

MARKETING SOCIETY AWARDS 2017

Like New



Agency: VCCP
Brand: O₂
Category: Brand Extension
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Executive Summary

This is the story of how O₂ showed that second-hand mobile phone customers don't need to be second-class citizens – all while driving first-class business results.

When O₂ was launched in 2002, it set out to be the mobile operator that would always put its customers – and their relationships with their phones – at the heart of everything it did.

That promise – bolstered by award-winning customer service, the UK's leading rewards programme (Priority) and through a commitment to championing the experiences that matter most (at the O₂ arena, and via sponsorship of the England rugby team) – established the brand as the market leader in telecoms. But by 2016, the mobile industry was changing and consumer desire for new handsets – a key part of O₂'s business – was in decline.

Through a combination of foresight and insight – particularly the ability to spot and draw on parallels in other industries - O₂ was able to act on these market shifts and launch Like New: the first consumer-facing brand dedicated to the second-hand handset market to be launched by any of the major mobile network operators.

Supported by an ecommerce platform and marcomms approach that put consumer insight at its heart, this brand extension answered a very real need, and set in motion a transformation of the status of the second-hand mobile sector.

Within five months of launch, the success of Like New proved itself to be one more testament to the power of O₂'s position as the most determinedly consumer-centric telecom brand.

The Like New brand extension not only drove outstanding commercial results - [REDACTED] incremental lifetime revenue and [REDACTED] lifetime OIBDA - it helped to cement the core O₂ brand's position as market leader: O₂ ended the year by retaining its place as the UK's best-loved telecom brand in an ever-more competitive market.

Word Count: 299



Our Challenge

By 2016, the UK market for mobile handsets was in the midst of unprecedented change. For years, strong growth had been driven by fast-paced technological innovation, with consumers desperate to get their hands on the newest handsets at launch – which network operators like O₂ were happy to supply. But the pace of technological innovation was slowing – and with it, revenue from new handsets, ██████████ YOY.

In contrast, the market for second-hand handsets was in rude health – projected to reach ██████████ by the end of 2016, and already representing ██████████ of total handset sales.

The clues were there to anyone looking outside the telecom industry. The market for used cars has long been bigger than the market for new, while in the gaming industry, the market for second-hand games was growing faster than that for new¹.

But while established, trusted brands were meeting demand in more mature second-hand markets, when it came to phones, consumers' choices were limited – and not being met by the established mobile network operators or manufacturers. Instead, online marketplaces such as Amazon and eBay dominated, along with third parties such as Argos and CeX, and a myriad unregulated and sometimes downright shady independent high street businesses.

Opportunity Calling


For a trusted telecoms brand like O₂, the commercial opportunity was clear: going after a piece of that burgeoning second-hand market, and changing it for the better in the process, was a compelling prospect.

But would our customers be interested?

We knew they were. Awareness of the second-hand market among O₂ customers was high, at 88%, with value (unsurprisingly) the key driver². Customers were intrigued by the thought of buying a higher-spec handset thanks to a lower-than-new cost. Others were looking to replace a lost or broken handset that hadn't been fully paid off, or were buying for occasions where a little wear and tear wouldn't matter – for teenage children, or as a second handset.

¹ See <http://www.mobiletoday.co.uk/news/industry/40108/pre-owned-device-market-predicted-to-hit-117bn-in-2016.aspx> and <http://www.mcvuk.com/news/read/uk-pre-owned-games-market-made-more-than-79m-in-2013/0132440>

² According to Market U&A, Dec 2015 – based: n= 7,418 mobile users



But trust was a very real blocker –around the quality of the handset itself, and ongoing levels of service and support³.

Ever since its creation back in 2002, O₂ had set out to be the most agile, innovative, but above all, most customer-centric mobile operator in the market. Around this time, in 2016, we were also preparing to launch our 'More For You' campaign, the boldest assertion yet of that ambition.

If customers wanted second-hand phones they could trust, then we knew it was our job to answer that need.

And we knew, too, that *all* our customers deserved the full O₂ More For You treatment – from the benefits of our Priority programme (first dibs on exclusive gig and events tickets, plus everyday treats and savings) to our best-in-class customer service.

We believed that second-hand phone customers shouldn't be second-class citizens. With Like New, we set out to prove it.

With the launch of Like New on 12th July 2016, we aimed to become the leading destination for second hand handsets across the widest range of devices in the country.


Like New was our promise to customers that both the handset and the experience would be just good as if they had bought from us new.

What's more, we would introduce trust and credibility to the second-hand market through clear, transparent comms, a seamless customer journey, and an unmatched service provision – 12 months' warranty, a 14-day cooling-off period and a free 1 year MOT with a Guru (one of our highly-trained experts).

We aimed not just to avoid the potential contamination of our existing brand that moving into a mistrusted second-hand market could bring, but to actually increase our core brand attractiveness against our competitors.

All this, while avoiding cannibalisation of our new handset business, driving incremental sales, and increasing retention in a market notorious for churn.

³ As demonstrated by qualitative research prepared for O₂ by ABA e.g. "I'd never trust eBay for something this expensive..."



We identified a core target audience for Like New's launch. Young, digitally engaged, value-conscious, and with the technological savvy to track down the best value and product for them, they fell into three camps:

- Existing O₂ customers nearing the end of their contract, and tempted not to upgrade in order to cut costs
- Existing SIM-only customers in the market for a new handset at a good price
- New customers on other networks who could be tempted by a great deal

Our understanding of our audience shaped our strategic decision to launch Like New as an online offering via o2.co.uk/likenew.

We knew these customers were comfortable shopping and comparing deals online, and that much of the second-hand market lived online already. This channel also allowed us to keep a close eye on potential cannibalisation through careful monitoring of consumer intent versus purchase.

We developed a three-tier offering - 'Perfect', 'Almost Perfect' and 'Perfectly Fine', reflecting different levels of wear and tear and different levels of discount. This simple, clear hierarchy allowed customers to find their comfort zone – and underlined our commitment to transparency.

Our research also shaped our messaging strategy. With trust the biggest hurdle, we adopted a clear, rational and consistent message around our 12-month warranty – our most effective proposition in winning the battle for credibility.

We launched Like New to the world in July 2016 – with a TV spot and OOH running over a month to secure reach and awareness and to leverage those channels' credibility.



VO: You know what that second hand phone you bought online is kind of like. It's kind of like a dodgy used car, only more phone sized



VO: At first your super delighted



VO: But as time goes by, you get to noticing, there's something up with your used car. It's acting kind of unreliable.



VO: And it keeps pocket dialing your mother



VO: Looks like you've been sold a lemon for a circus fruit of some kind



VO: And the worst thing is that dodgymcscam53 doesn't do refunds



VO: Not so with O2. Their second hand phones are the real deal. Trust me, it's legit. Our like new phones come with a warranty, five-point check and 14 day return policy



VO: Another way we do more for you. More for you. O2

Figure 1: Like New 30" TV spot

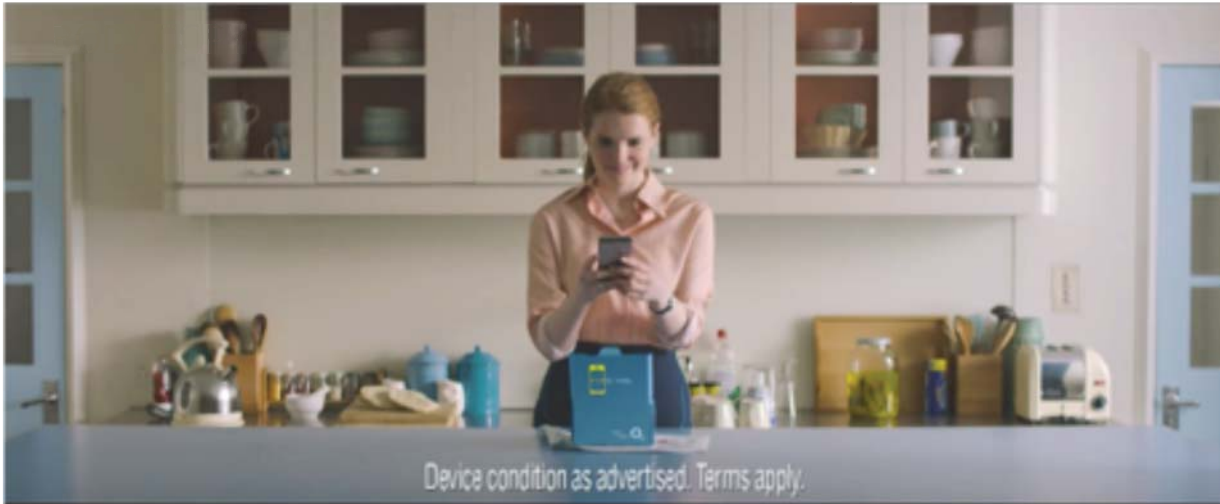


Figure 2: Like New 30" TV spot

Creatively, we knew we wanted to tap into the established market and consumer truths that had been at the very origin of our decision to create Like New. The parallels with the car industry were powerful and immediate, so our work played to customers' instinctive understanding of the clear difference between a reputable dealership (...by implication, O2), and a dodgy wheeler-dealer.



Figure 3: DOOH

Online, we used targeted social and display advertising to reach people who had recently visited relevant websites or searched for related terms, driving them direct to our ecommerce platform. Here, our creative also took a deliberately contextual approach – presenting O₂ as an oasis of trustworthiness and credibility quite literally in the midst of an online world rife with charlatans and risk.



Figure 4: Retargeted Twitter advert

...while influencer outreach tapped into a world of shared pain and disappointment around past consumer experience of less reputable second-hand providers.

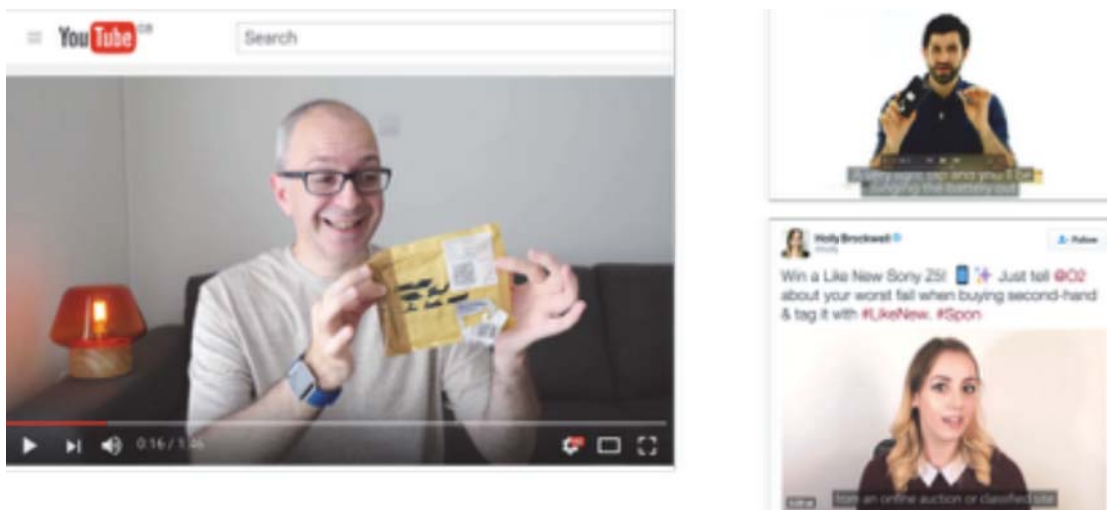
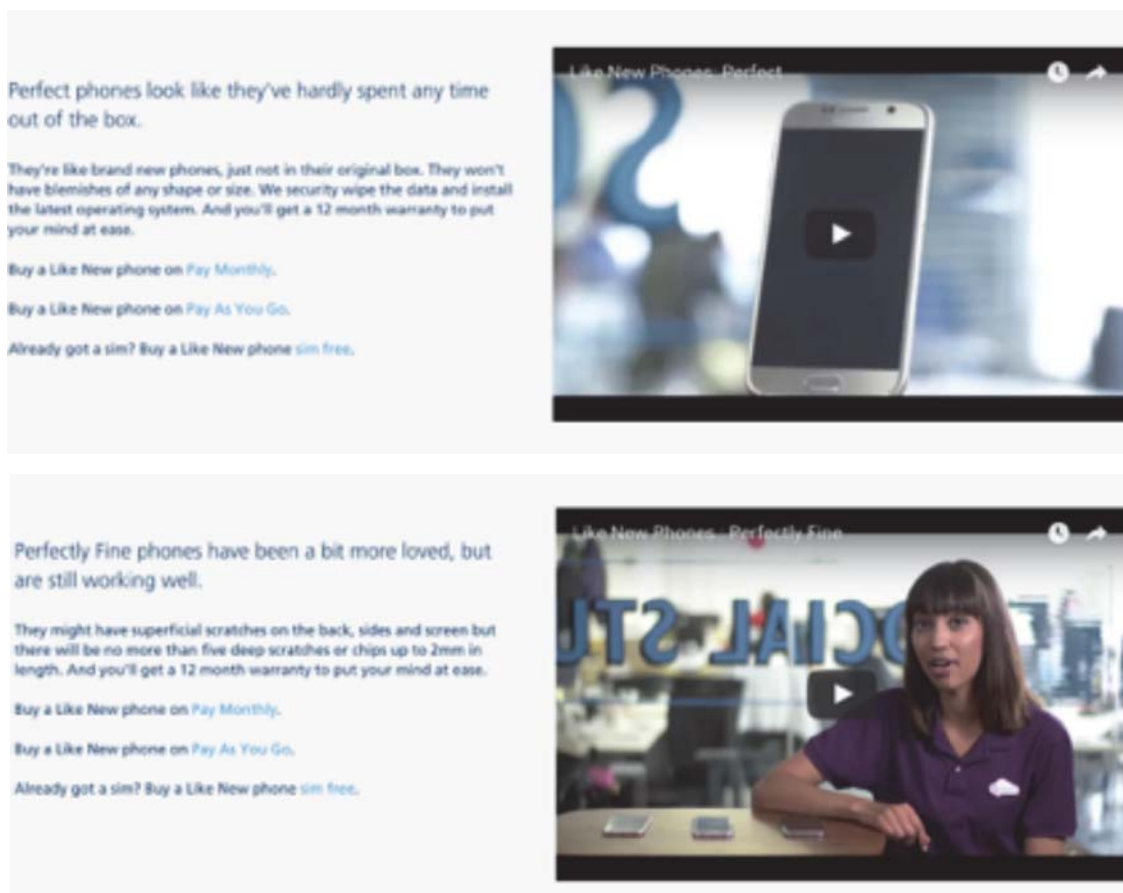


Figure 5: Influencer outreach for Like New, including competition incentives

This awareness-driving and lead-generating campaign for Like New sat alongside our wider More For You O₂ brand campaign, ensuring that any halo effect would reflect favourably onto our Like New proposition.

Once customers reached the Like New online store, their journey to purchase was a huge focus for our UX, customer service and creative teams. We leveraged our best assets – our award-winning customer service teams – to create reassuring, relatable video content, along with succinct, clear videos showing example handsets, all helping to provide best-in-class guidance at every step of the way.



Figures 6 & 7: Landing page editorial and video content from o2.co.uk/likenew

This not only gave customers confidence in their decision to trust Like New, but vividly brought to life the award-winning customer service that we were committed to providing for our second-hand customers. We were determined to show, not just tell, prospective Like New customers, what an O₂ customer experience meant.

And, if there were any issues or questions, all our core O₂ teams – across store, web and phone – were given comprehensive training to allow them to advise customers who had heard of and were intrigued by Like New.

The Results

By the end of 2016, the feedback from Like New customers was overwhelmingly positive, far outstripping even our expectations.

█ of customers rated Like New between █ for Overall Satisfaction, and █ did the same for Quality. A staggering █ said they phones they received were as good or better than expected – a clear illustration of the clear water between perceptions of the wider second-hand market, and our offering.

The thought we put into crafting the online ecommerce experience paid off, too - the difference between customer expectations and the transparency we brought to the market was clear in the feedback we received:

“You wouldn’t get this on eBay or Amazon”

“They know it’s a good service so they want to show you exactly how it looks”⁴

We were particularly pleased to discover that █ of customers reported that they had recommended Like New to a friend.

So we knew that Like New had been a hit with customers. But how had it performed commercially – and crucially, what had its impact been on the existing O₂ brand?

Total Like New sales across the year were nearly █ – █ of our original target. When the lifetime revenue from Like New customers acquired from July-Dec 2016 is totalled, it represents an impressive incremental revenue of █

We were also satisfied by levels of cannibalisation – while █ of sales did come from customers who said they would otherwise have bought a new phone, crucially, these customers didn’t use Like New to trade down on price. Instead, they spent the same amount to get themselves a higher-spec handset. The value of contracts remained broadly unchanged. What’s more, customer perceptions of O₂ when it came to value increased and retention was bolstered, with out-of-contract customers encouraged to stay with O₂ thanks to the savings unlocked through Like New.⁵

But what of the effect that Like New had on our parent brand?

We had hoped that our move into second-hand phones would not only avoid damaging the O₂ brand, but make it more attractive against our competitor set of mobile network operators.

⁴ Customer feedback via O₂ research conducted by ABA

⁵ According to research conducted for O₂ by ABA

The signs were positive when we looked at the diagnostics for our Like You TV spot. Not only did [redacted] of those who saw the ad report that they were likely to find out more about Like New, with [redacted] saying they were likely to buy second-hand phone from O₂, but results for all our core brand metrics outperformed the showing of competitors' TV spots (compared against Vodafone, BT, EE, Tesco Smile, and Three).



Figure 8: Millward Brown ad diagnostics for Like You TV spot

A longer-term view of our most important brand metrics (top-box consideration and 'brand I love') from the period of the launch of Like New to the end of 2016 shows that the wider O₂ brand continued to dominate the market.

It's not possible to entirely separate out the effect of Like New from the effect of other brand campaigns running during this period, but what's clear is that our foray into the second-hand market did not in any way damage our core brand, and appears to have actually contributed to growing our brand attractiveness throughout the second half of 2016 – leaving us the UK's best-loved telecom brand at the year's end according to Millward Brown's brand tracking metrics.

We also retained our number-one position as the country's most considered telecom brand against our four key competitors.

Launch of Like New



Figure 9: Top Box Customer Consideration

What's more, the trends we had been the first in our category to act on in the show no sign of slowing, meaning Like New has a bright future – with a [REDACTED] increase in volume projected during 2017, and a retail trial in the pipeline.

As consumers' needs evolve, O₂ will continue to evolve with them – both in its established and its second-hand sectors.

[ALL DATA FOR JUDGES' EYES ONLY]

Total Word Count: 2,058