



# **Channel Innovation at BT**

**Dr Stan Maklan and Professor Hugh Wilson**

**January 2005**





## Contents

<b>Introduction.....</b>	<b>1</b>
Sea-change in BT MB's business .....	2
MB's strategic response.....	2
<b>A four year effort and still developing... ..</b>	<b>4</b>
Pilot 2001 .....	5
DBAM Rollout July 2002 – Scaling up.....	6
Introduction of Desk Based Technical Specialists (DBTS), January 2003.....	7
Partner channel development.....	7
BT.com.....	7
<b>Results .....</b>	<b>9</b>
<b>Enablers .....</b>	<b>11</b>
Channel governance and integration .....	11
Multichannel working .....	12
Sales campaigns.....	13
Working with the people.....	14
Systems .....	15
<b>Conclusions .....</b>	<b>16</b>

## Introduction

In 2000, Danny McLaughlin, then Managing Director of BT's Major Business (MB) Division (£5bn turnover), realised that a radical rethink of how MB sold its products and services was needed.

BT integrates all marketing and sales resources under *BT Retail* which manages all business to business, Government, and residential marketing and sales. Network development and quality is managed by *BT Global Services*, technology/product development by *BT Exact*. BT Retail has three major components:

- BT Major Business (BT MB) works with BT's largest UK-based business customers in both the private and public sectors. There are approximately 5,000 people in this sales, service and marketing organisation, delivering annual revenues of over £4bn.
- BT Business is dedicated to serving the communications and IT needs of small and medium sized companies in the UK. BT Business currently has 1.5 million customers representing a cross-section of business: from start-ups and 'micro-businesses' (1-10 employees) to medium sized businesses (250-500 employees).
- BT Retail develops and delivers innovative propositions to the consumer market. It has a customer base of over 18 million, delivering a turnover of nearly £6bn, and contributing about 30% of group profits.

MB sells a very broad range of services and products that vary enormously in their technical complexity, average order size, required sales effort and margin. There was little consistency in its account coverage, frequency of sales visits and account handling strategies. Furthermore, BT's brand and customer experience varied by distribution channel and by business partner.

MB faced challenges on all fronts. In 2000, all sales were booked by the field sales force – from a £5K leased line to a £100M outsourcing contract. Despite a field sales force numbering 2000 people, MB was unable to serve the market adequately across its expanding product and service range. Its cost of doing business was increasingly uncompetitive yet the sales force was neither reaching enough new customers nor able to spend enough time developing more business from current customers. Many of MB's new, non-telecom products and services were complex to understand and hard to sell; a large increase in sales and technical training was required. How could

MB increase its coverage, improve account penetration, introduce new services rapidly and enhance its reputation amongst major businesses - whilst reducing its cost of sale substantially?

### **Sea-change in BT MB's business**

MB is undergoing long-term fundamental change. Its traditional base of high margin telecommunication services (e.g. leased lines) is being eroded: since deregulation in 1984, competition has focused upon getting a share of this business as large corporate customers are easier to reach than residential customers. BT's market share is eroding gradually and margins are falling. BT MB seeks, naturally, to improve its competitiveness in its traditional business, but judges that the market will become increasingly competitive regardless of its efforts. Replacing its traditional telecoms business is ICT: i.e. network products such as LAN/WAN and business services such as outsourcing. ICT encompasses growing markets, but markets that attract much lower margins than BT's traditional business. MB's marketing and sales organisations must evolve to one suited to a high growth, but lower margin market.

Coincident with the change in product/service mix, MB finds itself increasingly dealing with new customers. Large ICT projects are executed at the behest of customers' functional directors (HR, Marketing, Sales) rather than BT's traditional buyer – Communications managers. Simultaneous to the move to a lower margin future, the complexity of customer acquisition and management is increasing dramatically. MB must have new conversations with people with whom it has not traditionally dealt.

### **MB's strategic response**

BT decided to differentiate how it treated customers depending on their needs, providing enhanced coverage and effort where required by the customer or product whilst using less expensive channels where high cost sales efforts were not justified. In this way, MB expected to improve its performance in winning major new service contracts as well as selling standard network and telephony services profitably.

BT MB decided that it was going to introduce new, more cost effective sales channels – adopting an attitude of using the right channel for the right task. Undifferentiated customer handling by a single field sales force was no longer sustainable.



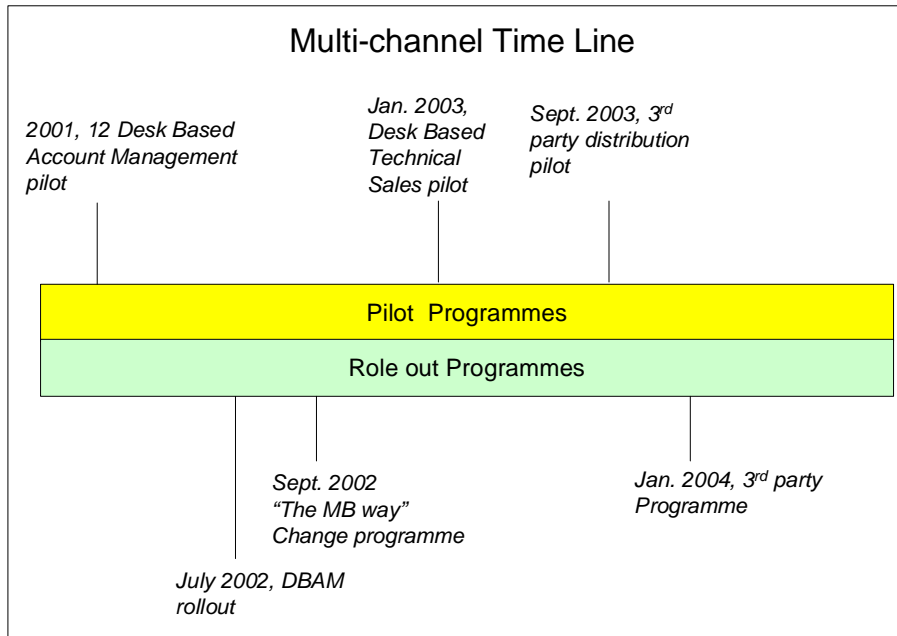
“As with every large corporation, running costs are always under scrutiny, we realised that vast improvements could be made on our cost of sale ... a highly qualified sales person spending time over many small orders whilst a £100M opportunity goes begging for attention. We needed to take all that away from our key account people and free up time for more strategically important customer development activities. At the same time, there was so much business for BT to win even within existing accounts if only we had a way to access it cost effectively.” ...Olivia Garfield, General Manager, ITW



## A four year effort and still developing...

The implementation of multichannel marketing began in January 2001 with an initial pilot of 12 desk-based sales people working with field sales people in selected accounts. Over four years, the programme developed and, as a result, MB changed into a fully-fledged multiple channel business. At each stage, MB validated critical assumptions of the business case to ensure that the expensive programme was justified by incremental profit and to improve the programme's effectiveness.

"In retrospect some of the changes we made seem obvious and indeed common amongst other companies in a similar position as us. At the time, they were nothing short of revolutionary. How would we get field-based Sales to embrace and work with a second, lower cost, channel to market? How could we change embedded habits and routines? If we freed up senior sales peoples' time for strategic work – would they rise to the challenge? Would we end up with a series of mini-MB businesses or could we really integrate all the channels into a single, managed customer experience – customer by customer? The theory may have been obvious, but we were dealing with people: their roles, their compensation and their clients. Given the nature of the change, the risks of it going wrong and the impact upon our reputation with BT's largest clients, we needed to progress carefully, piloting every step, learning, rolling out, and enhancing every part of the effort.... This was never going to be a short term-fix or cost-cutting exercise alone." ...Olivia Garfield



### Pilot 2001

The initial step was to introduce a limited number (12) of Desk Based Account Managers (DBAMs) to validate the assumptions of the business case and identify organisation development programmes required to maximise the effectiveness of multichannel marketing. In addition, development on BT's commercial website continued and the introduction of DBAMs coincided with increased functionality online. The pilot lasted about one year and was considered successful:

- Cost of sales to income decreased from 25% to 17% in pilot accounts through the shifting of simple transactions from field sales to the desk.
- DBAMs generated incremental revenue by:
  - (1) driving closure of lower complexity deals that may previously have been too small for the field to focus on
  - (2) addressing existing customers who had received infrequent communication from BT's sales force
  - (3) extending BT's reach within a customer to new contacts
  - (4) working to much shorter sales cycles (due to low complexity) thus increasing the number of sales campaigns executed in any given time-frame.

- Customer satisfaction ratings in pilot accounts increased by 33% due to the increased level of service and its immediacy.
- Employee satisfaction remained constant despite the inevitable unease about the changes. The field sales people appreciated the increased coverage within their accounts and the ability of DBAMs and the web site to reduce administrative workload.

The results of the pilot emboldened BT MB's leadership – providing hard evidence about the potential for multichannel marketing. Danny McLaughlin publicly stated that “This is going to be difficult. Things that are worth it generally are. We will no doubt go through a lot of pain to get lots of gain....I will not back off from it, no matter what the difficulties are.” This sentiment ensured that managers worked through the problems rather than being derailed by them.

### **DBAM Rollout July 2002 – Scaling up**

The combination of field, desk and online resource was extended to an increasing number of accounts and product lines. Over the next 18 months, DBAM staff levels rose from 12 to 330; in 2005 the level is planned to taper off at approximately 440. By the end of 2003 almost all major account teams had desk-based resources to extend and enhance their sales efforts and an effective CRM system to help integrate field and desk selling.

BT realised that scaling up from a pilot was not merely a matter of hiring more people. Field and Desk had to understand how each other worked, how to combine their efforts and needed to establish rules to avoid conflicts.

“Getting field sales to work with 12 DBAMs in selected accounts was one thing, but extending the programme out to the entire MB field was a far greater organisational challenge” ... Olivia Garfield

Besides communicating the pilot's success, BT launched a major organisational development programme entitled *The BT Way* (September 2002) to help field sales people understand how to make the best use of the new desk-based and online resources being made available to them. To avoid issues over compensation that could jeopardise co-operation, BT experimented with what they called “double-bubble,” that is, paying both desk and field resources for sales on which they co-operated. Within six months this was deemed too expensive and it hid poor performers; a new system was developed that rewarded both field sales

people and DBAMs for all sales over their annual targets without paying twice for each sale. The remit of each was clear – DBAMs were responsible for bringing in new business on their accounts, Account Managers were responsible for the entire account balance, netting off defence activities against new business. It was in the account manager’s interest to help the DBAMs sell aggressively to his or her account. It was in the interest of the DBAM to help the account manager develop opportunities within the account that the desk could exploit.

### **Introduction of Desk Based Technical Specialists (DBTS), January 2003**

As the number of DBAMs increased, BT observed that their impact varied by situation, type of account and the complexity of the product or service that they were selling. In January 2003, BT recruited four desk-based technical specialists (DBTS) to work alongside the DBAMs to enable the desk to sell more complex products and services. The addition of technical specialists dramatically increased the sales revenue of the DBAMs and now, 50% of the incremental revenue generated by DBAMs is generated with the aid of the DBTS.

### **Partner channel development**

MB has long felt that it could make better use of third parties to sell to accounts that would never be large or profitable BT customers.

“We had lots of different arrangements with lots of different companies, each of whom presented BT differently. We had limited visibility of what was happening and control over our brand image – we needed to get our arms around this.”  
...Olivia Garfield.

MB relaunched its channel partnership programme under the title *Managed Accounts Through Partners (MATP)*, reducing its number of partners to five, who collectively manage 1000 accounts on behalf of BT. The five partners have access to MB’s CRM system and record all their client details and activities on the same system. They participate in all the MB marketing campaigns alongside their MB colleagues.

“Our partners are an integrated part of MB; they deal with accounts with whom we might not find as profitable so they are a true extension of our selling efforts.”  
...Olivia Garfield.

### **BT.com**

Throughout the period, BT continued its large investment in developing online service to all customer groups and ensuring that BT’s online services were integrated fully with its other channels. MB customers access BT.com through the standard BT URL; on the home page they self select themselves as either a



corporate or Government customer and are routed to the appropriate “customer zone”, a section of the web site designed and maintained by MB.

There are two strands to the BT.com strategy: sales-marketing and post-sales or fulfilment. As a sales and marketing tool, BT.com provides customers with reasons to call or contact BT as well as relevant web conferences or other relevant business information. Business rules built into the web solution ensure that customer enquiries and orders are routed to the appropriate person for fulfilling. The MB customer zone is part of a fully-integrated marketing approach so that content and services are appropriate for each customer. The after-sales services allow customers to access basic service and billing information quickly and report faults. These services provide enhanced convenience for customers and reduce the amount of non-customer development time for field and desk-based sales resources.



## Results

The programme has increased revenue, decreased cost, improved sales effectiveness, enhanced BT's image amongst major accounts and increased MB's marketing and sales competencies.

- Multichannel marketing generated £110M incremental business last year alone<sup>1</sup>. Of the new business generated by DBAMs, 40% results from increased revenue within existing accounts and 60% from new customers.
- The ratio of sales expense to revenue is falling by 15% per annum. This arises in part from the replacement of field people with desk resource. Each field sales person costs more than 2.5 times as much as a DBAM on a fully allocated cost basis. However, some of the cost reduction (as a percentage of revenue) is generated from increased revenue – it is cheaper to sell some low complexity products using desk-based resources and this is reducing the cost of incremental business for BT.
- New channels have freed time for field sales to sell higher value-added communications solutions and this has enabled BT to compete successfully for complex, large contracts.

“I am convinced that without allowing field sales the time to focus on that which is important, we would not have closed our two biggest-ever outsource deals, one of which is with the NHS” Olivia Garfield

“We are now focusing on building relationships with our clients’ functional directors. We had a push to establish relationships with HR directors this year; when we started, we had met with the HR directors of only 1% of our clients and now we have met 20% of them.” Alex Swann

- Customer satisfaction has improved. In 2001, customers were asked for their opinion of BT relative to its telecoms competitors.

---

<sup>1</sup> BT MB calculates incremental revenue as both revenue successfully defended against competitors and sales to new customers and or of new products/services.

Since then, MB has decided that comparing itself to traditional telecoms companies fails to provide it with relevant benchmarks for the growing ICT portion of its business. It has since asked customers to rate BT against their favourite supplier. Despite this much tougher measure, customer satisfaction scores have been rising steadily over the past 18 months.

- The DBAMs close 75% of enquiries that reach their desk, an achievement that is well above BT's original expectations.
- Employee satisfaction has remained static, and in some areas even improved, despite the tremendous changes and the loss of field positions.
- Web based customer conferences save field sales over 500 person-days per year.

# Enablers

BT’s multichannel implementation has been successful because it considered all elements of the system and addressed difficult issues of governance, people, processes, compensation and systems.

## Channel governance and integration

MB has mastered the art of creating an integrated channel structure whilst maintaining the role of account managers and leveraging their intimate knowledge of the customer and ability to customise BT offers. BT manages the multichannel strategy with two governance boards that meet monthly. The Account Management Governance Board sets policies and manages the progress of the technology enablers needed. The MB Multichannel Governance Board sets business policies and operational strategies that drive multichannel marketing throughout the business. This latter Board comprises the head of the MB business unit, heads of marketing, channel heads and heads of the account management groups. They manage the development and changes to coverage maps and policies, make sure that channels integrate, decide which accounts are better managed by partners etc.

Channel Governance at MB				
Account Management				
MB Channel Marketing	Government	Financial Services	Commercial & Brands	Corporate Mid-Market
	Field Sales Retail	Field Sales Fin Ser	Field Sales Man.	Field Sales X
Desk Based Resource	DBAM DBTS	DBAM DBTS	DBAM DBTS	DBAM DBTS
Bt.com				
Partners				



As illustrated in the figure above, field-based Account Management is still responsible for account development regardless of channel. The new channels are managed by MB Channel Marketing but they are managed on service level agreements with each vertical leader responsible for a set of accounts. Every month, the Head of Channel Marketing has a review with each vertical leader to ensure channel performance meets expectations and continues to support the future plans of that vertical group.

### **Multichannel working**

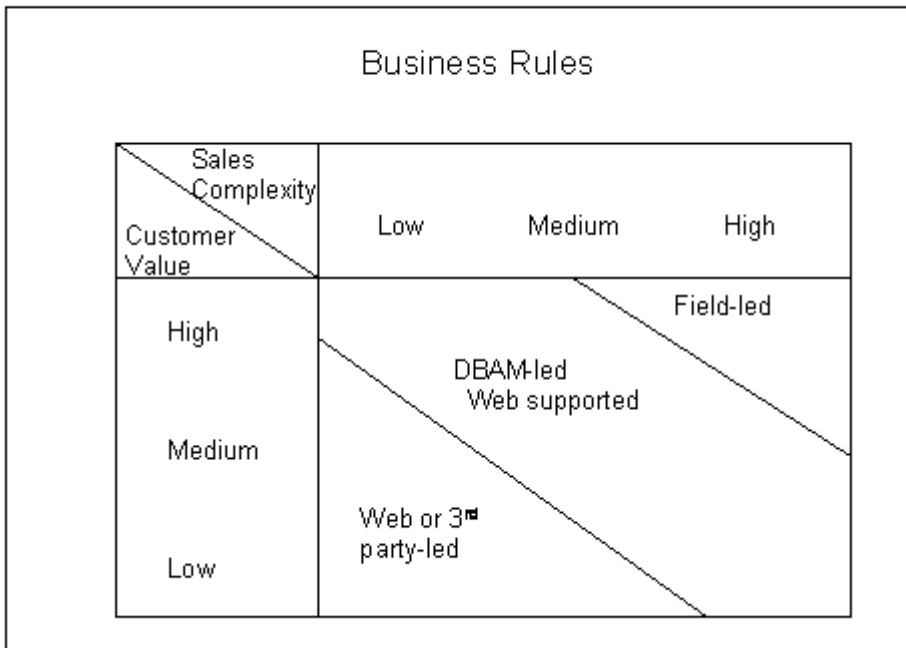
DBAMs are located within three major offices of BT in the UK; each works within specific vertical business units (e.g. Government, Finance) and participates in their account teams' weekly sales meetings (normally by phone). They are recruited, paid and performance-managed by MB Channel Marketing to promote the spread of best practice, maintain resource flexibility and provide a strong sense of identity and co-operation with other DBAMs. Nonetheless each account team has its own working practices and whilst some DBAMs are dedicated to one account, some can support the work of three or four accounts. This requires considerable flexibility and maturity on the part of DBAMs.

For the multichannel model to function well, staff in each channel must have a clear understanding of where they fit in the strategy of the overall account team and, in turn, this structure and working practice must be clear to their customers. In most cases, these working practices are defined by the complexity of the product or solution being sold to the customer. In order to support this way of working, BT has developed comprehensive business rules that allocate sales campaigns and leads appropriately. Critical to making business rules operational is the *coverage map*. The position of each of the approximately 65 services and product areas sold by MB on the coverage map is based on scores on seven issues which collectively determine the complexity of the sale: product maturity, configurability and integration, commoditisation, pricing complexity, length of time to complete sale, the need for buyer education and who in the client organisation buys. The scoring is agreed by the most senior people in MB Sales and Marketing and updated monthly by exception. The score of each product determines which channel will normally sell the product. The coverage map is embedded in MB's CRM system to ensure consistency across the Division, although the business rules can be overruled by account teams to allow the flexibility to meet the customer's needs.

In addition to working with the account team in executing the agreed business strategy for each customer, the DBAM performs a critical "triage" function on



leads generated from the web or from MB Marketing’s campaigns, deciding which opportunities need to be referred to the account team for progressing, which need specialist input from a DBTS and which ones he or she can action alone.



### Sales campaigns

MB Marketing creates periodic campaigns which provide good reasons to contact customers, with compelling events around themes such as security or cost control. The campaign material, along with lists of customers that marketing analysis suggests would be interested, is passed to the appropriate DBAM. The DBAM will discuss with the account teams and together they will decide if the campaign is relevant to an account or how it should be modified to make it more effective. Marketing recommendations are increasingly being accepted; 75% of recommendations are acted upon currently, up from 25% when the system started. At all times, it is the account management teams that opt-out of central initiatives and hence retain control of the customer relationship.

“Whilst we do run focused sales campaigns, this is in no way a tele-sales unit; we are a Major Business sales organisation. Detailed account knowledge is vital to make any campaign work in the corporate space - unless you translate the campaign into messages that are tailored to your customer, and show how the product you are selling specifically meets their needs, you will get nowhere.”  
...Alex Swann

### Working with the people

Multichannel marketing is being developed patiently at BT MB despite the strong imperative to reduce costs and the obvious success in each pilot initiative.

“We are not a hire-and-fire company and we were never going to get rid of people wholesale to hire a complete host of new people. It’s too much risk for our critical customer relationships, and aside from that, new CRM systems are only as good as the information volunteered by Sales. Perhaps most of all, we treat our people with respect and dignity. Our organisational development challenge was to make this big change work with the people, motivate them, give them new skills, and make sure they were all in the right jobs for them.” ...Lesley Abery

Each initiative - desk-based account management, desk-based technical specialists and MATP - has been piloted, modified and finally rolled out. Accompanying these roll-outs have been training, communication and careful consideration of the impact upon people.

Each DBAM required extensive training in account management, sales and product knowledge. Sales managers were given formal training in leadership and business planning as well as individual coaching to help them use the new resources. 28 DBTs and DBAMs went to Amsterdam and/or Dublin for training in CISCO and/or Nortel technical support respectively; they have come back enthused and confident. They are spreading their knowledge amongst all the rest of the community and revenue on the products for which they have trained has increased a remarkable 800%.

“You can’t hurry this too much despite our enthusiasm. First of all, it takes time to train desk based people and get them busy. You can’t just make 400 DBAMs busy from day one, even if you could find 400 quickly.” Rob Jones, Business Manager

As DBAMs took on more of the routine and low complexity product selling, some of the field sales people required training in their new and enhanced client and management responsibilities. This effort is now being taken forward with *Right Skills*, a computer based self assessment programme that will allow all Sales and Marketing people to identify their own skill gaps and pro-actively suggests training to address individuals' needs and career plans.

“Multichannel marketing really shines a torch on individual performance like never before. Some people feel exposed. Right Skills is a means for all our people, in a non-threatening manner, to assess their fit to the changing requirements of their roles and either fill the gaps or find better fits within BT.”  
...Leslie Abery, Programme Manager - pilot project team

### Systems

“You cannot make something like this work without powerful customer management technology. We opted for Siebel and it integrates all our channels including the web and our third parties. At first we did not offer access to our CRM system to our partners but we found it so difficult to work without it, it became obvious that we must do it” ... Olivia Garfield

The size and scale of the BT change programme mandated the use of powerful technology enablers. However, BT was not technology-led in the implementation of its multichannel marketing strategy. At each stage of the process, new business processes were developed thoroughly and the full implications of the changes upon the people involved were considered fully. A comprehensive pilot preceded full-scale implementation of new technology as each new channel was added to MB. The CRM solution used by MB was configured with respect to the channels used and the business rules developed. Technology is used by BT to facilitate the implementation of its strategies rather than as a quick-fix to broken sales and marketing processes.

## Conclusions

There are four key aspects of the BT experience that we wish to draw out:

**Time and planning** – the programme is approaching its fourth year in development and is continuing to evolve. Each important addition to the programme is well considered and piloted before being implemented. Despite the pressing business case for change, MB has taken sufficient time to ensure that its people commit to new ways of working.

**Strong business rules - flexibility in implementation** - account teams continue to have their own working styles and customise BT communication and campaigns for their client. multichannel marketing is customer led, not system led. That said, the business rules and the coverage map provide a highly effective way of implementing multichannel marketing over the thousands of calls, emails, transactions and mailings that BT MD undertakes each month.

**Channel integration.** Often multichannel marketing turns out to be little more than encouraging certain customers to use lower-cost channels exclusively. MB integrates its channels to provide a professional, efficient and effective customer experience. Customers are encouraged to use the channel best suited for the task at hand. This integration of channels, to the scale and scope demanded by MB's business, requires sophisticated cross-channel working relationships, supported by a matrix-like organisational structure and reward systems that encourage collaboration.

**A compelling case for change.** There can be no denying that business imperatives provided the incentive for all people in MB to implement multichannel marketing. MB has set each industry sector manager and each channel manager very tough targets for year-on-year improvement. The level of ambition, the measurable benefits and the demands of the market place combine to provide a boost to change.





**Cranfield Customer Management Forum**  
**In collaboration with**  
**IBM Global Business Services**

**Forum Director: Professor Hugh Wilson**  
[hugh.wilson@cranfield.ac.uk](mailto:hugh.wilson@cranfield.ac.uk)  
[www.cranfield.ac.uk/som/ccmf](http://www.cranfield.ac.uk/som/ccmf)

**Cranfield, Bedford, England, MK43 0AL**  
**Telephone: +44 (0)1234 751122**  
**Fax: +44 (0) 1234 751806**