

eircom- BREAK FREE

Eircom's response to the threat of mobile use in the home

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INTRODUCTION

This case study demonstrates how an effective advertising campaign persuaded, within 2 years, almost 200,000 Irish households to upgrade their home phones and purchase a new cordless phone from eircom. Thus creating three new revenue streams for the company and enhancing its brand image.

BACKGROUND

In recent years eircom's share of voice traffic (phone calls) has been declining. Some of this decline is due to competition from other landline operators (Esat home, Smart etc) but a significant factor has been the proliferation of mobile phones.

By 2002 over 80% of the population had mobile phones. The implication for eircom was a reduced share of the phone revenue "pie" and an erosion of the brand's position as Ireland's leading telecommunications company. Mobile was the sexier new kid on the block. eircom couldn't compete with the convenience of mobile when "out and about" but more worrying were the choices people were making when "at home":

"4 in 10 mobile calls are made when a fixed line was available; the key reasons for choosing mobile in the home are portability, caller display, and inbuilt phonebook".
 Amarach Research, April 2002.

eircom had to respond to the threat of mobile in the home so they decided to become a provider of cordless phones.

In 2002 63% of homes used a traditional fixed phone and 37% used a cordless (see chart 3). Sales of cordless phones were stagnant and this was bad news for eircom as the use of cordless phones had many advantages for the company: owners of cordless phones were less likely to use their mobiles when at home, people on cordless phones spent on average 6% more time on a call than if it was a standard phone (Amarach, 2002).

So working with Siemens eircom developed a cordless phone with much of the functionality of a mobile plus some additional features. The eircom 4012 cordless phone was launched in June of 2002. It had a range of 300 meters, caller display, in-built phonebook, text messaging, baby monitor and speaker-phone. It retailed for €149.

MARKETING OBJECTIVES

1. Increase cordless phone penetration in Ireland from 40% to 45% of homes by June 2004 i.e. sell 60,000 phones in two years. This would increase company revenue as follows:

- regain phone minutes lost to mobile phones (while in the home)
- provide a 6% increase in "time spent on the phone" when using a cordless
- from selling the actual phones

2. Enhance the image of eircom as a more progressive, modern telecommunications company.

THE TASK

How do we balance both marketing objectives? An aggressive retail strategy may help us reach our sales target but would it help the brand? A more corporate tone of voice may help the brand but would it sell phones?

The main benefits of the new cordless phone were identical to the benefits of mobile phones, benefits which had been advertised heavily over the previous 5 years; we needed to develop advertising that engaged the target on a more emotional level.

STRATEGIC SOLUTION

Qualitative research in late 2001 indicated that the benefits of the phone would be well received.

Consumers identified the key benefit as being "freedom to roam around the house". From this we developed the one word advertising proposition "FREEDOM". This thought manifested itself in two creative ideas: "Break Free" and "Generation". Animatics of both concepts were researched: BMR Quantitative Research, March 2002

Statement	Break Free	Generation
Overall score	3.2	2.9
Engaged consumers	83%	80%
Memorable	80%	78%
Ad for a new home phone	3.3	3.1
Interested in purchasing	2.9	2.7
Progressive step for the brand	3.2	3.0
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The "Generation" concept used a corporate tone to communicate the benefits through the use of abstract images. "Break Free" beat "Generation" on 21 of the 27 scores. More importantly "Break Free" responded very positively to all our key issues:

1. It engaged consumers: 83% said "the ad was memorable" 80% said "entertaining"
2. They knew it was an "Ad for a new home phone" 3.3 on a 4 point scale
3. They were "Interested in Purchasing" 2.9 on 4 point scale"
4. It was a "Progressive step for the brand" 3.2 on a 4 point scale

THE IDEA

The advertising idea is based on the Queen "Break Free" music video that was popular with our target market when they were in their teens. The launch commercial parodies the music video with the opening scene showing our "Freddie Mercury" character literally breaking free from his old landline and catching a new 4012 cordless phone. As he does this he sings the following lines from the original song: "I want to Break Free, I want to Break Free from your lies, Your so self satisfied I don't need you...". Each additional tv commercial illustrated the various features of the phone.

We developed 5 TV commercials: Hoover 40 sec, Clothes Line 40 sec, Phonebook 20 sec, Baby Monitor 20 sec and Christmas 20 sec. All communication carried a direct response phone number. All characters in the ads were played by Pat Shortt, one of Ireland's leading comedians.

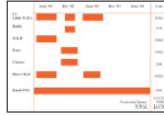
THE COMMUNICATION ACTIVITY

The TV was supported by radio, outdoor and press. The idea seamlessly worked below-the-line with the striking image of Pat "in drag" working well on direct mail. Life-size cardboard cut outs were also used in retail outlets throughout the country. Radio used the "Break Free" music track on all ads. Our target was adults 30 – 45.

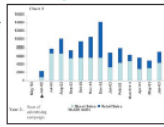
THE RESULTS

The advertising campaign was an instant and extraordinary success. We asked Millward Brown to summarise the tracking results for the "Hoover" commercial (our launch ad) in an international context:

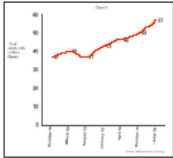
"83% recognition – only 6% of ads get a score over 80%, 78% branding – only 19% get a score above 70%, 91% enjoyment – only 1% get over 90%, 84% new information – only 2% get over 80%, 63% relevant – only 7% get over 60%, 82% believable – only 8% get over 80%, 88% appealing – only 5% get over 70%. Definitely one for the record books".
 Carol Fanagan, IMS Millward Brown, Jul 03"



We had hit the mark on creativity and clarity of communication but we also achieved our objective of enhancing the image of the eircom brand: 73% of consumers saying the advertising suggests "eircom is a very professional company" and 75% saying it suggests "eircom is a friendly and approachable company". These were the highest scores achieved for any previous eircom advertising campaign.



Year 1 June 2002-2003
 Total Sales 100,387 units



Year 2 June 2003 – 2004 Sales
 86,640 units

The success of the advertising campaign led to immediate sales. The phones were launched in June and by Christmas we had sold 61,550 units. By the end of year one a remarkable 100,387 homes had broken free from their old phones and purchased a 4012. By the end of year two that figure had risen to 187,027 and cordless phone penetration in Ireland had risen from 40 to 57% of all homes.

ROLE OF ADVERTISING IN DRIVING SALES

Retail distribution did not drive sales: eircom could not get widespread distribution for the launch as retailers did not want another cordless phone in a stagnant market. A lot of the initial sales (Chart 2) were a result of the direct response number on the advertising. Once retailers saw the advertising they started approaching eircom looking to stock the phone. There was no price advantage: our new phone was one of the most expensive on the market. The product was better than most on the market, however the only way to create awareness of this "better" product was through advertising.

Without advertising the cordless phone would have just sat in the retail store, looking like a mobile, and dependant on cordless phone shoppers to take notice. As previously stated there weren't any cordless phone shoppers around in early 2002 as sales were stagnant.

We surmise that without any advertising we would have sold a couple of thousand phones to the few cordless phone shoppers that dropped into telecommunications retailers. Instead we developed an advertising/communications campaign that drove the market and lead to sales of 187,027 units in two years.

PAYBACK ON RETURN ON INVESTMENT

Advertising spend (including production) above and below-the-line was €2.3 million over two years. The 4012 cordless retailed for €149 with a profit margin of €22.71 per unit, for eircom. The increase in revenue for each home that used the new cordless is calculated by eircom at €18.86 per annum. This increase in revenue is due to the displacement of mobile usage in the home and the increased time spent "on the phone" when using a cordless.

187,027 phones x €22.71 = €4,247,383 profit on phone sales

187,027 phones x 1 full year of use* x €18.86 = €3,527,329 additional phone call revenue

* this is an average figure: some phones have been active for 2 full years, some have just been bought

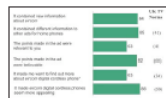
This means that an investment of €2.3 million has, after two years, gained a return of €7.8 million. And this figure does not include the many more years of increased revenue that the company will experience based on the increased use of the new range of cordless phones or the invaluable contribution the campaign has made to the eircom brand image. I will leave the last word to our clients

"Based on their experience in other European markets Siemens expected us to sell a maximum of 20,000 phones in the first two years. The power of an outstanding advertising idea meant we sold 187,000"
 Ken O'Byrne, Head of Consumer Marketing, eircom

"Without this campaign the success (of the product) would not have been conceivable. This campaign is now used as a case study for other markets around the world".
 Clemens Rhinnebach – Marketing Director Siemens HO Germany

APPENDICES

1. Very strong communication of the cordless feature along with reinforcement of eircom core values
2. The ad performs on strategy in terms of delivering new and different information. It also generates strong emotional appeal.
3. Eircom compared call patterns for one year pre purchase, with one year post purchase, and calculated that the value average increase in "time spent on the phone" amounted to €18.86 per line per year.

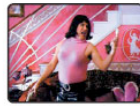


SUMMARY

eircom became a provider of cordless phones in 2002 with the launch of 4012 phone. It was important for eircom to drive the stagnant cordless phone market as cordless phones provided functional benefits (portability, address book etc) that displaced the increasing use of mobiles in the home. Research had also shown that people make on average 6% longer calls when using a cordless versus a traditional landline.

The advertising proposition centred on the "Freedom" of the new phone versus the traditional landline. The results were instant. The "Break Free" campaign achieved outstanding tracking scores: "definitely one for the record books" Millward Brown. The sales were equally impressive with 61,000 phones sold within six months.

By the end of year two almost 187,027 homes had upgraded their existing phones for the new cordless from eircom. This paper proves how these sales could not have been achieved without the "Break Free" campaign. In just two years the campaign has driven cordless phone penetration in Ireland from 37% to 57% of homes, developed new revenue streams for eircom, enhanced the company's image, and helped McConnells produce some outstanding advertising.



New generation digital home phones

- ✓ Cordless
- ✓ Caller display
- ✓ Speakerphone
- ✓ Text messaging

Break free
freefone 1800 202 316

eIRCOM

