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Case Study

The IDM business performance awards 2008: Overall business award winner Campaign: Launching Virgin Media

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Abstract

NTL:Telewest merged with Virgin in 2007. In 2008, Virgin Media faced the challenge of re-launching its existing product into a confused and disillusioned marketplace. Launching Virgin Media meant re-educating consumers about digital cable's unique ability to deliver a bundled cable television, broadband internet, fixed and mobile phone service. Virgin Media and its agency, Rapier, needed to drastically change customer and public perceptions of its product and service and get them excited about the new brand's potential. The Virgin Media brand was launched in typically flamboyant style, but the campaign's real strength rested in its implementation of targeted personalised communications as part of a carefully planned integrated direct marketing campaign. The campaign's results exceeded financial and awareness objectives. The dramatic growth in Virgin Media's customer numbers marked a major reversal for cable technology, halting years of decline.

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Introduction

Virgin and NTL:Telewest completed a £962m merger on 8 February 2007, creating the UK's first consolidated quadruple-play company, capable of offering customers a bundled cable television, broadband internet, and fixed and mobile phone service.

There were two main reasons why NTL: Telewest and Virgin Media decided to combine forces:

— Both were excited by the longer-term possibilities offered by quad-play.
— Both saw the immediate potential of cable technology.

The world's largest Virgin brand had a great business opportunity in the UK marketplace, provided that it, and its agency Rapier, could overcome several major challenges within tight timescales and financial constraints.

This case study looks at how Virgin and Rapier overcame UK consumer misconceptions about cable technology to rapidly establish Virgin Media as a leading home digital brand in the UK market.

Background

It is UK government policy that all UK TVs will receive a digital TV signal, rather than an analogue one, by 2012. A digital signal can be transmitted via an aerial, cable or satellite.

Upgrading to digital TV

In spite of the fact that the first cable TV licence was issued in 1984, and that the first satellite did not launch until 1989, UK cable take-up remained stagnant during the 1998–2005 digital TV boom years. In 2003, Telewest's cable infrastructure covered 25 per cent of the UK and it was considering using Wi-Fi as an alternative way to expand its reach, rather than laying more expensive fibre-optic cable.

In 2005, a flurry of free broadband offers encouraged many of the remaining dial-up users to upgrade their television sets to receive a digital signal. UK digital TV penetration now stood at 90 per cent. Although digital satellite TV (BSkyB) and terrestrial digital TV (Freeview) take-up was steadily increasing, the number of consumers opting for a cable delivery platform remained static; in spite of the fact that fibre-optic cable potentially offers the best technical digital service delivery solution (see Figure 1).

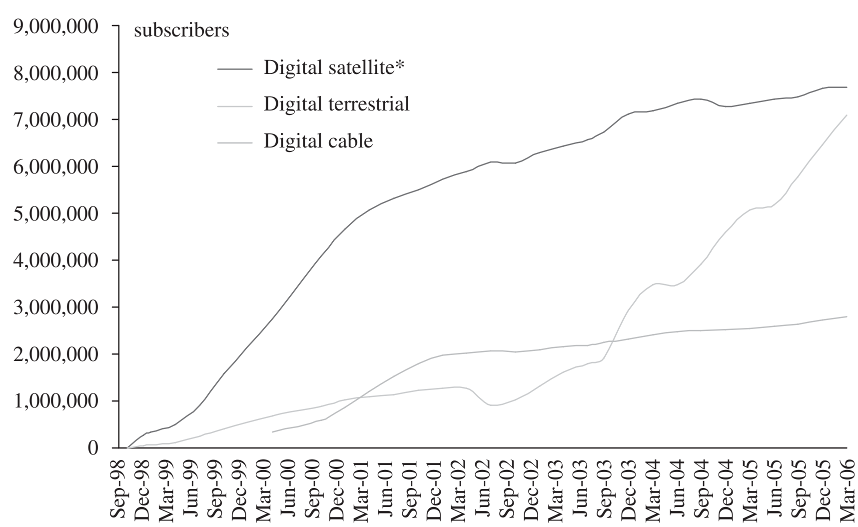

Figure 1: Number of subscribers to digital TV, by platform
Source: OFCOM/nVision

By 2007, cable technology was in serious danger of missing out on the UK's digital revolution.

Obsession with short-term results

An obsession with short-term results had driven Telewest and NTL into pursuing aggressive, price-led marketing strategies, concealing the real benefits of cable technology from consumers. As an unfortunate result of this strategy, by early 2007 UK consumers regarded the cable platform as a poor man's alternative to BSkyB's satellite technology.

NTL and Telewest merged in March 2006 to create Britain's second largest residential telecommunications organisation, in addition to its TV and internet provision. Prior to the merger, NTL had acquired a reputation for unreliable service and, occasionally, for mistreating its customers; Telewest was widely regarded as the superior brand of the two:

> 'NTL would be the boring techie salesman who was totally disorganised and on the verge of a downward spiral in terms of his career.' (NTL customer in Manchester)

In 2007, NTL:Telewest had a somewhat tarnished image and, by association, so did cable technology.

Tarnished image

Virgin Media's principal, larger, better-established pay TV, broadband and telephony rival in the UK was BSkyB. Part of media mogul Rupert Murdoch's global News Corporation empire, BSkyB, had been a dominant presence in UK TV broadcasting since its inception in 1989. In 2001, BSkyB had 5.3 million UK household subscribers, compared to cable and digital terrestrial's combined two million households (*Source*: *The Independent*, 23 July 2001). Even post-merger, NTL:Telewest was still playing catch-up with around five million UK households, compared to BSkyB's eight million.

BSkyB's vertical integration throughout the UK TV supply chain is a key strategic factor in its hold over the UK's digital TV market. As a channel provider and distributor, Sky has exclusive prime content rights in some important areas, such as the sporting events now available only through its premium channels, Sky Sports 1, Sky MovieMax and Sky Premier, and some film content (Figure 2).

Vertical integration

BSkyB has a history of dealing ruthlessly with its potential rivals. In December 2002, it was the subject of several complaints about anti-competitive practice made to the Office of Fair trading. Telewest, NTL and ITV digital (insolvent by 2002) raised three separate concerns, but the Office of Fair Trading found that there was insufficient evidence that Sky had used its dominant position to contravene the Act.

In August 2003, *The Guardian* featured an interview with Greg Dyke, Director-General of the BBC since 2000. Commenting on the recent demise of ITV Digital, Mr Dyke expressed his concern about the balance of power in UK broadcasting:

> 'A healthy broadcasting market in the UK needs a third gorilla alongside the BBC and Sky. Having seen off the threat of ITV Digital, BSkyB has the corporation in its sights.'

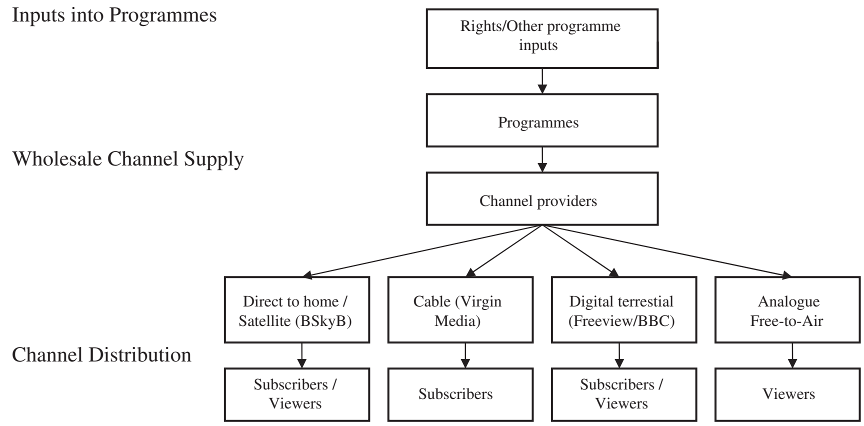

Figure 2: The TV supply chain
Source: http://www.oft.gov.uk/shared_oft/reports/media/oft623.pdf

'As brilliant as it should be'

Within 2 months of its launch, Virgin Media had launched into a High Court spat with BSkyB. Virgin Media queried the distribution price of some of BSkyB's programming and BSkyB promptly withdrew its basic channels from Virgin Media, including hit programmes like *Lost, The Simpsons* and *24*. This left Virgin Media in something of a quandary as to how it could supply its customers with the programming that they were expecting. This early set-back cost Virgin customers, many defecting to BSkyB, and could easily have de-railed its entire launch strategy. By November 2008, however, a mutually satisfactory deal had been struck between the two brands, with both agreeing to exchange broadcasting content and to drop a High Court action.

It was against this unenviable back-drop that Virgin Media and Rapier's mission to create 'an entertainment and communication world that was as brilliant as it should be' was mobilised — a carefully orchestrated series of integrated and versatile communications designed to awaken the British public to the possibilities that Virgin Media, and its cable technology, had to offer.

Objectives

The campaign's principal objective was to improve cable marketplace performance by 25 per cent with immediate effect.

Ambitious visionary objectives

Virgin also had a visionary communication objective for the campaign — to create a paradigm shift in the market position, establishing Virgin Media as the consumer champion in the communications market. The idea was to use the brand to prompt a mass re-appraisal of cable technology.

In addition to the main objectives, a series of supporting objectives were designed to function as communication planning principles for the campaign:

— Make people aware that the new brand had arrived.
— Demonstrate how cable technology can resolve typical consumer gripes, unlike any other delivery technology.

— Show that bundling services, together with Virgin, offer superior value.
— Use communications to match consumer expectations of the new brand, liven things up and challenge the *status quo*.

Developing the campaign proposition

The Virgin Media brand launch aimed to deliver the uncompromising message that the Virgin Media brand offers consumers superior value in comparison to existing service providers. The new brand had to create an immediate impact on consideration measures and elicit an equally swift response from consumers.

A strong creative idea

The campaign needed a strong creative idea that could be implemented across all channels to provide a focal point for the integrated communications strategy. The immediate potential that cable technology offers consumers was the most compelling source of a unifying idea. The fibre-optic cable technology gave Virgin Media its unique service proposition by offering subscribers:

— Superior products in the form of better broadband, meeting internet users' requirements for more advanced functionality and better on-demand, just as these requirements were becoming more common among consumers.
— Superior value. Virgin Media's bundled quad-play service offered consumers a cheaper alternative to purchasing broadband, TV, landline and mobile services separately, at an average cost per household of £90 per month, according to OFCOM.

Genuine differentiation

Cable technology gave Virgin Media the opportunity to genuinely differentiate itself from the current pay-TV and telephone market leaders, Sky and BT.

Virgin now turned to research to unearth the insight that would allow it to create the right communications approach to connect with and excite consumers across different product categories and demographic segments.

Although Virgin is a brand that is often happy to trust its business instincts, it was not going to rely purely on gut feel in an £11bn business decision. The results of the consumer perception research that Virgin commissioned were stark. Overall, the UK consumers' experience of the home digital marketplace was commoditised and scary:

- Consumers felt they faced a bamboozling array of choices, offers and providers.
- Brands were engaging in confusion marketing at its best — complex price offers (Talk Talk, Orange), product specifications (Sky broadband), jam-tomorrow (BT vision) and plain weirdness (Bulldog).
- All feared woeful customer service; sadly led by NTL customers. (Virgin Media consumer insight, 2006).

These research findings enabled Virgin to identify what appeared to be a ‘Virgin-shaped gap’ in the home digital space. Virgin Media’s target audience were united and defined in the core insight:

> ‘Services that are supposed to make my life easier and more fun are making it more complicated and painful’.

Communication strategy

Virgin wanted to communicate the emotional and rational impact of the brand’s entry into the home digital marketplace:

> ‘We wanted to show people just what a duff deal they’d been putting up with — with “media owners” (the phrase says it all!) like BBC, Sky, BT, Vodafone telling them what content they could watch and when, how long they could go online and so on.’

Positioned as a consumer champion

The brand intended to position itself as a consumer champion, by simplifying the sectors and shifting power from corporations to the consumers. The main message was that Virgin Media empowered consumers by giving them control of the technology, opening up films and TV schedules to customers and removing internet and phone usage restrictions.

The marketing challenge was that the core products and services customers received had not changed. The communications programme had to re-define the existing customer experience, re-building the value proposition and engaging people in genuine dialogue.

The strategy was to make customers feel as though they were part of something special. The campaign’s messaging and creative idea reflected the power shift from corporations to consumers over time (telling a story) and then deepening and personalising the message. The creative idea was expressed in the phrase ‘Over to you’, with messages focussing on the new freedom and possibilities offered by Virgin Media services. The creative idea used everyday language, rejecting the technical jargon and advertising hyperbole that had previously typified home digital communications.

Re-engaging disaffected customers

Most importantly, Virgin needed to speak to its own customers. Its cable customers’ experience of the service was reflected in the worst satisfaction scores in the industry. The communications strategy aimed to re-engage disaffected consumers in the same technology that had already turned them off. A major acid test for the launch would be its ability to convince the existing customer base that Virgin Media represented something new and different.

The campaign launch initially targeted the cable franchise areas that Virgin Media could service using the existing cable infrastructure. The channel strategy focused the early launch communications geographically, making innovative use of traditional brand building communications such as TV, radio, PR and poster sites.

Blend of targeting approaches

The geographically targeted communications were followed with tightly targeted messages aimed at segments and communities that offered the greatest potential to increase cable uptake:

1. Interest-based targeting — Speaking to groups such as sports fans and gamers, with relevant messages located in the places they naturally congregated; for example PC magazines, portals, sports bars.
2. Trigger-based campaigns — Identifying moments of consideration and targeting these audiences directly; for example home movers, new mums.
3. Switcher activity — Identifying key targets for broadband or TV switching, or for packaged value-based solutions. A combination of propensity and demographic modelling was used to target all direct personal communications.

Campaign execution

Customers were the first group to be told about the launch. The activity was unlike any previous cable communications. The entire customer base of over five million households received a letter from Richard Branson outlining his vision for the new company. The communication directed customers to a specially designed campaign microsite (www.know1st.co.uk). The microsite heralded a new kind of dialogue with customers; they were asked for their views on the business and about Virgin Media's services in general.

The spirit of open dialogue continued throughout the year, with the introduction of Penny Movie festivals; customers were invited to vote for suitable films that could be offered for 1p via Virgin's on-demand service.

Creating a dialogue with customers

Richard Branson spent the day of the launch in a perspex box with the famous burlesque artiste, Dieter Von Tease, answering texts and emails; the business, news and entertainment airwaves buzzed (Figures 3 and 4).

Teaser-style TV and radio spots, and a huge outdoor campaign, built public anticipation and raised issues about the way consumers were being served by the existing providers. Broadcast communications provided the perfect medium to demonstrate how cable's unique product attributes benefit consumers. Broadcast communications featuring iconic female film stars were tailored according to broadband capacity; Uma Thurman, an embodiment of desirable entertainment, explained the benefits of Virgin Media's products. TV advertising adopted a calm and intimate tone, to cut through the cluttered marketplace.

Using each medium's strengths

The broadcast communications were supported by press advertising, large posters in high traffic outdoor spaces. Direct response media were used to provide a deeper explanation of Virgin Media's manifesto for change, using personalisation to engage consumers in a one-to-one conversation.

Figure 3: Brand launch — Richard Branson and Dieter Von Tease
Source: *Daily Telegraph*/PA

Figure 4: Teaser communications

Virgin Media and Rapier delivered a series of integrated campaigns during 2007 in order to deepen UK consumers' understanding of specific products and the brand's value proposition.

Integrated campaign

'The truth about Broadband' campaign

'The truth about Broadband' employed a creative idea that tapped into consumer confusion and leveraged Virgin's brand equity as a consumer champion. The campaign communications appeared in geographically targeted mass media, direct response adverts in the national press and long copy executions in targeted online and offline media. Provocative adverts prompted people to check whether or not they were getting the speed they were paying for by visiting a specially created microsite. This creative idea stretched seamlessly into acquisition communications, featuring a simple £10 offer to encourage a prompt response (Figure 5).

Figure 5: 'The truth about Broadband' campaign tube card and direct response advert

'Virgin value' campaigns

Other campaigns in 2007's integrated series focused on the value delivered by Virgin's bundled service. These campaigns featured well-known media personalities; Ruby Wax appeared in the DRTV acquisition campaign.

All the campaigns were supported by ongoing direct activity that targeted key acquisition opportunities; for example:

— A bespoke programme aimed at home movers consisted of a direct mail pack with the message: 'Settling in — Lucky you, you're already connected to Virgin Media'.
— Sub-segments were targeted with specific messages; for example gamers were reached through tailored ads in the 'Gamers' press.

Results

The launch campaign succeeded in meeting or exceeding all its original objectives. At launch, NTL had 90 per cent awareness in the UK compared with 2 per cent awareness of Virgin Media. Building awareness quickly was a critical and necessary factor in re-establishing Virgin Media's 'prospect pool'. As a result of the campaign, spontaneous awareness of Virgin Media passed that of NTL by the start of May 2007, and prompted awareness had reached 80 per cent within 3 months.

Brand image quickly and precisely established

Virgin Media's brand image was quickly and precisely established by its launch campaign. The brand received reassuringly low scores on negative associations that might have been an NTL legacy, and scored the highest on Virgin Media's priorities: 'change the market' and 'products easy to understand'. Public perceptions of the Virgin Media brand improved dramatically over the course of the campaign, giving Virgin Media a leading rational and emotional image (Figure 6).

By the end of 2007, total consideration of Virgin Media stood at 40 per cent, 10 per cent higher than ever achieved by NTL or Telewest, and Virgin now dominated Sky in its heartland broadband internet space with respect to brand consideration.

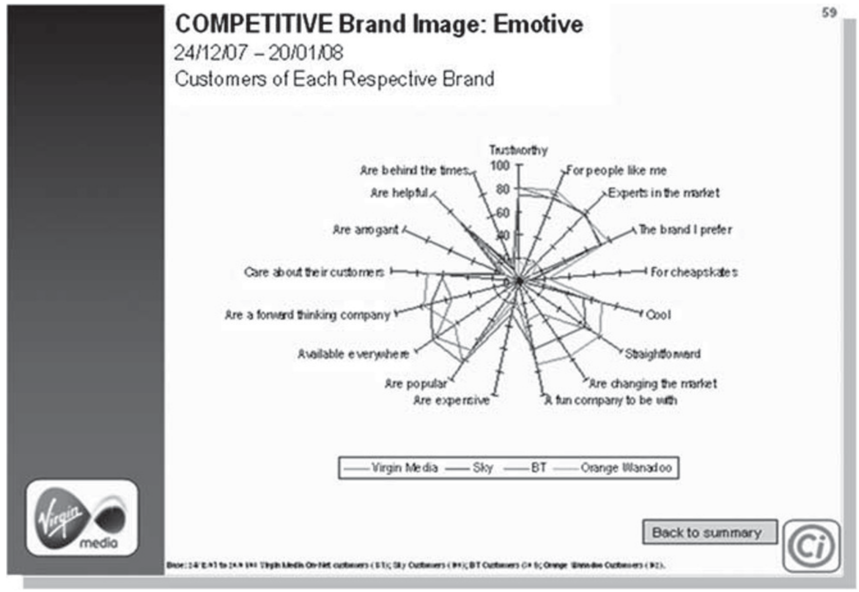

Figure 6: Virgin Media — Emotional brand image perceptions

Improved customer satisfaction scores

Virgin Media's customer satisfaction scores improved dramatically during the year, accompanied by a rise in the number of new customers arriving as a result of existing customer recommendation.

The campaign also had a positive impact on hard measures, such as cost per acquisition and return on investment (ROI) (Figure7 and Table 1).

The overall cost per call dropped to an incredible £13.86, resulting in efficiencies of over 50 per cent in cost-per-call levels compared to 2006. Most critical of all, ROI grew steadily during 2007, despite the multi-million pound re-launch cost. Virgin Media customers were not just buying, they were buying more; the average number of services taken by new customers grew from 1.8 to 2.3.

Total sales percentage change vs. 2006	+27%
Total cost per sale	−17.7%
Percentage change improvement in total cost per sale vs. 2006	+38%

Source: Virgin Media

A major reversal of cable decline

The turnaround in overall customer numbers signalled a major reversal of years of cable decline. Within 3 months of its launch, Virgin Media was enjoying dramatic growth. Future communications will build on the existing approach, with a focus on specific products and an emphasis on niche targeting and customer engagement.

UK consumers now have a credible alternative service provider in a sector that was moving towards monopolistic shut down before Virgin Media arrived to stir things up a bit.

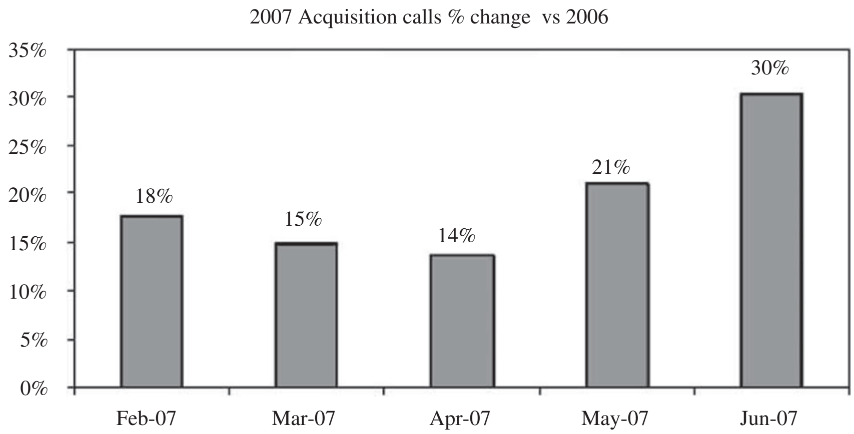

Figure 7: 2007 acquisition calls percentage change vs. 2006
Source: Virgin Media

Table 1: Virgin Media acquisition cost vs. NTL:Telewest acquisition cost

2007 vs. 2006	Virgin Media average cost per response	NTL:Telewest average cost per response
Direct mail	£26.17	£43.04
Inserts	£20.70	£55.33
Press	£41.35	£138.01
Radio	£40.08	£720.34
Other media	£12.83	£30.73

Source: Virgin Media

Lessons learned

Virgin Media and Rapier managed to effect a complete turnaround of the brand in less than 12 months, overcoming public misconceptions of cable technology and confusion about home digital service provision.

Virgin Media's positioning as a consumer champion challenger brand is in complete harmony with the Virgin Group's brand and positioning.

Virgin Media's marketing communications strategy was built on a solid foundation of cable technology's un-tapped potential, combined with a genuine consumer insight. For 12 months, UK consumers were simultaneously targeted with an integrated series of carefully crafted messages about the brand and specific products and services, using mass and personalised communications.

The campaign was a complete success; cable technology is high on UK consumers' consideration lists, and Virgin Media's customers are the happiest in the sector.