

Communicating for a Competitive Advantage

The TELUS Case Study

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Good afternoon.

The subject of our presentation today is Communicating for a Competitive Advantage, and we will be focusing on the story of TELUS, one of Canada's largest telecommunications companies. In a departure from the classic Conference Board presentation format, my esteemed colleague and personal friend Bill Gajda—TELUS's former Vice President of Corporate Communications—will be sharing the dais with me today. Bill and I worked together closely on the development and implementation of a brand strategy for TELUS.

I'll begin by providing the background on the market environment we were working in, and on the brand strategy and communications plan we created. When I've finished telling you about the process and the rigor required to develop a brand strategy that is more than just window dressing, I'll turn the mike over to Bill who will tell you how the program was implemented.

In some ways, it's ironic that we're here talking about a "competitive advantage." Ironic, because TELUS traces its roots and history to a Government entity—Alberta Government Telephones. As many of you here today are well aware, "competition" is simply not part of the organizational lexicon in government entities.

Let me give you a little background.

The History of TELUS

In 1990, the Alberta provincial government privatized its phone assets. Up to that time AGT (Alberta Government Telephones) had been a government-owned entity and one of Canada's largest telephone companies.

A new holding company, TELUS, was created as a parent for AGT and a host of other telecommunications affiliates. Subsequently, TELUS also acquired Ed Tel, the local municipal telephone company of Edmonton.

The parent's name was to be pronounced "TELL-us" and derived from a combination of "telecommunications" and "universality." The name was meant to convey a company that was both friendly and futuristic. The operating companies, however, continued to use the old AGT and Ed Tel names, projecting the image of an old-fashioned, slow-moving government bureaucracy.

Before getting ahead of myself, let me say a few words about transitioning from a government-owned monopoly into a privatized, deregulating environment.

Deregulation of the Canadian Telecommunications Industry

Like many other industries including airlines and banking—and currently, the utilities industry in North America—the telecommunications industry in Canada experienced enormous upheaval at the time of its initial privatization. The aftershocks of this "earthquake" are still being felt.

The whole notion of competition was not a factor in the Canadian telecommunications industry prior to 1990. Company's were insulated. When you don't have to operate in an open market environment, your practices are usually very different from those you'd use when under fire from competition. If you are the only company selling a few essential products and services in a defined geographic operating area, there's not much incentive for a responsive, customer-oriented behavior. Prices are regulated, customers are captive, and whether you spend 10 dollars communicating with your audiences or 10 million dollars, they will all—they must all—continue to buy what you are selling.

Internally, regulation or monopolistic government ownership tends to breed a "to hell with the customer" attitude. And such attitudes become entrenched. I'm not just talking about TELUS or the telecommunications industry. The same story is very much true of the electric utilities industry. Without any incentive to operate more efficiently, communicate more effectively, or simply provide better, customer-oriented service, companies in these industries just sat back and did what they always did. Bureaucracies grew larger, complacency oozed into every corner of the organization, and customers often came to expect surly employees who really didn't give a damn.

In this environment the traditional formula for gaining a competitive advantage—a term I use loosely—goes something like this:

- Control costs;
- Provide reliable service at "reasonable" rates;
- Keep the public satisfied;
- Develop a working relationship with state regulators.

But then came deregulation or privatization and everything changed.

The Impact of Privatization on TELUS

By 1995 aggressive competition from major international players including Sprint and AT&T; started to eat away at the company's long distance revenue. With so many distinct brands (AGT, AGT Advanced Communications, Ed Tel, ED Tel Mobility, AGT Directory, and Ed Tel Directory among others) management found it increasingly difficult to provide adequate brand support across the entire TELUS family at a time when a more aggressive competitive posture was clearly indicated.

So now they not only had a competition issue, but they had a communications issue, a budgeting issue, a top line issue and a bottom line issue. Did they ever have issues!

Communications—particularly identity structure and strategy—was at the core of all these issues and TELUS Public Affairs was directed to evaluate them both and provide recommendations as to the most appropriate identity strategy for the organization given future strategic plans.

At this time my company—Lippincott & Margulies—began partnering TELUS Public Affairs .

Lippincott & Margulies' Branding Perspective

Lippincott & Margulies is an image and identity consulting firm. Among the many services we provide our clients is consultation on branding strategies. Before going any further, I'd like to provide a quick sketch of our point of view about brands and branding. I'll begin with a definition of a brand.

"A brand is the sum of all available information about a product, service or company."

This information is conveyed in two ways, through communications and through experience.

There are the various communications tools which drive brand image, such as advertising, PR, a name, logo, retail environment and packaging that companies use to shape our perceptions about the brand. For many brands, the channel or the environment in which they're sold can tremendously communicate different attributes about a brand.

But our direct experience with the product is also critical. Our experience is a combination of two factors—functional satisfaction and emotional satisfaction. From the functional standpoint—how well it removes tartar, reduces engine knock, gets out tough stains, answers my need for information or otherwise performs against the basic requirements. But brands and brand loyalty go far beyond meeting the basic promise—a brand must provide emotional satisfaction. Does the brand fully understand its target markets' needs—that I am a busy person and need prompt attention from the telephone company or the on-line service I'm using, that I need to feel smart or hip or competitive. Does the brand speak to me in a way that fulfills my individual needs, thereby bonding my relationship with it?

At the end of the day, direct experience combined with the sum of all these communications drivers will create an impression in the minds of key stakeholders, including customers, employees and the investment community.

Critical to the success of a brand, is that all of these factors align or otherwise "make sense" when subconsciously associated brought together to form the big picture of the brand. We call this impression brand image, and it will be either positive or negative or somewhere in between.

Evaluating The Existing Identity Structure

Initially, our assignment was to evaluate the TELUS identity structure and strategy and to provide recommendations as to the most appropriate identity strategy for the organization given TELUS's future strategic plans. We began by reviewing the strategic plan and existing research, and also conducted our own evaluation which involved extensive internal and external interviews.

We found that the TELUS name was not as well known as the AGT and ED TEL brands. Less than 10 percent of the residents of Alberta actually recognized the name. There was also little understanding of the connection between TELUS and its major brands.

Perceptions of AGT varied. Within the company, both management and employees had some good things to say:

- Employees: *"Rock solid, reliable, trustworthy, high quality."*
- Management: *"It's a typical telco image—high reliability,*

high integrity, comfortable."

But there were also some residual negatives deriving from the company's former government ownership:

- Management: *"Government means fat, bureaucratic, monopolistic, high costs."*

ED TEL employees were uniformly positive about their brand image. There was actually a strong competitive attitude between AGT and Ed Tel employees, even though they were working for the same company. All in all the existence of separate brands was working against the creation of a single, unified TELUS culture.

Communications Audit

One aspect of work involved a comprehensive audit of TELUS communications spanning Corporate, AGT Limited, AGT Directory, AGT Mobility and ED TEL, and including all brochures, annual reports, investor fact books videos, stationery, business cards, TV, radio and print advertising, promotions/direct mail, customer and employee newsletters and bill stuffers.

Here we found a lack of any clear linkage between TELUS and its brands in marketing communications, minimizing TELUS's ability to leverage their strengths. Some corporate materials disassociated TELUS and its brands altogether by talking about TELUS' businesses without mentioning the operating companies' brand names at all.

At AGT we saw that there was no overall positioning or consistent brand image projected in marketing communications and that numerous secondary identities (e.g., product, partner and promotional programs) and other graphic elements competed with and overwhelmed the core AGT brand. Also, advertising, product and subsidiary taglines conveyed different messages about the brand.

Different Taglines Give Customers a Variety of Messages

A confusing diversity of taglines presented a variety of inconsistent messages. Here are a few:

"AGT Limited"

"We Go Further than Long Distance"

"We bring Your World to You"

"Working with Telecommunications Companies Across North America"

"AGT Mobility
Straight Talk, with People You Know
Now You're In Touch"

"AGT Directory
AGT Talking Yellow Pages When You Need To Know Now"

Additionally, little visual consistency existed across AGT subsidiaries' communications materials. And we saw similar inconsistencies occurring at Ed Tel.

Evaluating Brand Strategy

Based on our findings, we decided to recommend a "Master Brand" approach. This would entail a single name for all operating units. The disadvantages of the existing identity structure were as follows:

Current Identity Structure...

- Requires significantly high communications support;
- Inhibits image of being one entity with a wide breadth of competencies;
- Inefficient in terms of communications;
- Provides little opportunity to leverage clout of parent company;
- Promotes distinct internal cultures.

The benefits of the Master Brand structure were clear:

Master Brand Strategy...

- Supports image of one company with a breadth of competencies;
- Is the most efficient means of establishing direct connection among all parts of the company;
- Allows all units to benefit from individual communications efforts;
- Eliminates incremental cost of maintaining multiple identities;
- Allows for shared media/promotional materials;
- Aids in establishing cohesive internal cultures.

Importantly, adopting a master brand approach directly supported a key TELUS imperative: "a coordinated, combined focus on the customer to provide seamless service to each customer, keeping invisible the mosaic of organizational and regulatory entities that support our industry."

It was also agreed that of all the possible names, TELUS offered the most potential as a master brand:

Why use TELUS as the Master Brand?

- Awareness of TELUS was growing;
- The name TELUS had the right connotations and could support a broad range of related offerings;
- TELUS signaled a real change, both internally and externally;
- The AGT name was an internal barrier to change;
- ED TEL employees would have found it difficult to support the AGT name.

The AGT name carried some negative connotations because of its government association.

The Communications Plan

Moving the project forward, a series of workshops were conducted to develop the TELUS communications plan which would include:

- Audiences—defined and prioritized;
- Communications objectives by audience;
- Key messages by audience;
- Brand Positioning;
- Image goals.

Prioritization of Audience

First, audience categories were identified and prioritized. As a basis for structuring communications activities, objectives were defined for the various categories:

Customer—create awareness of the New TELUS identity and establish its positioning; expert influencer.

Employees—agents/partners; potential employees; increase awareness, understanding and enthusiasm for the company's new direction.

Facilitators—maintain a positive regulatory, social and political environment to facilitate the ease of operations in the Alberta marketplace, and beyond in the future.

Financial Community—Increase ability to obtain a strong flow of funding for priority activities, e.g. company communications, new product development.

Key Messages

Next, key messages were established. Here is a summary of messages across audiences:

Fact: TELUS is a communications Services Provider.

Fact: TELUS operates in 5 related business: Voice communications services, Data communications services, Visual communications services (CATV), Information services, Advertising services (Directory).

Fact: TELUS is the largest private sector employer in Alberta, employing over 9,000 Albertans.

TELUS' Strengths:

- TELUS is the Albertan market leader.
- The organization has a rich history of innovation and leadership.
- The company has a proven record of dependability.
- TELUS is newly revitalized with a plan for growth.
- This Albertan-based company has strong community ties.
- TELUS provides excellent customer service.
- The company is easy to do business with.
- TELUS offers world-class quality products.
- Products are competitively priced.

TELUS' Culture/Style:

- Employees are dedicated to customer satisfaction.
- Employees simplify things for customers.
- Business practices are characterized by high ethics and integrity.
- The company is committed to quality.
- Service is an important component of all our products.

TELUS' Future Direction:

- TELUS is customer-focused.
- Employees are empowered to respond to customer needs.
- TELUS is resourceful and flexible.

From these key messages the positioning for the company emerged.

Positioning—"Alberta's Own"

No one is more committed than TELUS to serving Albertans with the communication solutions they need to live richer, more productive lives.

- For over 90 years, we have been building the capabilities to keep Albertans connected to each other and to the world.
- Today, Albertans can count on TELUS to keep them in touch and informed, anytime and anywhere. From yellow pages, to cellular, to the Internet, to video on demand, Albertans can depend on TELUS to be there with the services they need.
- TELUS's rich tradition of innovation—from the first cellular network in North America, to providing the latest in multi-media high speed data services—makes TELUS an important part of Alberta's advantage.
- At TELUS, we're committed to supporting our community with employment opportunities, support for local business, contributions and volunteer efforts that enhance the quality of life for all of us here in Alberta.

Desired Image Goals

And we also established the image TELUS should project:

- Open/Accessible/Responsive
- Albertan
- Dynamic
- Trusted
- World Class

Getting buy-in from Senior Management

Strong leadership has to drive the brand creation process. It is a lot easier to make things happen when the enthusiasm—and influence—of senior management is behind you. Management provides both the leadership and the budgetary support that are essential to the whole branding process.

With our recommendation in hand we were prepared to meet with TELUS CEO George Petty.

TELUS's goal was to be seen as open, accessible, dynamic, trusted and uniquely Albertan, yet world-class. We understood that this message could be delivered through the TELUS name, but not through the name alone. We were well aware that changing TELUS's identity alone would not in and of itself create a new image in the marketplace.

As I indicated earlier, the only way to ensure the effective creation of that new image was to consistently align the message with the experience of the customer. Accordingly, when we presented our findings and recommendations to the TELUS Executive Committee, we repeatedly emphasized the

fact that program not be seen as a simple relabeling of company services and products, but rather as a signal of an improved customer experience.

I'm happy to say that TELUS CEO George Petty and his management team bought in strongly to our proposal and helped us tremendously in facilitating the implementation of the communications plan. And for that part of the presentation, I'll turn the mic over to Bill Gajda.

Making the Brand Strategy a Reality

Bill Schneider talked about the process and the rigor required to develop a brand strategy that is more than just window dressing.

I would like to complete the story by talking about how TELUS took that strategy and made it reality—both in the workplace and the market.

If there are two most important things I learned through this process, they are: the cultural or employee focus is as important as the market or customer focus; and, the new company has to be different—not just look different—and the hardest part is finding and delivering those tangible differences.

So, for a few minutes I would like to follow two streams: first, what we did to focus and motivate 10,000 employees to support the culture and promise the new brand represents; and, second, what we did to focus and motivate 2.7 million customers to do the same thing.

The Schizophrenic Corporate Culture

Bill had touched a little on the culture that existed in the old companies, but I should provide a little more context. Essentially the work force wanted to serve the customer, but felt constrained by the baggage and the bureaucracy of the old company; (government, monopoly, financially-based utility). The work force also had strong affinity to their various brands and saw them as competing—EDTEL, AGT, AGT Mobility. The purchase of EDTEL brought these issues to the surface, and we had the corporate equivalent of multiple personality disorder.

For employees, TELUS was a brand with no baggage. It represented the best hope for cultural transformation. The development of the employee strategy is a whole other speech, but the its objectives can be boiled down to a few points:

- create an emotional tie to the new brand—begin the transfer of loyalty;
- retire the old brands—bring closure to the past;
- support and train employees to live the brand.

Initiating the Transformation

Here is how we went about starting the transformation:

- Pre-Launch for employees—create excitement around the change, begin to build trust;
- Old Brand retirement ceremony—dignify the past, celebrate our prior success;
- Company-wide employee training—customer service, reinforce change;
- Employees involved in launch—trucks, payphones, signs, volunteers;

- Launch celebrations—open houses, skywriting, every employee a marketer.

There are some statistical results I will provide in a few minutes, but let me give you some anecdotal ones—building trips, demand for clothing, name tags.

On a parallel track to the cultural strategy, was the marketing strategy, the objectives of which can also be boiled down to a few objectives:

- Transfer the ubiquity and positive equity of the old brands to TELUS;
- Add new, service dimensions to that equity;
- Create excitement and support for the change and its new offerings.

Bringing the Strategy to Market

We brought the strategy to the market through the following:

- Teaser campaign—created excitement, conditioned the market for change;
- New promise campaign—made the promise, focussed around long distance;
- Launch events and campaign—fulfill the promise, make customers part of the brand change;
- Product and service offerings (long distance offer, store openings; bill changes, new voice, etc).

Tracking our Success

We had set a number of quantitative and qualitative goals for the brand, based on years of data regarding the previous brands.

Top of Mind awareness—AGT's was 52 after 96 years, most recognized brand in any category in the province. Our goal was 40 after 6 weeks, result was 60:

Attributes	AGT	TELUS
Service	78	88
Innovation	66	90
Competitiveness	70	86
Solutions	72	82
Albertaness	90	88

Market Share

Since the launch of the brand, TELUS has retained a 70% market share in long distance, while every other telco has lost between 8-10 percent over the same period.

To conclude, I want to re-state some of the key learnings:

1. First, don't do this if you haven't got the stomach to do it all. It is not a trivial exercise, and requires the total commitment from senior executives—particularly the CEO. Understand why you are doing it.
2. Focus on all your audiences—employees, customers, retirees, influencers, etc.
3. Seek professional help—do not try this at home. Brand management and transformation are very specialized

fields, and almost no company has the talent or perspective to pull it off.

4. You have to change the company, not just the logo—you can't sweep structural or cultural problems under a rug by coming up with a new logo. Customers—and employee—are smarter than that, and they will punish you if they think you are trying to fool them.
5. That being said, your brand is your most valuable asset. Understanding the nature and the value of your brand—and revitalizing it or changing it if you have to—is probably one of the best investments a company can make.