

★★★★★

“IF YOU LOVEFiLM, AND LOVECUSTOMERS, THEN YOU’LL  
LOVE THIS BOOK!”

WILL KING, FOUNDER, KING OF SHAVES

# SUCCESS THE LOVEFiLM WAY

HOW TO GROW A FAST GROWTH  
BUSINESS IN FAST CHANGING TIMES

**SIMON CALVER**

FROM THE CEO’S CHAIR



“The LOVEFiLM story offers interesting insights into the way modern businesses, and particularly those backed by venture capital, succeed. There are useful lessons for anyone looking to start or grow a business using this route. Simon Calver explains both the challenges and opportunities that VC funding raises. Calver is right to describe this as the classic modern business story.”

**Alex Mitchell, Head of Influencer Relations, IoD**

“The LOVEFiLM story was a great read. It’s honest, insightful and very entertaining. It shows most importantly the power of leadership to create an exceptional company. Frankly, everyone in the UK needs to read this book right now.”

**Julie Meyer, Managing Partner, ACE Fund**

“I met Simon at the annual Real Business awards in 2009, and was delighted when he asked King of Shaves to become a founding member of The Consumer Forum – an association of SME’s that put the customer first. The success of LOVEFiLM, and his leadership of this disrupting business, was entirely down to his ‘putting customers first’ – by giving them what they wanted, when they wanted it, always embracing the latest in cutting edge technology. Firstly by sending the latest film releases through the post, and now by it streaming on demand.

I’ve been lucky enough to spend personal quality time with him, and now you can learn how he helped LOVEFiLM grow so astonishingly, in a constantly changing digital environment. If you Lovefilm, and LoveCustomers, then you’ll Love this book!”

**Will King, Founder, King of Shaves**

“The LOVEFiLM story shows the importance of organizational agility, trust and the relentless focus of taking customers, stakeholders and employees with you on your journey. Above all it demonstrates the importance of understanding what you do and why you do it, and why it’s important to have a business model that delivers for the customer and the business.”

**Jo Causon, CEO, Institute of Customer Service**

“It took Simon’s dedicated hard work bringing together a series of smaller businesses to make LOVEFiLM one of the true internet success stories. In Simon Calver’s book, he shares his business philosophies that led LOVEFiLM to the successful takeover by Amazon. The book is not just a compelling narrative, but lessons that all businesses and entrepreneurs can benefit from.”

**Mark Florman, CEO, The British Private Equity and Venture Capital Association (BVCA)**

“LOVEFiLM was a company Ella’s Kitchen had looked up to as an example of being an innovator, the re-definer of its category and one that was truly customer centric. Simon was a CEO I had personally looked up to as someone who I thought defined leadership, rose to challenges and could think differently. I’ve had the privilege to see, almost from the inside, his style, vision, inclusiveness and clarity of thought which have inspired his team – and me too – whilst I have also benefited from the generosity of time and his willingness to share learnings with me. If I ever started again and were looking for a partner or non-executive mentor, I know who’d be top of my shortlist. Enough said.”

**Paul Lindley, Founder, Ella’s Kitchen, [www.ellaskitchen.co.uk](http://www.ellaskitchen.co.uk)**

“Simon’s considerable experience spans start-ups and multinationals, and his CV reads like an album of number one hits. You wouldn’t know it to meet him though, he’s ego and buzzword-free, offering straightforward insights based on nearly three decades building, fixing and growing great companies.”

**Richard Moross, Founder and CEO, [moo.com](http://moo.com)**

# **SUCCESS THE LOVEFiLM WAY**

**How to Grow a Fast Growth  
Business in Fast Changing Times**

**Simon Calver**



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*Library of Congress Cataloging-in-Publication Data*

Calver, Simon, 1964–

Success the LOVEFiLM way : how to grow a fast growth business in fast changing times / Simon Calver.

p. cm.

Includes index.

ISBN 978-0-857-08369-2 (pbk.)

1. LOVEFiLM (Firm) 2. Video rental services—Great Britain. I. Title.  
HD9697.V544L683 2013

384'.84—dc23

2012046225

A catalogue record for this book is available from the British Library.

Cover design: Parent Design Ltd

ISBN 978-0-857-08369-2 (paperback) ISBN 978-0-857-08385-2 (ebk)

ISBN 978-0-857-08382-1 (ebk) ISBN 978-0-857-08383-8 (ebk)

Set in 10/13.5pt Sabon by Toppan Best-set Premedia Limited

Printed in Great Britain by TJ International Ltd, Padstow, Cornwall, UK

*To Monty James Calver and Nieve Elizabeth Calver  
hoping you follow your entrepreneurial passions  
and dreams.*





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# INTRODUCTION

**T**hursday 20 January 2011 is hardly a day that set the history books alight. There weren't many major news stories that day. The year's big story, the popular uprising across North Africa and the Middle East that became known as the Arab Spring, had barely started. One news item that day, alongside the usual litany of unfortunate crimes and new political initiatives, was the opening of a shrine to Paul the Octopus in Germany. This marvellous marine creature had allegedly accurately predicted all the winners in the previous summer's football World Cup but passed away in October. I think it's safe to call it a slow news day.

But it was a big day for me and for the rest of the team at LOVEFiLM. It was also a pretty big day for everyone at Amazon, because it was the day we announced the deal in which Amazon took over the bit of LOVEFiLM it didn't already own. Amazon had been a major investor in the business, with a seat on the board, since 2008. In some ways it was no surprise to see Amazon purchase the rest of the stock. While some UK observers complained it was another example of a UK business being sold before it had chance to grow, the truth is that the earlier Amazon deal was one of the reasons the business had grown as much as it had since 2008. When the announcement was made to the staff, gathered at an all-staff meeting, they spontaneously broke into a cheer and a round of applause. That said a lot to me about this being the best possible news for LOVEFiLM. They were cheering because they knew it was the best deal. It was by no means inevitable. But even with a little sniping from some of the smaller investors, the deal went ahead and went smoothly.

Anyone lucky enough to have been part of a business that has grown as quickly as LOVEFiLM – particularly one that captured the public imagination the way we did – will tell you the journey is never straightforward. And it wouldn't have surprised me if there had been a final, unexpected twist in the tale. It is partly the unpredictability that makes leading a fast-growth business so interesting. And one of the reasons for this book is to attempt to translate those experiences into useful business lessons.

My involvement with LOVEFiLM may have culminated in the full glare of the media spotlight as we announced the Amazon sale, but it began in a much more low-key manner, over a coffee. There were no cameras and no journalists present. There wasn't even a press announcement about me joining. While some elements of the team, the company culture and its approach to customer service might still be the same, the company we sold to Amazon was mostly unrecognizable from the one I joined in 2005.

In the six years between those two dates my role as CEO was to lead the company through a near-constant process of change and evolution. Some of these changes were small and insignificant; the sort of thing that only those concerned ever get to know about. But others were huge. I led the company through a series of events that transformed it from a small, obscure, tech start-up into a well-loved household brand name. That transformation included mergers with rival firms and sensational marketing campaigns, as well as the defining deal with Amazon. Along the way we made some people very wealthy and brought lots of people lots of entertainment and happiness. It's always nice to enjoy your work, and as the CEO of a company, it is vital that you love the brand and company you lead. If you don't believe in what you're doing, it's difficult to take others with you and almost impossible to convince them to do things they might not want to in the interests of the wider company. The sale to Amazon was a defining moment in my personal LOVEFiLM and business experience. But as positive and exciting as doing that deal was, there was a part of me that was sad because I knew it would change LOVEFiLM forever.

The sale was the culmination of a journey that had begun almost a decade earlier, when a number of bright entrepreneurs and venture capital (VC) investors had the same idea at roughly the same time. Online video rental business Netflix was thriving in the US and taking that model and launching a version of it in the UK was an obvious win that was appealing to potential investors.

*"In many ways the LOVEFiLM experience encapsulates the archetypal modern business story."*

Companies such as ScreenSelect, Video Island, LOVEFiLM and MoviesbyMail stuck to the 1% innovation rule, in other words they were all basically variations on the successful Netflix business model. That meant there was a decent amount of evidence that the business would work. Each of these businesses that started and eventually merged to become LOVEFiLM International was slightly different. They each reflected the personalities of their founders. But the differences were marginal. Each was essentially an adaptation of the Netflix model for the UK. Although it is much smaller than the US, the UK nevertheless has a strong tradition in cinema and films. In the early 2000s, bricks and mortar DVD rental shops were still doing OK. But internet connections were speeding up and spreading across more of the UK and it was clear that the future for film distribution would be at least partly digital. While investors were still risking their money – and any start-up is always a risk – it was a calculated risk and one many were evidently prepared to take.

The business case clearly stacked up well enough for VC investors because a number got involved in backing these various start-ups. This involvement of multiple VCs became a defining characteristic of the business. In hindsight it was both a bonus and a drawback. It meant that when we eventually brought all the firms together under the LOVEFiLM brand, there were several VCs at the board table. While this gave us plenty of access to the brains, the support and the cash we needed to grow the business, it also meant that the pressure to secure an exit was significant. There was no question that people were at the board table to make sure they got the best possible return on their investment (both intellectual and financial), after all, this is the job they do for their investors.

In many ways the LOVEFiLM experience and the journey we went on as a team, encapsulates the archetypal modern business story. It involves fast-moving technology, VC investment from the start and the involvement of one of the biggest beasts in the modern technology market. In just under a decade we took a business from a series of start-ups, through mergers to a partial sale, through a period of rapid

growth and then on to a full sale to a major global corporation. Along the way we experienced everything: a dramatic fire at our distribution centre, referrals and investigations by the Office of Fair Trading (OFT), rifts and fallout between investors and management and takeover discussions with some of the biggest media and online businesses in the world. We didn't sit still for a minute and no two years were the same. And the Amazon ownership means LOVEFiLM has ended up as an essential part of one of the largest online businesses in the world.

My intention in this book is to tell this business tale. I believe the lessons it offers are powerful and general enough for it to act as a kind of extended case study. If you're a film buff, there should be something in this for you. But if you are interested in business, leadership and management, then I hope the lessons here will prove valuable. Most are drawn from my time in charge of LOVEFiLM, but some come from my earlier career experiences.

This is not intended as an autobiography. Instead, I prefer to think of it as the biography of a business philosophy. For a start, I wouldn't presume that anyone outside a very small circle – including my young son and new daughter whose reading is not yet that advanced – would have any interest in reading about my life. But in the course of a career that includes having worked at a senior level at several large multinationals, and, more importantly, having taken LOVEFiLM from start-up to sale, I have had some interesting business experiences. In particular the rules and processes, tips and tricks that have helped me through my career to date are worth passing on.

Of course that means talking a bit about the people and events that have shaped that philosophy. I have experienced life in vast multinationals and tiny start-ups as well as pretty much everything in between. This range of experiences has led me to form a philosophy for business that transcends the traditional barriers of organization size. I believe there are plenty of lessons that those in very large organizations can learn from those in the smallest companies and the same the other