND



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Editorial

I do the occasional seminar on Marketing channels – Distribution. The most common complaint from suppliers/manufacturers is the unfair amount of power that a few retailers in Australia have. Not only do they have this Channel Captain power, but they exercise it in some of the dumbest displays of a lack of basic marketing knowledge.

These retailers just do not understand the basic Value Exchange Concept or much else about marketing theory either.

They tell suppliers that "they cannot raise prices to their buyers (you can if you give better value folks!!). So they will tell you that the profit is made in the buying – not in the selling.

This translates into "we have the power and ability to set whatever terms we want – and can and will screw the supplier until their noses bleed"

I can see no way that this is good for anyone in the long term – including shoppers. Ultimately lower supplier margins do not translate into more quality or more choice.

The media in Australia has noted the stated intention of Australia's two largest supermarket chains to limit the range of brands they carry in any single category to just two – the biggest and next biggest brands. This may well be because in their marketing myopia they have been frightened by Aldi – which in fact has barely made a blip on the retail radar.

The simple fact is that well established brands from the leading (usually multinational corporations) generally get a better deal from supermarkets in relation to cost (slotting, co-op, etc, etc) anyway. On the basis of what is mooted, from now on a new FMCG brand entrant just about doesn't stand a hope in hell of getting reasonable distribution.

Is this anti competitive – we think it is, but Australia's competition watchdog chairman has challenged critics to back up with hard facts their claims of anti-competitive behaviour by the country's largest supermarket operators.

Not speaking specifically about the proposed new plans, but on supermarkets competitiveness generally, Australian Competition and Consumer Commission chairman Graeme Samuel said...

"Sometimes there will be views expressed that small businesses, small suppliers have difficulty dealing with the major companies ... but keep this in mind: **our concern is the public of Australia, its consumers. We are concerned to ensure to give them as much choice as they can get**, the lowest prices they can get, the highest quality of convenience and of offering that they can possibly get," he said.

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Retain more customers by segmenting those most likely to return

It typically costs 5-10 times more to acquire a new customer than to keep an existing one. So once you have attracted visitors to your site and converted them into customers, you need to focus on identifying and retaining your most valuable segments of customers.

Determine exactly how well retention campaigns such as customer e-mails and loyalty programs encourage your most valuable customers to keep coming back and, more importantly, to engage in repeat business.

- What is the most valuable real estate" on my pages?
- Which marketing campaigns are driving the best results?

Click through rate was the metric marketers cared about years ago. Today, marketers need to go beyond click through rate to determine conversion by campaign, revenue by campaign and even the lifetime value of visitors from each campaign. Optimize the entire marketing mix by identifying which media placements and which specific campaign creative or offers are generating the most revenue.

Focusing specifically on your demand generation partners and affiliates, you need to identify which campaigns are most effectively contributing to your bottom line. With this information, you'll be able to understand which partnerships are having the greatest impact on your organisation's revenue.

- Refocus your demand generation efforts on your most effective partners and affiliates.
- Identify under-performing partner programs and make changes to improve them.
- Drill down to identify daily revenue for each individual campaign on each partner site.
- Easily export your WebTrends data to Microsoft Excel for additional analysis.

How do different offers perform within the same advertising placement?

- Optimize your creative with the offers, copy and designs that work best for each campaign.
- Determine whether the placement of creative has a direct impact on revenue.
- Make changes to your campaigns and see the before-and after results in a side-by-side view.

How do visitors find my destination pages, and where do they go from there?

Driving visitors to the web site is only the first step. After the initial response, you need to ensure that visitors easily find your site's key pages and that they continue to complete your desired actions.

Path Analysis allows you to immediately see your site's most important paths, including the routes visitors take to key pages and where they go from there. By identifying the calls-to action, embedded text links, and paths that effectively lead visitors where you want them to go—as well as element that don't—you can work to improve navigation and achieve better results.

- Understand how easy it is for visitors to find your important destination pages such as a product page, a checkout page or a core content area.
- Determine if your destination page is having the desired effect and leading to web site conversion.
- Increase the number of visitors entering conversion scenarios by eliminating links that lead visitors away from task completion.



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from ACCC offices.

The guide is available for download from here:

<http://www.accc.gov.au/content/index.phtml/itemId/608396>

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The Business of Ethics in Coffee and Tea

Tea, coffee and chocolate have held a special place in consumer culture. But while times are not exactly hard, life has become a little less sweet of late for the multi-million dollar corporations that market the world's best-loved treats. Young consumers are drinking cold instead of hot drinks. Owners of chocolate brands, under attack from the health lobby, face similarly sluggish rates of growth. Added to this, firms in all three sectors have been charged with making handsome profits at home, while producers in developing countries fail miserably to capture the value of their crops and, in some instances, cannot even cover their costs.

Enter a new breed of enterprise, firms with a mission to restore fairness to trade and promote economic development in the world's poorest countries. From humble beginnings, the Fairtrade movement has blossomed into an international labelling organization endorsing brands in nineteen markets around the world. In the UK, the largest national Fairtrade market by volume, sales of products bearing the Fairtrade mark are running at around £100 million per year (US\$ 187M).

Whether such ambitions are fulfilled may hinge on the response of retailers and their willingness to bring Fairtrade to the attention of a wider audience. But can their support be counted upon? One interesting development is the decision of some supermarkets, including the UK market leader Tesco, to start selling a selection of own brand products under the Fairtrade label.

The big food and drinks groups have yet to reveal their hands. But as Fairtrade businesses set their sights on the wider market, some form of competitive response from the likes of Kraft and Nestlé becomes inevitable. One possibility is that the multinationals will follow the retailers and become converts to the cause; either by launching Fairtrade sub-brands or by switching over existing lines.

An alternative, perhaps more likely, scenario is that the big brand-owners will look for ways of sprucing up their ethical credentials—but without having to pay the turnover-related licensing fees imposed by the

Australians are showing they have a conscience when buying food. In hundreds of cafes, specialty shops and supermarkets across Australia - and even Coles from this week - people can buy products such as coffee, tea and chocolate stamped with a Fairtrade label, which guarantees the farmers who picked the crop received a fair price for it.

This internationally recognised label from the Fairtrade Labelling Organisations International (FLO), based in Bonn, Germany, ensures each link of the supply chain is audited and certified - from the producers to the exporters, importers and manufacturers (or roasters in the case of coffee).

The FLO label tells the consumer that farmers were paid a "living wage" plus a premium above the market price and were encouraged to form producer organisations to spend the money on local community development, such as on health services and education.

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have the depth or dimension to become an effective brand.

2. Avoid alphabetisation. Names that are composed of initials are meaningless – which is why they are beloved of bureaucrats (No one knows what anything means without them). They also get lost in the clutter and they are costly to explain, support and promote. Jack Trout says in *The New Positioning*, "A no-name name is the corporate equivalent of a disguise." Unless you are a GE or an IBM with millions to spend on advertising, avoid initials. Real or invented words are many times easier for consumers to remember.

3. Research should not replace savvy decision-making. Market research is a valuable tool to aid decision making in developing a new brand name, however it is just a tool and not a replacement for good savvy and understanding. No one understands your product, your organization and your positioning better than you do.

4. Don't allow current fads and popularity to determine the name. The most popular name is not necessarily the strongest name for the long-term. Fads fade.

5. If it's too comfortable and doesn't stand out, it's too forgettable too. The most successful names over the long-term are often those that stand out and were perhaps initially the most controversial (think Google, and Yahoo!). When you select a name, you are looking for something to stand out in the marketplace clutter, not add to it. Literal meanings show a lack of creativity.

6. Keep the name brief. One word brands are usually most effective. Lengthy, multiple word names lead to truncation. When people abbreviate your name, you lose control over your brand. There are some examples that break this rule – for example Lolly-Gobble-Bliss-Bombs. It's catchy and fun

7. it's about strategy. Selecting a brand name is an emotionally charged decision. Naming decisions are fraught with politics, turf issues, and individual preferences. Stick to the strategy and do not allow the lowest common denominator solution.

8. Manage the (decision-making) process. It's a process not an instant decision. There are steps to be taken and completed. Determine at the outset what should be done, what objectives need to be met and who the decision makers will be, and then work diligently to keep the decision-making process on track.

9. Be prepared for leaks. It is very difficult to keep a new name a secret. At the beginning of the naming process, prepare your press release and press kit in the event of a leak.

10. Don't expect unanimous support. In the first few weeks following introduction, there is often a lot of discussion and publicity about a new name. Familiarity breeds comfort. As people become more familiar with the name, they will become more comfortable with it.

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Myths of the over-50s

The over-50 age group is probably the greatest opportunity facing many marketers, but much of the current rhetoric is unproductive. Instead, we should be looking for inspiration to those brands that are already successful with these customers.

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Much media portrays this group as a series of hackneyed myths.

Every new article seems to have some new form of segmentation label or method, usually bearing little resemblance in terminology to other studies. Perhaps more importantly, there is little discussion as to whether these segmentations are unique or cross wider age groups.

Many people also seem all too willing to repeat assertions drawn from a small study and there is no interest in performing studies that address the issue comprehensively. For example, it's common to see claims that older people do not try new brands, but the data to support this is still lacking. This is probably another example of a sweeping statement, such as "advertising to the old alienates the young". It may be true but it's unproven. Finally, it's popular to blame young marketers for not making the most of opportunities, but the age of marketers is not the real problem. The real problem is their bosses are not promoting the value of older customers.

We should take a more positive approach. Many organisations (Orange, Innocent and Lexis). are working with their older customers and see sweeping statements as just exaggerations. There should be positive support for these organisations. We should recognise the fact that society itself portrays old as boring is not the fault of young marketers. Business needs to address the broader issues of attitudes to aging. At the same time, we should question the relevance of age to a brand. For many brands, values transcend age. For example, Innocent drinks values are based on quality, freshness and responsibilities, which are relevant to all ages.

If we recognise that people are not just defined by their age and that people age in their own ways, we can see that marketing to older people demands the same core skills as any other marketing. Older people are not fundamentally different to younger people. We need to stop recycling old myths. We need to establish whether addressing old people alienates young people, or whether some people just ignore advertising.

Segmentation is not real; it's a tool to make it easier to deal with large numbers. Its main purpose is to enable us to better understand the Key Purchase Criteria (KPC) of buyers. Perhaps the ultimate simplification is to recognise the similarities between young and old. Obviously some products naturally segment themselves, but the style of ads may not need to vary as much as we think. They can still be humorous, educational, or startling. There could be some kind of society hang-up about older people being different – although it does seem they are only different if they are richer!

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From The Media

Frequent Flyers Swoop on Qantas

Qantas Frequent Flyers will find it almost impossible to use their points on international flights for up to a year because of a surge in redemptions ahead of controversial changes by the airline next week, a consumer group claimed yesterday.

Frequent-flyer.com.au principal Clifford Reichlin earlier this month warned the airline's 4.1million frequent flyers to book award flights ahead of increases on Wednesday in the number of points needed to claim many long-haul tickets.



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Qantas confirmed there had been a rise in frequent flyer bookings and inquiries ahead of next week's changes. Members had redeemed 1.3million sectors since the changes were announced in November. But it denied international frequent flyer tickets were no longer available.

Qantas executive general manager John Borghetti said there were more than 200,000 frequent flyer seats available system-wide over the next three months and others were being constantly added to the inventory. But he conceded the majority of these would be for domestic flights and he was unable to give a breakdown on international seats for "commercial reasons".

"We gave warning about this change some six months ago and we did so deliberately so that people would be able to access the seats," he said.

The Australian

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Reserve Bank Faces Challenge to EFTPOS Rules

Retailers will launch a legal challenge in the Federal Court to overturn the Reserve Bank's recent decision to deregulate the EFTPOS network, a reform they fear could cost about \$170 million in fees shared between banks and retailers.

The applicants include a group of nine blue-chip retailers, ranging from Coles Myer to BP. They will claim the central bank made an error of law in changing the system and are applying to have the decision overturned. The Reserve Bank, which is the respondent, will oppose the application. Its lead counsel is Tom Bathurst.

The case is a judicial review, which means the court will be asked to review the process used to reach a decision, rather than the merits of the case, in deciding whether the RBA was correctly exercising its authority.

The court is expected to hear claims from Mr Young that the RBA misinterpreted parts of the Payments Systems Regulation Act by failing to consider the role of the merchants in the EFTPOS system.

The Age

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Virgin Blue Dismisses Ozjet Threat

Entrepreneur Paul Stoddart will find it tough to succeed with his business-class airline Ozjet, according to Chris Corrigan, the chairman of low-cost carrier Virgin Blue. But Mr Stoddart - the Melbourne expat behind Italy's Minardi Formula One racing team - is confident, saying the F1 circuit "makes the airline world look like a walk in the park".

Mr Stoddart is launching Ozjet as an alternative airline for business people seeking premium travel at

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down to some new low-cost unsustainable price? I think not."

The Age

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Australian Consumers Have More Confidence In Online Shopping

For years e-commerce has been tipped to transform traditional notions of buying and selling. Actual "stores" with walls, doors and floors, investors were assured, would eventually be overtaken as people learnt they could buy almost anything from anywhere, more cheaply and without even leaving the house.

While Australians are considered to be early adopters of new technology, shopping over the internet was for some time an exception because of our sluggish uptake of broadband, regarded as vital to increase e-commerce. In little more than a year, however, this has changed dramatically.

The Australian Bureau of Statistics has reported a 51 per cent increase in the number of non-dial-up subscribers (mainly households) to 1.3 million for the 12 months to September last year, just less than a quarter of the approximately 5.7 million people now online. Significantly for e-commerce, the report also noted that households now account for 75 per cent of non-dial-up, usually assumed as broadband, connections.

The higher speeds of broadband allow consumers to move through sites, download images, video and new pages much faster than they would via a dial-up connection.

The research group Nielsen//Net Ratings Australia recorded a 21 per cent rise in the number of people entering online commerce sites in Australia last year. Supporting this growth, 53 per cent of internet users in Australia older than 16 had bought something online, justifying a 20 per cent rise in spending on online advertising for the period. The US and British markets grew by 17 and 13 per cent respectively last year.

The improvement of online shopping sites, increased use of electronic banking and payment systems along with higher internet speeds are considered the main reasons for the growth of on-line shopping, while better product selection, cheaper prices and no crowds are also big drawcards.

But Australia's traditional "bricks and mortar" retailers are still cautious about online selling and are yet to build a substantial internet presence. David Jones, for instance, sells online only over Christmas. The company declined to discuss any plans it has for expanding this.

Such conservatism is often equated with practical necessity, given the internet's volatile history. Woolworths's online shopping peaked before the Sydney Olympics but fell away afterwards, coinciding with the dotcom fallout, a company representative said.

Tony Steven, chief executive of the Council of Small Business Organisations for Australia, doubts the internet will have much impact on smaller retailers for some time, and believes that in some ways its presence has reinforced a trend back to traditional face-to-face values.

"Shopping is about the experience - the way ahead for small retailers is to look for niche marketing," Steven says. "We can see a trend with people clearly losing patience with websites, phone menus and trained responses." With so much publicity about email scams and banking fraud, there's ample ground to be suspicious of the internet.



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Foxtel Pushes Pay-TV over DSL

Foxtel is exploring the delivery of its digital pay-TV services using Telstra's copper network in an effort to tap into 780,000 apartments nationwide.

Foxtel chief executive Kim Williams said the broadband technology DSL (digital subscriber line), which delivers broadband internet services, would help get the organisation's services into so-called multi-dwelling units that have no fibre backbone.

"We are access technology agnostic," Mr Williams said. Foxtel has just passed 1 million subscribers using hybrid fibre-coaxial cable and satellite to provide its programs.

Mr Williams said Foxtel had a special group known as a "skunk works" - an information technology industry term for in-house technology development - working on the project.

DSL is booming, with up to 30,000 households each week signing up to the technology through a range of internet services providers including Telstra, Optus, iiNet and Primus.

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Smoke Promotions Out

"Cigarette girls" at major Melbourne events and hot spots will become a thing of the past after the Victorian State Government yesterday set a \$500,000 penalty for tobacco organisations engaged in "buzz" marketing.

New laws introduced in Parliament last night mean the same fines will apply for tobacco organisations that set up themed promotional stands for cigarettes, or take part in non-brand-specific advertising (advertising cigarettes without using brand names).

The measures are part of restrictions that will result in smoking being banned in all licensed premises by July 2007.

The Government foreshadowed the bans last October in a push to protect hospitality workers from passive smoking and discourage adoption of the habit.

The new laws will end indoor smoking in all public venues. The Government had earlier banned smoking in gaming venues, shopping centres and restaurants.

Health Minister Bronwyn Pike said the changes, in the Tobacco (Amendment) Bill 2005, recognised that cigarettes caused almost 5000 Victorian deaths a year.

Under the changes, smoking will be permitted in outdoor drinking and dining areas, such as balconies, courtyards and verandas, even if attached to licensed venues. There will be exemptions on hotel

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rooms, some sections of mental health facilities, and the sleeping and exercise areas of prisons.

While the ban would allow smoking on decks, balconies, verandas, beer gardens and similar areas, it was disappointing that the association's push for a "quarantined" smoking area within pubs had been rejected, he said.

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West Australian Dairy Farmers Denied Collective Bargaining

A proposal by West Australian dairy farmers to collectively bargain for better prices from milk processors has been knocked back by the competition watchdog.

The Australian Competition and Consumer Commission (ACCC) today refused to give interim authorisation to a proposal from Dairy WA to collectively bargain on behalf of farmers.

Commission chairman Graeme Samuel said although other interim authorisations had been granted to other dairy farmers, there were issues yet to be resolved with the Dairy WA proposal.

"The ACCC considers that the complex arrangements proposed by Dairy WA require careful, detailed consideration to assess the public benefits and anti-competitive detriments that may follow," he said in a statement.

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Hate Those Adverts? OK, We'll Just Slip in some Placements

Digital TV won't free you from the adverts, the salesmen are just getting sneaky, writes Craig Reucassel.

Everybody's excited by the new digital TV recorders like TIVO that will allow you to record your favourite TV shows. You can then replay them whenever you want and, most importantly, skip the adverts.

It's not like it isn't already happening. Product placement, product integration, brand casting are the buzzwords behind a trend that will ensure that we can never avoid the ads.

Channel Nine's The Block was one long advert for everything from drills to cars. It was clumsy. Other reality shows like Big Brother have had a similar level of subtlety.

While this ham-fisted salesmanship is frustrating for television viewers, it is at least clear that it is advertising. But this is not how many advertisers would prefer it. They want the line between show and advert to be blurred and indistinguishable.

Young people are sceptical about adverts, but apparently not so sceptical that they would see through the "mobile-phones-are-great segment". Needless to say, we never came to any agreement, but many others clearly have.

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about 32 per cent, a discrepancy that is explained by there being several individuals in a home accessing the net. In March 4.4 million of Australia's 8.5 million "active" home net users used broadband.

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VB Goes Retro to Quench an Original Hard-Earned Thirst

Victoria Bitter is going back to its roots to revitalise the main brand with the first spin-off in its 150-year history. **VB Original Ale** - a throwback to a Federation-style malty brew - is the latest attempt by Carlton & United Beverages to breathe new life back into the flagging full-strength beer market. Packaged in a retro label and bottle, the beer is CUB's answer to a trend for nostalgia that shows no sign of waning.

CUB expects the beer to appeal to all today's drinkers, regardless of age. "Look at the baby boomers who are revisiting the past and then at younger drinkers who are wanting experience and sensations," he said. "There's a real convergence of authenticity and heritage." CUB tested the ale, which it says hails from an 1894 recipe, on VB loyalists and other drinkers who gave it the thumbs up.

Last year, CUB refreshed the iconic VB ad campaign making it more relevant to the modern Australian bloke, who is more likely to be wielding a computer mouse than a shovel and pick.

Original Ale will have to squeeze into the increasingly crowded repertoire of beers of the average *The Australian*

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Ad Spend Hits \$10bn Then Starts To Taper

The Australian advertising market broke through the \$10 billion barrier for the first time in 2004 in a widespread boom for all media.

However, media buyers have already started revising down their forecasts for 2005 amid signs the ad market is cooling.

Advertisers lifted their overall spending 10.4 per cent to \$10.4 billion for the 12 months to December 31 over 2003, according to figures released yesterday from Commercial Economic Advisory Service of Australia.

The \$10.4 billion figure includes directories advertising. Without this, the ad market rose 10.8 per cent to \$9.1 billion.

However, bullish market sentiment looks to have ended with the two forecasters who last year said media organisations would maintain double-digit revenue growth in 2005 yesterday retracting their positions.

Mitchell & Partners chairman Harold Mitchell said his 10 per cent advertising forecast for 2005 "would

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Consumers' Association wants the Spam Act broadened to include unsolicited marketing phone calls. The consumer group argues that the falling cost of telephone calls and the use of automation and recorded messages have led to a surge in use and consumers can only hang up.

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Austar Tunes Into Free TV

Pay TV Provider Austar will be the first pay-TV group in Australia to offer access to both digital pay-TV and free-TV signals from the one set-top box from early next year.

The regional pay-TV operator yesterday revealed it would launch its personal digital recorder (PDR) in early 2006, but unlike the equivalent offered by metropolitan pay-TV group Foxtel - called the Foxtel IQ - the Austar version will have a dual tuner.

Satellite retransmission of free-to-air signals is not a realistic possibility in Austar areas, due to the large number of local area signals.

Austar was weighing up options for its 2.3Ghz wireless spectrum, which could support a national broadband internet access service. "As wireless broadband technologies develop we see opportunities either to sell the spectrum or consider utilising it for broadband."

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Telstra 'not delaying internet calls'

Telstra has retracted its earlier statement that it had scrapped plans to offer its retail clients the ability to make calls over the internet for at least another year. It has said its earlier statement was wrong and that the telco was on track to offer consumer voice over internet protocol, or VoIP, in the 2005/06 year.

The company hopes to have a consumer launch in the coming financial year, depending on customer demand," a spokesperson said.

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Retail squeeze - the middle is history

Roy Morgan Research chief executive Michele Levine says retail's middle market is getting squeezed out by the lucrative top and high-turnover bottom ends of the market.

"When we say the middle market is disappearing, we are not saying that there are no people in the middle market, we're saying that the value for people in business (in the middle market) is dwindling," Ms Levine says.

This week, middle market retailer Just Group - which includes the Just Jeans, Portmans and Jay Jays

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He said the megastores appeared to benefit consumers, as in his experience their prices were often lower and the staff reasonably knowledgeable.

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Asia

'Star Wars' Pirates Move Fast In China

Beijing -- Counterfeiters were selling illegal DVD copies of the latest Star Wars movie on Beijing streets just three days after the movie opened in Chinese cinemas.

The copies of "Star Wars: Episode III - Revenge of the Sith," priced at \$2.40 were being offered by vendors out of shoulder bags on Beijing's main avenue.

The pirate copies were slightly blurry but appeared not to have been filmed in a cinema, as many of China's imported fakes are. The sales were taking place despite repeated Chinese promises to stamp out a thriving industry in copied goods that foreign organisations say cost them billions of dollars a year in lost potential sales.

"Revenge of the Sith" opened in Chinese screens in a rare simultaneous opening with cinemas abroad. Distributors hope that such worldwide premiers will defeat pirates by giving audiences in China and other countries a chance to see films before illegal copies could be made.

Studios complain that China has created a market for pirated movies by blocking or delaying release of many films in an effort to protect state-owned studios.

Pirated movies sold in China are made from videotapes shot in cinemas abroad or from preview copies given out to film distributors and others in the industry.

China says it is trying to prevent piracy, with some 9,000 cases passing through its courts in 2004. In one highly publicized case last month, a Shanghai court sentenced two American men to prison terms of up to 2 1/2 years for selling Chinese pirated DVDs to customers overseas on Internet sites.

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Market Research and Consumer Behaviour - Women with Time and Cash in Hand

"What do you like to do in your free time?" The young assistant manager thinks a while before she answers the English teacher during her organisation's weekly language training. After careful consideration she responds: "Sleep". Then she lights up in a smile and adds "..and shopping...".

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This scenario is typical for cities across Asia. Almost considered a cliché, women with time and cash in hand are most likely to be found at the local mall buying shoes. Young female shoppers have become a natural part of the industrialized world and now their counterparts in developing countries are catching up.

In Asia the shopping has emerged as a way of life for urban women and while women in the West are still shopping, the behaviour patterns and motives differ when comparing East and West. As the economy changes, consumers change with it. Industrialized economies such as that of the United States are going through tough times and they are finding their consumers shopping to relieve stress.

When men get stressed, they go to bars, and women go shopping.

Research shows that American women buy for emotional satisfaction, especially during an economic slowdown. They give themselves small gifts and look for purchases that can symbolize "life's little luxuries". Often the products are not satisfying a direct functional need. Also premium priced brand names are surviving.

Consumers want to make a statement and show what they stand for. However, these brand names are more likely bought at Costco than at Rodeo Drive. Costco has specialized in luxury products at minimum prices and American consumers are thrilled to go to a warehouse style outlet to get top quality. They can later brag about how they picked up designer products cheaply on their way home from work.

Here lies a contrast to Asian women who are, in a sense, still "shopping purists". They shop not for self actualization or to find a luxury bargain, but to spend and to embrace the shopping activity as a social event. Similar to the yuppies of the 80's, Asian women are earning and spending, but this newly found wealth is part of a newly found freedom as well as an economic evolution.

In South East Asia more women are joining the work force. They are becoming financially independent. In the industrialization of many Asian countries is the grassroots of a growing freedom for working women. Last year a press conference with Thai starlets discussed the wonders of the TV Show "Sex and the City". This is a quiet women's liberation - Asian style.

At Bangkok University, a recent study revealed that most single women in Bangkok spend their free time shopping, but they are also hard-working. They are also marrying later (25 is the average age for marrying compared to 23.5 in 1990), saving up their own money, and spending their hard-earned money wisely. According to the study by Dr. Krairoek Pinkaeo and Anuchit Thaingtam this particular group of women go on brand shopping sprees four times a month. In addition, Asian women also have the opportunity to supplement their shopping with low priced items such as toys, casual clothes, and of course pirated brand names. The latter phenomenon will be addressed in my next article.

Activities connected to the outing with friends or alone to the nearest luxury mall that Western shoppers take for granted are brand new (no pun intended) in many South East Asian countries, including China. Parking your luxury car, strolling through the mall, and talking on the hand phone have high value in places where such outlets have only existed for around decade. Single Asian women either live with their parents or in a small apartment, so showing off their wealth by sporting expensive handbags, clothes and jewellery comes naturally. In Japan, collecting designer handbags has become a fetish among young women, many of them still in school and here price is a concern and bargains are sought out. Of course as the Japanese economy continues to slump, the healing power of browsing should not be ruled out. It seems that in the rest of Asia, newly-wealthy women

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the interior and the manufacturing economy of the east. Urban incomes have roughly tripled in the past decade, while growth in rural incomes has lagged behind at two-thirds that rate, creating a widening disparity between the coastal region and the remainder of China.

This imbalance has caused one of the largest migrations in the world's history as peasants from China's western and central provinces relocate to the booming economies of Shanghai, Beijing and Guangzhou. More than 40% of China's population now live in cities or towns, up from 18% in 1978 - nearly 1% of the country's population make the move every year, despite regulations such as household registrations that discourage migration. Recent statistics indicating a shortage of skilled labour in some coastal regions will do little to alleviate the problem. The interior is largely unable to fill this void, and the shortage will only drive up incomes for the coastal workers facing increased demand, further enlarging the income gap.

The reason so many are abandoning the western, rural areas has everything to do with economic opportunities, but Beijing has moved to narrow the disparity by increasing the rate of urbanization in the west. In recent years, Beijing has begun to ease the restrictions on switching a rural household registration to an urban one - a necessity for a migrant worker to gain access to state services; still, this remains a burdensome process for many. Beijing is also pouring huge amounts of investment into infrastructure projects to the interior. While hundreds of billions of dollars have been spent to build the interior into an attractive location for private firms to invest, there has, so far, been little movement from the private sector to follow the lead. However, the environmental costs of these investments may prove to be too much for the economy to bear, injecting a potentially disastrous risk to any private investment in China's interior.

The Three Gorges Dam will be the single largest source of hydroelectric power in the world (the equivalent of 15 nuclear power plants), and its reservoir will allow ocean-going ships to access China's interior for six months of the year, according to engineers working on the project. It will also displace more than 1 million people. The 265 billion gallons of raw sewage and 700 million tons of sediment deposited in the Yangtze River annually will no longer be carried out to sea and will back up in the reservoir. Over 1,000 mines and factories containing potentially hazardous materials will be submerged. But the largest risk is the catastrophe that could occur from an error in construction, which has been so plagued by corruption that even the state-controlled media has criticized the loose financing of the project. This project, on a colossal scale, highlights the looming environmental risks to China's rise.

China continues to struggle with energy efficiency. Its oil use is currently about double the average of other Asian countries - approximately three-quarters of a barrel per US\$1,000 of gross domestic product (GDP). Energy production is heavily reliant on domestic coal (75% of the country's energy production comes from coal-burning plants for which demand still outstrips supply, even as China has begun moving to alternative sources) and is subject to frequent outages - in turn, causing an increase in oil use as organisations turn to generators to keep production lines running. The problems of energy production grow progressively worse as one travels west into China's interior, increasing the social divisions in the country. While China has clearly put energy security at the centre of its foreign policy, its progress at tackling domestic inefficiencies is troubling at best.

Environmental damage may not be the only legacy of China's centrally planned economy. China's "one child" policy may have created a society with far fewer workers than necessary to care for a population that will be dramatically weighted toward the elderly in the coming decades. In order to maintain social cohesion, Beijing will be forced to spend a greater percentage on caring for retirees than ever before. However, the effect of this policy may not simply be limited to economic costs. Under the "one child" policy, male children were favoured over females, especially in rural and isolated provinces. Soon there will be an abundance of young men in China with no prospects for marriage in

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their country.

This could prove to be a destabilizing factor if these young men direct their anger toward the state. As mass protests become more and more common throughout China, it is possible to imagine disaffected young men linking up to display their shared outrage - should this be directed at the government, it could limit China's ability to manoeuvre on the world stage.

The recent string of protests directed at Japan demonstrated Beijing's ability to control (and manipulate) mass crowds in China for foreign-policy goals. However, they have also exposed some of Beijing's weaknesses on this front. Short message service messaging and e-mail were used to organize complicated protests. As organizers develop their skills, it is possible they will teach others not so keen to use the crowds for Beijing's benefit. This threat is more likely considering the current environment of wide-scale protests aimed at local officials and governments.

It is estimated that there were 60,000 protests in 2003, a number that has increased 17% annually over the past decade; in some inland areas, protests are becoming a daily occurrence. This could be viewed as an opening of China's political system if it were not for the harsh measures that Beijing has employed to squash dissent in recent years. Forty-two of those partaking in the recent state-sponsored protests against Japan were arrested; when the cause goes against the government's political aims, the numbers are much higher. Even though they risk arrest and "re-education" internment, Chinese citizens are publicly voicing complaints across vast areas of the country.

These protests tend to be focused at local officials and stem from complaints about insufficient compensation for land confiscation, inadequate welfare payouts and official corruption at the local level. As Beijing began to shift state assets to the private sector, the unprofitable state industries of the interior were the first to be dumped and were the last to be granted access to state bank loans. This led to vast areas plagued with unemployment. Often, the residents too old to migrate to the urban centres but too young to draw a state pension, have little left to do except protest.

The state banks may have only added to the woes of China's interior, but they have become, perhaps, China's biggest liability if it is to emerge as a great power in the east. Some estimates have put the amount of "bad" loans in the system as high as \$800 billion (China's GDP is close to \$1.6 trillion). While this number may be inflated, the actual amount is certainly enough to cause great damage to China's economy. As a condition of joining the World Trade Organization, China must open its banking sector to foreign competition in 2006. When this happens, it is likely that accounts in good standing will flee to the newly introduced banks with better financial footing. While preparations are being made to raise cash for the state banks in order to better absorb this shock, there is little time for Beijing to finish its reforms.

The current leaders have focused a great deal of their energy on resolving the banking issues that could undermine the coastal economies, if for no other reason than they know this is where China's leverage with other states is deposited. For instance, \$200 billion in "bad" loans and other non-performing assets have been transferred to other institutions, cleaning up the banks' balance sheets. It is very unlikely that Beijing will allow its state banks to collapse or be undermined by the coming competition; in fact, the threat of competition has helped to transform the banking sector controlled by the state into a more transparent system in line with other developed countries' financial sectors. However, this has and will continue to require much of Beijing's energy, which could have been spent in other areas.

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