

AIM/ESRC Business Engagement Project

Introduction

The Economic and Social Research Council (ESRC), the UK's largest public funder of business research, is working to bring business and research leaders together to ensure that the higher education community continues to support the real-world needs of UK business. Research, undergraduate training and information dissemination are all areas where collaboration between the two communities could have positive results for UK plc.

Business has benefitted from academic research for over 100 years, but today's competitive landscape is markedly different from that of the early nineteenth century, and businesses face new challenges almost daily. As part of ESRC's Business Engagement Strategy, the Business Engagement Project (BEP) has recently been completed. The principal objectives of BEP were to identify the key management challenges and concerns in five business areas – three with a sectoral focus (Creative Industries, Financial Services and Retail) and two with a functional focus (Management Consulting and Marketing Practice) – and assess demand for academic research support to address these challenges.

Several themes emerged as common across the five areas of activity, including innovation, changing business models, the new customer, human capital and measuring value. While each sector had its own particular challenges within these themes, there were clearly significant opportunities for research that could be applied across the sectors. There were also issues that were largely sector-specific, for instance how to manage creativity, or the challenge of regulation in the financial sector.

Whilst new challenges have been uncovered as a result of the BEP, reassuringly, as the sectoral reports illustrate, a number of these challenges have already been identified and addressed in the research literature. Certainly, participants in the BEP appear to value the contribution of academic research and exhibited an appetite for its output. So, the academic community has been challenged to respond to industry's needs by building closer links with potential users, working together to generate and investigate research questions and, develop effective mechanisms for the translation of research findings into accessible, digestible and applicable knowledge.

This document summarises the research priorities revealed by the BEP study for the creative, financial, consulting, marketing and retail sectors; highlights some of the questions that researchers and businesses need to answer; and indicates how the ESRC is beginning to focus efforts on what business says it needs.

Cross-sector challenges

Innovation

In May 2002, Lord Sainsbury, then Minister for Science and Innovation, pointed out that "All the DTI's information shows that innovative organisations are more profitable than non innovators, and sustain their performance for longer." But what is innovation? In the last century innovation was largely about R&D and product development, and was confined to centralised laboratories and research departments. In the 21st century, technology is still an obvious driver, but now innovation encompasses everything from new financial products to new business models. In addition, the sources of innovation are highly diffuse, with ideas coming not only from within the organisation itself, but also from collaborators, outsourcing partners, even the customers themselves.

Technological innovation has dramatically affected the competitive landscape, posing a range of new challenges for businesses. For example, software developments have opened up the gaming industry and revolutionised practices in architecture and construction, but have also increased the complexity of these industries' value chains, making it harder for companies to delineate and value the different contributions to a project. Additionally, Marketing Practitioners are able to generate vast amounts of electronic data on customers, but struggle adequately to mine and use those data successfully.

Innovation also means that the competitive landscape is constantly changing. This is particularly evident across the sectors, where service innovations cannot be patented and may be quickly copied, making it particularly challenging to sustain a long-term competitive advantage: this is particularly an issue in financial services.

Organisations have to find ways to capture and manage innovative ideas, and this raises a number of important questions:

- How do large organisations, which tend to be burdened with legacy systems and 'how we've always done it' syndrome, create an innovation culture?
- How do companies promote both continuous innovation, such as improving existing processes, and also discontinuous innovation, which involves stepping outside their comfort zone?
- What lessons can be learned from successful innovation in other industry sectors, such as drug development in the pharma sector, or product and process development in FMCG, and how should these lessons be transferred and applied?
- How can organisations best involve customers and other stakeholders in the innovation process?
- How can companies innovate without adding unknown risks, for instance in financial products?
- How can the innovation benefits of clusters be supported and replicated?
- How do companies measure the cost benefits of innovation?
- Do small and large companies innovate differently, and what types of innovation increase productivity?

The flexible business model

The imperative to stay on top of costs means that today's business models are highly complex. They have to incorporate outsourcing and other collaborative activities, while at the same time being adaptable and flexible enough to keep up with the pace of change.

Change comes from a variety of sources, from increasingly empowered customers to intensifying competition, and from tightening regulations to globalisation. The consulting industry, for instance, has seen a number of incarnations since its early days of advocating scientific and total quality management. Consultancy needs vary dramatically because clients must respond to their own external drivers – this explains the peak in requirements for financial and regulatory advice when Sarbanes-Oxley was introduced, or telecoms expertise when 3G licences were being auctioned. The music industry business model is being turned on its head by customers who are increasingly unwilling to pay for products they can access easily via the internet. And, with social networks wielding greater influence on the music-buying public than A&R and marketing departments, the entire ethos behind old-style record labels is under threat.

The impact of globalisation on the business model has affected all industry sectors. For retail it has scattered production lines and markets around the world, while for consulting it has seen operations and personnel redistributed (currently 25% of IBM employees are in

India, and more than 50% of Accenture employees operate in Asia). Increasingly sophisticated functions are being unbundled and outsourced, making the business model discontinuous and harder to manage.

- How do companies construct a business model that is flexible and ready to adapt to change?
- What are the drivers for outsourcing and how can the business model identify and reflect these?
- How can the business model be designed to facilitate selecting and working with the best outsourcing partners?
- How can the business model incorporate protecting and building the reputation of the organisation in an increasingly informed and censorious world?
- How can the business model reflect and capture the potential benefits of globalisation?

The new customer

Despite living in a communication era, the new customer is harder to find, harder to understand and easier to lose.

Targeting and reaching customers when channels are increasingly fragmented across traditional media and the internet is extremely difficult. The conventional advertising route requires ever more interesting and attractive campaigns distributed in innovative ways to influence consumers. The Cadbury's drumming gorilla ad, originally broadcast on Channel 4 during the 2007 *Big Brother* final, achieved much greater reach via the internet, receiving over 500,000 hits during the first week it was available on YouTube and spawning 70 Facebook groups and numerous spoofs and parodies. The advertisement was so successful that it featured on news programmes in other English-speaking countries, and Cadbury's rolled out the campaign to Australia, Canada and New Zealand as a result.

The assumption of economic rationality that underpins many models of consumer behaviour is challenged by the experiences of BEP participants. In spite of greater availability of comparative data on products, for instance, financial services customers may pay higher rates for products. In food retail, the Fair Trade concept has risen to prominence on the back of ethical concerns, and yet environmental data suggest that Fair Trade food imported from the other side of the world has a much greater carbon footprint than other foods produced nearer to home.

- What are the best ways for businesses to learn about their customers?
- How do businesses overcome the problem of respondents to surveys and other information-gathering exercises tending to give answers that look good or are 'right'?
- How do businesses collect and use information on their customers in an ethical, responsible and acceptable way?
- How can businesses enhance their relationships with customers, involving them more in product and service development?
- How do businesses improve customer loyalty?
- How do businesses cope with increasingly knowledgeable and sophisticated customers?

Human resources

Human resources were seen to be a challenge at all levels. At entry level, the skills of school leavers and graduates were of concern, while at higher levels, recruiting and retaining managers posed a significant challenge. Levels of productivity also raised questions, as

workers in the United States have been shown to be significantly more productive than those in the UK.

While the competition for the best graduates is intense at entry level – the finance sector reputedly creaming off the top UK graduates every year – bringing in and retaining experienced staff is even more of a challenge. The gut feeling in the management consultancy sector is that attrition is too high, and yet there is very little understanding of why mid- and senior-level managers leave. While many intend to set up their own company on departure – such as the founders of market-leading drinks company Innocent – others have different reasons for leaving. Importantly for knowledge-based companies, departing employees take organisational and functional knowledge away with them, which can be difficult and expensive to re-create.

- How can businesses and higher education work together to ensure that UK graduates are better prepared for the world of work and have the skills that businesses need?
- What are the basic literacy, numeracy, critical thinking and interpersonal communication skills needed for a graduate-entry position in different industry sectors?
- How can the supply of UK graduates with 'hard', scientific qualifications be improved to prevent industries from having to recruit overseas?
- How can training for marketing be expanded beyond the myth that marketing is all about promotion and sales – the 'balloons and T-shirt' syndrome – to include the essential skill-set of accounting, profit and loss, payback techniques (e.g. NPV), contributions of promotional activities, brand value and communications?
- What makes people leave, and what makes them stay?
- To what extent do measures such as signing-on bonuses, 'golden handcuffs' and exceptional remuneration packages aid retention, and do they provide value for money?
- Can the learning factory model be applied to help other industry sectors develop their employees and capture the knowledge they create?
- What type of career path and training strategies will foster not only individual but also organisational development?

Measuring success

Every sector wants a bespoke set of metrics, and they are probably right – counting the number of widgets sold is very different from measuring the impact of a new business process on staff morale, or determining whether the Angel of the North sculpture affected economic development in the Gateshead area. The ability to demonstrate value is particularly important when products are unique, intangible or impossible to segregate from other outcomes. For the creative sector, value is not just monetary – there is value in the creative process itself and the social benefits it may bring – but quantifying such value is difficult. For consultants, demonstrating value to their clients is an essential part of the process, and yet identifying where that value comes from and both short- and long-term impacts is extremely difficult. In marketing, demonstrating that activities are an investment rather than a cost, and that they contribute to profitability and shareholder value in concrete ways, is crucial to giving marketing the place at the top table that it so ardently desires.

Indeed, some current metrics were viewed as “incurably narcissistic”, focused too much on the organisation and not enough on the customer, inward-looking rather than outward-looking.

- What are the key indicators and metrics of success for different industry sectors, and how can they be aligned with customer satisfaction?
- What indicators and metrics can be used to value intangible and hard-to-quantify impacts – for example, can work on social entrepreneurship be used to find ways of measuring the impact of the creative sector?
- How can marketing demonstrate its contribution to company performance?
- How does marketing measure and value new methods and new media?
- How can the value of creative input to a business, such as logo or product design, be measured?

Sector-specific challenges

Creative Industries

The creative sector in numbers

- The creative industry contributes approximately £57 billion to the economy.
- In 1998, the Department of Culture, Media and Sport identified 13 sectors that make up the creative industry: advertising, architecture, art and antiques, computer games, crafts, design, designer fashion, film and video, music, performing arts, publishing, software, and television and radio.
- Combined, these sectors contributed 7.3% of gross value-added in 2004, more than tourism, construction and agriculture combined.
- The creative industry grew by an average of 5% per annum between 1997 and 2004.
- Between 1997 and 2004, exports from the creative industry totalled £13 billion.
- Online advertising revenue grew almost eight-fold between 2001 and 2005, up to £1.3 billion.
- 1.8 million people are employed in the creative industry.

Technology and the value chain

Digital tools are changing the value chain in the creative industries. In architecture, computer-driven processes are blurring the distinction between design and production as architects, environmental and structural engineers, quantity surveyors and contractors move towards a common technological platform. In video games, middleware game engines now do many of the core functions (graphics, rendering, physics, scripting, animation, sound, networking).

As the value chain evolves and encompasses more players and more complex technologies, two major threats become apparent. First, that creativity is being lost to technology because, while the architects and game designers are in principle freed to focus on the creative side, in practice they are bounded by the technology they are using and the need to co-ordinate with other parties and software developers. Second, the creative input becomes increasingly difficult to isolate and value.

Streamlining the pipeline may be cost-effective in some ways, but the creative benefits of more traditional methods and revenue may be lost. Indeed, UK video game firms

are already losing their hold on value-added because many middleware producers are US-owned.

The music industry is another part of the creative sector that is seeing its value chain disrupted by technology. The *International Herald Tribune* reported 30 billion illegal downloads in 2007 (<http://www.iht.com/articles/2008/06/18/technology/music.php>), and the band Radiohead first released their 2007 album *In Rainbows* via their own website, inviting customers to choose how much – if anything – they paid for it. The band's former record label, EMI, could only watch as the subsequent retail release of the album saw it go to number one in both the UK and the US.

- Can the creative sector learn from other industries even though creativity is not defined solely by its commercial value?
- How do collaboration and outsourcing affect the value chain in the creative sector?
- How can creative companies best exploit the advantages of new partners and new technologies while minimising their exposure to the disadvantages?
- How do creative companies decide what to outsource and what to keep in house, and how do they manage the results of that decision?

The long tail

New channels are creating a long tail, or extended revenue-generating capacity, for products that can be distributed digitally. The music industry may yet be saved as it becomes cheaper and easy to make back catalogues available, bringing in revenues from music that is still in copyright but no longer available on disc. Publishing, too, might take advantage of publication-on-demand methods to bring books long out of print back into circulation.

- How do creative companies address the new marketing challenges the long tail brings?
- How do they determine which out-of-print book or 1950s recording is worth resurrecting? How do they decide how much to invest in marketing a 50-year-old product against an almost impossible-to-determine potential for revenue?

Managing creativity

A common perception is that the UK is good at being creative, but bad at capturing and managing the benefits. This is ascribed to the fear that management can stifle creativity, compounded by the view that 'creatives' are the hippies of the business world, anarchistic, anti-industrialist and driven by passion. To avoid "managing passion out of existence", managers in the sector seek to facilitate the creative process, rather than manage it.

Managers must understand the creative process, but must also have the appropriate skills to surround that process with efficient systems that maximise creativity and its potential rewards. However, there is little systematic managerial training in the creative industry and managers are typically former creatives who have been promoted, sometimes lacking the necessary management skill set. This leads to reactive rather than proactive management, and a lack of strategic thinking.

Another management challenge is the very nature of some creative work, for example, films and music. Groups come together for a project and separate again afterwards. To mitigate the uncertainties of working with new people, project managers tend to hire the same people for subsequent projects. While this might save time in getting a project up and running, familiarity will reduce the likelihood of innovation, and managers will need to balance the need for creativity against the benefits of a known group of people.

Project-based structures also require specific managerial skills, in negotiation and brokerage, for instance.

Traditional management tools and performance indicators are difficult to use in the creative sector, but some skills and competencies should be transferable. Researchers need to explore how creativity can be nurtured and utilised most effectively and identify the optimum managerial skill set for this sector. They also need to examine the organisational structures that work best for creative companies and find out whether there are opportunities for cross-over from other industries that also require creativity, such as engineering. Are there lessons to be learnt from Google's European engineering headquarters in Zurich, which features a games room, meeting rooms designed as Swiss chalets and igloos, and a slide to the canteen? Or from the Creativity Partnership, who work with firms such as ARM, British Sugar and Rolls Royce to bring creativity into engineering projects.

- What management processes do successful creative businesses have in common and how do they vary?
- How much traditional management training can be applied in the creative industry, and how much needs to be bespoke?
- How do creative businesses in different niches adapt and apply best practice?
- How can project management be adapted for the creative industry?

Small is not necessarily beautiful

Many creative firms are small, and the sector is well supplied with sole traders, freelancers and lifestyle businesses. But some areas, such as video game development projects, which are becoming increasingly expensive both in terms of technology and people, force companies to grow in order to remain competitive. Once a company reaches 20 or more employees, it begins to need greater organisational and managerial control. Given that managers in the creative sector often lack management training, it is clear that scaling up a creative business is a major challenge. The lack of business knowledge also hinders access to finance, making growth doubly difficult.

- How do you grow a company while maintaining its creative integrity?
- What are the barriers to growth and the skills needed to overcome them?
- How can policy and public institutions be best structured to help creative SMEs that want or need to grow? And how should creative firms that do not wish to grow be supported to ensure their survival?

Creative clusters

While it has been noted that industry clusters foster innovation and provide a dynamic environment, the UK gaming industry faces a new threat that utilises the cluster effect. The Canadian gaming industry cluster was created virtually from scratch by offering financial incentives and targeting French companies. In order to preserve the competitiveness of the industry in the UK, it is important to understand the strengths of the UK industry and how to build on and promote them to customers. The industry also needs to know if there are potential threats from other locations and how they might prepare to address these threats.

- What drives the formation and success of clusters?
- What are the defining characteristics of inter-cluster competition and how can risks be mitigated?
- How can clusters be supported until they reach critical mass?

Financial Services

The financial sector in numbers

- Financial services contributed 8.5% of GDP in 2005, with a trade surplus of around £19.1 billion in the same year.
- The banking sub-sector made up roughly half the total contribution to GDP in 2003 at 3.4%.
- The UK is Europe's leading centre for hedge funds, with approximately 8,500 funds in 2005 and assets under management totalling some £127.5 billion.
- The UK fund management industry had £3.5 trillion in funds under management at the end of 2005.
- London is the most international financial centre in the world, helped by factors such as language, geographical location and fiscal and regulatory environment.
- Financial services accounted for 4.1% of total employment in the UK in 2005, with roughly 1.1 million people employed in banking, insurance and fund management. Around a third of those people work in London.
- Roughly 7 million people in the UK are disconnected from financial services.

The regulatory environment

Finance sector regulations are designed to do two things, correct market failure and protect consumers. Regulations can provide opportunities, for instance by reshaping consumer demand for pensions and savings instruments, but more importantly to the financial services industry, they also constrain in a number of ways. While the UK's regulatory framework is relatively efficient and business-friendly, proposals such as those regarding the non-domicile tax regime could impact recruitment because the financial sector relies on employees with specialised and scarce skill sets and therefore has to recruit from overseas. EU labour laws are also less flexible than those in the UK and pose a real threat to human resources in the finance sector if implemented here.

The financial services sector is currently self-regulated to a large extent through organisations such as the Hedge Fund Working Group, but some see these as self-interest groups that lack transparency. The challenge in an increasingly borderless industry is to develop principle-based rather than rule-based regulations that can be applied globally.

- How can the regulatory framework balance the needs for protection and constraint?
- Is there a single underpinning principle for the regulatory framework that could counteract the contrasting and contradictory messages from regulators and organisations?
- What are the different implications of national versus borderless regulations?
- How could the financial sector influence, manage and benefit from the regulatory framework?
- What strategic responses are appropriate to tighter or looser regulations, and how do different responses to regulatory changes help or hinder financial sector businesses?
- Can knowledge from SMEs in other highly regulated sectors, such as hotel and catering, be applied to the financial sector?
- How do regulations affect growth?
- Would greater self-reform lessen the chance of new rules being imposed?

Management consulting

Management consulting in numbers

- A £4 million market in 1956, UK management consultancy was a £7.7 billion market in 2006, making up over 10% of the worldwide market of £700 billion.
- In 2003, consulting comprised 1.15% of GDP.
- Consulting to the public sector grew at double-digit pace between 2002 and 2005, with revenues growing from £600 million in 2001 to £1.58 billion in 2005.
- UK government spending on consultants went up by 33% between 2003 and 2006.
- Members of the Management Consultancy Association earned £5.4 billion in 2006.
- Approximately 290,000 people are employed in the consulting industry.
- 99% of consulting firms are small and medium enterprises (SMEs).
- IT and outsourcing advice are the two biggest areas for consulting services, more than all the others combined.

New procurement and payment models

The introduction of the procurement function as an intermediary between the consultant and the end-user has had several effects. A tick-box approach to procurement tends to favour process efficiencies over organisational improvement. Personal agendas have less influence on purchases and commissions when there is a clear decision pathway to follow, making irrational choices less likely. But the procurement process can also make it more difficult for small consulting firms to tender for projects in large multinationals, because the burden of paperwork and pre-qualification might outweigh the potential for reward.

The procurement function is linked to the need to demonstrate value for money when purchasing consulting advice, and in turn to a changing payment model. Clients for consultancy are becoming less willing to be charged in the traditional way for time and materials and more inclined to favour a payment schedule based on milestones, achievements and final results. These new payment models transfer more of a project's risk from the client to the consultant, and make it imperative that both parties have the same criteria for success and the same perceptions of what constitutes value. The consulting firm must find ways of minimising the risk and making sure that payment goals are reached.

- Can the consulting sector learn from case studies of procurement from other sectors?
- How do clients and consultants conceptualise and measure value and success, and how can these be aligned?
- How do consultants manage the tendering process when the procurement function does not have the knowledge or skills to assess the project accurately?
- How is the perception of value linked to the impact of a project?
- How can consultants minimise the risk inherent in a payment-by-results culture?
- How can consultants transfer skills in a way that is recognised as adding to a project's success and impact?
- Do the new procurement functions impede innovation? How can a client procure for an innovative solution to a problem that is difficult to define?

Professionalisation

Representatives from large consulting companies involved in this project were against professionalisation, arguing that their work is so varied that any generic professional qualifications or standards would be inadequate. They also argued that there are already

appropriate accrediting bodies for specific qualifications, such as ITIL for IT workers and CIPD for human resources consultants. Smaller practices, on the other hand, believe that professionalisation would make them more competitive, separating 'proper' consultancies from those that simply implement projects, such as IT, or are less qualified or experienced. SME consultancies tend to be heavily dependent on the founder's reputation, and professionalisation would help mitigate this business risk.

Deciding whether or not professionalisation will benefit the industry as a whole requires some more fundamental soul-searching, not least defining the consulting industry itself. At present, consulting covers a multitude of sins, from the Big 4 to the notion that anyone who is unemployed and looking for contract work can call themselves a consultant.

- Do management consultants want professionalisation?
- What can be learned from other professions that operate on a consultancy model, such as public relations, and that are working towards professionalisation?
- Would professionalisation make management consultancy a better accepted and understood occupation?
- Is there a relationship between professionalisation and standardisation?
- Is there a role for external accreditation?
- Should professionalisation be established at the organisational or occupational level?

Marketing Practice

Marketing in numbers

- Around half a million managers in the UK go by the title 'Marketing and Sales'.
- The Chartered Institute of Marketing has approximately 36,000 members in the UK and 50,000 worldwide.
- Organisations with over £100 million in turnover spend 6.3% of turnover on marketing (excluding salaries); organisations with less than £1 million turnover spend 8.6% of turnover on marketing¹.
- 73% of working marketers believe their function is not understood by the rest of their organisation².

The voice of the customer

Does marketing help sellers to sell, or buyers to buy? The view that marketing should represent the voice of the customer within the organisation suggests the latter opinion is becoming dominant, but representing the voice of the customer requires an intimate knowledge of customers and hence carries a heavy research burden. There is already a considerable amount of customer data available, but much of it remains at a superficial level – name, address, age, etc. – and reveals little about a potential customer's true preferences. Customers themselves are also unreliable, as there is a tendency for people to provide answers they think are wanted, or will make them look good, rather than reveal the truth.

- What types of research and analysis will help marketers to better understand their customers?

¹ CIM Marketing Trends Survey Spring 2008

² *Op cit*

- How is the customer journey changing as retail channels fragment across bricks-and-clicks, and how do retailers get the balance right between old and new retail methods?
- How do trends develop?
- How can marketers turn insight into action?

B2B marketing

B2B marketing was felt to be under-represented in the academic and practitioner literature, and yet it forms a significant part of the function. B2B marketing carries its own complications, as customers may be anything from a corner shop to a large, multinational organisation.

- Are there differences in B2B marketing between SMEs and between SMEs and MNCs?
- What are the distinguishing characteristics of B2B marketing compared to, e.g., FMCG, where considerable research is available?
- How do SME and B2B marketers understand and work with major global players?

Retail Sector

Retail sector in numbers

- The retail industry posted sales of £256 billion in 2006, 6% of GDP and more than the Danish and Portuguese economies combined.
- 11% of enterprises in the UK are retail.
- Tesco, the UK's most successful retailer, operates in 12 countries, employs nearly half a million people and has global sales in excess of £43 billion.
- One in nine of the UK workforce works in retail.

Playing a role in the community

Large retailers have to work with a number of players when making development decisions because the creation of a new store has far greater effects on a community than simply giving it another place to shop. Local planning conditions, other businesses, potential customers and transport operators may affect what retail development is permitted in a particular location.

The most significant perception about retail development is that chain retailers tend to force independent shops out of business, although this is not necessarily the case – some retail chains have a pull effect, bringing other retailers to the area. The city of Cambridge has recently seen both of these effects in two concurrent developments. The new Grand Arcade shopping centre, with its flagship John Lewis store, has brought high-end retailers, such as Links and Rigby & Peller, to the middle of the city. Less than a mile away, protesters are fighting to prevent a Tesco Express being opened on Mill Road, fearing that it will condemn the plethora of independent shops on what is cited as one of the most cosmopolitan shopping streets in the country. They could be right – 7,000 independent retailers went out of business between 2000 and 2004, and the All-Party Parliamentary Small Shops Group projects that there will be no independent convenience stores and newsagents left in the UK by 2015.

- How can the evidence-base upon which retail planning policy depends be improved so that policy makers have a better understanding of the highly complex relationship between store development and social change?
- How can the potential contribution of a retailer to an area or region be assessed?

- Which retailers in which locations have pull effects on other businesses, and can some types of retailing increase the sense of community in an area?
- What happens to local consumer behaviour when a chain such as Tesco opens a new store?
- What contributes to the sustainability of high street locations for retailers?

The customer experience

What helps customers to buy, and what prevents them? While some retailers may feel that 'retail theatre' and flagship stores are the answer, customers want service, choice and a good layout. The customer journey approach may be a way in which retailers can obtain a better feel for what will encourage their customers not only to purchase, but also to return. Music, smell and crowding are all things that must be considered, but the focus should be on staff – poor service will ultimately be down to the behaviour of an individual member of staff.

- How does store design help selling?
- How do retailers create the type of service that builds customer loyalty and raises barriers to competitors?
- What staff activities and behaviours need to be standardised, and which need flexibility?
- How can retailers reacquire lost customers?
- What are the implications of a bricks-and-clicks model for physical stores, and how do retailers create a branded customer experience online?
- How do retailers respond to the environmental and ethical concerns of their customers and remain competitive?
- How do customers' opinions about environmental and ethical questions change over time, and how does this influence their behaviour?

What next?

The Business Engagement Project identified a number of areas where academic research can make a valuable contribution to five of the UK's most important industry sectors. BEP has also shown that, when directly engaging with practitioners, potential users of research output can make useful and credible suggestions for topics of research. There is an appetite, at least amongst those involved in the BEP for more and closer collaboration between the worlds of academia and practice, and practitioners can bring important insights, fresh ideas and new perspectives to the agenda setting process.

The ESRC is committed to fostering dialogue and collaboration between these two communities through a number of initiatives, including Knowledge Transfer Partnerships, seminars and collaborative working groups. Research that addresses some of the sector-specific challenges is under way or being planned, and further avenues are being opened up through other organisations, such as the Technology Strategy Board, the Engineering and Physical Sciences Research Council, the Digital Economy Programme, the Natural Environment Research Council and Living with Environmental Change. Not least, the ESRC will be looking at ways to engage additional voices from business, including those of SMEs and micro-businesses, who are not normally represented in research.