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Telewest Broadband: 2005 IDM Business Performance Awards Diamond Award winner — Campaign: 'Altogether better value'

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Introduction

This case study demonstrates how a relatively low-spending, barely known brand, competing in diverse markets, managed to take on and beat UK market leaders.

Telewest Broadband competes in three sectors: digital TV, telephony and broadband internet. Telewest needed to meet the following challenges:

- to grow the customer base without sacrificing profit
- to beat higher spending competitors
- to communicate a complex, new brand idea to a confused market
- to drive brand consideration and short-term sales at the same time.

Telewest met these challenges by employing techniques that have relevance to any company in a similar market context and to other companies competing in the rapidly growing technology services sector.

The perfect integration of communications, targeting and media strategies enabled Telewest to deliver considerably more punch than its share of voice warranted, beating its many giant competitors. It is outspent by single competitors in single markets; yet through the second half of 2004 Telewest delivered record-breaking results. Telewest was able to leverage the vast spend in the market, and outflanked the competition by creating a new positioning they could not reach.

Background

Telewest is an innovative cable company offering bundled services to domestic and business customers (www.telewest.co.uk). It was significantly outspent by trusted, well-known brands (Figure 1) — and those brands usually competed in single markets, not three. In each sector Telewest faced powerful competition: Sky, BT, AOL, and the list was still growing.

It was not just the big players that challenged Telewest. Deregulation of the telephony and broadband markets meant that new entrants were invading the competitive, price-cutting, 'challenger' position that cable companies had traditionally occupied.

Market de-regulation

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Figure 1: 2004 media spend by Telewest and competitors
Source: Thomson Intermedia

Telewest found itself facing a number of key issues concerning its target market.

Short term promotional strategy

- All the sectors in which Telewest competed had become mass markets. Almost all UK households now had a phone line, around 70 per cent had a digital TV service and internet penetration was almost 60 per cent.
- The individual markets were almost saturated, which means switching customers from existing service providers. Over half of UK households had at least two of the three products. Telewest's core segments, such as families, were more likely to have Sky and a dial-up internet service with a competitor than no service at all.
- The competitor brands had some of the longest customer relationships (BT) and the lowest churn rates (Sky) of any company in the sector.
- Sales pressure had led to a historical marketing emphasis on a short-term promotional strategy. This strategy had been immediately successful but performance impact was diminishing. Consumers were beginning to develop negative impressions of Telewest as an aggressive, offer-led brand.

Confused consumers

The consistent thread running through Telewest's recent qualitative research was consumers' failure to comprehend what providers were offering and the widespread belief that telecoms companies intentionally set out to confuse consumers. Despite this, prospects' level of trust in brands like BT and Sky was incredibly high.

Consideration and trust of Telewest Broadband was low. Consumers did not understand what the company was about. Telewest prospects were not aware of the range of products on offer and were already confused by general sector communications.

Short term profit pressure

The mass audience needed someone to simplify the market for them. This presented an opportunity for Telewest.

Corporate challenges put further pressures on the marketing strategy. The long-term borrowing required to establish the cable network had put the company under intense scrutiny from city investors, anxious for evidence of short-term profits. David was facing multiple Goliaths, with one hand tied behind his back.

Objectives

- To drive overall sales and average revenue per customer.
- To build consideration for Telewest Broadband as a brand and define it in the marketplace; to give it a position.
- To link clear messaging with a compelling reason to buy now, in order to hit monthly targets.

Strategic plans

Targeting strategy

Switching strategy

Given that the individual markets were almost saturated, and core segments such as families were more likely to have Sky and a dial-up internet service with a competitor than no service at all, the only viable approach to customer acquisition was a switching strategy, to convert customers from existing service providers. Competing head-on with brands like BT and AOL was not an option. Telewest’s targeting strategy needed to reflect the complex audience.

To reach key target segments a scientific approach was employed. Propensity models were designed to enable Telewest to target groups that were at the ‘tipping point’ for specific services (Figure 2).

Competitive propensity modelling

First, Telewest added a competitive dimension to the modelling to enable it to distinguish likely Sky customers and competitor dial-up users, so that they could be targeted with tailored switching messages. Next Telewest identified ‘sweet spots’ within the target audience; groups of prospects with a propensity for all three of its products.

A combination of these two approaches succeeded in identifying and

Figure 2: The Telewest Broadband propensity matrix

defining the 'switching market'. This structured approach was critical to the development of Telewest's marketing strategy.

Communication strategy

Situation analysis had revealed that consumers were confused by the variety of messages in the marketplace and didn't understand what Telewest had to offer. Telewest's communication strategy needed to address both consumer issues. Success depended on meeting two challenges.

- Marketing spend needed to work harder than that of competitors, to be more efficient.
- The marketing approach needed to be smarter than the competition; to stop competing head-on and outflank them instead. Efficiency alone was not enough.

The campaign vehicle had to unite a brand positioning and a sales-driven message.

The Telewest team realised that they could leverage the huge amounts of money competitors were spending, as this was creating demand for their service categories upon which Telewest could piggy-back. This was achieved in two ways:

- Positioning Telewest Broadband as the home of great-value service bundles
- Targeting consumers with multiple home service requirements when they were at the 'tipping point'.

Previous marketing experience had shown that response-driven executions had more impact when fully integrated with broadcast communications. The look, feel and messaging of the material was integrated through all media, including direct mail, door-drops and press.

In more interactive media, such as direct mail, the idea of surprise was carried through the mailing piece.

Creative strategy

In attempting to reposition Telewest the marketing team faced a considerable challenge. No large-scale company had previously explicitly attempted to unite communication and entertainment services in consumers' minds.

Research showed that people viewed the price point as a symbol of great value, not a simple promotion. £30 was identified specifically as a magic number; people intuitively and instinctively realised that they were paying considerably more — often for only two of the services. Concept research had shown that the offer of '3 services for £30' worked as a hero message for the brand. This message became the focal point for the campaign.

The creative solution was developed from Telewest's research and borrowed from retail theory. With complex offers, success is dependent

Leveraging competitor spend

Telling it straight

on telling the offer straight. The tagline ‘Altogether better value’ was developed to provide a summary of the brand offer. It now underpins all of Telewest’s communications.

The selling lines are the simplest possible explanation of a new-to-market offer. They also spell out the product range for consumers. A set of icons was designed to work across all media to help visually reinforce the idea of range.

Exploiting brand personality

An element of brand personality was added to the executions. The sign-off lines added a tonality and played on consumer response to the concepts. People were genuinely surprised. This was acknowledged in the creative, and it reassured them that the offer was genuine while warming them to Telewest (Figure 3).

Campaign execution

The campaign built on current perceptions of the brand. The ‘Altogether better value’ position took the idea of low prices and turned it into a

Figure 3: 'Altogether better value' campaign, mailing pieces and 'pinch yourself' door-drop

positive. Suddenly low cost was not just about bribing prospects to buy, it was a consequence of Telewest's ability to offer combined services — it made sense to people. It was impossible for competitors, such as Sky, to replicate the offer in the short term.

Telewest focused on target groups that propensity modelling had shown were likely to be at the 'tipping point'. This worked in a number of ways.

- Telewest knew that for Sky's loyal customers the point of upgrading from dial-up to broadband would be a critical moment of truth in relation to the possibility of aggregating all their technology suppliers. These people were heavily targeted with '3 for £30' BTL communications, and generated record response rates.
- Telewest needed to avoid the wastage inherent in employing an untargeted approach. Media were coordinated so that outdoors would run in bursts throughout the three-month campaign and thus add 'legs' to the response-generating media.
- The potential disadvantage of working with a heavily restricted budget was turned around by targeting consumers at a local level.
- Spend focused on commercial radio so that Telewest could take the largest share of voice amongst its competitors in the single medium, where it could drive both consideration and response.

Not all Telewest Broadband regions were equal. Regions were categorised according to size of opportunity, penetration, competitive context, awareness, growth, churn and customer satisfaction. Consequently, Telewest was able to maximise the distribution of above-the-line and below-the-line spend to focus on areas with the greatest growth potential (Figure 4).

Maximising growth potential

Figure 4: Growth opportunities within Telewest regional franchises

Measurement and control

All Telewest campaigns were measured by the number of calls received by the telesales team. A target was set each month, and an optimum media mix selected to reach the target.

Other measures, such as the growth in customer numbers, were also monitored but were not a part of the core success criteria.

Results

Over the three months that this campaign ran, direct mail achieved an average response rate of 0.81 per cent against a 2005 average of 0.57 per cent. In the 'high propensity for all three products' target segment a massive 1.46 per cent response was achieved, which represents a 256 per cent uplift for this group.

These response figures led to the call targets being beaten by a significant margin in all three months of the campaign. These calls converted into record-breaking sales and a record-breaking growth in customer numbers (Figure 5).

Significant uplift

- September saw Telewest's best ever month for call generation, with over 173,000 calls being offered; nearly 40 per cent over target.
- A record 40,000 new customers were acquired, growing the customer base by over 10,000, a landmark for Telewest.
- As September's results were so strong, Telewest extended the campaign for a third month for the first time ever.
- The customer growth was continued by a record-breaking average of 158,000 calls into telesales each month for the three months of the campaign.
- During the duration of the campaign (1 September to 30 November 2004), Telewest's share price increased from \$11.31 to \$14.64 — a massive 29 per cent increase.
- Over the three-month period of the campaign a record number of new customers took all three of Telewest's services: a total of 37 per cent against a year-to-date average of 23.5 per cent, a whopping 57 per cent uplift (Figure 6). This is a world-leading result, well ahead of the performance of US cable companies, providing a massive boost to overall profitability.

Boost to profits

Figure 5: Total sales by month

Figure 6: Percentage of customers taking all three Telewest products

The results demonstrate that Telewest had completely succeeded in meeting its twin objectives of driving growth in terms of both volume and value.

This Telewest case study illustrates the following key points.

- How a relatively small company can leverage competitors' greater spending power to support its own marketing strategy.
- The way to drive value and growth simultaneously in a highly competitive market.
- How to increase short-term sales without compromising brand value.
- The importance of an imaginative use of research and targeting for identifying and reaching key prospect segments.
- The value of accurate targeting and integrating communications to maximise the power of a limited budget.