

Marketing Awards for Excellence 2013
Category B: New Brand



Launching LOVEFiLM Instant

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Executive Summary

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LOVEFiLM knew that the entrance of Netflix would shake up the market. But the brand didn't want to rest on its laurels and hope for the best – Blockbuster's mistake when under threat from LOVEFiLM years before. Instead, they decided to face the challenge of Netflix head on with a bold change of approach and an even bolder advertising campaign.

There were two critical things that enabled LOVEFiLM to achieve success – a really smart, integrated marketing campaign; and the sheer audacity to switch the entire marketing spend to a new message – LOVEFiLM = watch movies online!

The level of change undertaken by the business over the last year is unprecedented. Success was made possible by the dedication to creating a single and compelling idea, which flowed through all parts of the business, across all agencies and over multiple media. The entire structure of the business has been changed for good and the step-change in customer growth and product engagement can only be described as transformational. The distinct change in business approach helped the brand's marketing strategy to become far more effective whilst also reducing the annual cost of acquiring new members.

The success of LOVEFiLM's campaign is a fantastic example of an existing brand combining big strategic thinking with powerful tactical executions in order to create a new service in order to drive the entire business forward.

Launching LOVEFiLM Instant

Objective

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Being an established entertainment brand in the UK with over a million monthly subscribers was both a blessing and a curse – LOVEFiLM had built up considerable awareness, but that awareness was still predominantly based on its DVDs-by-Post service. In order to change their place in consumers' minds, the brand needed more than a new service – it needed a marketing strategy that could challenge existing perceptions head on.

LOVEFiLM had two considerable aims:

- 1) Shed its image of being purely an online DVD rental service.
- 2) Establish a robust position in the streaming market for when Netflix launched.

The brand needed a really smart integrated marketing campaign that spoke to deep-rooted audience truths. Furthermore, the business needed to step things up an extra gear; becoming future-ready and fitter than ever in order to implement both the new service and the new marketing strategy.

Scale of the Task

Research had shown LOVEFiLM that its extensive DVD range was highly valued by customers but its mass market appeal was being heavily curtailed by the fact that customers needed to think about what they wanted to watch in advance. The reality was that this aspect of the DVD proposition did not fit with the way many UK households wanted to consume entertainment. Instead, they were settling for the least worst thing on TV because it fitted into their lives more readily – *Come Dine With Me* anyone? In contrast to the DVD service, LOVEFiLM's new digital streaming service enabled customers to stream film content to the TV via internet devices from Smart TVs to games consoles and laptops.

The communication strategy adopted by LOVEFiLM to promote its streaming service sought to present the convenience benefit and re-frame the perception of choice. This was achieved through the creation of an original concept that would be hard for other entertainment providers to emulate.

Naming the service 'LOVEFiLM Instant' was the first step toward cementing the service's convenience benefit and impressing the 'watch now' nature of the product.

The next was to convince customers that, whilst LOVEFiLM Instant had less content than its DVD proposition, it had more films to watch instantly than all TV channels added together, including satellite channels. This re-framing of 'choice' proved very compelling in customer research because it presented LOVEFiLM both as a leader and as an alternative to everyday TV viewing – the mass market relevance

LOVEFiLM has always struggled to sustain. Furthermore, because LOVEFiLM Instant was a streaming service, every film played could be logged and LOVEFiLM could leverage its relationship with Amazon to provide proactive recommendations to customers. Greater choice of instant entertainment plus personalised recommendations proved to be a very compelling combination to customers who recognised how many times they found themselves blindly clicking through the TV channels.

LOVEFiLM needed a single-minded proposition that would bring this combination of tailored choice and convenience to life. The brand came up with the idea of reminding customers about the lack of choice on TV and then asking customers to “Imagine a TV channel that learns what you like to watch.” Research proved it was a compelling idea that customers had never heard before and it had the capacity to draw customers into the sub-copy. Furthermore, it gave clear direction to media and creative agencies alike.

The whole campaign stemmed from the creative idea. A bold creative style was selected to match the bold change in strategy. Art direction was simple, with powerful typography that would purposefully disrupt the media which surrounded it:



Examples of the great content found on LOVEFiLM Instant were used to really bring the creative to life and further give the messaging emotional weight.

The broadcast media agency focused on targeting audiences at times when they would be thinking about what to watch tonight. Takeovers within the TV guide pages of national press combined with a dominant presence across Digital Outdoor sites between the rush 'hour' of 5pm and 9pm when workers and shoppers were thinking about how good it was going to feel to put their feet up in front of the TV.

Key Results

In less than 3 months, the LOVEFiLM marketing team had conducted research, and persuaded the entire business to support a fundamental transformation in its customer proposition by launching the first pure movie streaming subscription package in the UK; LOVEFiLM Instant.

The launch of Instant made a significant impact on the brand's most important marketing efficiency measure – Subscriber Acquisition Cost. The launch and growth of Instant resulted in the new average cost for 2012 being 11% cheaper than the year before, making it the most efficient year for marketing spend in LOVEFiLM's history – even with the increasingly competitive market context.

Within four months the volume of digital film views had multiplied from 300,000 per week to 1,500,000 per week. Digital views of content in fact surpassed the DVD rental views and sign-ups rocketed to unprecedented levels. Digital Views have grown 900% since the month before our launch of LOVEFiLM Instant.



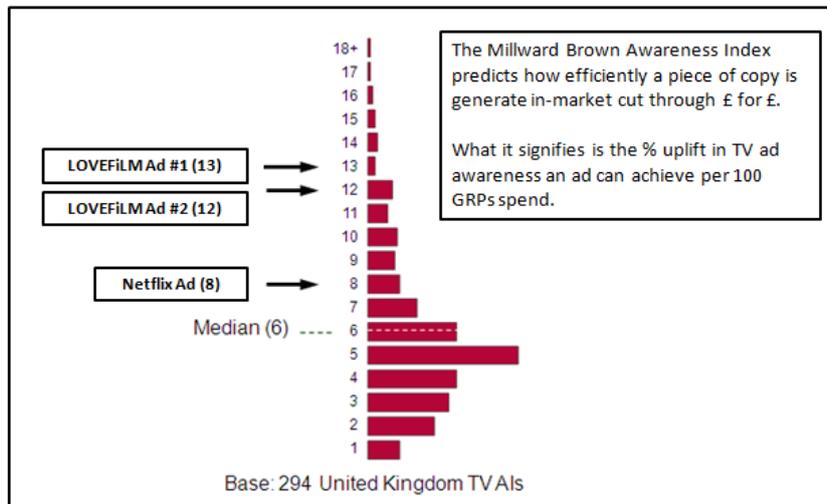
The focus on a single and compelling idea, which flowed through all agencies and multiple media at moments of truth for the audience, led to a jump in customer numbers and product engagement.



In the last year this single package has grown from 0% of signups to over 75% of signups in December 2012.

LOVEFiLM was also rewarded for understanding the consequence of this change on its DVD rental focused media strategy. Econometrics conducted by LOVEFiLM's 3rd party econometrics agency have found that the December TV spend proved to be the most efficient of the year.

The brand's TV advertising performed significantly stronger than that of Netflix, providing exceptionally good at driving commercial results. The brand's TV advertising performed was assessed as being significantly stronger than that of Netflix and indeed 95% of all tested TV ads by Millward Brown.



Furthermore, the decision to become part of the 4oD catch-up TV launch on games consoles also proved extremely successful - with the launch proving much more successful than 4oD had anticipated and econometrics subsequently proving that advertising on catch-up TV services delivers 2.5 times higher response than traditional TV advertising for LOVEFiLM's new Instant service.

Perhaps most importantly, the resonance of the customer insight during this launch phase meant that when Netflix made its grand entrance, it resulted in customers recalling the LOVEFiLM activity and sales increased at an even faster rate. Within 2 months of Netflix's entry, awareness of LOVEFiLM was nearly double that of Netflix¹. Furthermore, the success of the multi-agency and integrated marketing launch has meant that almost all of the major film studios have now decided to offer their content exclusively to LOVEFiLM, with the brand estimating that its studio deals for film content will give its customers access to 56% of the UK box office compared to Netflix customers' 8%. These studio deals last for multiple years – ensuring a content advantage against its new competitor for years to come. It's difficult to imagine that LOVEFiLM would have been supported so convincingly by the studios without the clear commitment and bold action taken by the marketing team in re-positioning the brand.

¹ Harris Interactive, February 2012. Unprompted Awareness: LOVEFiLM (59%), Netflix (23%)