

O2 – Look after your customers and they'll look after you!

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Success of O2 in the UK Mobile phone category

The UK mobile phone market boomed in the early part of the 21st century and penetration of mobile phone users topped 74% in the UK by the end of 2004¹. Anyone who wanted a phone had one so it was no longer easy to attract new customers to the category. The big category players needed to out-smart the competition to increase their market share and focussed on developing new schemes to lure in new customers from their competitors. This behaviour fuelled high churn between providers with three quarters of consumers in 2004 being price driven. O2 took a different tack and in 2005 turned the market on its head with a strategy aimed at customer retention. In fact, O2's 'A World That Revolves Around You' campaign, as well as helping to retain customers also succeeded in attracting new ones meaning that by the end of 2005, O2 had the largest UK user base². According to Eddie Murphy (Director, Priority Consulting Services Ltd) "In a saturating mobile market, out-performing the competition on churn is a crucial weapon in the battle to continue subscriber and revenue growth. Choosing the right customer-retention strategies will be the key to continuing success."

Listening to what customers want?

O2 was re-born out of the former BT cellnet brand and went from strength to strength from the time of its launch in 2002. Its success came from making sure that all segments of the market were catered for, from those who preferred the flexibility of pre-pay and those who preferred the benefits provided by taking out a contract.

They also tapped into the business market by developing different contracts which appealed to different sized companies. This allowed consumers to feel that their needs were being well catered for and they were being valued.

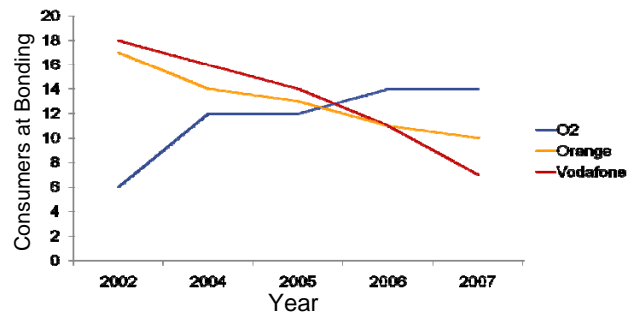
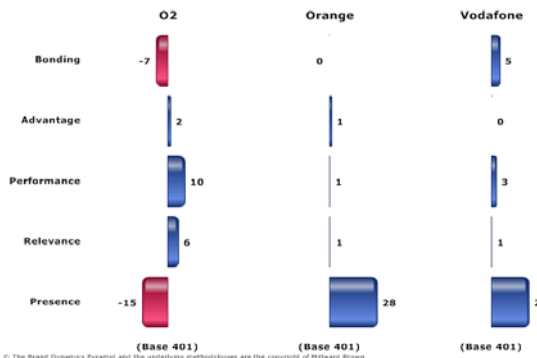
In 2002, there seemed to be a general dissatisfaction with the mobile operator category compared to other categories. For example, BRANDZ data shows that in 2002 only 26% of consumers were totally satisfied with the Mobile telecoms market as a whole, placing it behind sectors such as Banking, Credit cards and even Insurance. It looked evident that the mobile phone operator market needed to be shaken up entirely in order to satisfy its consumers.

2002 Totally Satisfied	UK Data
Cars	38%
Banking	37%
Credit cards	34%
Insurance	28%
Mobile phone operators	26%

Re-invention and momentum

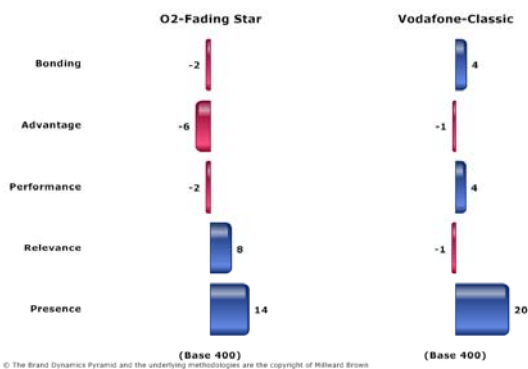
In 2002, the category was dominated by the likes of big players such as Orange and Vodafone. Not only was O2 unknown in the market but its future wasn't looking promising as predicted by a negative Brandz voltage score.

BRAND SIGNATURES 2002



By 2004, it had overcome its lack of market presence but was still failing to persuade consumers about its advantage over the other brands, as can be seen by its brand signature.

Telecoms Mobile Operators - UK - 2004

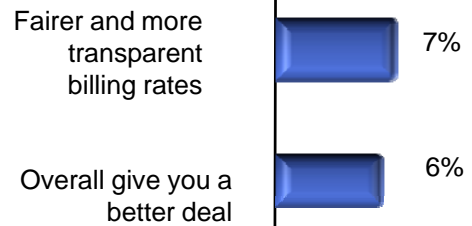


However, tracking the brand over a 5 year period to 2007, we saw O2 grow to become one of the strongest brands in the UK mobile operator market. The brand's awareness had grown considerably and was now +10% against the category average. Perhaps most importantly the brand's bonding score was now the highest among its competitors. The outlook for the brand was also much stronger with a positive brand voltage score of +3.6 showing the brand is set to gain market share in the future. The higher the brand voltage score, the more likely your brand will convert consumers from presence to bonding at the expense of other brands in the market.

Living up to brand promise – Why are O2 customers more satisfied?

O2's diagnosis of bonding shows a positive turnaround for O2 with levels in 2007 above expectation on category drivers such as offering better prices and fairer billing rates.

Diagnosis of bonding



O2 are also in a really strong position in the market with a much higher percentage of consumers who say that O2 is the only brand they would consider. This is double the category average of 7% and 5% more than its nearest competitor, Orange. Amongst O2 users this has rocketed from 22% to 39% in 2007 and again is higher than Orange (25%) and Vodafone (21%)

Amongst the consumers who are bonded to O2, we see that 'meeting needs' is the most important factor for driving bonding in the category. So, it doesn't take a genius to work out that the only way to meet needs of customers is to listen to ones we have – getting the business basics right can see payback.

RecommenderZ – Would you recommend your mobile phone operator?

O2 had done something right but can this be all attributed to putting the customer first? To gauge this, we can identify if O2 customers are likely to recommend the brand to their friends and colleagues as the pay off from O2's customer satisfaction can be seen in their likelihood to recommend the brand to others. O2's RecommenderZ score is 66 which sits 10% above the category average.

It is clear from the data that looking after your customers reaps benefits in terms of both retaining customers and attracting new ones; "as good profits are earnings from creating customer value, which in turn, creates customers who are then promoters" ³.

So the old adage of treating others as you would wish to be treated yourself is a simple truth that turned out to be the key to O2's success.

Satisfaction in the market

So since the launch of O2, are consumers more satisfied with the telecoms market on the whole? The answer to this is yes! In 2002, only 26% of consumers were totally satisfied with the market. Since 2002 and the launch of O2, this has risen to 38% as a category average with 41% of O2 customers being completely satisfied.

Look after your most valuable asset and they'll look after you

The outlook for O2 is strong based on its brand voltage score and the company should continue to benefit from putting their customers first. Acquiring a new customer can cost 5 times more than satisfying the customers that you have⁴, something O2 must have known and now used to their advantage. According to the same source a 2% increase in customer retention has the same affect on profits as cutting costs by 10% or put another way a 5% reduction in defection rate can increase profits by 25%-125% depending on the industry. Pretty powerful statistics to spell out the importance of keeping your customers happy.

[1] IPA Paper – O2 The best way to win new customers? Talk to the ones you already have – pg 103

[2] O2 internal and external market research estimates – IPA Paper – O2 The best way to win new customers? Talk to the ones you already have –pg 103

[3] Fred Reichheld

[4] "Leading on the Edge of Chaos", Emmett C. Murphy and Mark A. Murphy

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Brandz is the WPP global brand equity study Available to clients and potential clients via WPP owned companies. It is validated against sales and quantifies and diagnoses the strengths weaknesses of brands.