

# Retail and Fashion

**ROTHCO**  
IDEAS THAT GROW BUSINESS

Currys: How an effective idea beat the perfect storm  
**Rothco**

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## COMPANY PROFILE

Our business philosophy is best captured in our company mantra: „Ideas that grow business“.

It is this philosophy that has seen Rothco grow over the past 15 years to what we believe is now the best collective of advertising talent in this marketplace. We are a thoughtful, curious, commercially astute and creative organisation. We bring a high level of passion to everything we do.

We are 50 people who come to work every day to help deliver on this mantra for our clients. Every day is a chance to affect our clients“ businesses. Every brief is unique and each client challenge is very real. Finding a true, compelling idea powerful enough to inspire great creative and simple enough to get noticed is how we deliver on our mantra.

Currys. How an effective idea beat the perfect storm.

## INTRODUCTION AND BACKGROUND

2009 was the toughest year in retailing in living memory. However in this paper we will demonstrate how an advertising idea born out of a business need to desperately grow revenue and prevent store closures actually produced 19%

sales growth for Curry's Ireland against a downward market performance of -14.9%.

"The Currys UK Vat Range campaign was the most successful in the history of DSGi in Ireland", Declan Ronayne, Managing Director DSGi.

True to our company mantra we created an idea that grew business.

### **About Currys**

Currys Ireland is one of Ireland's largest electrical retailers and part of DSG International which operates 1,200 stores across 14 European countries. Currys Ireland operates 19 Currys stores in the Republic of Ireland.

As a separate business unit Currys UK operates 9 stores in Northern Ireland.

### **The Perfect Storm**

For Irish retailers, 2009 will always be remembered as the worst year for retailing in living memory. Average consumer spending was down 8.1% (Source: Central Statistics Office, 2009) but for Currys the situation was far more problematic. As a retailer that had successfully grown in Ireland on the back of high-spending shoppers, a strong economy, buoyant property market and a favourable exchange rate, Currys Ireland started 2009 by closing three stores.

Four factors that combined to create, the perfect storm" in Currys in 2009:

1. The Economy
2. Exchange Rates
3. Vat Rates
4. Increased competitor spending

#### **1. The Economy**

We've never had it so... bad.

Economist Colm McCarthy said the current economic crisis was worse than its predecessor in the 1980s: "First of all the banks didn't go bust in the 1980s and as Ireland does not have its own exchange rate now a well-timed devaluation of the Irish punt was no longer an option". We were in unfamiliar territory.

Irish retail sales volume fell by 9% in the 12 months to August 2009, according to the Central Statistics Office. Household equipment was down 11.4%. The

value of retail sales decreased by 13.4% in August 2009 compared to August 2008. The bigger fall in value than volume signaled the downward pressure on prices.

Consumers were buying less (55%), spending more time hunting for value (65%) and trading down or buying cheaper produce (35%). (*Source: Nielsen Research, January 2009*).

Figures released by Experian, the information services company, illustrates what it terms the 'stark predicament' that faced the Irish retail sector, with footfall figures for March 2009 down a massive 8% on the corresponding month the previous year.

However, in 2009 Northern Ireland actually saw footfall growth.

Uniquely, Northern Ireland bucked the trends seen in the rest of the UK and the Republic of Ireland where poor consumer sentiment led to reduced shoppers and falling retail sales. An Irish Times study produced the following results:

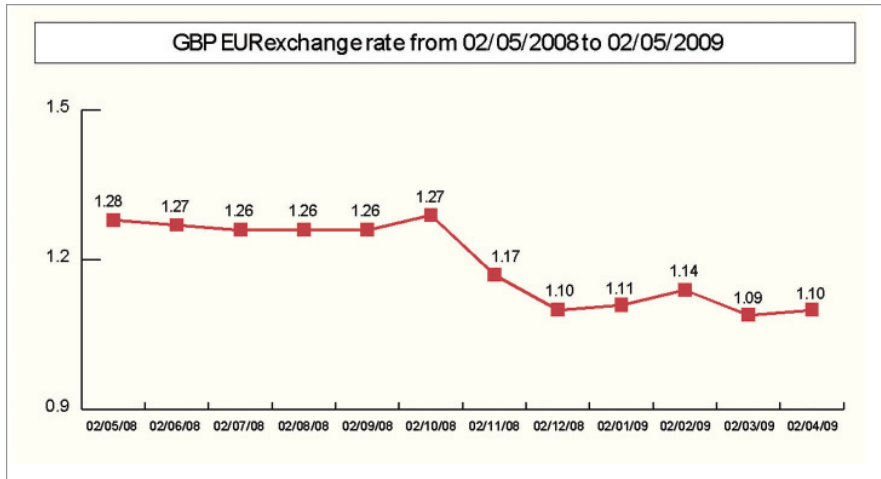
- 200,000 households went shopping in Northern Ireland in the year to last July.
- 80% went on day trips and 90% travelled by car.
- The average till receipt was €286. (*Irish Times, 2009*)

Primarily due to exchange rates, prices on identical products could be up 20% lower (depending on product value) in Currys stores north of the border. So the ability to buy the same product from the same retailer (albeit one in Northern Ireland) but at a far lower price was proving an irresistible lure for Currys Southern shoppers. In March 2009 this was brought to life with the CSO figures showing the total electrical market down a total of – 20.6% year on year. But Currys sales decreased even further. *Sensitive figures (Figures supplied to judges)*.

## 2. Currency Exchange Rate

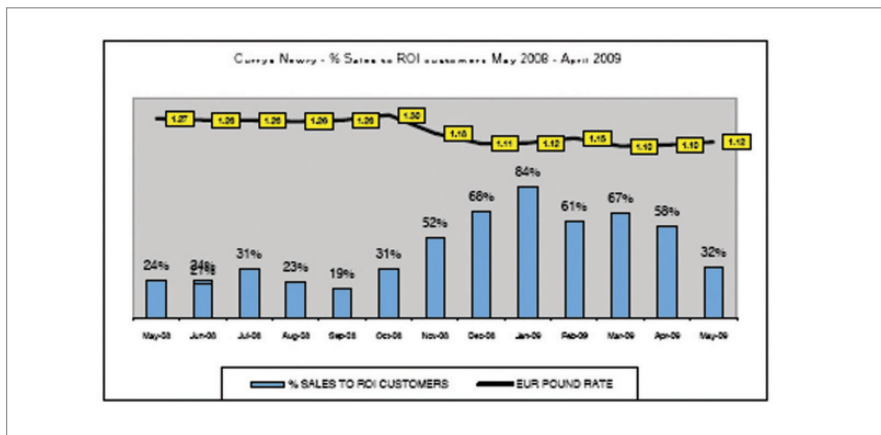
It never rains but it pours...

Another dramatic factor in creating the perfect storm for Currys was the weakening sterling during 2008/2009. This resulted in an average 12% increase in buying power for shoppers with euro in their pocket and was the most significant factor in driving Republic of Ireland shoppers across the border. Over €435 million was spent on Irish cross-border shopping trips from June 2008 to July 2009 (*Source: Finfacts.ie 2009*).



*The decline of the exchange rate in the period May 2007 to May 2009. Euro / Pound exchange Rate - 4 weekly periods from May '07 to May '09*

The table below highlights the sales in Currys Newry store correlating with the lower sterling exchange rate.



*Currys Newry - % sales to ROI customers May '08 to Apr., '09*

A report prepared by the Office of the Revenue Commissioners and the Central Statistics Office, published in February 2009, concluded that the major causes of price differentials are costs, profit margins and the rapid depreciation of sterling against the euro. Changes in VAT rates widened the price differentials

but they remain small compared to the change in the exchange rate.

### 3. VAT rate increase

As if things weren't bad enough...

Remarkably on the 1st December 2008 the Irish government increased the VAT rate from 21 % to 21.5 %, while the UK government actually reduced VAT from 17.5 % to 15 % in the UK. This movement in the VAT differential in the north versus the South from 3.5 % to 6.5 % added fuel to the fire and increased the flight of shoppers to the North. Combined with the weak Sterling, it proved impossible for Currys Ireland to compete with their Northern Ireland stores on price.

To make matters even more difficult, Irish consumers were also subject to an additional €20 WEEE (recycling) charge on TV purchases.

This table illustrates the dramatic effect on the buying power of Irish consumers from the stronger Euro in 2007, 2008 and 2009.

Year	Average Exchange Rate EUR/GBP	Example: TV costing £600 cost in Euro to Irish Consumer buying in the North
2009	0.891	€673
2008	0.796	€753
2007	0.684	€877

*(Above) Stronger euro benefits consumers, not retailers*

### 4. Increased Competitor Spending

And gets worse...

Finally faced with the same problems, Currys' largest competitor Harvey Norman began to dramatically increase its advertising spend in an attempt to entice shoppers to their stores. Harvey Norman is the massive Australian originated retailer of electrical, computer, furniture, entertainment and bedding goods. Advertising salience was being bought with Harvey Norman's deep pockets. Currys were being out-shouted (literally!) by Harvey Norman consistent presence on all mediums.

In a nutshell, 2009 was not going well for Currys.

## Understanding the Consumer

To make matters worse, consumers were growing increasingly cautious with their income and started changing their spending habits.

- 81% feel negatively on job prospects
- 53% are pessimistic about their finances
- 67% are not able to afford what they need
- 46% are delaying upgrading their technology
- 41% are delaying replacing major household goods

*Nielsen Research, January 2009*

To compound the problem even further – in 2008, over 200,000 households were willing to put up with bad traffic queues into Newry and Enniskillen, petrol prices, a drive at least 100 miles and had no problem taking a day out of their lives to purchase good up north. Changing this behavior would be a massive task.

## MARKETING OBJECTIVES

**The Business Objective:** To regain sales in Currys southern stores or face further store closures.

**The Marketing Objective:** To reverse the exodus of southern shoppers heading north to purchase electrical goods and drastically increase sales for the month of May in their Irish stores.

**The Communications Objective:** Normally, retailers would cut their prices in a sale or discount heavily in order to compete during these difficult times. It was clear, however, that Currys Ireland would be unable to compete on price alone due to weak Sterling, disparity in VAT rates and a WEEE charge, we needed an idea that could lure shoppers to stay south of the border.

## THE TASK

Currys needed to recapture the business that was being lost to Northern Ireland everyday. Exchange rates and VAT percentages weren't the most creative subject matters to communicate so Rothco was tasked with creating an idea that would make these topics engaging, motivating and relevant for consumers and grow Curry's business.

We needed an idea that would grow their business in the worst economic conditions for a generation.



*(Above) Lost business in the South with the uplift in TV sales sold in the Currys Northern Ireland Stores.*

## THE IDEA

The idea was to introduce UK vat pricing in Ireland for the first time.

### Campaign Idea:

For the first time in Ireland, you could get the UK vat rate. A brave idea needed brave creative.

## THE STRATEGY

The idea was only a 6.5% price reduction. At the same time most competitors had a minimum of a 10% price reduction in place and the savings from going North were at the very least 12% due to the exchange rate. So how we packaged the idea was critical.

A powerful visual was created that summed up the campaign. It was a device that when first presented to the client, it stirred a “shocked” reaction similar to many consumers when the campaign went live. The idea was that Ireland was taking over the best the British had to offer, i.e. their VAT Rate. The key visual was a union jack flag hijacked by the tri-colour – a very brave and memorable sight.

Nicknamed the paddy jack, the flag icon created the perfect starting point for our UK Vat rate campaign. The flag icon created the perfect visual mnemonic for the campaign. By simply taking the Union Jack (the most British of icons) and switching the colours to reflect the Irish tri-colour we created something that literally stopped consumers in their tracks. But we didn’t stop there,

Silver Award - Currys: How an effective idea beat the perfect storm  
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we looked at what other quintessentially British icons and phrases we could “paddyjack”.

This led to traditional red London buses getting Green, white and orange paint jobs, sayings such as ‘God Save the Queen being paddyjacked to ‘God Save a fortune’ and so on.

### **The Communications Activity**

The hero icon of the UK Vat Range campaign was a visual device of a Union Jack symbol wrapped in a tri-colour. It’s a tongue-in-cheek device designed to arrest consumer attention and instantly gets across the fact that the UK VAT rate is available in the Republic of Ireland. This symbol played a dominant role on all communications. TV, press, leaflets and in-store pos successfully conveyed our message to the public.

We needed to build rapid awareness and drive response from our target audience. We had established from previous campaigns that TV played a prominent part in reaching our consumers and it had the ability to deliver the emotional connection that was needed for this campaign. It was also the strongest medium with enough cost effective reach to turn this into a much talked about campaign.

Our TV execution followed a consumer’s journey to Northern Ireland and juxtaposed it with his journey to Currys in the Republic, highlighting the ease and convenience and cheap prices in the South. The campaign began on Thursday, 30th April 2009, a key retail day and ran for a continuous two week burst (30th Apr to 13th May). Owing to its success, the campaign ran for a second burst on the 25th November until 9th December.

### **TV Stills**

Newspaper Inserts ran for both bursts. These impactful pullouts ran concurrently to the TV to create a ‘big bang’ effect and maximise awareness. Press enabled us to show off more of the products that were included in the range. We increased the standard press weight and also ran with press specials. National and regional press was used. With 4 page colour pullouts running in the Sunday World, Metro and Daily Star and regional titles.

### **Press**

#### **Press Insert**

In-store, a variety of signage was used – window posters, price labelling, entrance displays, gondola ends... a store blitz highlighted the offer to passing footfall traffic externally and internally to potential consumers.

(Below) shows the campaign costs for both bursts of activity.

	Burst 1	Burst 2
<b>Media Spend</b>	€142,060	€35,000
<b>Production Costs</b>	€45,185	€27,620

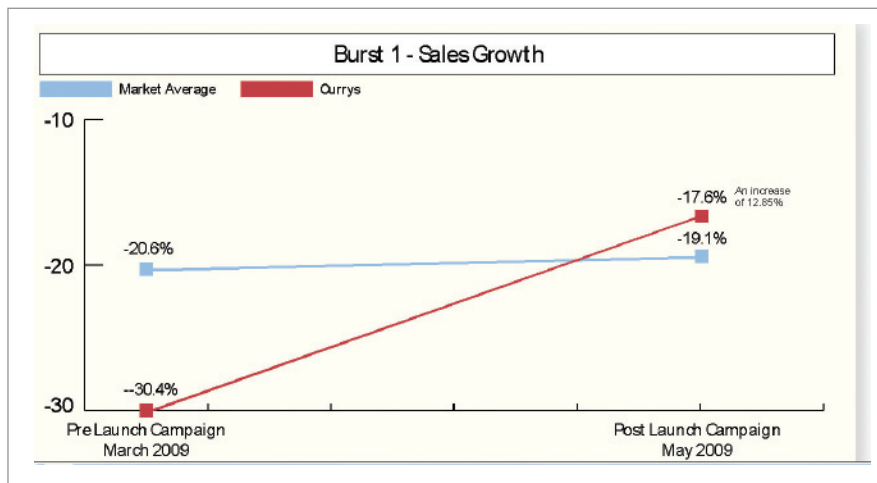
### The Results:

#### Sales Growth

As a retailer, the first measure of success came down to figures - value sales figures.

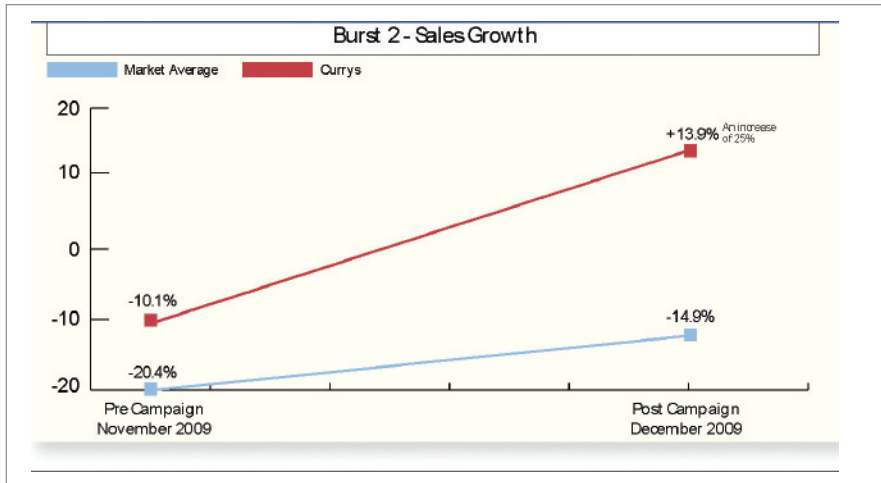
After the first day of advertising, sales reports were double for the same day a year previously. Some stores reported a 168% increase in sales from the previous week.

See our example from earlier where sales in the North actually reversed and Currys in the South increased sales.



(Above) Burst 1, sales growth (CSO)

When we look at Currys growth overall pre and post launch campaign we see an increase of almost 13%. Owing to the success of the campaign in quarter two, it was re-run later that year with further outstanding success, a growth of 25%.



(Above) *Burst 2, sales growth. Source: CSO & Currys Sales reports*

By December 2009 Currys were able to report an increase of 23.8% year on year value sales growth from both bursts combined. Most impressively while the overall market (i.e. all electrical retailers including Harvey Norman, Currys, DID, Power City, Independents) did recover slightly it still remained negative at -14.9% (CSO, December 2009), while Currys surged ahead.

### Northern Ireland Sales Decreased

Meanwhile TV Sales in Currys Northern Ireland were seen to drop by more than half during the period of the advertising in the Republic of Ireland. This was the key proof of effectiveness of the campaign as it clearly demonstrated that far fewer shoppers were going to North.

### Consumer Recall

One of our objectives was to produce stand out creative and the campaign certainly touched a nerve with the general public.

*Source: Ask the Audience, May '09*

86% of respondents recalled the communication and linked the adv. to lower prices and value for money.

Over 90% of consumers said that they were more positive towards Currys because of competitive prices, lower prices, value for money and good ads.

***“I didn’t realise how cheap the prices were at Currys”***

Female 39

***“Currys offer value for money in a recession.  
Irish retailers have not been passing on savings  
from the currency exchange,  
it's about time someone did.”***

Male, 34

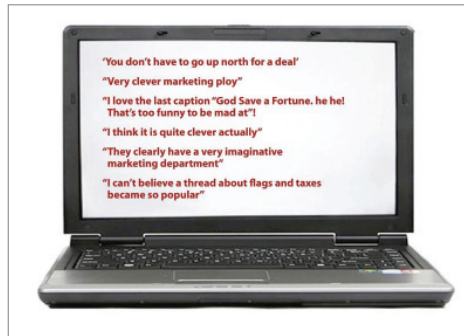
## Consumer attitudes towards the Campaign

### The Buzz Online

Seventeen pages of commentary on boards.ie was collected about the advertising campaign, with an overwhelming support for the campaign announced throughout the comments. A sample of some of the comments:

**Figure 8: Quotes from Boards.ie**

Changing Consumer behaviour – influenced consumers relationship with the brand;  
Advertising directly affected store traffic. Footfall figures increased on previous years after the both bursts of TV, by up to 8% more than retail average of minus -8%.



Consumer behaviour in-store was seen to change. Staff noted that consumers walked into the store with Currys leaflet in hand, already on the lookout for certain products.

### Free PR

The campaign was discussed at length on the airwaves, where members of the public debated the campaigns credentials on Adrian Kennedy’s FM104 show – ultimately coming to the conclusion that the campaign worked as far as they could see, „I was driving past Blanchardstown on Saturday and saw a poster in the window; so I parked up and went into Currys to see what the prices were like“, Adrian Kennedy, FM104 Presenter.

*“If you make the effort to ensure that your product or service is as closely suited to what consumers are looking for in a recession, and if you offer them recession-busting deals on price, then use promotions to make sure that your customers are aware of this. Take, as an example, the campaign run at the end of 2009 by electrical goods retailer, Currys, which introduced a range of products sold with the UK VAT rate of 15% rather than the Irish 21.5%. The price promotion was backed up by a distinctive TV and print advertising campaign, which employed the motif of superimposing the colours of the Irish flag onto the Union Jack. This bold image was directly linked to the UK VAT rate price promotion and was very effective at bringing it to the attention of Irish consumers”.*

(Above) Excerpt from *Beating the Recession*

The campaign was also discussed in the book: *Beating the Recession* by Neil Hughes, published by the Chartered Accountants Ireland. Excerpt can be seen below:

### **Employee Morale**

At such a difficult time it was of paramount importance that Currys staff got involved with the campaign. Employees jumped on board and the MD was sent messages of support from his store colleagues.

“The Currys UK Vat Range campaign galvanised our internal organisation around the idea of Currys as an exciting place to be”. Declan Ronayne, Managing Director DSGi.

### **Impact on Behavioural Attitude and Payback**

#### **Return on Investment**

In this sales focused world of retail, there is no bank account for awareness. We needed to prove that advertising wasn’t a cost.

Sensitive figures (Figures supplied to judges)

#### **Payback**

There was full payback within a few weeks of launch. In essence for every € spent by Currys Ireland on advertising got back €1.60 in sales.

Could something else explain Currys success? It wasn’t the low prices.

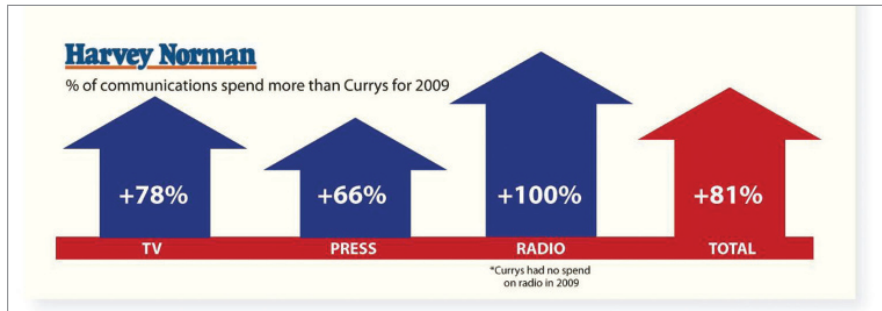
The actual reduction in prices was small at only 6.5%. Currys matched the UK VAT rate which was 15% versus the Irish rate of 21.5%. In fact retailers such as Harvey Norman, DID and Power City were offering 10% to 20% price reductions at the same time. Most importantly through the entire campaign products in Currys Ireland remained more expensive than the same products in Northern Irish stores.

### **There was no shift in the market**

The electrical retail market traded in negative figures for the full year in 2009. It never moved higher than -9%, so consumer demand remained low for Currys and its competitors.

### **It wasn't a lack of competition**

Competitive advertising spend actually increased in 2009 and Currys were never able to match the spend of the largest competitor Harvey Norman.



*(Above) Harvey Norman % of communications spent greater than Curry.*

### **It wasn't retail expansion**

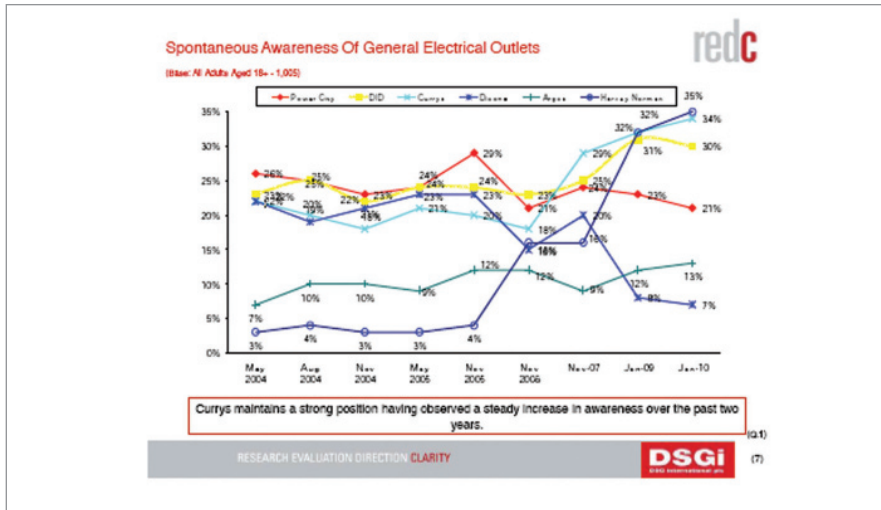
Currys opened no more stores during the period of communication. In fact three stores were closed in 2009.

### **The longer term effect of the campaign**

The campaign had positive long-term effects. Firstly, brand awareness increased in 2009.

Secondly, Currys Ireland continued to invest in locally produced communication primarily due to the fact that the local team had proven the effectiveness of their advertising. As with many international brands, smaller markets like Ireland are constantly under pressure to use copy from the larger markets to save on cost.





(Above) Spontaneous awareness of general electrical outlets in 2009.

Finally and most importantly, despite recessionary pressures Currys ended the 2009 with a strong Christmas sales performance as the campaign effect lingered beyond the 6 December. Currys Ireland have not closed a store since February 2009 and have even recently extended 3 stores.

## SUMMARY

This case study demonstrates how, even in the most stormy market circumstances, a brand can not only stay alive but actually grow using a powerfully effective idea.

To recap, the start of 2009 saw Currys facing possible oblivion. The company was unable to match the lower prices of Northern Ireland primarily due to a weak sterling/strong euro exchange rate and shoppers were heading there in their droves.

Moreover we were faced with a declining market and price watching consumer. The brand was rapidly losing penetration, sales and share. Thankfully our idea worked exactly as intended. The facts speak for themselves.

- A 13% comeback to match the market average sales on reported market growth after the first burst of activity



- A 28% rise above market average sales from the second burst of activity
- Changed consumer behaviour – we arrested a decreasing footfall and then actually grew it by 5.5% after just 4 weeks.
- Implemented learnings of a simple, standout campaign, that broke free from category norms for future campaigns and continued sales growth resulting from each campaign activity.
- For every €1 invested in the campaign. €1.60 was returned.