

Customer-Led Success Stories

giffgaff

Charlie Dawson, Seán Meehan

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How To Be Customer-led

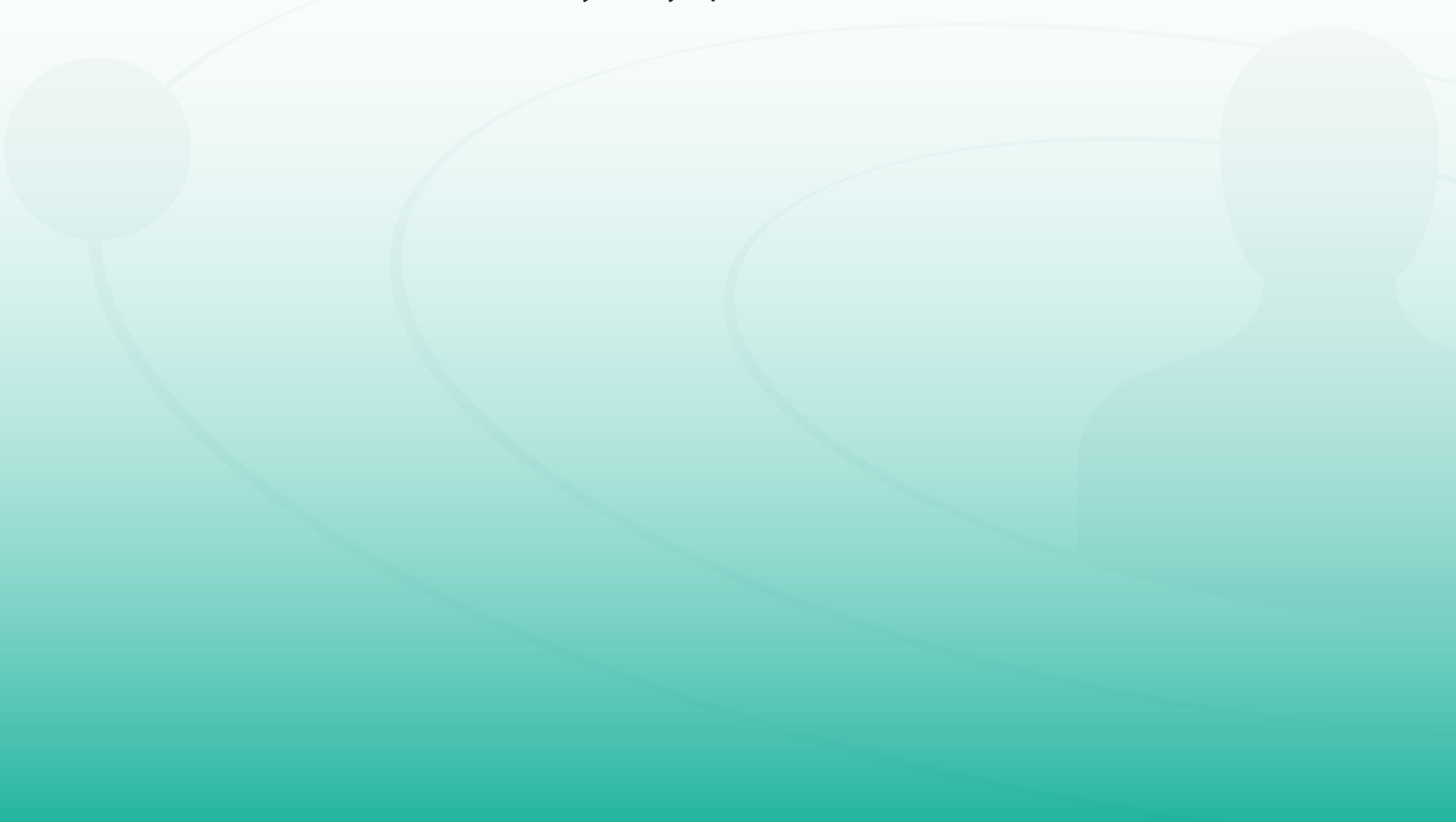
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A story of Customer-led success

giffgaff

giffgaff takes being customer-led, pioneering innovatively on behalf of customers, to the extreme. For twelve years and counting giffgaff has grown and led in its sector with its outside-in thinking, trusting the community which the business serves and being steered by them to an extraordinary degree. First conceived in April 2009, it launched as an innovative new venture by O2 (by then owned by Telefonica) in the UK with the aim of seeing whether a mobile network inspired by social media and digital collaboration could create value in new and better ways for a segment of the market.

CEO Ash Schofield sums the giffgaff ethos up with one word. "It's about mutuality," he says. We believe that giffgaff's approach epitomises customer-led success. They have been prepared to lead, to believe that they will ultimately succeed if they make things better for their customers (or members as they call them) by listening, trusting and reflecting what matters most to them in the ways they operate.

A decorative graphic at the bottom of the page features a teal-to-yellow gradient background. It includes several overlapping, semi-transparent circles of varying sizes and a faint silhouette of a person's head and shoulders on the right side.

The burning need to do something different

Openness to learn from a variety of outside sources is vital to any business wanting to achieve customer-led success. Two light bulb moments in exactly this spirit were the genesis of giffgaff. Gav Thompson, an O2 brand strategist, returned from a 2008 US web 2.0 conference about what can be achieved with digital communities, asking himself “Why can’t a mobile company work in a more joined up fashion with customers?” He had recently purchased his first motorbike and discovered he could get multiple high-quality answers to technical bike issues, quickly, day or night, by posting his questions on online forums where there seemed to be expertise and goodwill on tap.

Other elements of the 2008 landscape influenced the business’s thinking. Wikipedia was growing rapidly based on collaboration, with open, public, unpaid-for input creating a more complete encyclopaedia than ever achieved by experts on someone’s payroll. Another was the financial success of the Obama campaign funded by micropayments from the masses.

These elements came together in the idea for what would, after nine months of design and development, become giffgaff: an Internet 2.0 mobile phone business that used social technology to allow customers not call centres to provide the customer service. Customers effectively look after each other saving them all money. People who helped were rewarded with a giffgaff currency called Payback Points where one point equalled one penny, with one hundred points for posting helpful answers to the forum community and with the definition of ‘helpful’ coming from the person asking for the help, so the answers rewarded were the good ones. Marketing would also be member-driven with five hundred points for recruiting a new member. The points could be cashed in every six months and for helpful members, they added up.

We talk about burningness being essential to this kind of bold, pioneering customer-led transformation. So where was it coming from with giffgaff?

It was O2’s burning ambition to innovate and never allow themselves to stand still that influenced Thompson directly. That got the idea to land. But the business’s success is down to another more sharp-edged form of burningness – the pain associated with the serious risk for those involved from here. O2’s backing of Thompson’s idea came with conditions attached. The branding could have nothing to do with O2. They had to build their platform themselves using

only their start-up funding, with no input from the O2 IT teams. They had to work at another site and were not allowed to take all the good people. And the launch team at giffgaff had to commit wholly to making the new company work. There was no job to go back to at O2 if the idea failed.

An outside-in approach

The idea was developed and early in the process a group of ‘mobile-interested’ potential customers were recruited to input into the prototype. The idea appealed to technology enthusiasts who were used to this collaborative approach to problem solving and who didn’t identify with the existing big mobile brands. giffgaff made clear choices in deciding to appeal to these potential customers and not to everyone.

The idea was based on creating a Mobile Virtual Network Operator (MVNO), a mobile business that used other companies’ networks and in this case that of parent company O2. Many others did the same, but in this case customers helping each other, and as a result helping the whole community, meant that there was a highly unusual core idea of mutuality. This became the most important shared belief for the company and the inspiration for its name, giffgaff being a Scottish idiom meaning ‘mutual assistance’ or ‘fair exchange’.

giffgaff’s beliefs are reflected in its language – the business has members not customers, and by respecting them and having an adult-to-adult relationship with them, it turns the classic master-servant mobile model on its head.

The first Moment of Belief

After nine months of development, giffgaff was launched at midnight on November 25th, 2009. By 5.00am three super-users had started answering questions. Schofield describes those early hours of initial feedback as “an incredible moment that validated the idea. Remember, we had launched the community before the network. People wanted to have the conversation with us and giffgaff hadn’t even sold them anything yet. This meant a huge amount to the team back then who had taken so much risk.”

The service model was working and in February 2010 things really started to take off with the launch of SIM-only deals, called goodybags, that tapped into an unmet need and meant that members were now not only contributing to the community but spending money on the giffgaff proposition too. This was momentous because, as Schofield points out, “giffgaff was odd. No contracts, no call centre. Nowadays, we

have 3.6 million members and we've recently won Uswitch 2021 network of the year, topped the Which? best provider and Ofcom's own provider satisfaction survey. (Uswitch is a UK-based price-comparison service, Which? a UK based not-for-profit consumer advice organisation and Ofcom the UK telecoms regulator). But these things make it easy to forget just how weird our position was twelve years ago." Members could move freely between different goodybags from month to month depending on their usage, working in members' interests to keep their costs down and not the mobile phone company's interests by tying people into an inflexible deal.

Despite the initial validation of the idea, by month eleven the company was a long way behind its business plan and with questions being asked about its long-term viability, O2 considered shutting it down. The Chairman was supportive but torn. He and the team at giffgaff could see signs that something special was going on: the rates of advocacy were exceptional, and members were by now recommending giffgaff and distributing SIM cards in a way that also gave Mike Fairman (CEO 2009-2018) an unambiguous belief in the customer value they were creating and the mutuality that defined the business.

Given the underlying metrics it looked like revenue would follow. So, the Chairman managed to be unavailable for Board meetings for a couple of crucial months, giving time for the revenue to catch up. The stay of execution meant that O2's leaders saw enough in the results to change their mind, and with a modest price decrease after twelve months and some marketing to support it, growth accelerated. It is worth noting now, twelve successful years on, that if this moderate rate of growth had been in the initial plan it wouldn't have been signed off.

More bold Moments of Belief

Having survived, giffgaff followed up with a flow of successful customer-led actions that reinforced the ethos of mutuality and cemented the bond between the company and its members.

As the community grew, a natural desire by members to invite like-minded friends grew too, driven by the simple instinct to share something valuable that individuals cared about and felt some ownership of. giffgaff made the sharing easy, providing free SIM cards that took a moment to send on to someone who might be interested. This was valuable – it was continuing to keep down one of the biggest costs of a conventional mobile phone businesses, marketing and sales, protecting the low-cost part of the proposition. Belief within giffgaff was growing that this was a model that worked.



The next huge Moment of Belief for the business came with an Apple iPhone introduction. “When Apple launched the iPhone 4, we didn’t know that it came with a different-sized SIM card,” Fairman told The Telegraph in 2015. “Our SIM didn’t fit into the new phone and it would have taken three months to get the new size. A few giffgaff members got hold of a hand-stamping machine online, which neatly cut the existing SIM cards down to size and set up a website called Microgaff to solve the problem. We forwarded requests for micro-SIMS to them, and they sent them out. It meant we were able to give members the new size three months earlier than we could have on our own.” A problem solved with customers’ help is quite unusual in the business world, and belief grew another notch.

“It was the biggest vote of confidence yet in a way of operating that was far more trusting of customers”

Moments of Belief weren’t always so straightforward. When giffgaff launched, people didn’t use vast amounts of data and the offer included tariffs with unlimited data for a fixed price. As the technology world evolved people’s behaviour evolved too and a small number started using a great deal of data for films or games. Even though customer numbers were low, the costs were too high for giffgaff to absorb. But the company knew they couldn’t just put the prices up because if customers felt upset they had at their disposal the membership forum giffgaff had created, the perfect platform for mass complaint and mass defection. So giffgaff realised they had to consult – to explain openly what was happening and to put forward their proposal for what to do about it. The giffgaff team was highly apprehensive about the response they were going to get. To their relief the response was, in the main, honest and open too. They received improvement suggestions on their proposal and support for the direction of travel. So, when they introduced the updated changes, although some members were unhappy, other members stepped in and argued for the changes as well as for giffgaff’s approach. It was the biggest vote of confidence yet in a way of operating that was far more trusting of customers and far more customer-led than the norm.

This was the moment the team knew they had created something truly better. But their CEO, the person who had launched this new creation, decided to move on and while navigating the handover to incoming chief

Schofield, the reputation-threatening revelation emerged that giffgaff had been inadvertently overcharging 2.6 million customers for most of its existence. Talking to The Drum (a marketing and advertising website and magazine) in 2020, Schofield said, “I knew that people would judge us on what happened next. By the time we’d told Ofcom, we had already started paying everybody back, including people who had already left giffgaff. We hired an agency to try and find them to give them the money back, even if it was only a pound.” This honesty worked, with giffgaff’s growth and customer satisfaction ratings seeing an increase. It also acted as a barometer of how the company was doing as an outside-in business under new leadership, a potentially risky time.

Making it systematic

Customer ideas to improve giffgaff are continually put forward and voted up and down by members. Those at the top are implemented fast with daily deployments, something at the heart of the credibility of this member-led approach.

Monthly texts to members telling them how to save money with giffgaff were introduced and a major focus on sustainability has seen heavy investment in its refurbished phone division, which allows people to buy a second-hand phone whether they plan to use a giffgaff SIM card or not.

“We’ve moved away from prescribing answers in the form of projects. Now we have a rolling twelve-month roadmap, brilliant quarterly sessions with the product teams when they report on what they’ve done, the value created, and ambitions for next quarter. It’s designed to save us from ever becoming a bunch of execs taking out-of-touch decisions.”

In fact, members are joining the team. The membership includes a strong tech community and when giffgaff started developing apps they discovered that some had already been written by people in the community and were available on the Apple store. The company identified the best and took the people behind them on. The latest app platform was built from the ground up, launching initially to a small beta group of giffgaff members. Top-up voucher scanning and an App that makes member SIM card sharing easier are new features that have arisen directly from the ongoing flow of help requests, information sharing and app reviews in the members’ community.

Beyond human insight the company has invested in a data warehouse to spot things they might not have

otherwise discovered. "What we're really excited about is data creating more intuitive experiences for our members." The aim is to make giffgaff relevant on an individual level to every single member with features such as its personalised best plan advice, a unique offering that puts each individual member's needs first, even when that means recommending them to spend less with giffgaff.

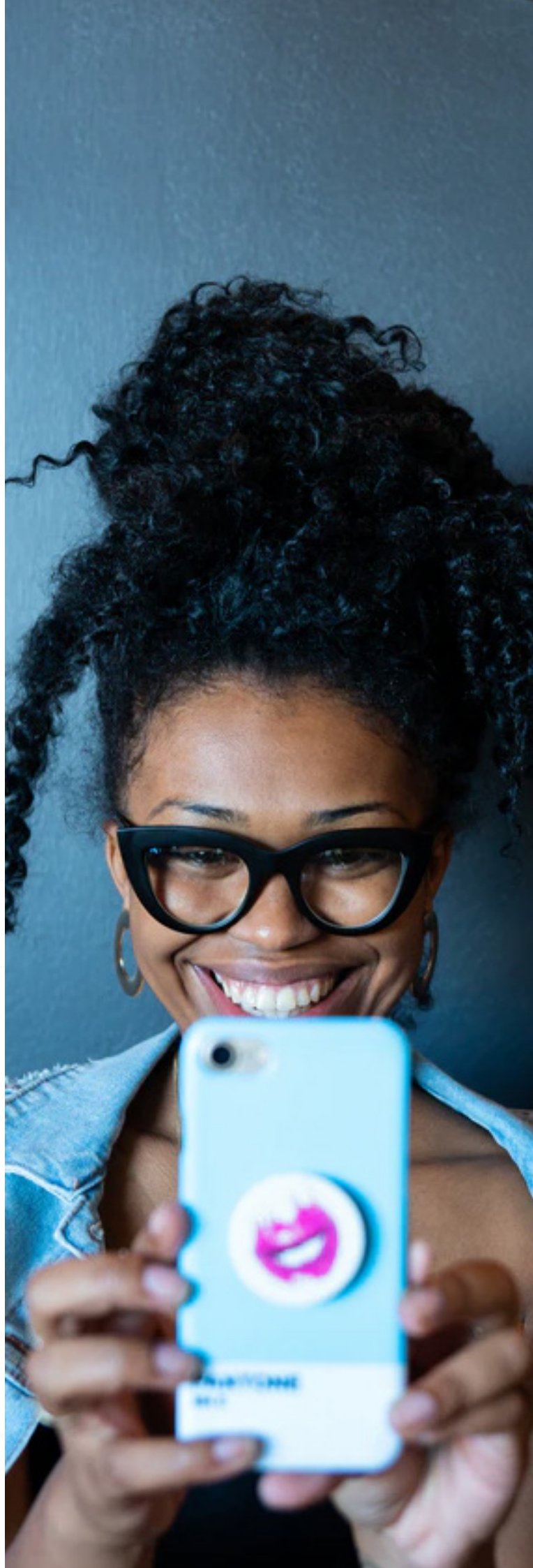
Sustaining the outside-in belief system

For the CEO, sustaining giffgaff's unusual beliefs means maintaining a sense of reinvention and making sure that it remains what he terms a "new-new company."

"I took over when giffgaff was nine years old and the tenth birthday felt big to me," Schofield says. "The question I posed was, at ten years old are we old or new? Everyone said we're new. I asked, are we an old-new business or a new-new business? This started a rallying cry, that we have got to make decisions now that guarantee we'll be around for the next ten years. The opportunity is there for more of a fusion between tech and marketing. We've got to stay 'new-new.'"

giffgaff has dialled up its community work with the set-up of Community Pioneers which began with Schofield challenging his marketing team who in turn reached out to the forum asking if members would be interested in getting more involved by testing prototypes and functionality as Pioneers. Eleven thousand people signed up. Pioneers helped build the new community platform for the company when they grew out of the old third party one they had launched with. Members helped design the pages, functionality, look and feel and when it went live, they shared the story of why it was like it was and how it's going to develop.

"There's this idea people talk about that you are the average of the five people you spend most time with. I find that interesting," Schofield says, when talking about the company's decision to invite other non-Telecom businesses in to talk about how they work. "In the case of Bulb and Monzo, these companies saw us as inspirational for their own journey and were really pleased to come in, but we saw it from the opposite view, that these are digital-first businesses and we want to be in that pack, learning from them." This is textbook outside-in thinking, to get stimulus from everywhere and anywhere as a way of staying 'new-new' and sustaining the belief system. In giffgaff's case, the mantra is that people have the answer, so people are the basis of everything, and mutuality the key to opening it up.



Schofield sees his role as an internal protector of culture. "If colleagues leave, the culture can't leave with them. The risk is that everyone becomes such a brand guardian that a level of conservatism creeps in by the back door, so we have to do stuff for a reason we believe in and we have to not become self-referential." He has been determined to maintain the start-up "habits" that would have been so easy to park at some point along the way. "When I joined, every Monday forty people got together to talk about what had happened in the past week and what was going to happen. We still do that today," he says of the weekly ritual which sees all two hundred colleagues congregate in its Uxbridge auditorium to update on business priorities. "It's really important to keep these things as you scale. Because you don't want to lose that edge. I don't want anyone to ever say 'I don't know why we do this'. You've got to challenge constantly what you do and how you do it."

Schofield commissioned *The Little Book of giffgaff* to remind people why 'this is the way things are done around here' and in response to what he described as his "fear of screwing up the culture." He started writing down core beliefs, "harnessing the power of people, challenging the established way and improving it" and it became a book that is now there as a reference point, keeping the company constantly challenging itself to do the right thing. "We cannot turn into a homage to our previous selves," he says.

But fine words, in the end, don't matter – it's action that people believe in.

So, having identified the ineffectiveness of constantly retraining staff for the small (5%) element of third-party customer calls that are needed to handle payment issues, Schofield posted on the community forum to invite members to provide this support as proper employees. Thousands responded and work-from-home agents were recruited using giffgaff's Golden Questions to find people genuinely enthused and who understood mutuality.

As a happy side-effect, the company didn't miss a beat when lockdown came because giffgaff's team was already set up to work from home. "This is not about a recruitment strategy," Schofield maintains, "but

about playing to your strengths. When you have high advocacy like us you just put those things together and better service is the result."

Outcome

The initial proposition was simple but risky - respecting your customers by trusting and involving them. It sounds dangerous but giffgaff shows that it can work in a big way.

From the outset, the team could demonstrate that customer positives lead to commercial success. A different set of beliefs about customers created a sense of ownership born out of mutuality. Members helping other members saves on the costs of service, then commitment to the company means members find new ones by word of mouth, saving yet more.

Two years after their launch, giffgaff outshone the rest of the sector in the UK Customer Satisfaction Index and scored on a par with the likes of Google, Apple, and First Direct. giffgaff's Net Promoter Score ranks higher than O2, Apple and Google. The Community Health Index, a measure created by online forum community provider Lithium to measure positivity, speed of answering questions and level of engagement across 700 organisations' forums, ranked giffgaff highest of all 700, with an average response time to a posted question of 45 seconds.

Within five years, giffgaff was a major player in mobile telecoms without ever having run a call centre and having paid out £11m to members for their services. Revenue reached £490 million in 2019 after a decade in which the company was nominated as Which? recommended mobile network provider of the year seven times. Since 2016 giffgaff has won the Uswitch Network of the Year for 5 consecutive years. They also won three other Uswitch awards in 2019 for Best SIM-Only Network, Best Network for Data, and Best Pay As You Go Network.

In Scottish proverbs you'll find the phrase, "giffgaff makes good fellowship." It makes good business sense too.