



MARKETING EXCELLENCE 2

O₂

Becoming the biggest mobile brand



MARKETING SOCIETY

AWARDS FOR EXCELLENCE

in association with **Marketing**

About The Marketing Society



INSPIRING BOLDER MARKETING LEADERSHIP

The Marketing Society is a not-for-profit organisation owned by its members, with over 2500 senior marketers. Over the past 50 years it has emerged as one of the most influential drivers of marketing in the UK business community.

The Society challenges its members to think differently and to be bolder marketing leaders by supporting the development of leading-edge thinking, and promoting the evidence of effective marketing. The Society does this through the Marketing Society Awards for Excellence; its publications Market Leader, Our Week and rich online Knowledge Zone; a national programme of world-class events; innovative professional development, such as the annual Marketing Leaders Programme; and extensive on-and-offline networking opportunities.

www.marketing-society.org.uk

Foreword

By Roisin Donnelly

What is marketing excellence?



Roisin Donnelly
Corporate Marketing
Director and Head of
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Gamble UK and Ireland

Marketing excellence can drive breakthrough business results for the short and long term. Marketing excellence requires great strategic thinking, great creative thinking and perfect execution.

But how do we assess *marketing* excellence? First we choose brilliant industry judges who are all experienced and successful practitioners of excellence and we ask them to pick out the cases which they see as remarkable. We ask them to look for two key qualities from our winners: creativity and effectiveness.

But marketing continuously changes and evolves, as consumers become more sophisticated and demanding and the media for communicating with them ever more diverse. So the standards for marketing excellence change and in turn become more demanding.

We believe that The Marketing Society Awards for Excellence in association with *Marketing* set the standard of marketing excellence in the UK. They have established this reputation over a period of

more than 25 years, and they have always been based on the principle of searching out the best examples of different marketing techniques in action, that showcase great strategic thinking, great creativity and perfect execution.

In order to be a winner of one of the Society's Awards, marketers have to demonstrate that what they have done is outstanding in comparison with marketing in all industries not just their own particular sector.

If a marketing story has been good enough to impress our judges, then all marketers can learn from it – however senior they have become. The collection of case histories brought together in this book is the best of the best from the past four years of our Awards, and I am confident that it truly demonstrates *marketing excellence*. I have been truly inspired by these case studies and I hope you will be too.

O₂

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Becoming the biggest mobile brand

Snapshot

O₂'s 'customer first' strategy and innovative marketing has made it a major player in the competitive mobile phone network.

Key insights

- Since its transformation from BT Cellnet to O₂ in 2002 the company's philosophy of putting customers first has generated a stream of innovative marketing ideas.
- Its campaign a few years after launch to keep customers loyal set it apart from competitors suffering from increasing churn.
- Its sponsorship of what is the world's most popular entertainment venue—the O₂ arena—has given the brand global recognition.

Summary

O₂ is a leading provider of mobile services and part of Telefónica Europe. Since its transformation from BT Cellnet in 2002, its strategy has been based on a single consistent principle: putting the customer first. It has been executed in ever more diverse and innovative responses to a changing market. Furthermore, O₂ has maintained a dedication to measuring and isolating the effectiveness of its marketing.

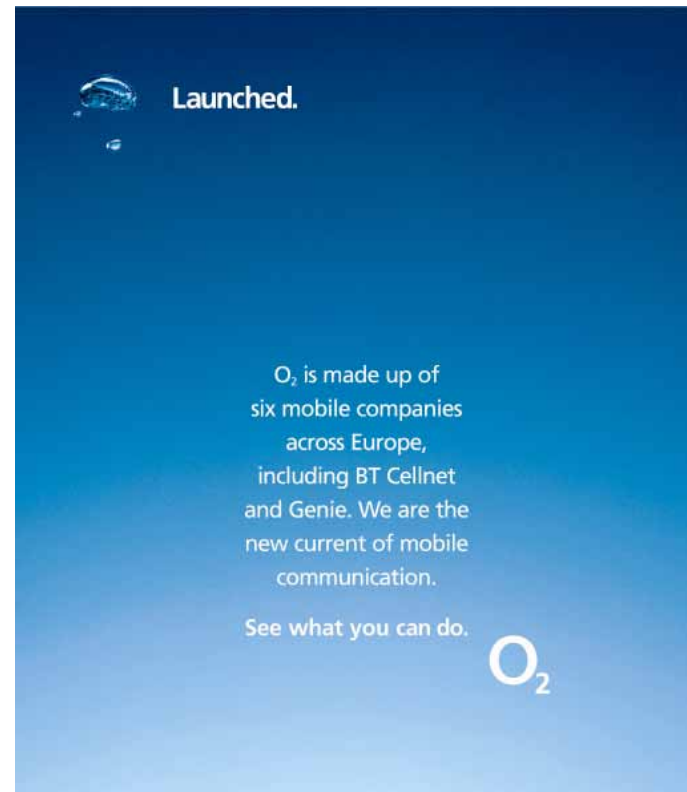


Figure 1. Launch campaign



Figure 2. Launch campaign



Figure 3. 'Bolt-ons' campaign

This 'customer' first' attitude has shaped everything, from product positioning to sponsorship to staff conferences. It has generated a stream of innovative ideas such as Pay & Go Wild tariff, bolt-ons and the free text and calls 'Happy Hour' promotion.

To incentivise customers to stay with the network, in 2005 O₂ rolled out its 'A world that revolves around you' campaign, visualising the customer as both the centre of their own network and its own philosophy. More recently, O₂ used its sponsorship of The O₂ and O₂ Academy venues to find innovative new ways to continue the strategy.

Throughout the years O₂ has transformed its fortunes, taking and subsequently extending leadership over the competition across key brand and business metrics. Moreover, econometric analysis has repeatedly demonstrated the significant value to the brand delivered by the marketing communications with a return on investment (ROI) of up to 80:1.

From launch to leadership

In November 2001 mmO₂ plc was demerged from BT plc, creating a wholly independent holding company. The UK brand, BT Cellnet, was relaunched as O₂ in April 2002. It faced significant challenges, challenges that BT Cellnet had manifestly failed to tackle. The market had matured, penetration had plateaued and revenue growth was increasingly hard to come by, hampered by the difficulty of securing technical advantage. Differentiation had to come through marketing (Figures 1 and 2).

But the new brand faced extremely well-established competitors: Orange and Vodafone. BT Cellnet had enjoyed neither the presence of Vodafone nor the appealing image of Orange, lacking clear identity or forward momentum. O₂ would also have to face the launch of two new brands, T-Mobile and 3. Struggling on all key metrics—new connections, total subscriber base, non-voice transactions, average revenue per user (ARPU) and revenue—it was hardly surprising that pundits weren't optimistic about O₂'s chances of success.

But O₂ proved its cynics wrong, building a strong brand that, through total visual and strategic integration, turned around flagging business performance. The level of visual integration O₂ achieved was impressive, consistent not just within campaigns, but across every brand touchpoint. This approach, still followed today, is epitomised by the internal mantra: 'It only works if it all works'.

But from the start O₂ was devised to be more than merely a new look. The relaunch represented a radical strategic departure from the fusty, technology-

heavy days of BT Cellnet. Rather than a provider of mobile technology or a mobile visionary, O₂ set out to become the most 'enabling' brand in the marketplace, existing to provide better ways the customer can work, play and communicate.

This 'customer-first' attitude shaped everything, from product positioning to sponsorship to staff conferences. It generated a stream of innovative ideas: Pay & Go Wild, bolt-ons and Happy Hour among others (Figures 3 and 4). While BT Cellnet had a conventional 'manufacturer' discount approach, with bolt-ons O₂ created a new vocabulary of value in text messaging that was proprietary and more universally and emotionally appealing.

Making its mark

The results from this approach were remarkable. Where BT Cellnet suffered, O₂ thrived. After just two years:

- O₂ became the leading brand for both top-of-mind awareness and preference.
- Spontaneous advertising awareness rose rapidly to the level of its well-established competitors.



Figure 2. 'Happy Hour' campaign

- All key business metrics improved: revenue, new connections, total subscribers, average revenue per user. Since launch, O₂ was generating more than a million new connections per quarter.
- Based on advertising awareness per TVR, Millward Brown calculated that despite an actual share of voice of 14%, O₂'s effective share of voice was 33%. In other words, O₂ advertising was delivering more than double the value of competitors.

According to independent analysis from Accenture: "The O₂ launch has been the most successful mobile brand launch that Accenture's ROI group have seen. Based on numerous studies that we have conducted, the brand is rare in exceeding our most optimistic targets. The results are a testament to the potency of the brand identity and advertising creative." Econometric analysis isolated the impact of advertising and sponsorship, proving that it generated 4.1 million connections from April 2002 to December 2003, generating £493 million in additional margin for O₂. This represented a return of 6.3:1 on the money invested, with the ultimate long-term payback reckoned at 62:1. Perhaps more importantly, the foundations had been set for long-term brand success.

Building on success

By the end of 2004 the market was changing again. Customers found themselves rewarded for changing network, not for loyalty. This was bad for operators. It eroded their own margins, paying money to retailers that could have been re-invested into service and created increased churn and higher acquisition costs. (During 2004, O₂'s churn rose from 30% to 35%).

And it was not even much liked by customers, who could only obtain discounts at the inconvenience of frequently reviewing complex offers and changing operator. Unable to differentiate between brands offering little emotional attachment, customer satisfaction was sliding for all networks.

What was to be done? The pressure to attract new customers was difficult to resist. Simply substituting acquisition programmes for 'loyalty' deals would risk losing share, as other operators continued to offer 'jam today' rather than 'jam tomorrow'.

Consumer research showed the way. O₂ had made a good start in creating a relationship with its customers, but focusing on acquisitions rather than rewarding existing customers was problematic, not just practically but symbolically. It said: 'We don't really care about you.'

O₂ needed to change, showing deep commitment to its own customers, backed up by deeds as well as words. It required:

- Operational improvements in service, including hiring extra customer service staff.
- A shift to rewarding loyalty not defection: offering the same deals to existing customers as well as new.
- Communicating the new strategy and rewards.

The consistent visual identity, a contrast to the often frenetic world around mobile phones, was still ideal for building emotional attachment. O₂ would not make the mistake of Orange, which had launched with a powerful visual identity but later lost clarity and consistency. Instead, O₂ needed to refresh the current identity to carry the new messages, for the first time speaking directly to existing customers.

Mounting a creative coup

The creative solution was: 'O₂: A world that revolves around you'. This visualised the customer both as the centre of their own network and the centre of O₂'s concern (Figure 5). As a result of the campaign, O₂ became the leading UK brand in this sector:

- It amassed the largest user base.
- Churn fell while that of competitors rose.
- Fastest net acquisitions increased. Although targeting existing customers, the campaign had as strong an effect on new prepay connections as previous acquisition advertising.
- ARPU held up because, despite giving customers more rewards, the company retained high-value users.
- The strongest brand awareness and image metrics in the market, including consideration and satisfaction.

By strengthening brand affinity and successfully exiting the battle for acquisitions, O₂ could pay less to retailers relative to competitors, investing in service and rewards of benefit to the brand.

Financial payback

All this immediately showed up on the bottom line: the earnings before interest, taxes, depreciation and amortisation (EBITDA) outperformed the market throughout 2005. Moreover, econometrics isolated the effectiveness of the marketing:

- One million disconnections were prevented by this campaign between April and December 2005.



Figure 5. 'A world that revolves around you' campaign

- Over the next three to four years, reduced disconnections would repay the media budget 17 times over.
- New customers joining as a result of the campaign would, over their lifetime, generate margin to repay the media budget 18 times over. Longer-term, the total additional margin was expected to repay the media budget 63 times.

Retention and acquisitions effects produced a payback of 80:1. Share price grew and, in November 2005, O₂'s board accepted Telefónica's offer to buy the company for £18 billion, a testament to the brand and business value generated since launch.

Innovating from the front: from mobile brand to media brand

Within four years, O₂ had become the leading mobile provider in the UK, with a reputation for putting customers first and an enviable track record for effective, consistent communications. Over the following years, as the communication world had become more diverse and fast-moving, this strategic and creative focus enabled O₂ to maintain and stretch its leadership and expand successfully into new categories such as personal finance.



Figure 6. The O₂ is born



Figure 7. 'Priority' campaign

Rather than attempt to tell the whole story of these years, this case study focuses on one element that typifies the innovation and ambition O₂ has brought to its communications and is perhaps the best evidence of the brand's founding principles: the sponsorship of The O₂ and Priority Tickets.

From white elephant to global star

It's easy to forget now how the Millennium Dome was seen by the British public in 2007. Beset by controversy, after a year of use the building sat empty and neglected and was widely seen as an embarrassing waste of money. In fact, Anschutz Entertainment Group (AEG) was already planning to re-open it as a major entertainment venue and looking for a sponsor to buy the naming rights. Such was the reputation of the 'Dome of Doom' that there was little enthusiasm. But O₂ saw the opportunity (Figure 6).

With the scale and ambition of the venture, the desire was to set a new standard for sponsorship activity. Strategically, it needed to be true to the O₂ way of doing things:

- Put customers first: make a better experience for customers.
- Breathe not badge: demonstrate the difference the brand was making.
- Be accountable: bring a new standard of measurement to sponsorship.

Special service

Visiting The O₂ highlights the results of this approach:

- While everyone has a great time, O₂'s own customers are made to feel special. Before the visit they can register for Priority Tickets, on sale up to 48 hours before general release. This is a valued benefit when most concerts sell out (Figure 7).
- On arrival, customers are eligible for fast-track entry, special offers and access to exclusive zones: the Blueroom Bar and the O₂ Lounge. 'O₂ Angels' greet and direct visitors, while 'O₂ Gurus' offer advice on getting more from your mobile. You can download music and explore new technology. After the event, you can visit the online Blueroom to watch new footage.

Today the O₂ is undeniably the world's most popular entertainment venue. It sold 2.35 million tickets in 2009, or 75% more than the next most popular venue.

The benefits of the sponsorship were significant. By the end of 2009:

- Awareness of The O₂ (72%) and Priority Ticketing (64%) had reached very high levels.
- 1.5 million customers registered for Priority Tickets.
- O₂ led the category for making a difference to the events it sponsored and association with music sponsorship, according to tracking studies.
- Those aware of and having experienced The O₂ and Priority Tickets were significantly more likely to rate the brand highly across a range of attributes.
- Brand awareness, perception as the leading brand, consideration and recommendation scores have all increased to give O₂ clear leadership.
- 2.6 million customers had been added since the launch of The O₂, nearly double that of the nearest competitor Orange.
- O₂ grew value market share to 30.9%, with revenue growth more than double that of the next most successful brand, Orange.

Peerless performance

Econometric modelling demonstrated that The O₂ and Priority Tickets worked harder than any other campaigns at driving brand consideration and recommendation. They also delivered connections: the Priority campaign in Q4 2009 contributed nearly 12% of all connections.

The model enabled the company to quantify actual and projected impact of the activity on gross connections (Table 1).

Connections generated by the sponsorship: 000s	'Do The O2' impact on prepay	Priority TV impact on prepay	Priority TV impact on pay monthly
Actual: to December 2009	295.0	320.8	143.4
Projected: to come as adstock declines	90.9	530.3	287.5
Projected: lifetime communication effect	386.0	851.1	430.9

Table 1

This impact was in line with the strategy approach: badging a venue would not drive real business value. Only by putting customers first through Priority Tickets did the sponsorship really deliver at rates not seen since the momentous early days of the brand launch.

The contribution to profit to December 2009 based on incremental gross revenue was £279 million, giving an ROI of 6.3:1, with an expected ultimate contribution to profit of £639 million, giving an ROI of 14.5:1.

Sponsors

Aviva - 300 Years of Insight

We're the world's sixth-largest insurance group and the biggest in the UK, with 46,000 employees that everyday serve 53 million customers worldwide.

We are committed to delivering one distinctive experience for our customers. Wherever they are, we want them each to feel that "no one recognises me like Aviva". Our global consumer research reveals that most of our competitors are particularly bad at recognising people's individual significance. This research also tells us that small human touches can make a huge difference to a customer's experience. Our aim is to make recognition the familiar quality that distinguishes Aviva from our competitors - just as Apple means user-friendliness and FedEx means reliability.



"We know insurance isn't just about policies' and pensions; it's about people. That's why we're making our customers the big picture, putting a spotlight on them and our people. Putting customers at the heart of everything not only makes sense for them, it makes good commercial sense too." (Amanda Mackenzie, Aviva's chief marketing and communications officer)

We are working hard every day to build the company around what our customers want from us. That's why Aviva now ranks among the UK's top ten most valuable brands, according to the 2010 Brand Finance Global 500 survey and that success is something we are looking to replicate across the world.



BT operates in over 170 countries and is one of the world's leading communications services companies. BT is a major supplier of networked IT services to government departments and multinational companies. It's the UK's largest communications service provider to consumer and business markets and is made up primarily of four customer-facing lines of business: BT Retail, BT Global Services, Openreach, and BT Wholesale.

BT operates in a thriving, multi-trillion pound industry that spans the whole world. In recent years the global communications market has been focused on convergence, whereby the boundaries between telcos, IT companies, software businesses, hardware manufacturers and broadcasters have become intertwined to create a new communications industry.

BT has evolved from being a supplier of telephony services to become a leading provider of innovative communications products, services,

solutions and entertainment products. BT's business customers range from multinational, multi-site corporations to SMEs and start-ups.

More than 80 per cent of the FTSE 100 and 40 per cent of Fortune 500 companies rely on BT for networking, applications and system integration. The National Health Service, Procter & Gamble, PepsiCo, BMW, Emirates, Fiat, Microsoft, Philips, and Unilever are just some of the organisations working with BT.

BT has been a driving force behind the success of 'Broadband Britain'. Thanks to the company's investment, nearly every home in Britain now has access to broadband and in September 2009, BT announced plans to more than double the availability of its fastest fibre broadband service.

MARKETING EXCELLENCE 2

"A treasure trove of examples covering the whole waterfront, from launching new brands to revitalising, sustaining and extending established ones, and from insights to advertising and sustainability. Whatever your business, it should make you proud to be a marketer, shake up your thinking and inspire you to go the extra mile."

Professor Patrick Barwise, London Business School, Chairman of Which?

"This exciting book demonstrates how great marketing can solve the most difficult problems, through analysis, teamwork and creativity.

It contains 34 fascinating case studies, selected from hundreds of high quality entries to The Marketing Society Awards for Excellence. Those involved had the determination to win, and the courage to think differently. An inspiring read."

Professor Hugh Davidson, Co-Founder, Oxford Strategic Marketing

"This is the textbook, the toolkit and the manual for marketing excellence."

Cilla Snowball, Chairman, AMV BBDO

"These cases are a great source to stimulate your thinking. Some will stimulate new thoughts, some will unlock ideas from the back of your memory. All of them however are great fuel for growth."

Keith Weed, Chief Marketing and Communication Officer, Unilever

Featuring 34 award-winning case studies from some of the world's leading brands:

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