

Switched On: Moving Bord Gáis Energy from state sector monolith to private sector powerhouse in eight short years



Publicis Dublin, DDFH&B and Mindshare

AGENCIES



CLIENT



AWARD

LONG TERM EFFECTIVENESS
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COMPANY PROFILE

This is a team effort. This paper covers a period of eight years when two creative agencies and one media agency helped a client create one of the country's most successful and high-profile marketing campaigns.

The story started with DDFH&B and Mindshare. The DDFH&B Group consists of DDFH&B Advertising, Goosebump, The Reputations Agency, RMG and Mindshare Media – making it one of the largest Irish companies in creative advertising, media buying and customer relationship/digital marketing. Together, they provide channel-neutral, integrated marketing communications campaigns that deliver real, measurable results.

Mindshare was established in Ireland in 1999 and since then has been Ireland's leading media specialist agency. We believe in an integrated media world, where technology brings new life and opportunity to every medium. Our role is to help our clients (big, small, local, global) navigate those growing opportunities to deliver real results for their brands. We do it through Adaptive Marketing – adapting to today's technological world, changing cultures, consumers and our clients' business needs.

The baton was passed to Publicis in late 2014, with Mindshare continuing to drive the media effort.

Publicis is one of the largest and most awarded communications agencies in Ireland. Publicis Dublin is an affiliated agency of Publicis Groupe, the world's second largest network. We are a multidisciplinary agency, constantly evolving to release the full value of our clients' business and brands. We plan seamless customer journeys. Tell great stories. Build compelling experiences.

This paper is not about overnight success on a shoestring. This is the opposite. We entered as a team because we believe that brands are not built overnight. They are built over years and even decades of consistent and committed investment by people who believe in marketing and who understand the transformational power of advertising.

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MARKETING OBJECTIVES

The Objectives

The objectives for a plan on this scale, over this period of time, are different. As the objectives involve business strategy, before we get to the commercial objective, we'll outline a strategic objective:

Strategic Objective:

The strategic objective was to become one of the top two or three dominant brands in a post deregulation market. For deregulated utilities, there is a distinctly two-tier hierarchy; there are the 'big dogs' and there are the 'also-rans'. There are no mid-size players. In other sectors, former state companies had learned this the hard way and became the victims of acquisition post deregulation because they did not ensure they had the scale and dynamism to compete. BGE learned from history and set about making sure this didn't happen.

The strategic objective was to build value into the company and, at the same time, to degrade the value of their competitors by exerting control over the quantity and quality of their customer bases.

Commercial Objective:

With this in mind, BGE's commercial objective was to ensure that they could grow in terms of overall financial size but, importantly, ensure a level of profitability that allowed them to remain financially strong. As they were still a state sector company, this meant they wouldn't be a burden on the taxpayer, and this would keep their political masters at bay.

The commercial objective was to maximise the profit of the company.

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MARKETING OBJECTIVES

Marketing Objective:

Marketing's job was to retain the right amount and profile of customers in gas and to quickly acquire a large customer base in electricity; all the while trading profitably. This would be no mean feat. A feature of deregulation is a flood of carpetbaggers entering the market with aggressive and often loss-making acquisition strategies. This is done with a view to selling their book when consolidation takes place. This then became the game. It wasn't a matter of 'whether' the new entrants would be bought, it became 'when' and 'for how much'. For BGE, marketing had a key role in determining how much it might pay for competitors when the time came.

The Marketing Objective was to maintain a sustainable margin over the entire period of transition from 'Opening' to 'Scale' phases of deregulation.

Advertising Objective:

The objectives of the advertising effort were not fully worked out at the outset. However, it soon became clear that advertising would become a key weapon in BGE's strategic arsenal.

Modern advertising can be seductive because of its precision. The ability to target, the power to persuade, the sophistication to communicate nuance. These are attractive and very fashionable qualities.

However, some of advertising's most elemental power comes when it's used as a blunt instrument. The ability to project your message to a mass audience instantly. The power to control that message. It's perhaps unfashionable to say so, but a good TV ad with a compelling and distinctive message can move a nation in a way few levers of business can.

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MARKETING OBJECTIVES

These qualities would become critical tools in the success of the strategy as it was executed, and the company would double-down on advertising when there was a strategic imperative.

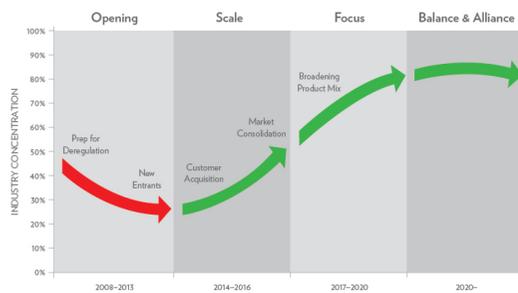
The objective of the advertising effort was to acquire and maintain customers in large numbers.

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Figure 3:

Market Phases



Source: Harvard Business Review; Deans, Kroeger, Zeisel. 12/02. 'The Consolidation Curve'

Figure 4:

Scale Phase



Source: Harvard Business Review; Deans, Kroeger, Zeisel. 12/02. 'The Consolidation Curve'

THE TASK

The task can be described in the context of the phases described in the HBR graph:

In the initial phase – the Opening Phase - the major challenge was to make a market. Figure 3.

In 2008, the energy regulator dictated that, being the monopoly provider, BGE must divest itself of 45% of its customer base in gas over 5 years. This meant that it had to shed customers at an alarming rate. It also meant that, to maintain its size, it would have to recruit electricity customers at an equally dramatic rate. In theory, that's how BGE would maintain the scale required to meet its strategic objective above. Both challenges are easier said than done. In 2008, Ireland had no history of large switching campaigns in any category. Switching in the energy sector was unheard of. One of the energy suppliers had to take the lead.

As well as making the market, BGE would have to ensure that an outsize portion of the electricity switchers would come to them. Again, no small feat as new players piled in, tempting customers with offers and muddying the water.

Once the initial launch into the electricity market was complete, the second phase began. Figure 4.

The 'Scale' Phase was all about acquisition. This was a delicate job of balancing expenditure with margin to see the company through a hyper-competitive period. BGE was not looking for a quick buck. The objective was to build a sustainable venture to compete, in the long term, as an Alpha company. They would not be drawn into an expensive street-fight with new entrants flush with the resources of large, multi-national parent companies and a brief to acquire customers, regardless of cost.

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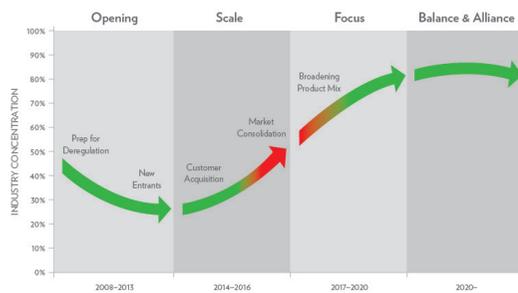


ADF
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2016

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Figure 5:

Scale / Focus Phases



Source: Harvard Business Review; Deans, Kroeger, Zeisel. 12/02. 'The Consolidation Curve'

Figure 6:

Focus Phase



Source: Harvard Business Review; Deans, Kroeger, Zeisel. 12/02. 'The Consolidation Curve'

THE TASK

In 2014, when the time came - towards the end of phase two - those gloves came off. Figure 5.

Once consolidation was on the cards, the advertising had a crucial role to play in degrading the competition. This would take commitment (in financial terms) and nerve. The advertising had to acquire customers, to diminish the quality of the competition's customer base, introduce a larger element of 'brand' and ultimately, pave the way for the next phase of energy sector development: i.e. the introduction of Smart Energy solutions and Home Services. As the sector migrates from the 'Scale' phase in its lifecycle and enters the 'Focus' stage, BGE would need to set a platform for new product and service development. Figure 6.

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THE STRATEGY

The business strategy was to safeguard the future of the business by anticipating the market phases to optimise the company effort at every point in the cycle. Within this, the marketing strategy was to maintain a cohort of valuable and profitable customers in gas. In tandem, the strategy in electricity was to build a customer base, but at a sustainable cost. Ultimately, this would allow BGE to scale through acquisition.

Phase One (Opening) 2008: This was a totally new proposition in the Irish market. We needed to introduce Bord Gáis Energy to all of Ireland's 1.6 million electricity customers, the majority of whom would not have had dealings with the brand before. We needed to educate the market on the concept of a dual fuel company. It was a huge challenge to convey that this did not mean an invasive switching process for consumers but - in practice - it was a smooth procedure involving three simple stages.

More than education, we needed them to take real action, if we were to deliver on the business strategy to safeguard the future of the business in a deregulated market. We needed to enter the market for electricity and build a sizeable base quickly. Our research made the high levels of consumer inertia in the market clear (after over ten years of an open market, the phone company eircom still retained 69% market share – Source: ComReg). We needed to make an impact and communicate a sense of urgency to create a populist effect. In the economic climate of the time, “savings” were becoming a much more motivating force. We kept our message simple: Bord Gáis Energy would guarantee a minimum saving of 10% if you switched your electricity service to them. This was a simple action that Irish people could take to put some money back in their pocket.

The media strategy in phase one commenced with a nationwide 48 Sheet teaser campaign with the line, “Ireland is about to switch”, building anticipation that something big was on the way. A week later the campaign broke across all channels, led by TV, in a fully integrated campaign that was impossible to miss. A front-loaded campaign (30% of the 2009 budget was allocated to the first 8 weeks of activity) included direct response mechanisms on all communications.

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THE STRATEGY

Detailed tracking of unique phone numbers and website response allowed Mindshare to optimise the campaign as it progressed, reallocating budget according to performance, and maximising the effectiveness of the campaign.

Phase Two 2012: If phase one was to go large and create impact, then phase two was about consolidating BGE's position as a serious player in the dual fuel energy market and protecting the quality customers in their base. In 2012, with increasing competition and media presence from ESB and Airtricity, it was time for the brand to switch gears and consolidate their customer base. The strategic response to this challenge was to continue to deliver tangible value to its customers through the introduction of a unique rewards programme, the first of its kind in the Irish energy market. The rewards programme was centred on two ambitious partnerships which ran much deeper than standard sponsorship programmes, and which provided real reasons to switch or remain with BGE for their gas or electricity. The first initiative was the sponsorship of the Bord Gáis Energy Theatre, an important first step in their rewards club. The second was a national tie-in with Tesco that delivered real value to customers by giving them Tesco points that they could use as money off their next energy bill. This would continue to build BGE's credentials as a progressive and innovative energy provider, differentiating and elevating it above the competition.

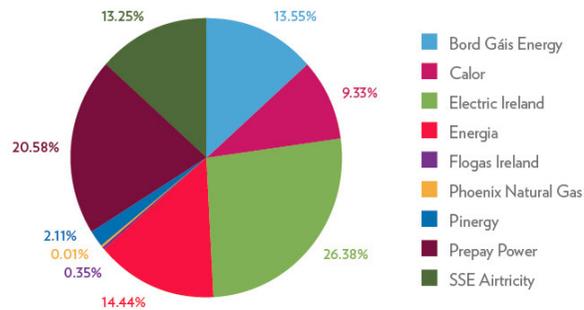
The media strategy in phase two needed to adapt to changing circumstances. With the competition now promoting dual fuel electricity and gas bundles, BGE adopted a regional approach, targeting electricity-only homes in rural areas with its Every Day Low Price electricity tariff. While maintaining some degree of investment in national media, geo-targeting through new opportunities in online advertising and the use of regional media moved front and centre. In tandem with this targeted "electricity only" strategy, the Rewards programme was launched in 2012, with TV leading a campaign that sought to retain those customers for whom the value equation meant more than a discounted tariff.

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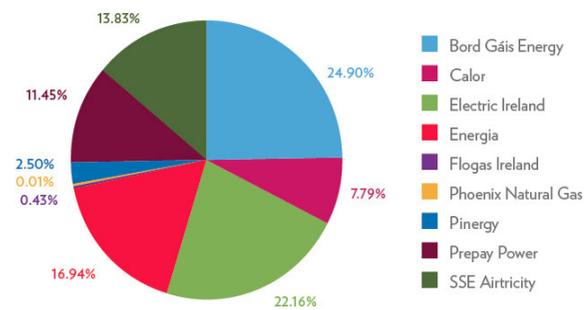
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Figure 7:

Energy Category SOV 2014



Energy Category SOV 2015



Source: Nielsen

THE STRATEGY

By late 2014, towards the end of stage two, the strategy was to use advertising to turn the screw. The client argued internally for significantly increased media spend and got it. Figure 7.

We set about taking the wind out of the sails of the competition, using advertising as well as below the line and digital combined with a series of compelling offers to galvanise the customer base. This would have the added advantage of compromising the competition's customer book and ultimately lowering the value of their companies. For a deeper exploration of this phase, see the other Bord Gáis Energy/Publicis ADFX entry entitled 'Bord Gáis Energy: Doubling Down on Advertising'.

The residential gas market finally deregulated in July 2014, and BGE prepared for its entry into a fully deregulated residential energy market. With the new positioning of "The Helpful Energy Company" agreed, and with significant customer segmentation work conducted, it was time to stabilise gas customer numbers and return to growth. For 2015, an "always on" media strategy was adopted. While recognising that the energy category is relatively low-interest, it was also obvious that there was little seasonality at play, and that BGE needed to be there if and when potential customers considered switching providers. Furthermore, through working in partnership with the BGE insights team, Mindshare identified those higher-value segments within the existing BGE customer base, and refined the media targeting in order to maximise lead generation and conversion, while also reassuring existing customers and managing down churn.

The third phase, which we will probably enter in late 2016 and early 2017 (Focus), may see BGE broaden their product and service mix and enter a more dominant position. It would ensure longevity and build a platform for further expansion. This in turn would deliver additional value, further growing the company.

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THE IDEA AND COMMUNICATIONS ACTIVITY

Phase one: 'The Big Switch' campaign was developed by DDFH&B and rolled out nationally by Mindshare. It was the defining campaign of its time. Customers were introduced to multi-product energy companies and the concept of switching energy supplier. Scale both in terms of idea and communications activity was vital to allow BGE to credibly challenge the incumbent ESB whilst establishing themselves as a progressive energy provider, no longer merely "the gas company". The idea was simply - The Big Switch - a symbol of electricity, a switch is a change and a Big Switch is a metaphor for the scale of this new, groundbreaking offer. The Big Switch also suggests a sense of a populist movement, something everybody would want to join - a call to action to address the lethargy and apathy that often prevailed in switching campaigns. It presented a complex new offering in a simple, friendly and compelling manner.

Phase two: This consisted of building on the brand equity established and continuing to build BGE credentials as a progressive and innovative energy provider, differentiating from the competition. A new creative platform was required to replace 'The Big Switch' campaign as the brand's main communication and be capable of carrying messages from the full breadth of the business. The creative idea needed to bring "Think beyond" to life and create an understanding that, for BGE, this is more than a slogan; rather, it's the guiding principle of everything they do. The creative solution was the BGE Robots campaign, introducing a team of animated robots that operated in the real world with a mission to help BGE customers, pointing out value offers and energy efficiencies. It was the beginning of the expression of the helpful energy company positioning.

In 2014, BGE started the next phase of its business strategy. The company undertook a brand review and launched a new positioning, 'The Helpful Energy Company'. Once again, this reflected the horizon planning of the company. To remain profitable, the sector would need to migrate from utility provision to a broader offering. In the pitch process for a creative agency, Publicis was tasked with interpreting what this meant to the consumer. With a fresh pair of eyes, we interrogated what people really wanted from their energy company. We conducted a number of in-home, depth interviews with pairs of consumers.

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THE IDEA AND COMMUNICATIONS ACTIVITY

What we discovered was that 'helpful' wasn't about grand gestures. It wasn't necessarily about deep discounts. For our audience, 'helpful' was about being thoughtful. We learned that although they rarely think about their energy provider, when they did, they wanted to company to deliver an excellent service that had genuine utility in their lives.

Our creative platform became, 'You're not always thinking about Bord Gáis Energy, but we're always thinking about you', with the end line, 'It helps if it's Bord Gáis Energy'.

The platform manifests itself in a distinctive brand world of thought bubbles populated with messaging and offers.

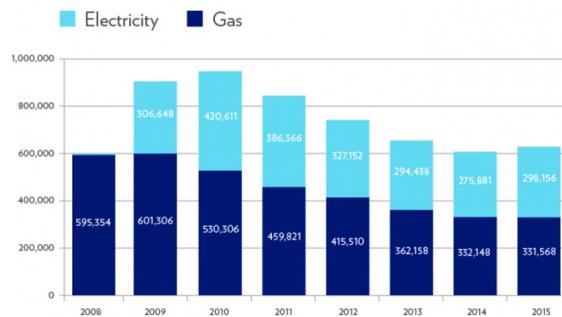
The campaign kept the pressure up with a series of strong retail offers and we increased the media spend. The offers weren't market-beating, but the consistency of the message, the weight of spend and the core insight all meant that the campaign delivered in spades.

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Figure 8:

Bord Gáis Energy Customers at 31st December



Source: Commission for Energy Regulation

RESULTS

Results and Payback

To gauge the success of a campaign of this duration, we'll outline to what degree the effort addressed all of the objectives over multiple phases. Figure 8 demonstrates the key phases and the overall effectiveness of the BGE strategy. The ambition was to reposition as a dual fuel energy supplier, to successfully enter the market for electricity in Ireland, and to thrive in a deregulating market. We can see from figure 8 that BGE quickly acquired a large base of electricity customers that safeguarded the business through the gas deregulation and positioned it to operate positively in an increasingly competitive market. In 2009, there were just two advertisers in the market, while by the end of this campaign there are now nine competitors in the market, and yet BGE has been successful, not only protecting its original base, but increasing it by 6% in real customer numbers; no mean feat in the prevailing market circumstances.

Phase One: Opening 2009. This was 'The Big Switch' Campaign

In business terms, The Big Switch exceeded all expectations. Independent energy experts had helped to set a stretch target of 80,000 new customers in the first year of the campaign, and this was achieved in the first four weeks. In terms of delivering numbers, in ten months over 300,000 households made the switch. This number of additional households generated annualised incremental revenues for BGE of €236,700,000 based on an average revenue per customer. These results were achieved with a total media and production spend of €3 million in 2009.

In advertising terms, the effect can be seen both in perceptions of BGE as a company and by new customer attitudes to the Irish energy market as a whole. BGE became an energy company - not just "the gas company" - on the foot of this campaign. Millward Brown IMS tracking in September 2009 showed significant positive shifts in attitude towards BGE with statements such as, "BGE is open, truthful and honest" and "anticipates customers' needs to improve products and services" increasing by 20% since launch.

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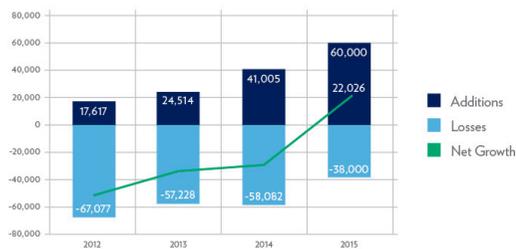
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Figure 9:
Bord Gáis Energy Residential Gas
Customer Numbers 2010–2015



Source: Commission for Energy Regulation

Figure 10:
Residential Electricity Customer
Numbers 2012–2015



Source: Commission for Energy Regulation

RESULTS

Ad recall was at 79% vs ROI norm of 50%. 93% of those who recalled the TV received at least one of our three key messages.

BGE made the market. Post launch, 85% were aware that you can change electricity supplier vs 33% pre launch (Millward Brown tracking 2009). BGE was positioned as a dual fuel company.

In strategic terms, BGE successfully recruited 300,000 new households to insure themselves against the effects of market deregulation, protecting the future of the business.

Such was the success of this campaign that Helsinki-based VaasaETT Global Energy Think Tank confirmed 'The Big Switch' campaign as the world's most successful marketing campaign ever for an electricity supplier, noting that: "It is fair to say, without doubt, in my opinion, that yours was the most successful campaign ever. No company has ever gained such a large proportion of the market in such a short time." - Dr. Phillip E Lewis, CEO and Founder VaasaETT

Phase Two: Scale 2014 – "You're Not Thinking About Us" Campaign

In terms of meeting the advertising objectives, the aggressive acquisition campaign had an immediate effect on customer numbers for both gas and electricity. Figures 9 and 10.

This affected the marketing effort in a positive way. The use of a sophisticated Brand Response strategy allowed for a rapid turnaround from four years of net negative to net positive customer numbers. This was done whilst maintaining a quality customer base with historically low churn of 10.77% in 2015. Figure 4.

Crucially, from a commercial perspective, gross margin actually increased on the customer base. This resulted in a €41.2m profit for the company in 2015.

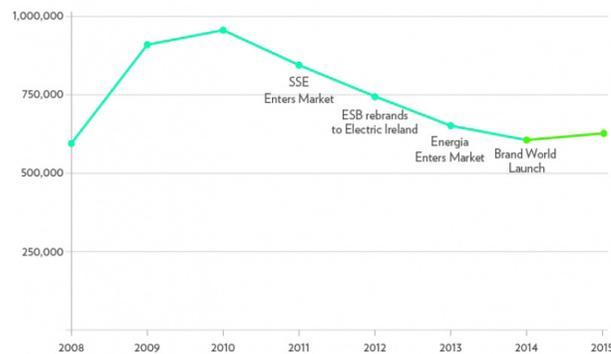
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Figure 4.

Bord Gáis Energy Total Residential Customer Numbers 2008–2015

Total Electricity Market: 2,664,144



Source: Commission for Energy Regulation

RESULTS

Coming into 'Focus' 2016 - The Strategic Victory

However, it's from the strategic perspective where this case comes into its own. That profit figure values BGE at between €400m and €500m today (valued at sector norm of 12-13 times EBITDA). This is 20 months after its purchase by Centrica for €200m in July 2014. This represents a minimum increase of €200m In Net Present Value (NPV).

As predicted by our consolidation graph, one of the other big four energy companies was 'in-play' at the beginning of 2016, and Centrica was rumoured to be one of the suitors. As a result of the attritional acquisition strategy of its competitors, that company had a customer churn rate of 33%. It was still net positive in terms of customer numbers, but it had to give customers deep discounts to maintain that. This resulted in a drop of €8.9m in profit over 2014.

As a result, a conservative estimate of the reduction in NPV for that company in the preceding 12 months - using the same valuation method as we used for BGE - means the purchase price had been degraded by €106m.

Now that, my friends, is strategic marketing.

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IMPACT ON BEHAVIOURAL ACTIVITY AND PAYBACK

Perhaps Bord Gáis Energy's biggest impact in behavioural terms is that 'switching' is now a common term, both in the lexicon of service industries and in the practise of informed, empowered consumers. That really started with 'The Big Switch'.

With this education of the market, to an extent, we have made a stick to beat ourselves. However, this healthy competition on price has forced the energy companies to look beyond offers towards real differentiation in terms of products, customer service and brand. This in turn has made for a more dynamic sector.

In the near future, consumers will not just be looking for energy from energy companies. They will get smart homes and remote control of many aspects of their lives, including security, comfort and utility.

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NEW LEARNINGS

It is impossible to factor in all of the variables in a deregulating energy market over a period of 8 years. It is hubris to claim that it was advertising that delivered the enormous appreciation in value that the company has experienced. It is however, naive to assert that advertising and its application as part of an ambitious and aggressive business strategy did not have a significant effect.

It is possible that sometimes, we underestimate the power of our discipline and we forego the credit it deserves. But as the boardrooms open up and the CEOs lean forward, it is also possible that, for advertising - or whatever noun you use to describe what we do - the best is yet to come.

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SUMMARY

This paper tells the story of the metamorphosis of Bord Gáis Energy from a state sector monopoly to a private sector company in the hyper-competitive Irish energy market. Over the course of 8 years, the company managed to grow its overall customer numbers and, particularly in recent years, to drive the value of the company using marketing and advertising as a strategic business tool. It is one of the most striking success stories of Irish marketing and has been justifiably rewarded in every major awards, including an ADFX Grand Prix in 2010.

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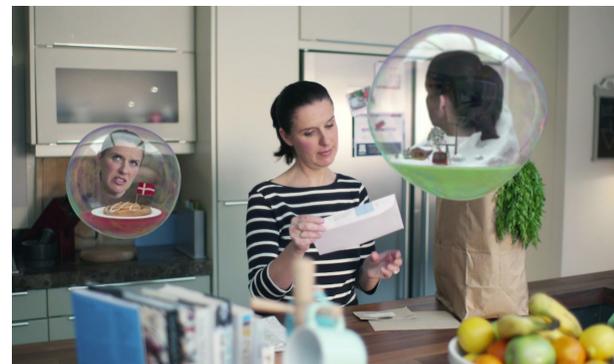


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MEDIA GALLERY

TV



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MEDIA GALLERY

PRINT

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