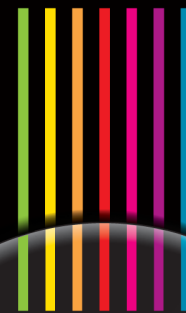




MARKETING EXCELLENCE 2

O₂

Striking the right note
with brand extension



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,
President of The Marketing Society

What is marketing excellence?



Roisin Donnelly
President of
The Marketing Society
Corporate Marketing
Director and Head of
Marketing at Procter &
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

Striking the right note with brand extension

Snapshot

O₂ undertook an imaginative brand extension into entertainment which increased customer loyalty and helped create the world's most popular music venue.

Key insights

- O₂ wanted to give its brand a more tangible feel and build closer customer relationships in a market notorious for churn.
- Although the decision to give its brand to what had been a national laughing stock — the Millennium Dome — was fraught with risk, partnering with a leading entertainment group made the venue world-famous for attracting big names.
- More importantly, it enabled O₂ to forge close bonds with its customers through a variety of customer benefits, including special areas for customers at the arena and priority booking.

Summary

O₂ is a UK leading provider of mobile and broadband services to consumers and businesses in the UK. Part of the Telefónica O₂ Europe group, it was formed in 2001, following the demerger from British Telecom of its former mobile business, BT Wireless. Since the concept of turning mobile networks into brands first

took hold in the early 1990s, operators have viewed brand extensions as a diversion from the job in hand: growing customer bases as quickly as possible. Even as market penetration reached 120% (because of multiple SIM card ownership), brand extension continued to be an unexplored option. Instead, operators continued to focus on acquisition by luring customers from rival networks with ever more attractive deals.

However, O₂ recognised that a brand extension could play a role, but not in the conventional sense of delivering a new revenue stream. Instead, a brand extension could be used to create an asset that boosted core revenue streams through increased loyalty.

Forming a partnership with the owners of the much-derided Millennium Dome was both inspired but also very risky. The bet paid off hugely: by the end of 2008, the return on investment was 26:1. More importantly, The O₂ has become the world's most popular music venue.

Determined to be different

In 2007 the big six network operators — Vodafone, Orange, T-Mobile, 3, Virgin and O₂ — spent a total of £256 million on advertising. It is estimated that over 50% of this was spent on direct advertising, mainly promoting the latest tariff and handset offers.

This was a market driven by the latest deals. Consequently, loyalty was hard to come by. Exacerbating this situation were two other factors. Firstly, the nature of mobile networks is their intangibility. This lack of physical presence made it hard to create brand affinity. Secondly, the most tangible representation of the brand-customer relationship was the payment. As any utility provider is aware, a relationship based on bill payment is not one that engenders loyalty.

To drive allegiance, the brand required a more tangible and visible presence. Yet O₂ recognised that brand expression needed to be more than a simple badging exercise as per traditional brand sponsorship. What was needed was a true brand extension, which would enhance the customer experience and provide a rational and emotional reason to stay.

Alongside this condition sat the complex and ever more important issue of convergence between communication, technology, media and content. The convergence trend is perhaps best exemplified in the way music consumption has been transformed in recent years. Strengthening O₂ credentials in this arena was therefore a key strategic opportunity.

Risking the odds

Back in 2006, in a prime location on the banks of the Thames, stood a giant empty structure which had been unused since its inglorious incarnation as the Millennium Dome. Even at its peak, the Millennium Dome had never achieved anything close to popularity. Such were the connotations of the Dome that any form of revival seemed pure fantasy. Indeed, demolition seemed a real possibility.

But then along came a visionary partnership between two leading brands: O₂ in telecommunications and Anschutz Entertainment Group (AEG) in entertainment. For its part, AEG was looking for a partner with a UK reputation and stature to assist in its vision of creating a concert and entertainment venue not previously seen in Europe. At O₂, a core team was convinced this partnership offered an opportunity to deliver a brand extension the like of which had never been seen before.

Unsurprisingly, this optimism was not universally shared. There were grave concerns that the Dome would tarnish O₂'s hard-won reputation. The proposal had to go to the company's board of directors before finally being given the green light.

In the end it was the high level of risk that helped clinch the deal. O₂ realised that with both partners dependent on each other for success, this was a partnership that could be shaped to deliver beyond traditional expectations. In the three years before the venue was launched, both parties worked closely together. While AEG's expertise lay in the venue's

content, O₂ focused on ensuring the design reflected the enhanced customer experience that it sought to deliver.

By the time it was ready to be launched in July 2007, the venue boasted a 22,000-seat arena and a more intimate 2,000-seat concert hall, named 'The IndigO₂'. In addition, O₂ designed exclusive customer spaces, including the Blueroom bar and the O₂ Lounge, where access was granted through mobile bar codes. O₂ also created 'O₂ Angels', a team of people trained to greet and direct visitors.

All these contributions were a powerful demonstration of O₂'s commitment to its customers at the venue. However, the O₂ team also recognised that for the venue to truly drive loyalty, there was a requirement for a powerful pre-arrival customer benefit.

Creating strong customer bonds

The Priority Ticket offer was thus developed to give O₂ customers a very simple but extremely attractive benefit — the chance to buy concert tickets 48 hours before sale to the general public.

Beyond offering this VIP treatment, it would also create a dialogue with O₂ customers while building a database of those interested in the Priority Ticket offer. Customers could register their music and entertainment preference through the O₂ special phone line (an interactive set of menu options that a caller selected from the phone key pad for more information), or at the Blueroom site online.

Nor did the experience end when customers left the venue, as they could re-enter the Blueroom online after the event and download music, as well as watching exclusive interviews and streamed video.

Creatively turning a negative into a positive

Although now The O₂ is an established part of the London landscape, at the beginning the proposed partnership had been steeped in scepticism and worried about failure. So the creative strategy behind the launch had to fulfil three key criteria:

- Ensure the name stuck and that "The O₂" entered the nation's vocabulary.
- Communicate that this was not a re-badging exercise. O₂ was extending its brand into a new territory with real customer benefits — most importantly, Priority Tickets.
- Above all, create a sense of unassailable confidence that it would succeed.

The launch campaign focused on driving home the association between O₂ and the venue through TV, outdoor and print advertising (Figure 1).

Because multiple messages had to be delivered, the advertising agency VCCP developed a communications plan to run across all media (Figure 2). For example, the outdoor and print campaigns forged a link between the new name and the iconic image of the white tent. The 30-second TV campaign was an opportunity to take the nation on a taster of the varied entertainment on offer at The O₂ and communicate the Priority Ticket message.

A second phase of activity in late 2008 focused purely on driving home the customer benefit of Priority Ticketing through a multi-media campaign (Figure 3).



Figure 1. Launch campaign



Figure 2. Multi-media campaign



Figure 3. Priority Ticketing campaign

Winning on every front

By any reckoning The O₂ has proved to be a phenomenal success, as the myriad of positive press articles have attested. However, this positive endorsement was never going to be sufficient. For a brand that had, until this point, lived in the ether, here was an opportunity to be touched, played with and talked to.

1. Customer participation

At its most basic level, this was a brand extension that needed to become a successful music venue. By December 2007, just seven months after launch, The O₂ Arena had welcomed a staggering 1.4 million music lovers. The O₂ is now the 'world's most popular venue', selling more tickets than any other venue in the world and outperforming the legendary Madison Square Gardens and the new Wembley Arena. The magazine *Music Week* voted The O₂ the arena of the year in 2008.

2. Customer interaction

The O₂ database was equally successful: by the end of 2008 over one million O₂ customers had signed up for Priority Ticketing. O₂ also sold out its allocation for over 50 pre-sale events, giving in excess of 180,000 priority tickets to O₂ customers.

Over the same time period there were over 100,000 entries for The O₂ Blueroom competitions and 100,000 live music downloads. On average, SMS campaigns received a response rate of 4%, while email campaigns achieved a significant 15% response rate.

In fact, from the launch of The O₂ until the end of 2007 over 900,000 unique visitors spent time on The O₂ section of the Blueroom, which was developed by the agency AIS. There was thus

massive uplift in customer engagement with the brand: three months post-launch there was a 263% uplift in pre-pay customers logging their music preferences.

3. Boosting brand perception

There were early indications that this success was having a measurable effect on perceptions of the O₂ brand. Those aware of The O₂ showed significantly more positive attitudes to the brand on nearly all attributes. What's more, as Table 1 shows, the brand attributes most influenced by experience and awareness of The O₂ were strategically relevant.

Brand attributes most impacted by experience and awareness of The O ₂ (customer and non-customer)	Average improvement in attribute: non aware-experienced %
Provide a good customer experience	+57%
Have the best range of mobile handsets	+51%
Offer the best range of services for your lifestyle	+50%
Is the leading phone network	+49%
Look after their customers better	+49%
Are networks that have better services than others	+43%
Are brands that are setting the standards for the future	+43%
Appeal to you more than other networks	+41%

Table 1. Impact of The O₂ on brand attributes 2007
Source: Millward Brown

Unprecedented return on investment

In order to assess the impact of The O₂ on revenue, an econometric model was developed to look at the impact on customer loyalty. This showed an immediate but lasting impact on churn among the whole customer base. This equated to approximately 10% for post-pay customers and 20% for pre-pay. Without taking into account acquisitions generated, the model calculated a return on investment of 26:1 by the end of 2008.

Perhaps the greatest testament to the success of this brand extension is the roll-out of similar venues in other O₂ markets. In September 2008 O₂ World opened in Berlin, followed in December 2008 by the opening of The O₂ in Dublin.

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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.

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



"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.



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

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