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East Connection: A New Mindset

Research forum bonus papers

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Edited by: Deborah S. Fellows

ESOMAR Office
Barbara Strozzilaan 384
Eurocenter 2
1083 HN Amsterdam
The Netherlands
Phone: +31 20 664 21 41
Fax: +31 20 664 29 22
Email: customerservice@esomar.org
Website: www.esomar.org
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TABLE OF CONTENTS

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EDITORIAL

EAST CONNECTION: A NEW MINDSET

The growth prospects of Central and Eastern Europe's major economies have improved in recent months thanks to domestic policies and economic stabilization in the European Union. "The outlook for the region is more positive thanks to improvement in the euro zone and despite some recent mixed economic data, the trend seems to be in the good direction," World Bank economist Theo Thomas told The Wall Street Journal by the end of 2013.

This incipient recovery should generate an upturn impact in the market research industry, where the word "connectivity" emerges as a key factor to succeed. The Eastern European Countries, while preserving their own identities, have become more (inter) connected to Western Europe and the rest of the world thanks to new technologies and social media developments. Borders are vanishing in the digital space where hyper-connected consumers are on the rise.

How different (and similar) is the CEE region in comparison to the rest of the world? How is market research playing a pivotal role in breaking boundaries and facilitating a new cultural and business mindset for the region?

ESOMAR is proud to explore the answers to those questions while hosting the third edition of the CEE Research Forum in beautiful Bucharest.

These bonus papers: "Brand Growth 2.0", "How to Motivate People to Save More Money" and "Silver Age in the CEE" are clear examples of the quality and forward thinking research approaches from and for the region.

Enjoy the reading!

ALINA SERBANICA
PROGRAMME COMMITTEE CHAIRPERSON

PART 1
CROSS-CULTURAL MEDLEY

BRAND GROWTH 2.0

THE ONLY GLOBAL LANGUAGE IN A LOCAL DIALECT

Raluca Răschip • Richard Herbert • Oliver Koll

INTRODUCTION

The global and especially the European economies are going through one of the longest periods of economic turmoil in recent history. Throughout the past five years, only rarely have we seen sustained growth for any European market, and the prospects for the next few years are still typically considered modest.

Such periods are a big concern for many industries, although FMCG markets usually suffer less because a large part of the household expenditures on food, beverages, household and personal care items are not discretionary (as for durables or many services). However, shedding light over some trends from the past five years, it is becoming clearer that FMCG markets also experience major changes, some of which have likely been exacerbated due to recession:

- Volume growth is extremely low in a majority of markets;
- Private Labels are gaining share with no signs of saturation;
- Promotions are increasing in importance.

In a nutshell, one can conclude that consumers downtrade: they consume the same amounts, but at lower prices (because they choose cheaper products, make more use of promotions or trade down from brands to Private Labels).

One consequence of such behavior is a vicious cycle for brand manufacturers. As fewer consumers purchase branded products, the resources needed to generate innovations – the cornerstone of brand success, become scarce. Without innovations and therefore a sustainable difference in perceived quality and value vis-à-vis other brands and Private Labels, the raison-d'être of brands vanishes.

This paper aims to provide a comprehensive overview of the status of brands in Europe today and is structured in the following way:

1. The growth and decline of FMCG in Europe over the past five years
2. Brands vs. private label: A one-sided battle?
3. Brand growth: The importance of retaining buyers
4. Brand success and failure: What drives it
5. Takeaways

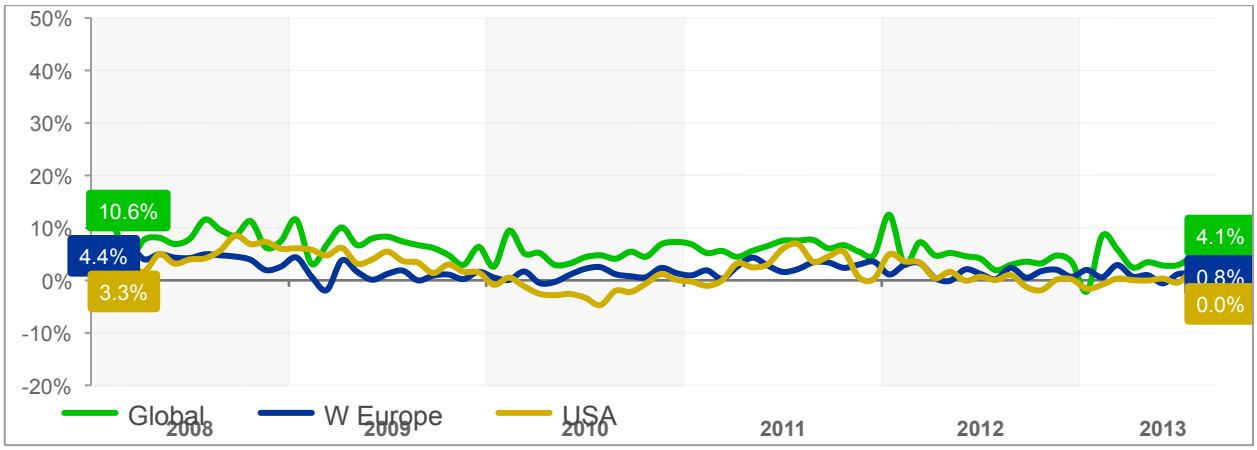
THE GROWTH AND DECLINE OF FMCG IN EUROPE OVER THE PAST FIVE YEARS

Fast-moving consumer goods are usually considered to be a recession proof sector. After all, consumers need food, household goods, toiletries and other day-to-day products as much in the downturn as in the boom times. However, this recession is different. Some companies may be recovering, but growth is still slow and the price pressure still exists as consumers delay their purchases and seek to get the best value for their money.

Many FMCG companies are cutting their costs and try to shelter from the storm. But a few producers managed to find opportunities in this turbulent medium and gain advantage as their competitors back down. Changing behavior of consumers and competitors is providing observant businesses with a unique chance to step ahead. Those that react wisely to this new context will outgrow their competition and succeed in taking a stronger position as the market recovers. In short, the FMCG world is adjusting its outlines for the long haul, as the downturn is redrawing the lines in every industry.

Despite the harsh economic conditions, over the past five years, the monthly global FMCG Value Trend has shown sustained growth, although at lower rates, more recently with an increase of 3.7% over the past 12 months of the analyzed period. Although the trend is showing some signs of abatement in some markets, it is playing out across most global markets (see figure 1).

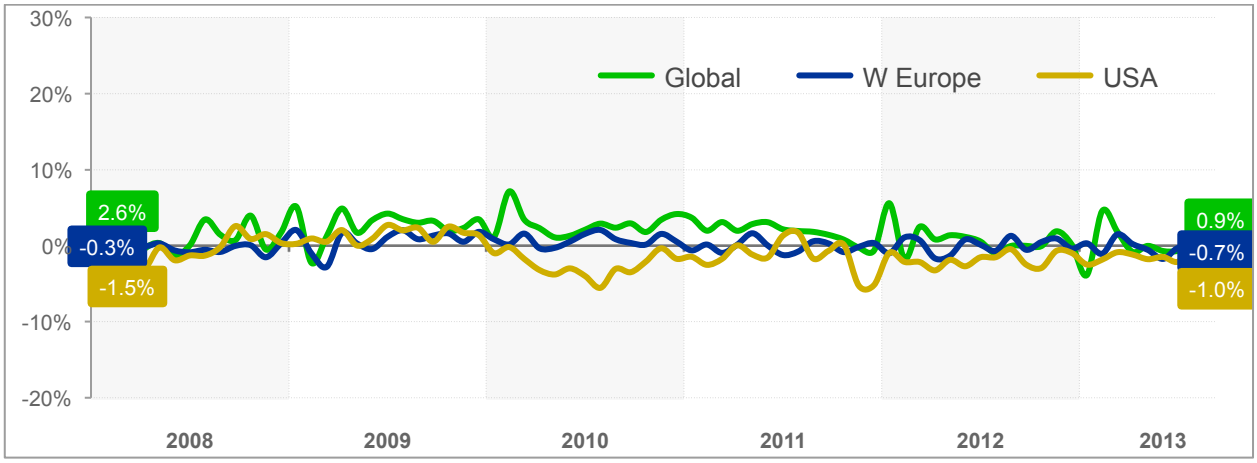
FIGURE 1. MONTHLY/4-WEEKLY FMCG VALUE TREND – GLOBAL & REGIONAL BAROMETERS



Source: Europanel FMCG Global Trends Q3 2013.

Volume-wise, the situation was slightly different, showing the effects of inflation, as the consumers had to "swallow" the higher prices, and thus they were more careful about the quantities bought. Therefore the global Volume Trend has been very stable over analyzed period, with 2013 on average being up 0.3% - 0.9%. The trend was reflected across most global markets, but with higher reductions in the USA and also to an extent in Western European countries, where the volume fluctuations ended up on the negative side, by -1.5% and -0.2% for the 12 months to Q3 2013 (see figure 2).

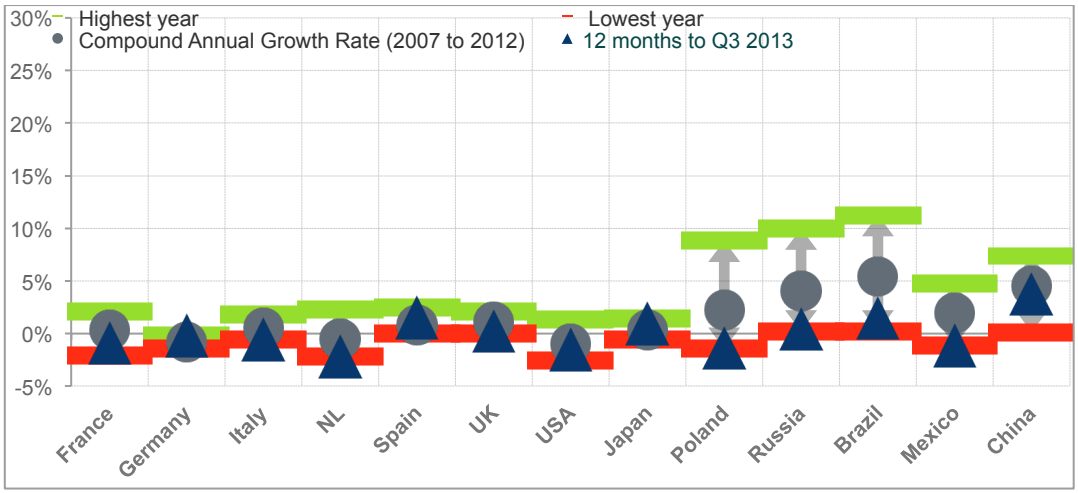
FIGURE 2. MONTHLY/4-WEEKLY FMCG VALUE TREND – GLOBAL & REGIONAL BAROMETERS



Source: Europanel FMCG Global Trends Q3 2013.

Furthermore, looking at the Europanel 'barometer' countries and their annual FMCG Volume Trends from 2007 to 2012, it is very visible that the emergent markets such as Russia, Brazil, Mexico, China and Poland had more significant volume growth in comparison to mature markets like Germany, France, The Netherlands or the UK. The highest volume growth was registered in Brazil, whereas the lowest in the USA. With the exception of the aforementioned emergent markets where the annual compound growth rate was around 3% - 4%, the other countries registered an overall low growth rate. Moreover, looking at the past 12 months, the situation was not very favorable for either market, emergent or mature, the value of the volume trend indicator being on the lower side for most countries (see figure 3). This comes to show again that the effects of inflation are still being absorbed by economies all over the world, with better hopes of overcoming them in emergent countries.

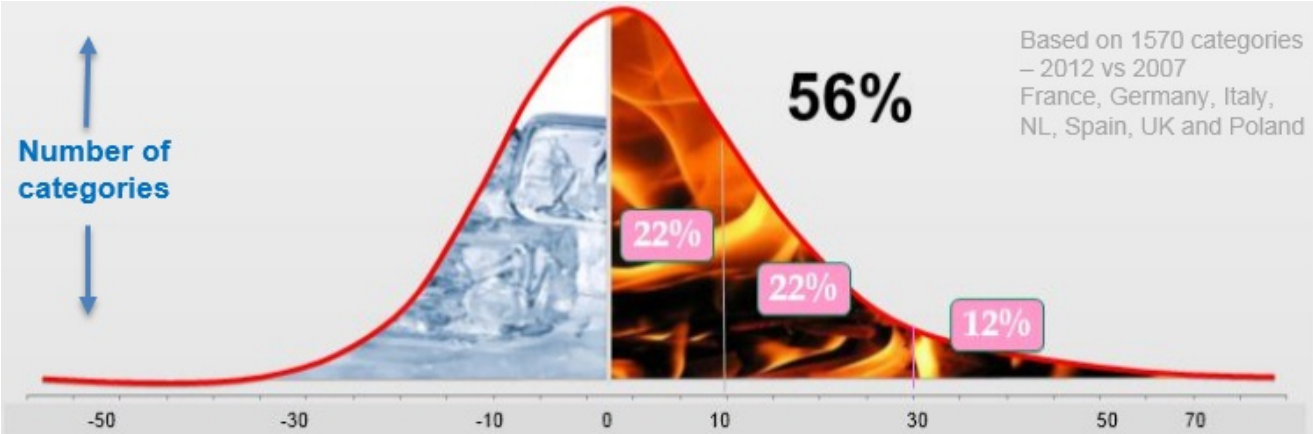
FIGURE 3. LONG TERM ANNUAL FMCG VOLUME TRENDS



Source: Europanel FMCG Global Trends Q3 2013.

Analyzing the situation from a category point of view, from 2007 through to 2012, there has been volume growth in 56% out of 1570 categories across seven countries. Out of these growing categories, 34% registered a significant growth of over 10%, out of which 12% had a growth of +30% (see figure 4).

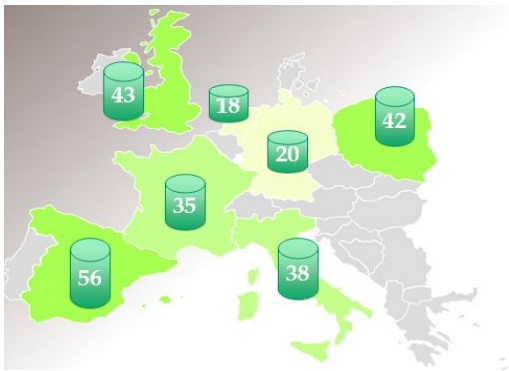
FIGURE 4. VOLUME GROWTH 2012 VS. 2007



Source: Europanel.

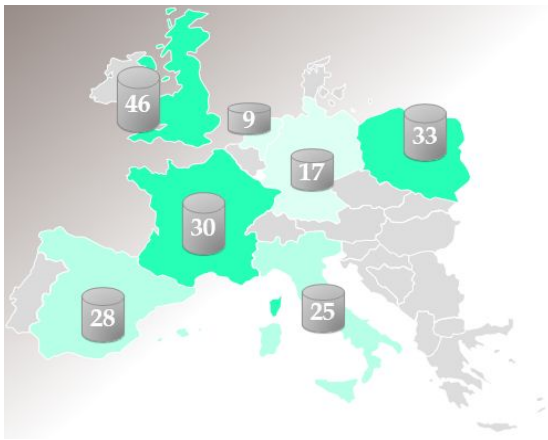
The most significant category volume growth comes from mature markets such as Spain, the UK, Italy and France, but also from emergent markets like Poland (see figures 5 and 6).

FIGURE 5. CATEGORY VOLUME GROWTH 2012 VS. 2007: 34% OF CATEGORIES HAVE SIGNIFICANT VOLUME GROWTH



Percentage of categories up >10% in volume 2012 vs 2007. Based on 1592 categories.
Source: Europanel.

FIGURE 6. CATEGORY VOLUME GROWTH 2012 VS. 2007: BRANDS ARE GROWING - 30% OF CATEGORIES WITH SUBSTANTIAL BRAND VOLUME GROWTH



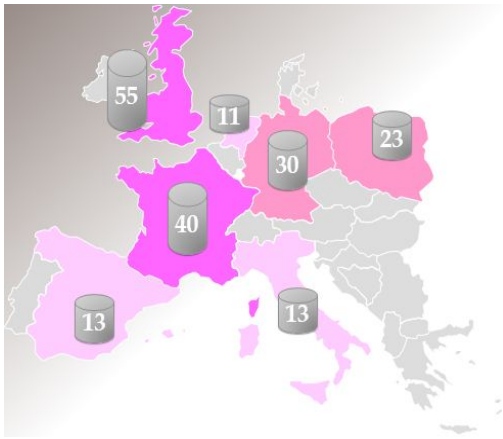
Percentage of categories where brands up >10% in volume 2012 vs 2007. Based on 1592 categories.
Source: Europanel.

Looking at the situation from a brands perspective, in 30% of the analyzed categories there has been substantial volume growth (+10%) coming from national brands. In countries like the UK the brand volume growth even outpaced the category growth (see figure 6). Therefore, despite the recession which reshaped the market conditions and consequently consumer behavior, national brands maintain a steady position and the most innovative ones even find ways to grow.

However, the fact that overall category growth comes as well from private labels should not be overlooked. Over the past few years, private labels have become a viable option even in markets where the product offering is very broad and the market is saturated. The constant investments in improving the quality of private labels have led to high quality, premium private label products, which can be considered suitable alternatives for branded products. Combining this with the market situation, one might be tempted to believe that the future will be very bright for private labels.

The situation is not so bleak as despite this, the growth of national brands is outpacing the growth of private labels in many instances. In one out of three categories brands are growing faster than private labels, albeit with significant differences from country to country (see figure 7).

FIGURE 7. BRANDS VOLUME GROWTH VS PRIVATE LABEL VOLUME GROWTH, 2012 VS. 2007: BRANDS ARE OUTPACING PRIVATE LABEL - 30% OF CATEGORIES BRAND VOLUME OUTPACES PRIVATE LABEL



Percentage of categories where brands up >10% in volume 2012 vs 2007. Based on 1592 categories.
Source: Europanel.

This does not mean that the continued growth of private labels should be overlooked. As their presence on the market becomes acknowledged by a growing number of consumers, they become more likely to be included in their shopping basket and to not be seen as a compromise where price prevails over quality, but rather as a good value for money alternative. Thus, various trading-down options become available to consumers. They can:

- Switch within the branded segment of the market to less costly alternatives;
- Switch from brands to Private Labels (which allows savings between 30% and 50% on average, and significantly more for certain categories);
- Switch within the Private Label segment of the market to less costly alternatives. This final move is now feasible given the UK model of a multi-layered Private Label program (e.g. Tesco Finest, Tesco, Tesco Value and multiple niche programs) has become common in Western Europe.

BRANDS VS. PRIVATE LABEL: A ONE-SIDED BATTLE

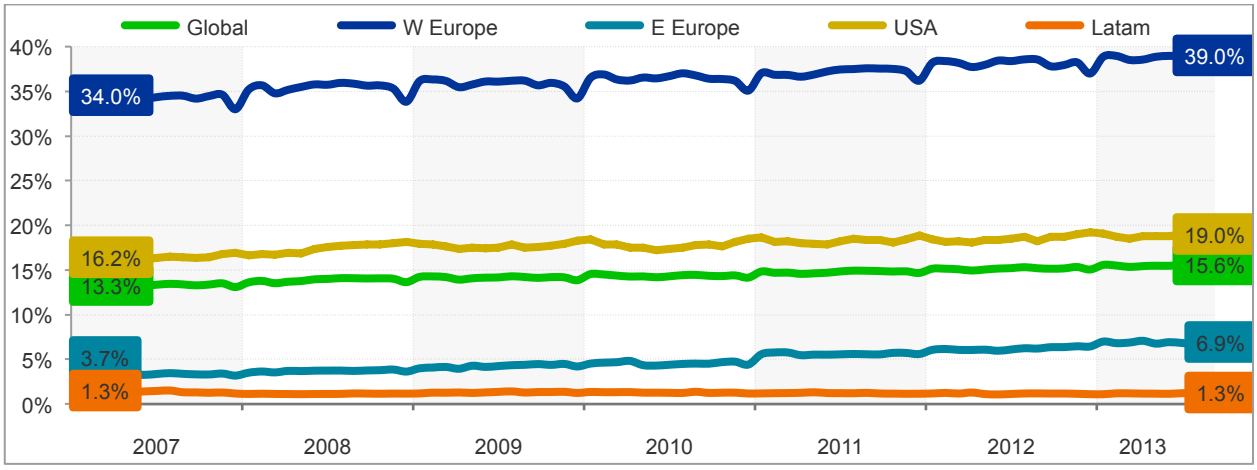
In theory, economic downturns and the resulting tightening in consumers' budgets should drive private label sales in a number of ways. Firstly, most food, drinks, personal care and household products categories are less prone to reductions in consumer spending and consumption than other items or services such as holidays, cars or dining out, which are more discretionary in their nature. However, to reduce the financial burden of grocery shopping without having to reduce actual volumes of what is purchased, consumers may increase the share-of-wallet they spend on the more economic options that private labels often provide.

Secondly, consumers who have so far have avoided shopping either for private labels, or at discounters, may find that the current economic climate provides a sensible financial motivation for them to try out these alternatives (and as a result become "smart shoppers"). In doing so, these consumers may be surprised by the level of value they receive, especially given the fact that there has been a significant increase in private label quality in recent years. As a result, these consumers might not switch back to brands once their financial situation improves. A crisis is therefore a time when discounters or private label offerings reach out to new, so far untapped, consumer segments.

Retailers may feel that the current economic circumstances warrant a more pronounced differentiation of their offerings from those of their competitors on the basis of price (although if all retailers follow this strategy differentiation, only one would achieve it). An alternative to price cuts and more frequent, or deeper, promotions is a stronger emphasis on Private Labels. Increasing shelf space or the assortment for retailers' own brand ranges is a frequent step taken. For example, the Spar group has used the current situation to launch the S-Budget line of discount priced products in more than 100 categories.

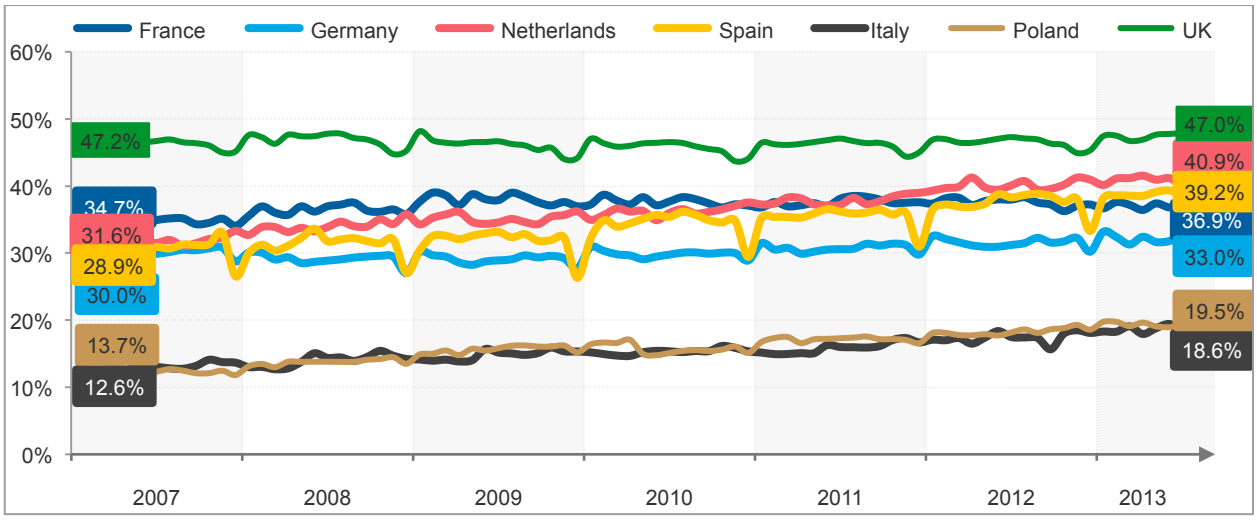
Taking a look at the global and regional private label value shares (see figure 8) as well as at the private label value shares by country (see figures 8 and 9), it is easy to see that the share of private labels registered an overall constant growth globally over the past years, with Western Europe being the main driver. The countries where the growth has been more substantial are Poland, Italy, The Netherlands and Spain, whereas in the UK, one of the most mature markets, the trend was much more stable although private label value share is high at 47% in 2013.

FIGURE 8. PRIVATE LABEL FMCG VALUE SHARES BY GLOBAL & REGIONAL BAROMETERS



Source: Europanel FMCG Global Trends Q3 2013.

FIGURE 9. PRIVATE LABEL FMCG VALUE SHARES BY COUNTRY



Source: Europanel FMCG Global Trends Q3 2013.

The previous section presents a somewhat glum status of brands, and one might imagine that the movement from branded products to cheaper private label alternatives is an inevitable road to follow. Despite this, at the total FMCG market, the growth of the private label share hasn't been as significant as might be imagined – approximately 1% per year. So, while there might be some juggling in terms of the brands people buy, there hasn't been a wholesale switch from brands to private labels. Taking into consideration the current market situation, inevitably some questions come to mind: "Is there every brand affected?", "Are there some brands able to counter the pressure of private labels and remain strong, and even find opportunities to grow?"

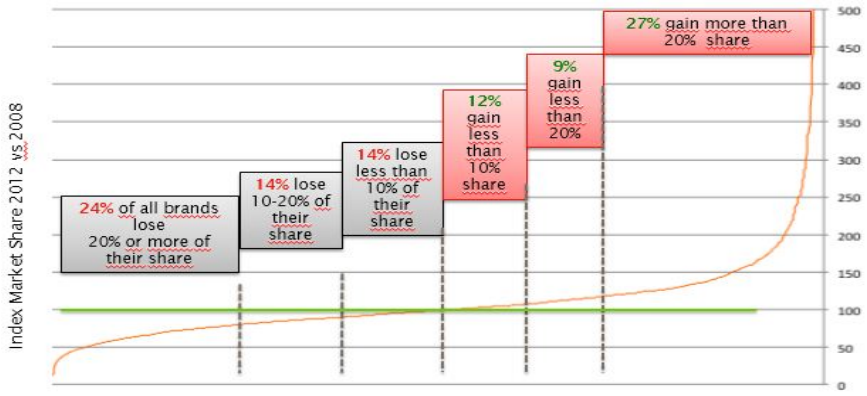
The Brand Growth 2.0 study takes a closer look at the growth of brands from 70+ categories, across multiple global markets, and provides valuable insights into the brand outcomes derived from five main branding strategy specific factors: country, category, channel, consumer and brand type/perception. The first four factors were clustered into the 4C framework, which enabled the development of a number of hypotheses, in order to derive better understanding of the respective variation:

- *On the country dimension*, we assume that the retail structure impacts on the success of private labels. For example, whether or not and how successful hard discounters compete in a marketplace will influence retailer brand share and growth. Given the costs of introducing and maintaining retailer brands, they should be more prominent in countries with a concentrated and international retail structure. In addition, we look at national culture factors (whether a people is risk averse and class-conscious) and a country's socio-economic development;
- *On the category dimension*, we examine perceived differences between manufacturer and retailer brands. For example, how far do consumers feel that manufacturer brands in a category have higher quality than retailer brands? Among some twenty other factors, we also examine: whether consumers have trouble distinguishing between the two sets of produce; how much advertising, promotion and innovation they perceive in a category; and whether a purchase in a category entails risk and involvement;
- *On the customer dimension*, we look at aspects like pricing strategies of retailers or typical store formats used and how these impact retailer brand success;
- *On the consumer dimension*, we examine how socio-demographic factors impact retailer brand purchasing.

Implementing the aforementioned framework into monitoring the change in market share for brands from 2008 throughout 2012 (see figure 10), the conclusions to be drawn are very interesting:

- Out of all #1 brands in 2012, 48% lost share and 52% gained share;
- #2 brands: 52% lost share, while 48% gained share;
- #3 brands: 49% lost share while 51% gained share;
- #4 brands: 48% lost share while 52% gained share;
- #5 brands: 50% lost share while 50 % gained share;
- Of all #6, #7, and #8 brands in 2012, 62 % lost share whereas 38% gained share.

FIGURE 10. MARKET SHARE CHANGE 2008 – 2012



Source: Europanel

Therefore, the winner brands in the market share competition were not only the leaders, but also the smaller #3 and #4 brands, which managed to gain more share, establishing proof that being smaller is not necessarily a disadvantage. But being small (below No 5 in a category) is much more dangerous.

Approaching the situation from the national brands versus private labels perspective, an analysis based on 2400 leading brands in eight countries from the same time period, 2008 – 2012, reveals some valuable insights as well.

TABLE 1. MARKET SHARE CHANGE 2008 – 2012

		Top 3 Brands %	Next 7 Brands %	Private Label Est. %
Growing Share	Top 100	59%	12%	30%
	Next 400	45%	15%	40%
	Last 660	38%	15%	47%
Losing Share	Best 500	37%	15%	48%
	Worst 740	42%	14%	44%

Source: Europanel

Looking at the data from table 1, the Top 100 brands in terms of share growth come from categories where the big brands are strong especially the Top 3 brands (average 59% share) and private labels are below average at 30%. However, at the other end of the scale, there are also bigger brands losing share where Private Labels are strong. Therefore, once again despite the rise of private labels, national brands can maintain a steady top growth position, serving as quality benchmark across the market but it isn't guaranteed as the biggest losers also shows!

BRAND GROWTH: THE IMPORTANCE OF RETAINING BUYERS

Building brand loyalty and consequently retaining buyers is considered the biggest challenge for a company and maintaining a constant base of satisfied customers that repeatedly purchase its products is considered to be the ultimate marketing goal. However, it is not always brand loyalty which drives the growth in volume, but acquiring new customers as a result of penetration. It has been proved that behavioral brand loyalty does not vary much from brand to brand, as consumers tend to shop across a portfolio of brands to fulfill their category needs. Therefore, attracting new consumers for a brand as a result of market penetration turns out to be much more profitable and easier than the attempts at increasing the buying frequency.

Either way, the most difficult part comes in providing the same level of satisfaction and quality that a customer will expect in return for his purchase. The key is meaningfulness. Across categories, the most powerful and valuable brands are meaningfully different and relevant because they identified key customer needs and discovered innovative ways of fulfilling

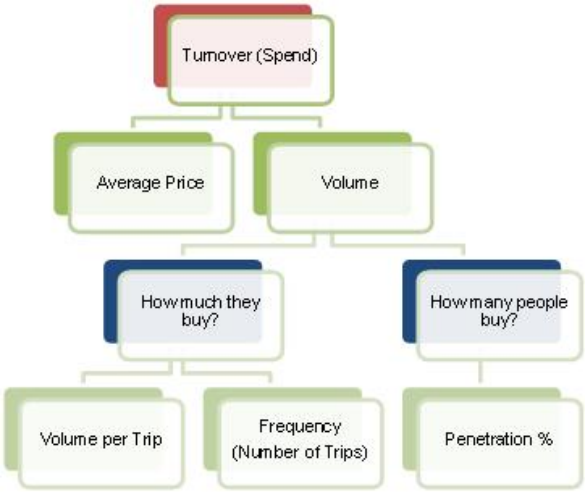
them, thus making the brand stand out as a trustworthy one. Meaningful means making a difference in the life of the customer, which helps the brand increase its market share, improve profitability and drive success.

If we look at the winners, the brands that despite harsh economic conditions are still thriving, we have analyzed why they are growing and which are their most valuable drivers, from a behavioral perspective.

The most valuable contributors to a brand's sales, represented in figure 11, are:

- The number of people buying;
- The frequency with which they buy;
- How much they buy.

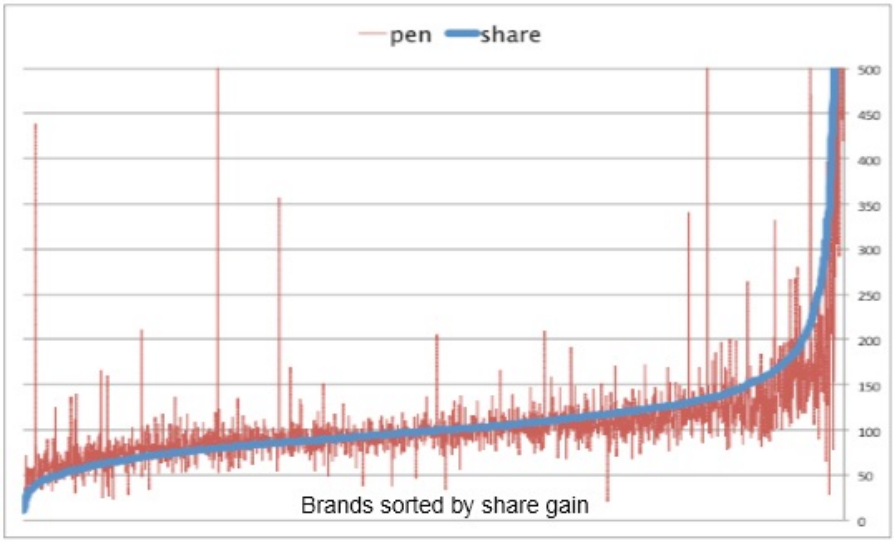
FIGURE 11. THE MEASURE TREE



Source: Europanel

By linking the number of customers and the frequency of buying to the changes in a brand's share (volume has been excluded, as research shows that the average quantities bought tend to be stable), the resulting analysis reveals that the number of buyers is strongly related to the market share of a brand. By correlating the change in market share with the penetration of a brand, the coefficient resulting from the analysis in figure 12 has a value of 0.78, which indicates a strong link between the two factors.

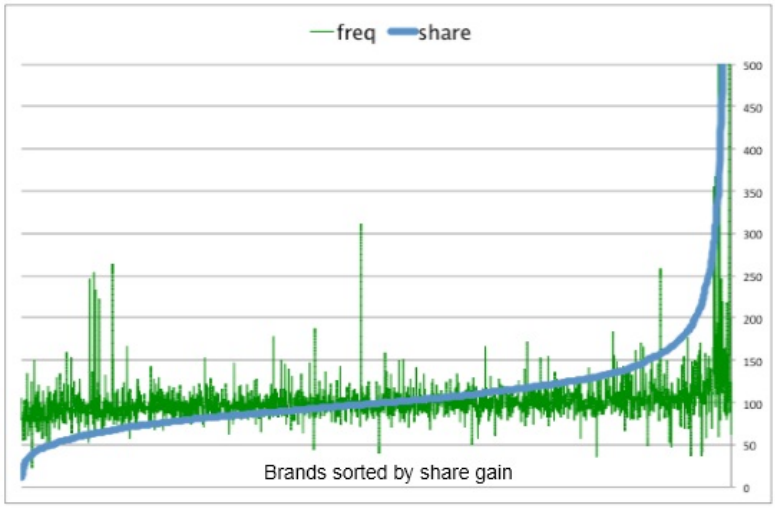
FIGURE 12. THE INFLUENCE OF THE BRAND MARKET SHARE ON BRAND PENETRATION



Source: Europanel

On the other hand, the link between buying frequency and market share is not very strong, as the correlation coefficient resulting from the analysis in figure 13 has a value of only 0.25.

FIGURE 13. THE INFLUENCE OF THE BRAND MARKET SHARE ON BRAND PENETRATION



Source: Europanel

Therefore, share growth without extra buyers is infrequent and few brands which have decreased their penetration rate managed to increase their market share. This leads us to confirm that penetration is the key driver in gaining market share - 86% of the brands which increased their penetration rate having gained more market share, and 93% of brands which gained penetration in the market by 10% or more also growing their share. Table 2 shows this from a share gain perspective.

TABLE 2. BRAND MARKET SHARE GAIN & LOSS BASED ON INCREASES IN PENETRATION AND FREQUENCY

	% increasing penetration	% increasing frequency
Share gain 20% or more	91%	63%
10% - 20%	76%	45%
up to 10%	51%	44%
Share loss up to 10%	23%	38%
10% - 20%	13%	42%
20% or more	5%	25%

Source: Europanel

To illustrate this principle, figure 14 provides are some successful examples.

FIGURE 14. SUCCESSFUL EXAMPLES

Lenor Fabric Conditioner in France
Share: 2.1% → 15.4%
Penetration: 7% → 24%
Frequency: 1.4 → 2.5

Milka Instant Drinking Chocolate in France
Share: 0.6% → 2.4%
Penetration: 3.3%→11.7%
Frequency: 1.4 → 2.2

Sprite in Flavored Carbonates
Share: 1.3% → 2.5%
Penetration: 6.8% → 8.9%
Frequency: 2.9 → 3.3

But as the market is very versatile and no rule is commonly applicable, there are, of course, some rare exceptions. Some of the few examples are:

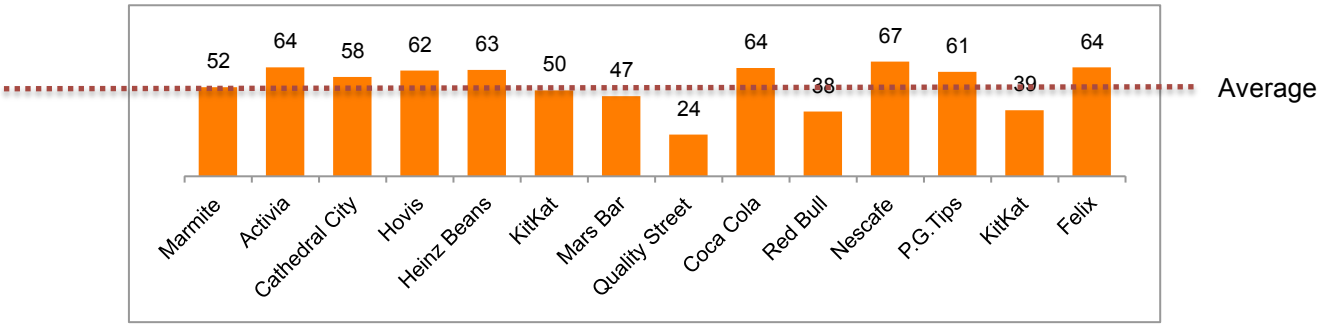
FIGURE 15. UNSUCCESSFUL EXAMPLES

Yoplait Yogurt in Belgium
Share: 1.8% → 2.6%
Penetration: 16% → 13.3%
Frequency: 3.5 → 4.6

Amigo Wet Dog Food in Germany
Share: 1.6% → 2%
Penetration: 3.4%→2.1%
Frequency: 4.7 → 7.2

Taking the before-mentioned facts into consideration, in the end it all comes back to the most important drivers of a brand's volume sales: penetration and loyalty. New and old customers are equally important and a company should pay attention to its communication with both groups. Satisfied customers become committed to the brand and will pay higher prices, incur less cost to serve, and bring new customers to the brand. However, loyalty is fickle. From year to year, around 50% of a brand's heavy buyers are not the same, as they shift towards other brands. In the UK, for example, on average 50% of the heavy (top 20%) brand buyers of top brands are different each year. Naturally this does vary by brand (see figure 16).

FIGURE 16. THE % OF HEAVY BRAND BUYERS WHO ARE THE SAME AS LAST YEAR - SOME TOP UK BRANDS



Source: Europanel

In its efforts to gain new customers and keep the existing ones satisfied, the brands may be losing sight of their customers' ever changing needs and demands and take a wrong customer approach or even deliver the essence of their brand in a less recognizable way. Because of this and because consumers are loyal to several brands, this leads to brands losing buyers from year to year and results in a leaky bucket situation. For a better understanding of this concept, figure 17 provides an example of Nescafé Gold Blend in the UK. While the brand gained a percentage of 46% of new buyers, it lost 44% of its old ones, leading to a retention rate of only 56% from one year to the next.

Further demonstration of the leaky bucket is illustrated by comparing leakage and refill of top 5 brands from across seven European countries. The general tendency, as depicted in figure 18, shows that #1 brands fare better than #2, etc. It also shows that leakage is more pronounced than refill, due to the incursions by Private Label leading us yet again to conclude that a brand's success derives mainly from its number of buyers.

FIGURE 17. THE LEAKY BUCKET SITUATION FOR NESCAFÉ GOLD BLEND IN THE UK

Source: Europanel

FIGURE 18. LEAKAGE RATE BY BRAND IMPORTANCE

Source: Europanel

BRAND SUCCESS AND FAILURE: WHAT DRIVES IT

In the highly competitive economic context, a brand's success is the combined effect of a multitude of factors. From an efficient distribution system, a strong value proposition and compelling and meaningful advertising which enable market penetration, to a high degree of innovativeness, everything puts its mark on creating a distinctive brand image and identity and in the end, the brand's success on the market.

However, this success lies in conjunction with various cultural factors which are specific to the country or countries that the brand is present in. It has been proved that brands tend to do better in countries where:

a. risk taking is more pronounced (this impact has decreased pointing to the fact that private labels may not be seen as very risky anymore);
b. egalitarianism is high;
c. trade concentration is low;
d. discounters are weak;
e. economy is less developed.

Furthermore, from a category perspective, brands perform best when they:

- Advertise;
- Innovate;
- Use distinctive packaging.

And in categories where:

- Social symbolism is high – the choice of brand says something about 'me'
- Performance risk is high;
- Quality gaps versus private labels are higher (e.g. production difficulties).

All these factors help to create customer equity and brand trust and hence lead to higher willingness-to-pay a premium price for a branded product than for a private label product. Figure 19 illustrates a framework in order to better understand how to use the marketing mix in order to counteract to the development of private labels. The key drivers which drive this framework are: a high level of *innovation* which should be reflected throughout the entire product range, trust that the brand can deliver the best solution in order to fulfill a particular need, the certainty that the *value* gained by the consumption of the branded product is the best, smart and compelling *advertising* and a high degree of *differentiation in packaging.*

FIGURE 19. HOW TO USE MARKETING MIX TO BLOCK PRIVATE LABEL DEVELOPMENT

Source: Europanel

However, considering the ever shifting market conditions, there is no framework, model or guidebook that can guarantee the success for every brand that religiously follows its steps. Nevertheless, it does help to bear in mind the aforementioned factors and to strive to integrate them as efficiently as possible in the overall brand efforts in order to be able to gain a differentiated and stable position versus the emerging private labels.

TAKEAWAYS

The shifts in the market paradigms dictated by the economic changes of the past five years have begun to reflect in the FMCG market as well, but with a lower impact than many markets. The more visible effects of the recession period are reflected in the volume fluctuations, as a result of inflation which has changed consumer buying behavior in order to be able to absorb the higher prices. In the light of this change, a favorable context for the continued growth of private label products has been created. Retailers took the chance and presented the consumers with a cheaper alternative for the majority of their category purchases. With constant improvements and investments in quality, private labels have become a viable option, enabling savings between 30-50%, encouraging consumers to trade down and benefit from a similar quality as they would receive from a branded product. Therefore, the current economic context provides highly appropriate growth conditions for private labels. But even in this highly competitive situation, where consumers have a multitude of choices, many national brands successfully maintained a steady position and the most dynamic ones even found ways to grow and consolidate their position.

This paper strives to show that it is precisely this change in consumer buying and consumption behavior that enables brands to create stronger bonds with their clients and implement efficient techniques through which they can attain new ones. Looking at the past five years, the winners, the brands that drove growth in both value and volume are national brands, with the top three brands being the main drivers. Thirty-four percent of those brands managed to grow by +10%, using market penetration as a strategy for success.

The preliminary results from the first phase of the Brand Growth 2.0 study developed by Europanel in partnership with Kantar Worldpanel and GfK have shown that, besides penetration, in order to be able to counteract the emergence of private labels, brands must gain a deeper understanding of the market and of the ever changing needs of their consumers. Only by doing so will they be able to address those needs in a way that will create a difference which will translate into valuable competitive advantage. Therefore, brands should make use of advertising in order to make sure that consumers understand their unique selling proposition and trust that these particular brands can deliver it most efficiently, and not the private label alternatives. This will also lead to creating strong social and emotional bonds between brands and their consumers, thus ensuring their retention, loyalty and willingness to recommend and bring new clients to the brand.
Moreover, innovation and quality are two factors that should be paramount for brands in both product development and creating differentiated packaging for their products. By infusing their products with unique features, brands not only appeal to the needs of the consumers, but also become a mean of self-expression for them and in this way they ensure their growth and sustainability even in the harshest economic conditions.

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THE AUTHORS

Raluca Răschip is Consumer Goods & Retail Director, GfK, Romania.

Richard Herbert is Europanel Global Insights Director, United Kingdom.

Oliver Koll is Europanel Consumer Insights Director, and Professor, University of Innsbruck, Austria.

PART 2
BUSINESS BOOST

HOW TO MOTIVATE PEOPLE TO SAVE MORE MONEY?

Dominika Maison • Tomasz Opalski

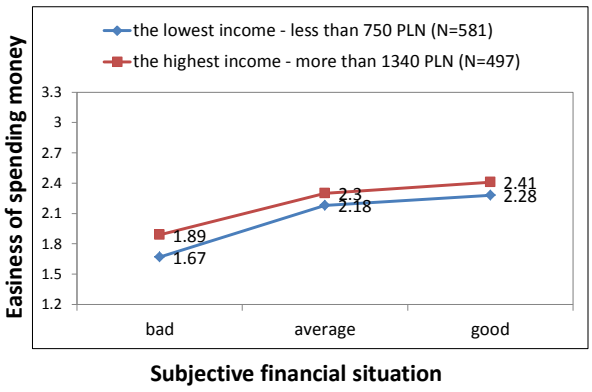
INTRODUCTION - THE PSYCHOLOGICAL BACKGROUND OF FINANCIAL BEHAVIOUR

Traditional ways of explaining financial behaviours (including saving behaviour) use demographics (e.g. age, gender) and economic factors (mostly income and price of the product). Therefore it is often believed that people who have more money at their disposal (higher income) should have greater savings than those who have less money. Analogically, those who have more money should be more interested in investing, insurance and other financial instruments. The consequence of this way of thinking is that financial institutions (banks, insurance or investments companies) are looking at their clients mostly from the perspective of their income (e.g. while defining the target group for the products or selection criteria for marketing research). This way of thinking about financial behaviour (and especially motivators explaining financial behaviour) is very simplified. Nowadays there are more and more proofs that financial behaviours are also explained by other factors, often of a more psychological character (Maison, 2013).

Objective vs. subjective financial situation

The first example of the greater importance of psychological factors than economic factors underlying financial behaviours is the relation of the financial behaviour with the objective financial situation (income – traditionally taken into account) and subjective financial situation (evaluation of own financial status). In order to focus on this relation we provided the analysis based on a nation-wide representative sample of n=1,502 Polish people (Kronenberg, 2009).1) As the first step of this analysis two groups of people with the lowest income (monthly income under 750 pln./ approximately 180 Euro) and the highest income (monthly income above 1340 pln./ approximately 330 Euro) were chosen from the sample. Then each of those groups was additionally divided into three subgroups: a) evaluating their financial situation badly; b) evaluating it as average; c) evaluating it as good (based on question with answers on 7-point scale, from 1-very bad to 7-very good financial situation). Further, the level of ease for spending money was compared in those six groups (see figure 1). Easiness for spending money was measured by level of agreement with the statement "When I like something, I don't care much about the price" (answers on 5-point scale: from 1-I definitely don't agree to 5-I definitely agree). From the analysis we can see, that those who evaluate their financial situation higher have at the same time higher level of easiness to spend money than those who evaluate it lower, independently of objective financial situation.

FIGURE 1. EASE OF SPENDING MONEY DEPENDING ON OBJECTIVE AND SUBJECTIVE FINANCIAL SITUATION



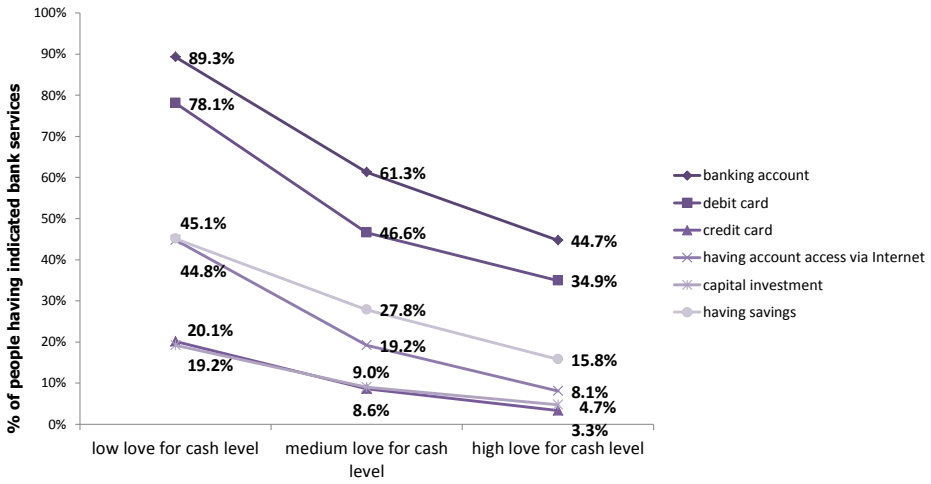
Source: Kronenberg, 2009/ Maison, 2013.

"Love for cash" – Love for physical money

Poland is a European country with still relatively low "non-cash payments". There are still many people who don't have a bank account or even if they have, after obtaining their salary, they take all the money from the bank account and use only cash for all transactions. There are also many people who don't pay with cards and don't use internet access to their bank accounts. At the same time, results of some surveys show that one of the main reasons for not having a bank account or not using a card is "having not enough money". On the other hand, there are many marketing actions in media with free of charge bank accounts, which should suit those people declaring to not have enough money for their own account. What was interesting when testing the offer of a free of charge bank account (research done by Polish Central Bank– Narodowy Bank Polski) was that their reactions were negative – they didn't trust the offer, were very suspicious and finally they discarded that offer. This suggests that there must be some psychological barrier or factor behind such behaviour. Further analysis of data from qualitative and quantitative studies for the Polish Central Bank led us to identify a very important psychological factor (next to subjective evaluation of financial situation), which underlies such financial behaviour. We called it "love for cash". "Love for cash" is the psychological attraction of physical cash. It appears in the situation when seeing physical cash evokes a positive emotional sensation. The consequence of it is pleasure connected to having, looking at or even touching the money. An excellent example of "love for cash" is a statement from one of the respondents in an individual depth interview "On the day when a postman comes with my pension, I feel big pleasure looking at the cash. If the money was in the bank, I wouldn't feel it at all." (woman, 57 years old, village).

In order to check the relevance of "love for cash" as a dimension explaining financial behaviour we divided the research sample (Kronenberg, 2009) into three groups: a) having a low level of "love for cash"; b) having a middle level; c) having a high level of "love for cash". The psychological construct of "love for cash" was measured on a five-statement scale (e.g. *"Cash it is only money"*; *"I prefer to get my salary in cash than on a bank account"*). In the analysis we compared percentage of people having and using different banking products (e.g. bank account, debit cards, credit cards) in groups of people having different levels of "love for cash" (figure 2). The analysis showed that indeed people having different levels of "love for cash" behaved in different ways when taking into consideration possessing and using different banking products. For example, among people having the lowest "love for cash" 89% had a bank account and 78% declared using a debit card (figure 2). However among those who have the highest level of "love for cash" only 44.7% had a bank account and 35% declared using a debit card. When we have a look at figure 2 we can see that "love for cash" has the highest importance in using banking products such as a bank account and debit cards (products not depending so much on the amount of money, which people have at their disposal - in contrast to a credit card or deposit). However we can also see that for all banking products "love for cash" was an important differentiating factor.

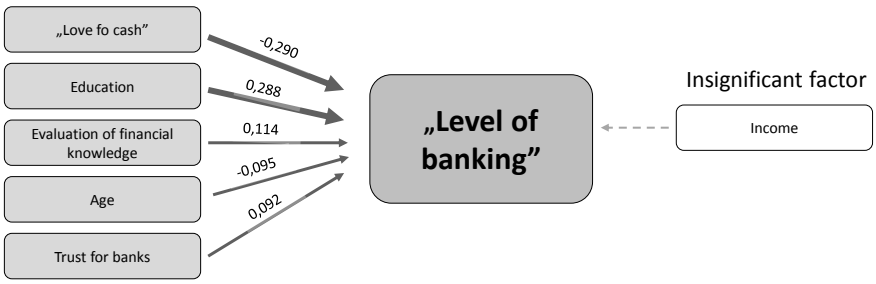
FIGURE 2. 'LOVE FOR CASH' AND DIFFERENT BANK SERVICES (PRODUCTS) USAGE



Source: Kronenberg, 2009/ Maison, 2013.

Another analysis done in order to verify the importance of "love for cash" was a regression analysis in which we checked the influence of different variables (economic, demographic and psychological) on the "level of banking". "Level of banking" is a variable constructed based on the question about having different banking products (from 0 to 6). The result of the regression analysis showed that the "level of banking" was the best explained by the psychological variable "love for cash". From demographic variables the most important was age (older person – less banking products). But such a traditional variable as income appeared to not be a significant factor in explaining "level of banking" (figure 3).

FIGURE 3. INFLUENCE OF DEMOGRAPHIC AND NON-DEMOGRAPHIC FACTORS ON BANKING PENETRATION RATIO



Based on regression analysis, R^2=0,31 ('Income' was not included in the model)
On arrows are shown significant B factors; Dashed line indicates the insignificant influence of a factor)
Source: Kronenberg, 2009/ Maison, 2013

WHY IS SAVING IMPORTANT?

In the next section we focus on a particular financial behavior – saving behavior – in trying to understand different factors which underlie it. Saving is one of the most important financial behaviours, therefore it is an important issue in many countries. Economic analysis shows that in general most people do not have enough savings. Saving is important, first of all, from a macroeconomic perspective, for the stability of the economy. Second, saving is important from a microeconomic perspective – for people – because it gives them financial stability and helps them solve problems in emergency situations (broken down cars, illness). Savings are also important for banks. Thanks to the savings of their clients they can operate other business (e.g. loans). Without savings the majority of banks cannot balance their businesses. However, saving money is very difficult and many people have no success with saving money. One of the reasons might be that a permanent psychological conflict between immediate consumption (pleasure now) and prolonged gratification (maybe bigger pleasure in the future) is involved in saving.

Saving behaviour, similar to other financial behaviours, is traditionally explained by income. Indeed, some data shows that amount of savings positively correlates with the level of income and household wealth (Xiao, Anderson, 1997; Davis, Schuman, 1987). Some researchers even admit that income is the most important factor in determining saving (Harris, Loundes, Webster, 2002; Dynan, Skinner, Zeldes, 2004). However we imply that explaining saving behaviour only by level of income, and omitting psychological factors and individual differences, is an oversimplification. We would like to propose to differentiate between "willingness for saving" and "amount of savings". "Willingness for saving" is openness to save money, independently from the amount of saved money. In most research and conceptual works about savings those two phenomena are not differentiated, however as our analysis shows in table 1, "willingness for saving" and "amount of savings" are different phenomenon and therefore are explained by different variables. Amount of saving correlates strongly with demographic variables: income, age, and education. Older and higher educated people have more money saved. Moreover, supporting the results of other studies, people with higher incomes have higher amounts of savings. However, when we have a look at willingness for saving, we can observe the highest correlations with strictly psychological variables: perception of financial situation and life satisfaction (people more satisfied with life and their financial situation are more open to save money independently of how much money they have at their disposal). So, having savings or not is determined by people's attitude toward life, while the amount of money saved is determined by income.

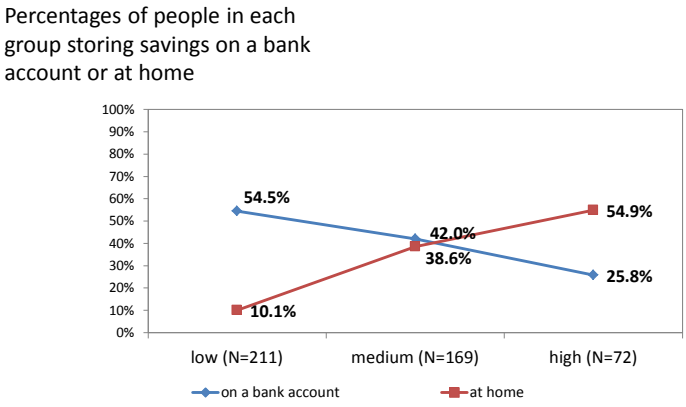
TABLE 1. CORRELATIONS BETWEEN DIFFERENT TYPES OF SAVING ("WILLINGNESS FOR SAVING" AND "AMOUNT OF SAVINGS" WITH DEMOGRAPHIC AND PSYCHOGRAPHIC VARIABLES

	Income	Evaluation of financial status	Life satisfaction	Age	Education
Willingness for saving	0,226 **	0,371 **	0,273 **	-0,179 **	0,289 **
Amount of saving	0,466 **	0,199 **	0,125 *	0,169 **	0,314 **

** - correlation significant on level p<0,05*
*** - correlation significant on level p<0,001*

In the next analysis we checked where people stored their savings depending on the earlier described psychological factor "love for cash". We looked at places where people store their savings (home vs. bank account) in groups of people with different levels of "love for cash" (figure 4). Data supported our earlier predictions – among people with low levels of "love for cash" the majority stored savings in a bank account (54.5%), and only a small group at home (10%). However among people with high level of "love for cash" we observed the opposite results: 54.9% stored money at home and 25.8% in the bank.

FIGURE 4. PLACE OF STORING SAVINGS DEPENDING ON THE LEVEL OF 'LOVE FOR CASH'



Source: Kronenberg, 2009/ Maison, 2013

CROSS-NATIONAL DIFFERENCES IN ATTITUDES AND SAVING BEHAVIOUR

In the next section we show how academic knowledge about saving behavior and psychological factors which underlie this behavior can be applied in the practice. We show this in the example of one of the biggest Polish bank - ING Bank Śląski (Polish unit of big international ING Bank).

ING Bank Śląski, as well as many different worldwide ING banks' units, is strongly focused on saving product offers (ING Bank Śląski is very often considered by Polish clients as a saving bank of their first choice, shown independently and in large surveys). Thanks to its experience and strong market position ING Bank Śląski is an expert in finance. Willing to share knowledge with customers many banks within the ING Group have created their own educational internet platforms. Such platforms are the example of content marketing technique, which is focused on creating and distributing relevant and valuable content to attract, acquire, and engage a clearly defined and understood target audience – with the objective of driving profitable customer action. Apart from these platforms ING Bank regularly conducts global marketing research about different financial matters to find cross-national differences in ING Bank's markets as well as specificities of particular local markets.

One such research was conducted by CAWI on n=18,348 (approximately 1,000 per country) in 2012 by TNS NIPO in 19 countries including 13 European countries (Austria, Czech Republic, France, Germany, Italy, Luxembourg, Netherland, Poland, Romania, Slovakia, Spain, Turkey, United Kingdom) and was focused on perception and attitudes toward saving and saving behaviour. The main assumption for this study was to concentrate on emotions which are aroused while possessing savings. This nonstandard approach was focused on feelings about the amount of money which people had saved.

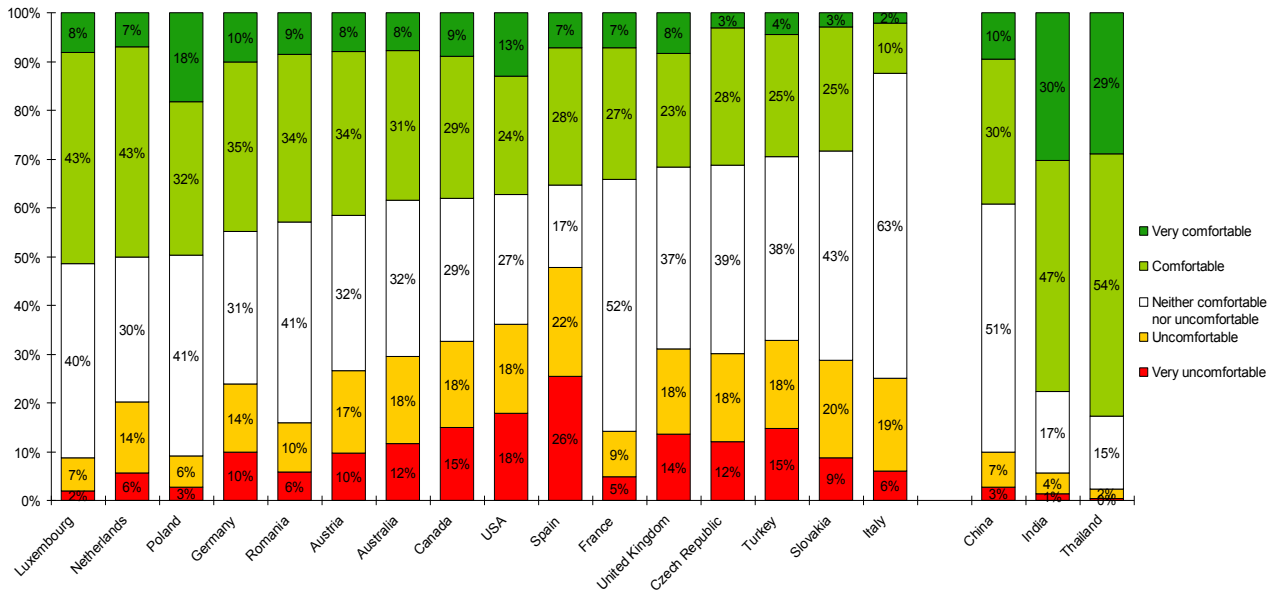
Data from this study shows the differences in the perception of saving and saving behaviour. First, the study shows differences between countries in the level of comfort which people feel with the amount of money they have available in savings. Looking at the results of all countries we can see that consumers in India and Thailand feel most comfortable with their current amount of savings, while adequately among European countries there are three countries with the highest level of comfort, which are: Luxemburg, the Netherlands and Poland. In the same time feelings of comfort are notably low in Italy. On the other hand the highest level of discomfort with the current amount of savings among all countries is in Spain (figure 5).

We can also observe large differences between countries in readily accessible money from saving. Eastern European countries and Turkey seem to have low amounts of readily accessible money. India and Thailand also have low levels (figure 6). However, what is very interesting is that the subjective feeling of comfort with saving is not directly correlated with the amount of savings people have at their disposal (figure 5 vs. figure 6). Very interesting is the case of Poland and Romania, which are placed in the first top 5 in Europe as most satisfied with savings (Poland in 3rd position, Romania in 5th position). But when we look at the amount of savings which is at people's disposal, those countries are at the end of the rank of European countries (Poland – 10th position; Romania – 13th position). This data raised the question about reasons for this discrepancy. One explanation can be the difference in the economic situation and cost of life in those countries. If, for example, the cost of life in one country (e.g. in Romania or Poland) is lower than in another country, at the same time a lower amount of saving can be perceived as satisfying. However we can see that this explanation is not valid for all post-communist countries (and countries with a lower cost of life) such as the Czech Republic or Slovakia. Therefore we feel that there is another explanation of the results observed in Poland and Romania, which is connected to

the attitude toward saving and the tradition for saving in those countries or cultures. At least in Poland there is not a strong tradition for saving and many (at least) older people had bad experiences with saving in the past because they lost a lot of saved money due to inflation. Therefore, in the societies with a small tradition of saving and weaker social pressure to have savings, a less amount of saving can be satisfying. To some extent this explanation is confirmed by other data collected in Poland in 2010 and 2011 by the Kronenberg Foundation[2)] on a nationwide sample (n=1,010 and n=1,001), showing that nearly one-fourth of the Polish population didn't see reasons for saving. In the survey conducted in 2011, 67% of the Polish population agreed with the statement "it is worth to save for a better life in the future", but 23% agreed with the opposite statement "it does not make sense to save, it is better to spend money for everyday life" However in 2010 those who agreed with statements that saving is good was only 58%.

The data described above is another example that the objective financial situation can differ a lot from the subjective perception of the situation. In the first section we described it in context of satisfaction with the financial situation (income vs. subjective evaluation). This data shows that observed phenomenon is also applicable to saving – being satisfied with saving is not always correlated with the actual amount of savings which are readily accessible for them.

FIGURE 5. COMFORT WITH SAVINGS: "THINKING ABOUT THE SAVINGS YOU HAVE IDENTIFIED ABOVE, WHICH ONE OF THE FOLLOWING BEST DESCRIBES YOUR LEVEL OF COMFORT WITH THE AMOUNT OF MONEY YOU HAVE AVAILABLE IN SAVINGS?"

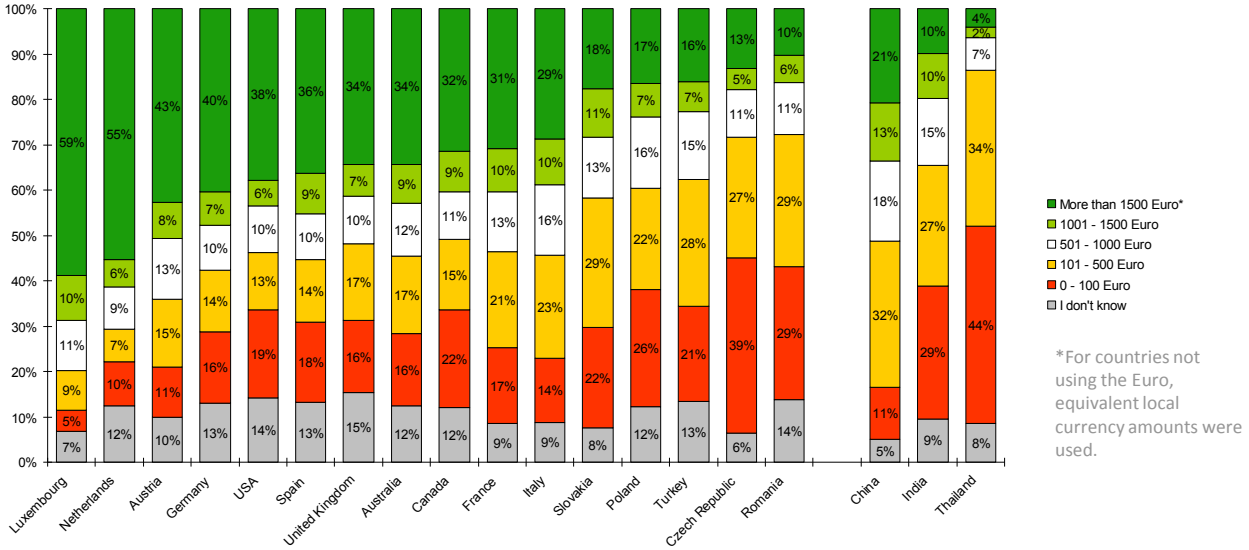


Due to the low internet penetration rates in China, India and Thailand, results in these countries should be interpreted with caution. Source: TNS NIPO, 2012

We also observed in the results of the international study that there were large differences between countries concerning attitudes towards spending. It appeared that besides feeling the least comfortable with regard to their saving behaviour, Italian consumers also felt least comfortable among European nations with their spending behaviour. Only 27% of Italians declared that they could easily cover their expenses, 26% declared that they could hardly avoid running up debits with their monthly expenses and 8% were actually running up debits. At the same time consumers in the Netherlands, China and India had the highest comfort with money they spend while consumers in Romania had the lowest level of comfort with the amount of money they spent on a regular basis (figure 7).

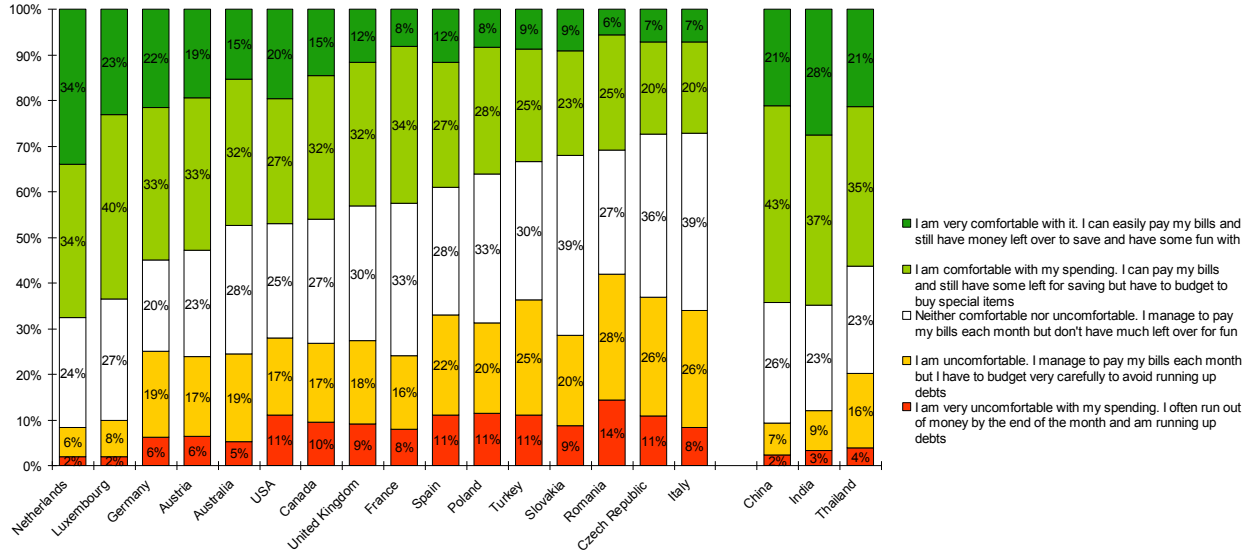
Results from this study shows that even an international company with a lot of business experience, when planning local marketing activity, should take into account specificity of the local market.

FIGURE 6. READILY ACCESSIBLE MONEY: "HOW MUCH MONEY COULD YOU READILY ACCESS IN CASE OF AN EMERGENCY WITHIN ONE WEEK TO PAY FOR A SUDDEN EXPENSE SUCH AS A CAR BREAK DOWN OR REPAIR OF A HOME HEATING SYSTEM?"



Due to the low internet penetration rates in China, India and Thailand, results in these countries should be interpreted with caution.
Source: TNS NIPO, 2012

FIGURE 7. COMFORT WITH THE AMOUNT OF MONEY SPENT ON A REGULAR BASIS "THINKING AT THE MOMENT ABOUT YOUR PERSONAL SPENDING ONLY, WHICH ONE OF THE FOLLOWING BEST DESCRIBES YOUR LEVEL OF COMFORT WITH THE AMOUNT OF MONEY YOU SPEND ON A REGULAR BASIS?"



Due to the low internet penetration rates in China, India and Thailand, results in these countries should be interpreted with caution.
Source: TNS NIPO, 2012

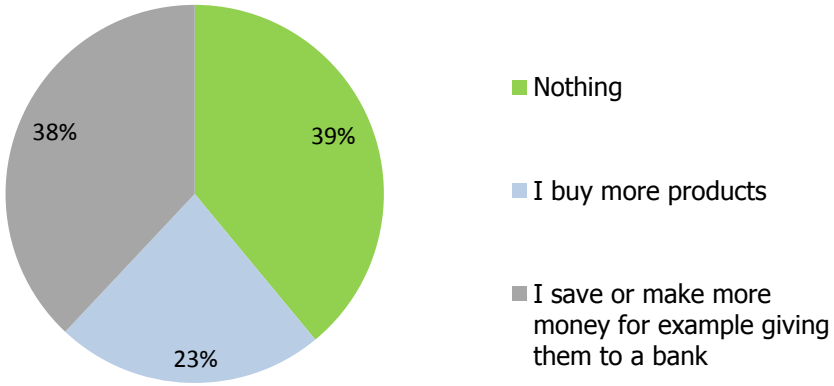
HOW TO TEACH PEOPLE TO SAVE MORE MONEY? - WWW.ZAFINANSOWANI.PL

At the end we want to present the broad long term project of ING Bank Śląski aimed at creating (mid 2013) a financial Internet platform (www.zafinansowani.pl). The purpose of the platform was to educate people in the better management of private finances, promote responsible financial behaviour and also stimulate different behaviours amongst Polish society including saving behaviour. The assumption was that on the platform would be placed different educational materials connected to different financial and economic behaviour (e.g. saving, smart shopping, mortgage, investing). However the content would be based not only on perspective of financial experts and economists but also on perspective of "ordinary people" – the audience of the platform. Therefore the launch of the platform was supported by the study concerning saving habits, which delivered part of the content for the platform. Moreover, to create the content of this platform, ING Bank

Sląski had invited its internal financial experts, as well as external consultants from different branches including famous bloggers. All these people give the audience their knowledge, experience and advice on how to be good at managing their money.

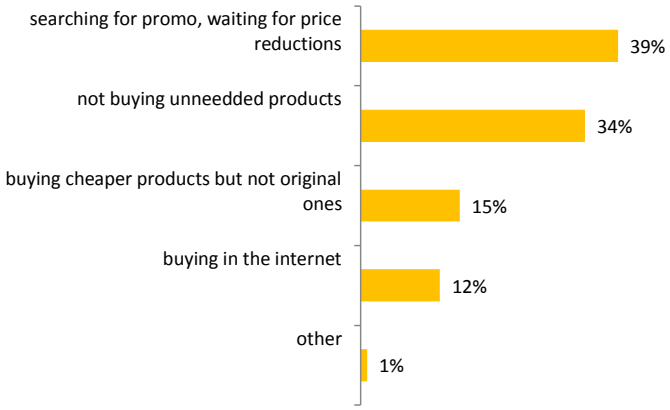
As was mentioned, the important part of the project launch was the study conducted by GfK Polonia in 2013. It was a CAWI survey (internet panel, n=1004, Polish users of internet), which gave background for creating content promoting "small steps to saving", starting from the way how people spend money. From this survey we can find out that almost 50% of Poles think that they do shopping in smart way. What is interesting is that more men (52%) declare to do smart shopping than women (45%). Also young people 15-24 aged years declare to do smart shopping more often than other age groups. This study also shows that almost 40% of Poles save the money or deposit it to the bank when smart shopping, while almost 40% of Poles spend the money obtained from smart shopping (figure 8). What we also find interesting is that not buying unneeded products is pointed out by 34% of customers while talking about economic purchases (figure 9).

FIGURE 8. MONEY SAVED
"WHAT DO YOU USUALLY DO WITH MONEY YOU SAVE, WHEN YOU BUY SOMETHING WITH REDUCED PRICE OR ON SALE?" "



Source: GfK Polonia, 2013

FIGURE 9. ECONOMICAL PURCHASE
"WHICH STATEMENT BEST DESCRIBES ECONOMICAL PURCHASE?"



Source: GfK Polonia, 2013

SUMMARY AND CONCLUSION

Once again we want to state that nowadays there are more and more proofs (some presented in this article) that financial behaviours are also explained by other than income – a traditional and often overestimated variable (Maison, 2013). Research data shows that different financial behaviours (e.g. having bank account or saving) depends more strongly on satisfaction of life, satisfaction of financial situation or level of "love for cash" than traditional (and often overestimated) income.

We are convinced that taking such psychological factors into account explaining financial matters is really worth doing. ING Bank Śląski has already changed its attitude towards the "traditional", non-psychological factors by additionally using some psychological factors. This way of acting allows ING Bank Śląski to discover new areas of clients' behaviors, which enriches the bank's overall knowledge about clients as well as helping the bank in creating successful marketing campaigns. But we observe, taking available studies into consideration, that Polish financial institutions still are not convinced of these psychological factors. However we feel that sooner or later those factors will be treated not only by Polish researchers and bankers as standard factors.

ENDNOTES

1. Analysis described as "Kronenberg, 2009" was done on data collected in 2009 for the Kronenberg Foundation. The aim of the research was the analysis of financial attitudes and behaviour of Polish society. The majority of this data is described in the book "Pole in the financial world" ("Polak w świecie finansów") D. Maison, 2013.

2. Research was conducted by TNS Poland for Kronenberg Foundation

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THE AUTHORS

Dominika Maison is Research Company Owner, Dom Badawczy Maison, and Professor, University of Warsaw, Poland.

Tomasz Opalski is Senior Research Manager, ING Bank, Poland.

SILVER AGE IN THE CEE

HOW ARE PEOPLE AGED 50+ DOING NOWADAYS IN COMPARISON WITH "WESTERNERS"?

Lenka Korečková • Petr Kubánek

INTRODUCTION

Česká spořitelna (ERSTE Group) wanted to understand lifestyles of people over 50 years old, including what segments can be found in the age group as well as what is typical for them. Consequently, we conducted a micro-segmentation and ethnography study, which focused only on people 50+. The results helped us to define five groups that vary by both life and financial activity. This enabled us to estimate rough market potential for Česká spořitelna. Thanks to our in-depth look into pre-seniors' and seniors' lives, the project resulted in concrete recommendations. In specifics, we found out what products, services and improvements can be made in bank's branches, products and services, so that the business with these clients could be extended.

BACKGROUND

Česka spořitelna faces a fact of weakening banking activity and lower retention among the oldest clients, who are retired. This was the reason for the need to answer the question about seniors' retention and activation emerged. Moreover, the pre-seniors and seniors (clients 50+) as a specific consumer group have never been described fully for marketing purposes.

RELEVANCE

There are more than 4 million people aged 50+ years and they have the highest income per head according to official statistics. This fact is more than interesting for business and marketing people in all industries.

FIGURE 1.

The study was about the pre-seniors' and seniors' lifestyle, attitudes, values, worries and needs. It helped us to understand this consumer group as clearly as possible so that we could come up with new ideas of what to offer them, but also how to treat them in terms of client services. Furthermore, it was possible to collect a marketing handbook focused on people 50+.

Generally, there were already some attempts to approach older people in various fields; however, none led to a direct effect.

The main goal was to do this in a different way. We wanted to find a way for the bank to be meaningful and different for the silver age segment, as seniors were an underrated segment so far.

OBJECTIVES

1. What is the lifestyle and financial style of people aged 50+?
2. What are the segments in this age group and what are they defined by?
3. How can the bank make a stronger bondage within people aged 50+?
4. What particular products, services and marketing activities would work?

METHODOLOGY

The project consisted of three main phases:

1. Secondary analysis of TGI data helped us to find life and financial attitudes that could work for us in a segmentation study. Moreover, we could define some trends of changing behaviour based on these data.
2. Micro-segmentation with 1,000 respondents aged 50+ years, CAPI, representative all over the country. This phase helped us to identify t five different segments. They vary by their life activity and attitudes toward their finances.
3. Ethnography – 10 ethnographic interviews (two for each segment) to gain an in-depth understanding of life values, their worries about the future and also to find how a bank could help.
4. Implementing available data from statistical offices as well as foreign knowledge, especially from Germany, since these seniors are considered to be a pattern where Czech seniors are currently heading.

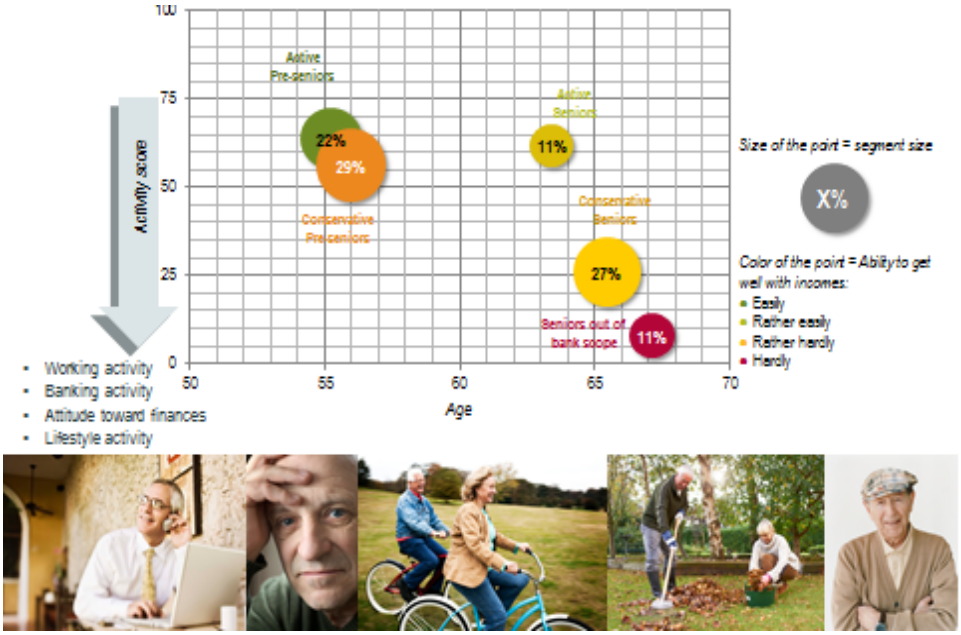
FIGURE 2. RESEARCH PHASES

FINDINGS

Sixteen percent of the population is aged 50+ years, which is more than 1.5 million people. Their households have the highest income per head due to the fact that they their money is mainly for themselves as the kids already are financially independent. From a business point of view, such a group is therefore interesting indeed.

Five segments of older people were defined. Two were active in their life and financial style (one group of pre-seniors who are still in their jobs and suffer from a lack of time; the second is a group of seniors who are still active in sports, socializing, travelling and are working usually for various reasons but money). These segments are the most attractive ones, since they have enough extra money. In comparison to western countries, Czech people, including these active ones, are very sceptical of bank offers.

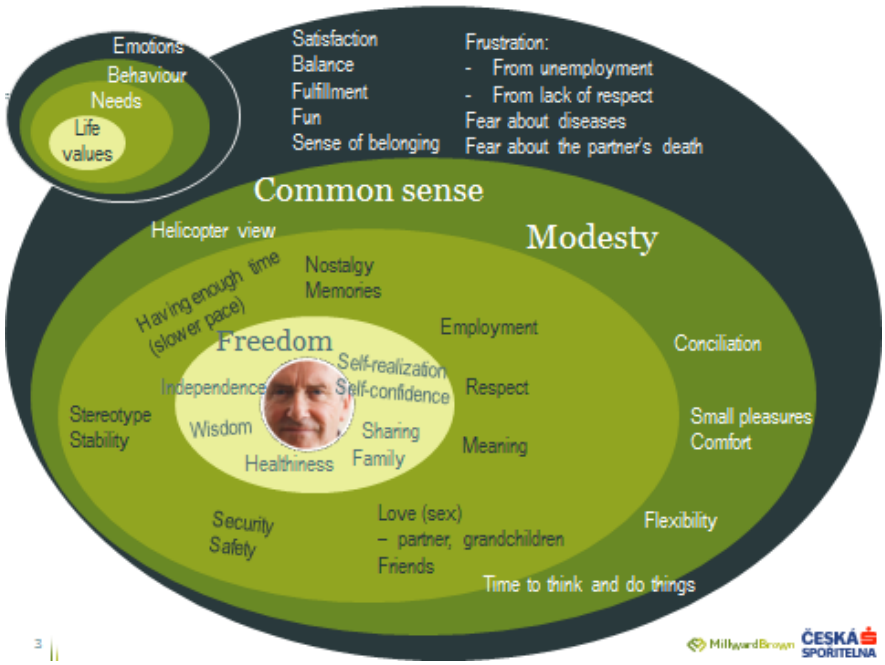
FIGURE 3. MICRO-SEGMENTS AMONG 50+



For people aged 50+ years, the self-realization is in the centre of their values. This is probably the same for the whole region. The fact quite logically arouses worries about the future when people are becoming even older, less healthy and not as self-supportive. This is why they consider money to be high of importance. They want to have some savings and need to have their money in a secure place. Such a desire is common for all older people the bank has been working with. Due to the understanding of pre-seniors' and seniors' needs, we obtained clear inspiration for new products. Some are already in a process of development.

For older people, it is crucial to have enough time for everything. Moreover, they like to have somebody listening to them. Also they are not receptive to "cheap" marketing activities. They like new trends but their every decision is pretty pragmatic. These findings are very similar to German study results (published by Andreas Reidl in his book *Seniormarketing*) about marketing for people aged 50+. Due to the understanding of such needs, we were able to define how the client service for this consumer group should look like and how the branch staff should treat people 50+, so that the real bonding with their bank could be established.

FIGURE 4.



Some of the insights:

- Fairness & Respect: Do not represent the silver age group as only ill and dependent or unrealistically active without any limits (two extremes common in marketing communications so far). Treat them fairly and with respect to their life stage. "Don't treat us as incapable people who wet, although half of us wear incontinence pads."

- Competency: The silver age group is very experienced and it is not easy to attract them just by empty promises. There is a strong stress to relevance. "We are not fascinated by consumption, but we have money. And you have to earn our trustworthiness."

- Small pleasures: No matter what products or services are offered, small delights or presents go a long way. "We have no big ambitions and plans. But we love small pleasures, gifts, surprises and delights."

- Simplicity: Offer, design and service must be as simple as possible. Being simple = being competent.

How to prepare a successful advertising for the silver age customer?

- Slower tempo with less cuts
- Don't refer to the segment as old, older or senior. Try to find a different way
- Don't stress problems and deficits
- On the other hand do not show the group as unrealistically healthy and active
- The main message should include seven words in maximum
- Use the local language without English words
- Values and emotions that would drive relevance: mental beauty, life experience, trustworthiness, authenticity, relationships, sexuality.

The general rule: If the silver age customer is not aware of limitations, then the marketers have done a good job.

THE AUTHORS

Lenka Korečková is Account Director, Millward Brown, Czech Republic.

Petr Kubánek is Head of Marketing Research, Česká spořitelna, Czech Republic.