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Case Study

BT campaign: 'Business Plan'

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Abstract

BT developed an extremely successful, customer-centric business to business campaign to protect business customer revenues threatened by competitors as a result of deregulation. Several phases of customer research revealed a powerful insight into business customer priorities that BT developed to form an innovative pricing proposition. Carefully planned, ongoing product extensions were used to combat competitors and sustain interest in BT's campaign.

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Introduction

BT's 'Business Plan' campaign, devised by Ogilvy One, gained a prestigious Diamond Award from the IDM at their 2005 Business Performance Awards.

The Business Plan campaign helped BT to re-establish itself in the business market. Business Plan would not have succeeded without a powerful insight, a motivating proposition and an innovative direct marketing strategy and execution.

Direct marketing played a significant role in BT's strategy, retaining business customers and upgrading them to Business Plan. The Business Plan campaign actually increased average revenues.

Deregulation of the telecommunication market in 2001 resulted in hundreds of competitors chasing BT's best business customers and their telephony revenues. Competition came in the form of carrier pre-select services [CPS].

Unfortunately for BT, by 2002 the competition was clearly grabbing market share, offering exceptionally low pence-per-minute rates for telephony. BT had to do something fast. They had to put a customer centric strategy in place to retain their business customers.

Everyone at BT was really worried that losing business customers could just be the tip of the iceberg. The consumer market was soon to be deregulated, so BT had to demonstrate to the city, the competition and themselves how they could take on new competitors and win.

Customer centric strategy

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If they lost this battle, consumer revenues would suddenly seem all the more vulnerable.

This case study shows how the gaining of a valuable insight, deeply rooted in the psyche of customers and prospects alike, was developed into a direct marketing-led communications strategy.

The campaign helped BT to retain business customers and critical revenues under threat from new competitors.

Background

The economy was far from swinging. The mood of the moment was pretty dark: 9/11, rising oil prices, the FTSE100 tumbling below 3,500 and the 'war on terror' looming.

No one could see further than the next few months. To say times were extremely uncertain is an understatement.

BT faced a major challenge. As a result of deregulation in 2001, BT had lost business customers, and revenue at an alarming rate. BT estimated that if they did nothing they would be on the way to losing 5 per cent of revenues and 20 per cent of business customers in the fiscal year 2003/4 (Figure 1).

Failing to meet this challenge was not really an option.

Lose the battle for business customers and BT would surely lose the battle for consumer revenues with the deregulation of that market.

Objectives

BT aimed to change perceptions and behaviour, generate response, stem attrition now and in the future, and demonstrate to the market that they could beat the competition while avoiding a price war:

- To achieve 100,000 existing business customers signed up to Business Plan by April 2004. This equated to over £150m in revenues by protection and acquisition.
- To reduce business customer dissatisfaction scores by 1–1.75 per cent.

Figure 1: Month on month increase in customer defections to CPS

Business customer defections

Revenue protection

- To increase value for money (VFM) scores among Business Plan customers to a level 10 per cent above non-Business Plan business customers.
- To maintain market share in a market where it had been declining year on year.

Change customers' perceptions

These objectives were challenging. 100,000 is no small number when you consider that the vast majority of the 3 million or so UK businesses are SOHOs and sole traders. SOHOs were mostly too small to benefit from Business Plan (in its first iteration).

Changing customers' perceptions is never easy. It is often hardest when the perceptions centre on value for money, because perceptions about price tend to be more entrenched.

Competitors comparing their rates unfairly to BT's standard rates just exacerbated the problem. Business Plan would be BT's first attempt at addressing VFM directly.

Strategy

Marketing research strategy

The crucial insight that underpinned the Business Plan campaign came directly from customer research. Everyone assumed that the business telephony market was driven by price.

The revelation that arose from BT's research was that, when competing on price, it is often more important for businesses to be presented with prices that are simple, transparent and clearcut than to be offered prices that are low.

BT decided they had to research the market further and test certain telephony propositions.

What they discovered turned some long-held assumptions on their heads.

Business decision-makers were less concerned with how low the price-per-minute was than the 'how much it could cost them' in total. The fear of costs getting out of control was greater than the thought of the potential savings made through a cheaper supplier.

The upper limit of how high the total cost could be was more important than low prices. SME customers craved certainty.

Using this insight, BT could develop a communication strategy that had longevity, unlike the tactical activities typical of the market.

The approach solved BT's business problems and, just as importantly, demonstrated that BT could take on the low-cost competition and win without degenerating into a price war.

At its simplest, the target market was BT's existing business customers, SMEs. SMEs are not the easiest group to approach with a marketing proposition. SME decision makers are cynical at the best of times. But when it came to telephony they were confused to boot.

Customer insight

SME decision makers

Motivational product proposition

Not surprising really, when supplier A said they were cheaper than B who claimed to be of better value than C. And, of course, C was cheaper than A. Business consumers did not know who to believe, but the one thing they seemed to be certain about was that BT, the company they were with, were probably more expensive than the rest.

These insights were fundamental to the development of the motivating product proposition, which eventually became Business Plan. Business Plan capped the cost of calls of up to an hour to anywhere in the UK at 10p, offering certainty in uncertain times.

Further research revealed that BT's business customers loved the Business Plan proposition and product. BT knew the idea was strong and planned additional benefits, capped international rates and capped calls to mobiles.

Modelling customer value

Targeting strategy

BT used modelling to identify and classify existing business customers who were vulnerable to competitor activity. Extra effort was expended to retain these business customers — the more vulnerable tended to be the higher value customers.

The first data selections ensured that Business Plan was only communicated to those customers whom BT knew were vulnerable to competitor overture, and those who BT calculated would benefit from Business Plan. Businesses that had recently been migrated to a new package in the previous six months were not contacted for obvious reasons.

Revenue-based algorithms

Algorithms based on revenue and calling pattern data were constructed to indicate how much a business would save on Business Plan. This data was used in later communications to make the savings more tangible.

Data also played a crucial role when BT introduced the capped rates for international calling and calls to mobiles.

From calling patterns, BT could identify who the high volume international direct dial (IDD) and mobile callers were, targeting them individually with single-minded messages.

Creative strategy

The central thought behind the communications was that, in an uncertain world, you can rely on BT's Business Plan.

Positioning

With national calls capped at 10p, businesses could know what they would be paying.

BT could have shouted about the product proposition but that would have been a wasted opportunity. Business Plan would have become just another price package adding to the noise. BT would probably not have moved VFM perceptions in any meaningful way.

The two problems that the creative had to solve were:

- how to position Business Plan as more than just a price package
- how to address issues about certainty and uncertainty.

Customer focus

The solution to the first problem was to position Business Plan as evidence of BT's intention to be more business customer centric, delivering greater VFM. This meant that Business Plan should not be the 'hero' of communications. The proposition had to be presented as the result of BT's focus on business customers.

The solution to the second problem was to avoid referring to the existing, rather depressing, business environment, and instead talk about day-to-day business certainties, every day business experiences: a Murphy's Law for business:

The certainty that the photocopier will not work at the crucial moment or that the most important presentation of your life is bound incorrectly or the fact that, with BT's Business Plan, you are certain that a call will not cost more than 10p!

Of course, the 'document' in one of the direct mail packs was bound incorrectly.

Product strategy

BT's Business Plan is a great example of product lifecycle management.

Phased product development

At launch, the two main benefits for Business Plan customers were a 5 per cent loyalty incentive and national calls capped at 10p. However, everyone was acutely aware that this would not be enough to sustain Business Plan. Hence, BT pre-planned the phased introduction of the capping of international calls and calls to mobiles. They were introduced in January 2004 and October 2004, respectively.

The new features gave Business Plan a shot in the arm, helping BT to win over business customers who were not sufficiently moved by capped national calls.

An additional benefit arising from the anticipation of product developments was that BT could easily counter competitor activity. As the competition targeted the international call and mobile call revenues, BT introduced its new features.

With a new and improved Business Plan for the high volume businesses, BT had the opportunity to create a variant for smaller businesses. Businesses not on a committed spend and with relatively low call volumes could 'qualify' for Business Plan. The variant was called Business Plan Lite.

By 2005, there was a version of Business Plan to fit most call patterns.

Figure 2: Phased introduction of new Business Plan product features

And the account reviews continued to reinforce the VFM and the relationship, and to remind business customers of the additional benefits they could sign up to (Figure 2).

Campaign execution

Mindshare (awareness generation through conventional advertising and word of mouth), consideration and response-oriented communications played important but very different roles.

Television, radio and press were vital, to give Business Plan an introduction, credibility and substance and to present the value for money proposition.

However, broadcast communications with the primary objective of changing perceptions could never sell Business Plan, drive the required responses or, most importantly, communicate the relevance at an individual level. Business Plan was too complex for that.

Direct marketing (Figure 3) enabled BT to present the seemingly complex benefits provided by Business Plan at an individual level. Capped rates were something very new. The product needed detailed explanation. Over time, the direct targeting changed to reflect new qualification tiers and the introduction of caps for calls to mobiles and international dialling.

After registration, existing Business Plan users were contacted via account reviews and telemarketing. This enabled BT to reinforce the VFM message and to strengthen the relationship.

BT now manages the introduction of features according to the competitive environment, moving through three different tiers. Not all BTs business customers are better off with Business Plan.

Broadcast communications

Individual targeting

Figure 3: Direct mail examples

Results

Business Plan is an ongoing activity; hence, business performance and specific campaign results remain commercially sensitive.

Key objectives were exceeded

However, Business Plan has exceeded its key objectives:

- The campaign over-delivered in terms of sign up. The original target of 100,000 sign ups was achieved in October 2003, six months ahead of schedule. There are now more than 260,000 customers registered for Business Plan.
- Attrition rates were reduced.
- Business Plan 'secured' business customer relationships; the capped features of Business Plan encouraged business customers to make calls, increasing revenues and profitability. Account reviews reinforced the value message (Figure 4).
- Business Plan changed VFM perceptions. There proved to be a significant difference between Business Plan and non-Business Plan

Figure 4: Increase in the number of calls from Business Plan customers

Figure 5: Business Plan customer attitudes to BT compared with non-Business Plan customers

Figure 6: The growth rate of BT Business Plan compared with BT Together

Figure 7: Satisfaction scores from BT Business Plan customers

business customers in terms of VFM scores and satisfaction with pricing. Business Plan customers were asked the question: ‘Since being on Business Plan, has your organisation increased calls made through BT?’ (Figure 5).

- BT Business Plan has proved to be the fastest growing business package to date, even faster than the BT Together consumer offering (Figure 6).
- The regular six monthly account review revealed that Business Plan communications had improved customer satisfaction (Figure 7).
- BT has retained much of its business customer base and still has a relationship to manage and leverage. BT still has a choice of ‘where next?’ in the business market.

Conclusion

BT’s Business Plan campaign illustrates the following points:

- The value of direct mail as part of a customer relationship management programme.
- The importance of conducting customer research to inform strategic planning.

- An illustration of a successful marketing approach to SMEs, a traditionally 'difficult to reach' and sceptical target group.
- The effectiveness of employing an intelligent, long-term approach based on meeting customers' needs to beat low-priced competition.
- The importance of good planning for running an efficient multi-media campaign at a campaign and strategic level.
- The importance of using data to inform strategic marketing planning, target marketing activity and personalise marketing messages.
- The value of pre-planning for the management of product lifecycles and the role of direct marketing in communicating product evolution to relevant customer segments.