



BLOCK & TACKLE

Leveraging Process *for* Results

APQC'S 2012 Process Conference & Training
October 22-26, 2012
The Houstonian Hotel, Club & Spa - Houston, Texas

APQC®

A better business



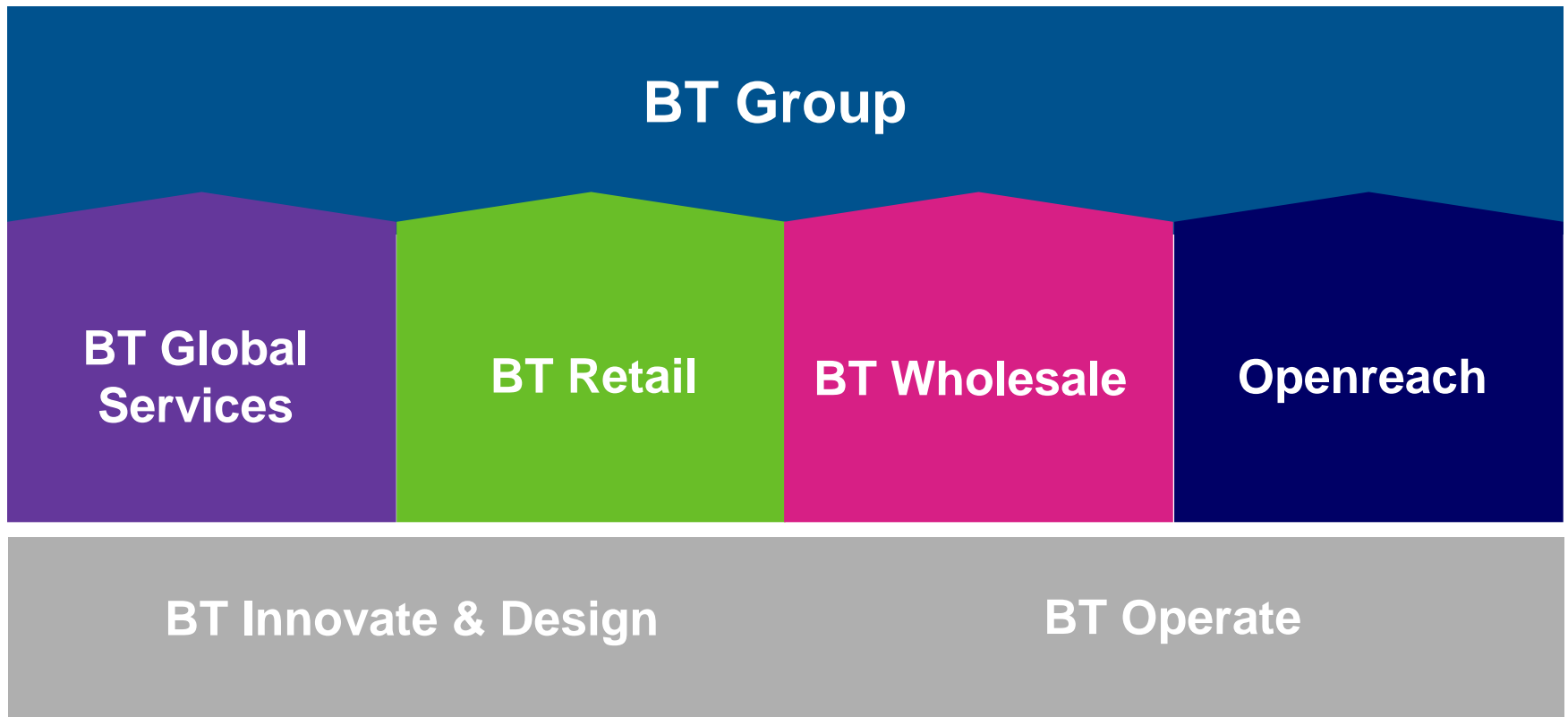
A better future

BT Group

Cost Transformation

BT Group how we are organised

- ▶ We have four customer-facing lines of business: BT Global Services; BT Retail; BT Wholesale and Openreach
- ▶ These are supported by two internal service units: BT Innovate & Design and BT Operate



BT Group line of business overview

Global Services

- ▶ Global leader in managed networked IT services
 - ▶ Serves needs of customers in >170 countries
 - ▶ Provides services to c.7,000 large corporate and public sector customers
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Retail

- ▶ Consumer & SME in the UK
 - ▶ Also comprises BT Ireland and Enterprises (e.g. conferencing, directories)
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Wholesale

- ▶ Provides broad range of voice, broadband and data communications services
 - ▶ Customers include mobile network operators, internet service providers and telecoms resellers in the UK
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Openreach

- ▶ Provides equivalent access to the 'last mile' on an open and equal basis
 - ▶ Responsible for delivering the roll-out of the fibre broadband network
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Building a better future

- ▶ Driving broadband-based consumer services
- ▶ Being the 'Brand for Business' for UK SMEs
- ▶ BT Global Services – a global leader
- ▶ The wholesaler of choice
- ▶ The best network provider
- ▶ A responsible and sustainable business leader



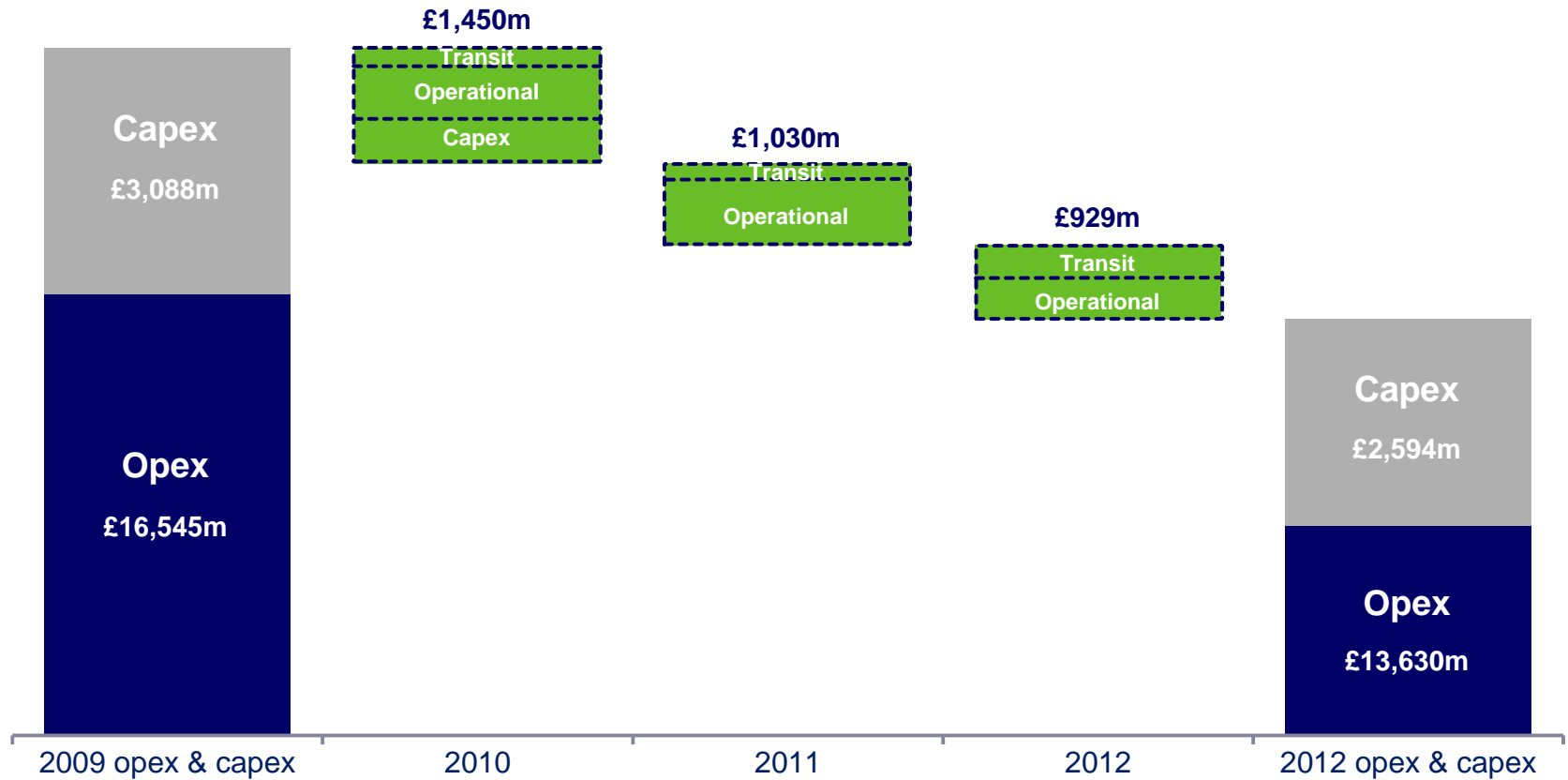
Cost transformation phases



- ▶ Capex
 - ▶ Labour costs including contractors
 - ▶ Reduction in consultancy spend
 - ▶ Supplier renegotiations
-
- ▶ Overhead Value Analysis
 - ▶ Right First Time process re-engineering
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- ▶ BT centric
 - ▶ Insourcing
 - ▶ Output based pricing



Three year opex¹ and capex reduction

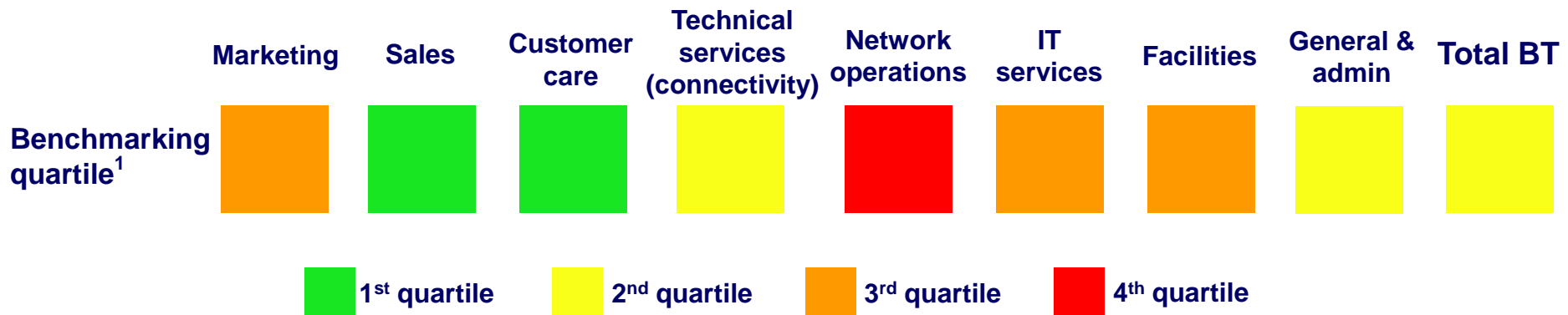


Opex and capex reduced by £3.4bn in the last three years

¹ before specific items, depreciation & amortisation and other operating income and BT Global Services contract and financial review charges in 2009

Benchmarking

- ▶ Benchmarking identifies that we have further cost reduction opportunities
- ▶ Overall we have seen some improvement
 - In FY 2009, overall costs were worse than peer average
 - In FY 2011, overall costs were better than average, but there remains a significant gap to best – overall, BT is at lower end of second quartile
- ▶ Even in areas where we benchmark well, there remain many opportunities for improvement



¹ FY 2011 benchmarking against telecoms peers

Cost transformation team

Team objective: to deliver cost transformation by improving the efficiency and effectiveness of everything we do across the business in order to maximise long term cash generation

2005
BT Retail Centric
10 internal 'consultants'



- ▶ Six of the original team are BT division/LoB CFOs

Helen Miles
CFO Openreach

Shahzad Saleem
Group Cost
Transformation Director

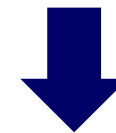
Samantha Booth
FD Service Infrastructure
& Service Mgt

Claire Watt
CFO Innovate & Design

Matt Davies
Finance Director, BT
Consumer

Edward Briggs
Finance Director, Customer
Service, Billing & Support

2012
Pan BT
30 internal 'consultants'



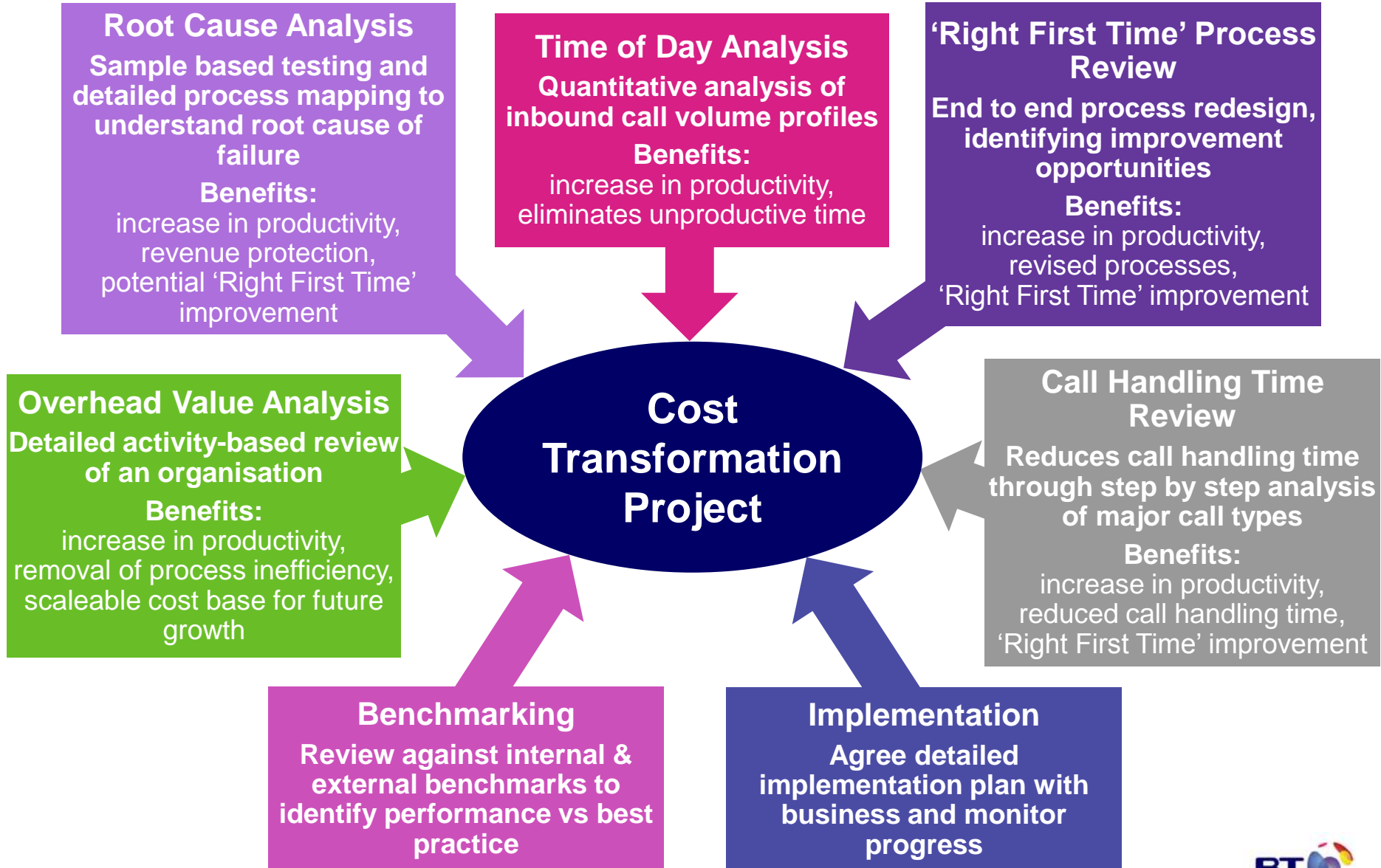
- ▶ Dedicated cost transformation recruits
- ▶ Trained in consultancy tools and techniques
- ▶ 2-3 year assignments
- ▶ Strong learning & development culture
 - MBAs, Six Sigma, Lean & McAlinden

Cost transformation team model

- ▶ Team has evolved from a line of business focus to a team that operates across the business, with more than a third of resources focussed on end to end pan-BT activities
- ▶ Assignments come in from a variety of sources - Group CFO, LoB CEOs, LoB CFOs, MDs, referrals and self sourced by team
- ▶ Team is renowned for delivering forensic analysis within a framework which has been developed in-house over several years
- ▶ Improving customer service and sustainable cost reduction are at the centre of what the team does
- ▶ Consultants move through a four tier model as their experience grows
- ▶ It is an industry best model which does not have a close parallel

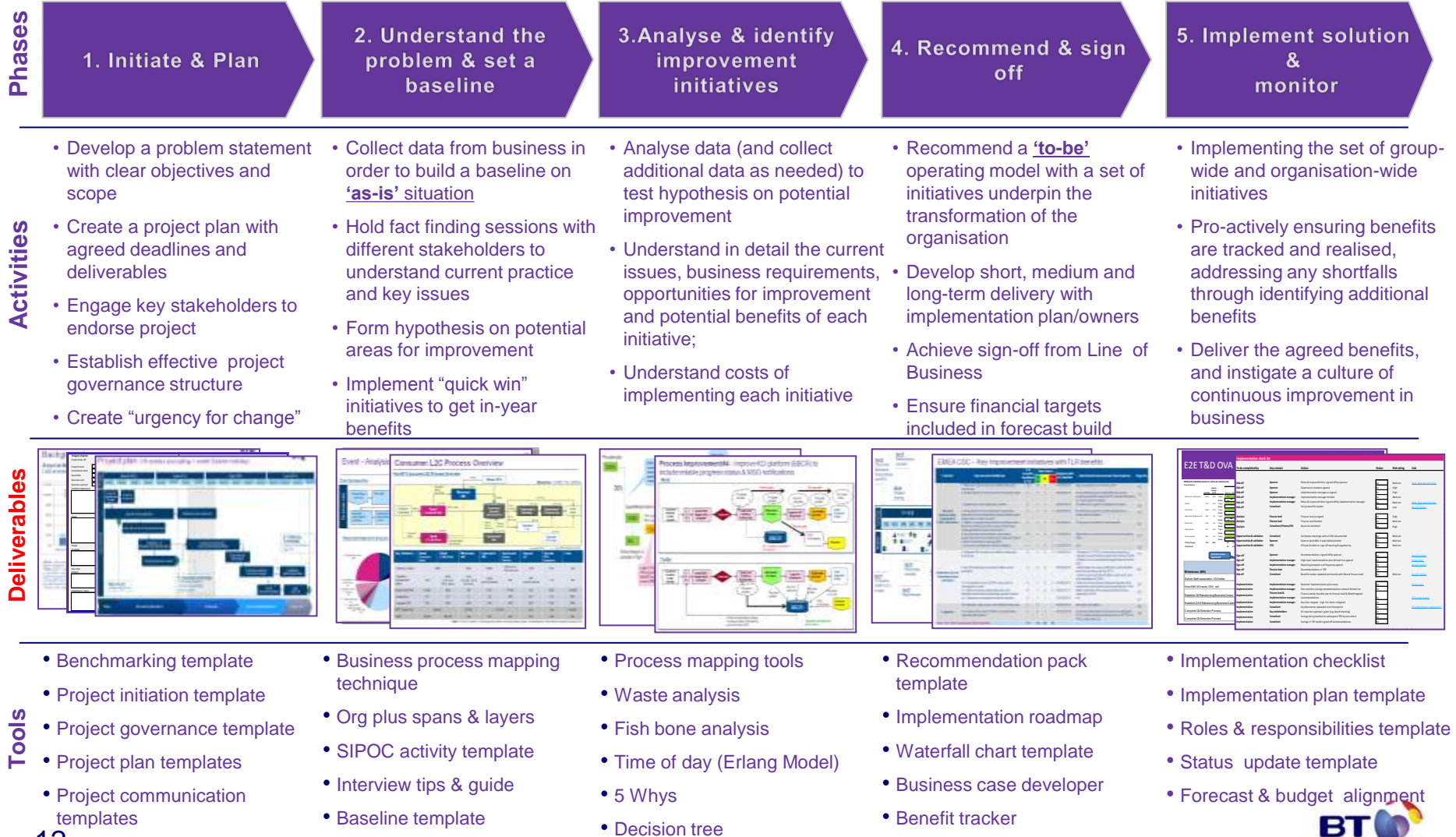
Consultants	Tier 4	Tier 3	Tier 2	Tier 1
Complexity & savings	Low/Med	Med	Med/High	High
Stakeholders & sponsors	Direct report to MD	MD/ direct report to MD	MD	Board/MD
Consultant savings target	£10m	£15m	£25m	£40m

Tools & techniques



Cost Transformation Pan-BT Programme Methodology Overview

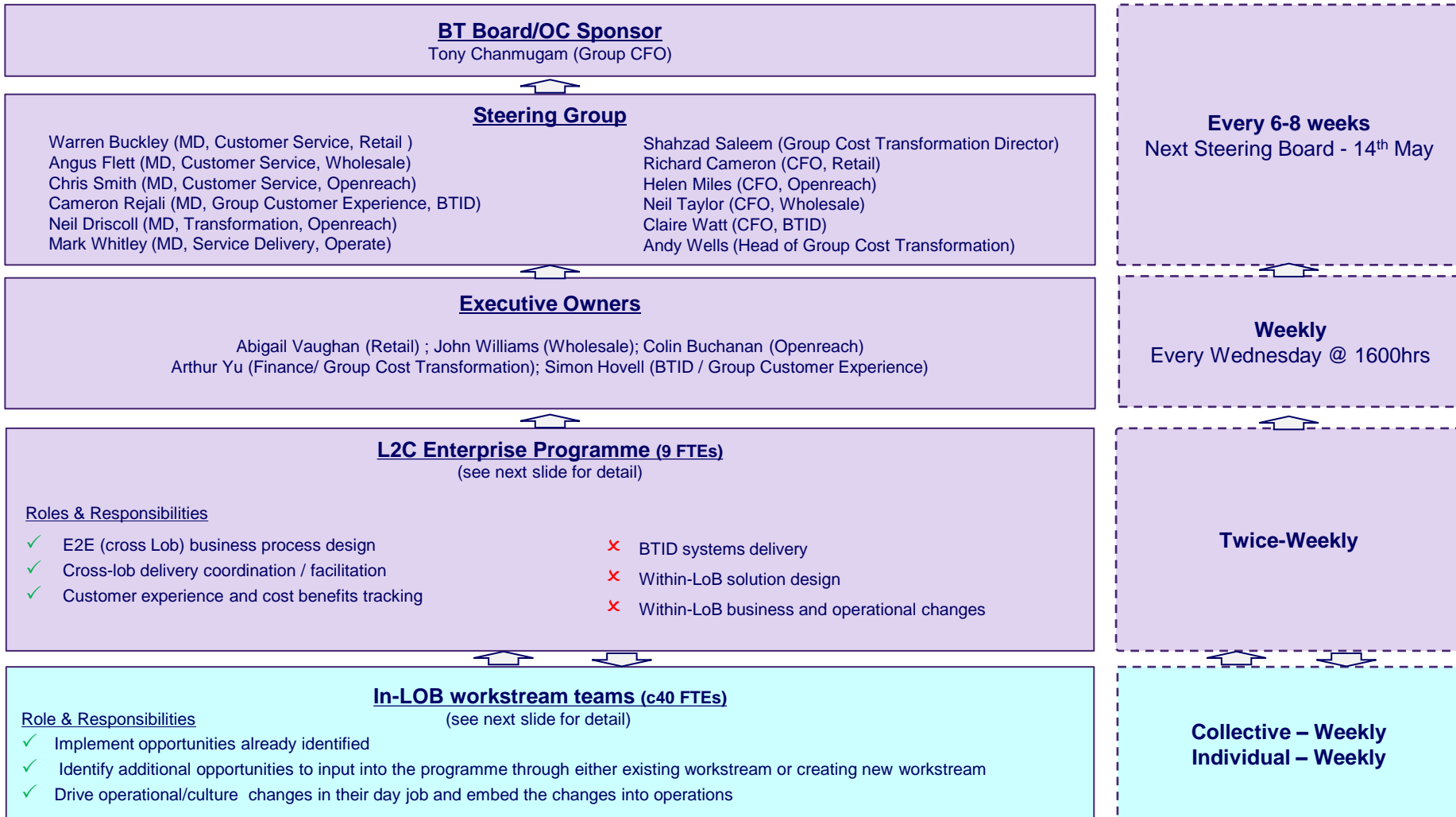
Our Pan-BT Cost Transformation methodology has evolved over the last 18 months. The aim of the e2e programmes is to improve operational performance, enhance customer service, reduce cost of failures and ultimately lead to profitable future growth. We are constantly refining this methodology in order to better support the delivery of BT's transformation agenda.



Pan-BT Programme Governance – Overall Structure

Example from Pan-BT Volume (Consumer) L2C programme

We originally followed a top-down governance model, which was critical to initiate large scale changes and keep the momentum going. As the e2e programmes have matured coupled with the growing capability of the Cost Transformation team at delivering e2e programmes, we have established a 5-level governance model to ensure the top-down transformation agenda is increasingly joined up with bottom-up continuous improvements in the LoBs. Following structure is an example:



Pan-BT Programme Governance – In-LoBs structure

Example from Pan-BT Volume (Consumer) L2C programme

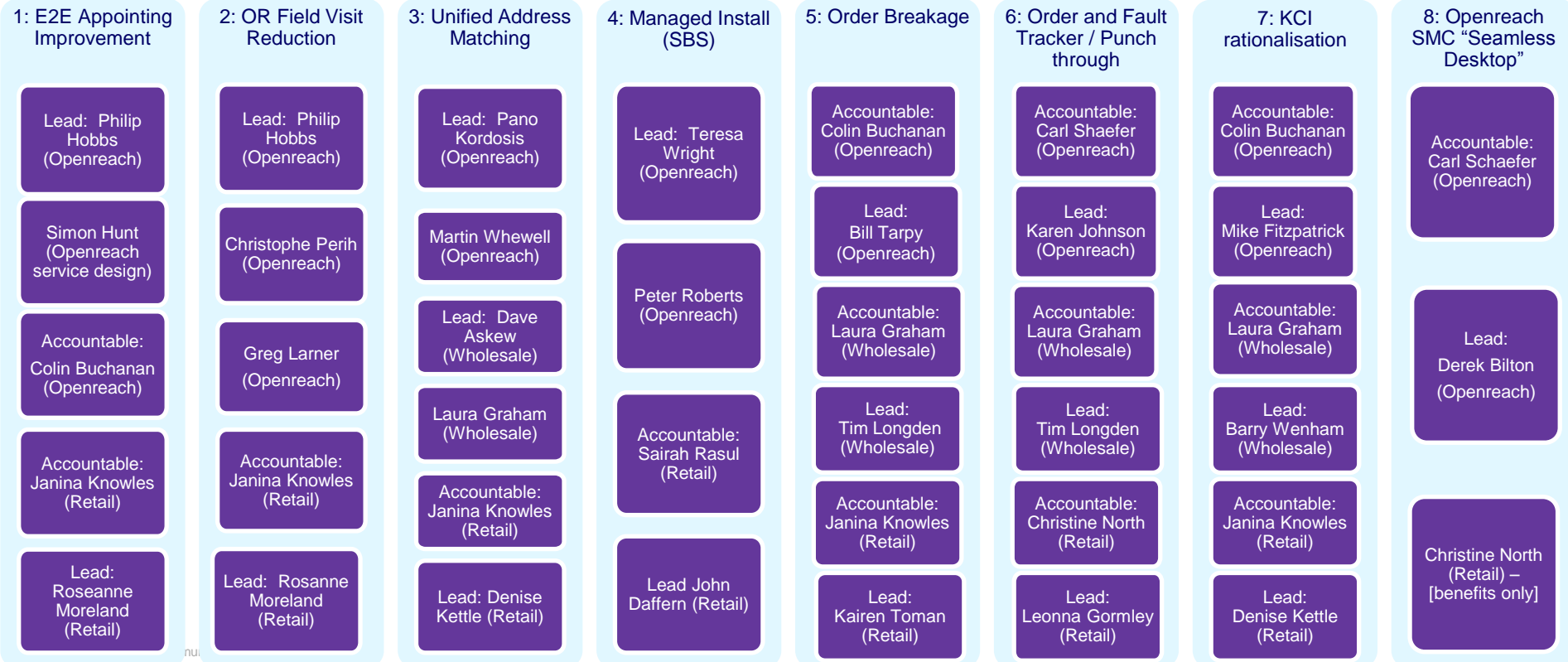
Overall Programme Governance (see previous slide)

Enterprise Programme PMO



Service Delivery Related initiatives (In LoBs)

Service Management Related initiatives (In LoBs)





Bringing it all together

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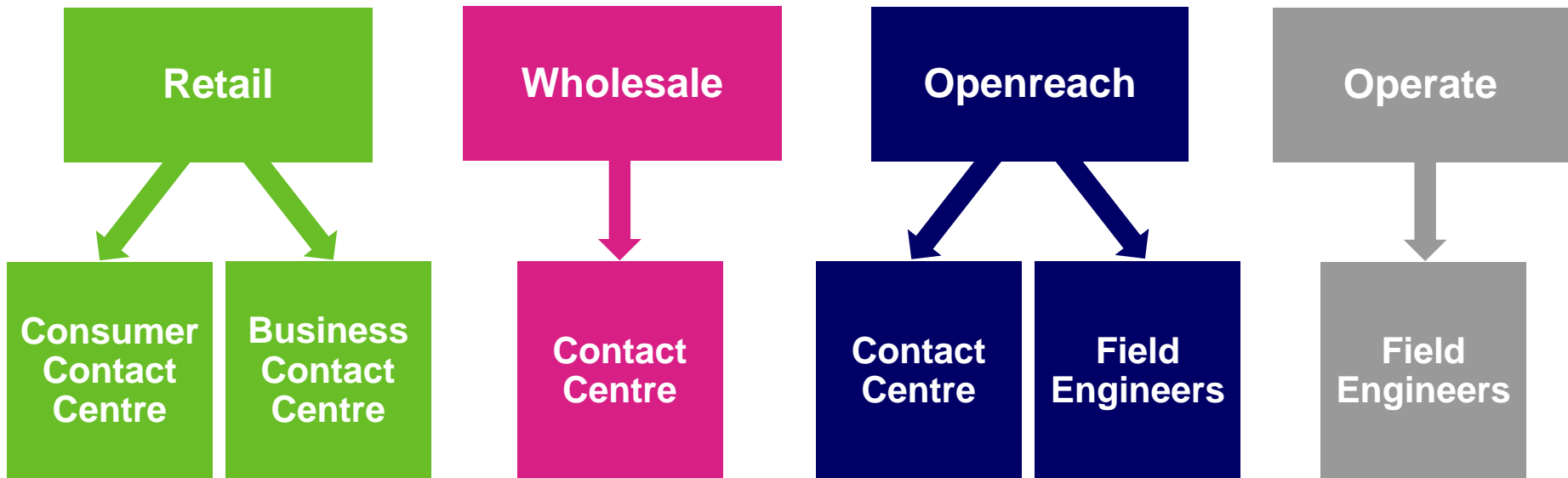
BT Group

Broadband T2R

Broadband faults objective & scope

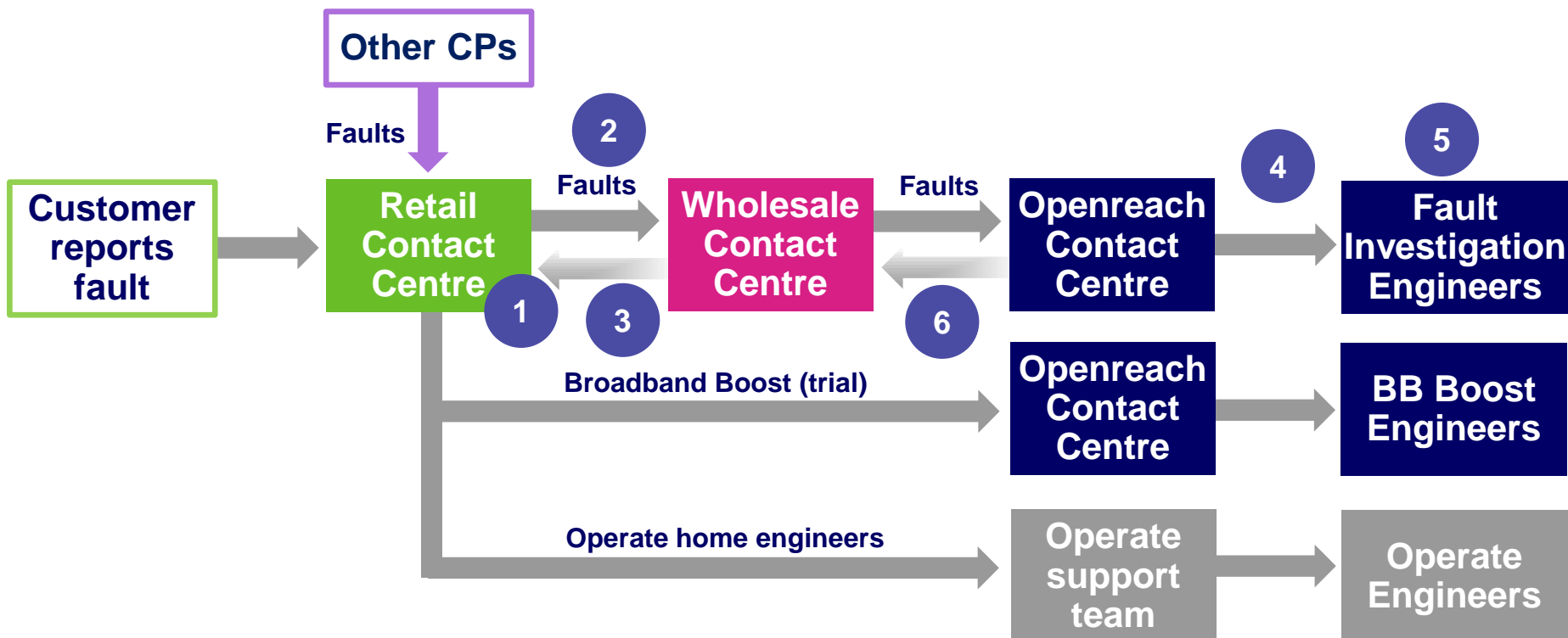
Objective: To identify the common capabilities and duplications of the end-to-end broadband faults process to deliver pan-BT cost savings, without impacting customer service

Project scope:



Total c.£120m cost per annum

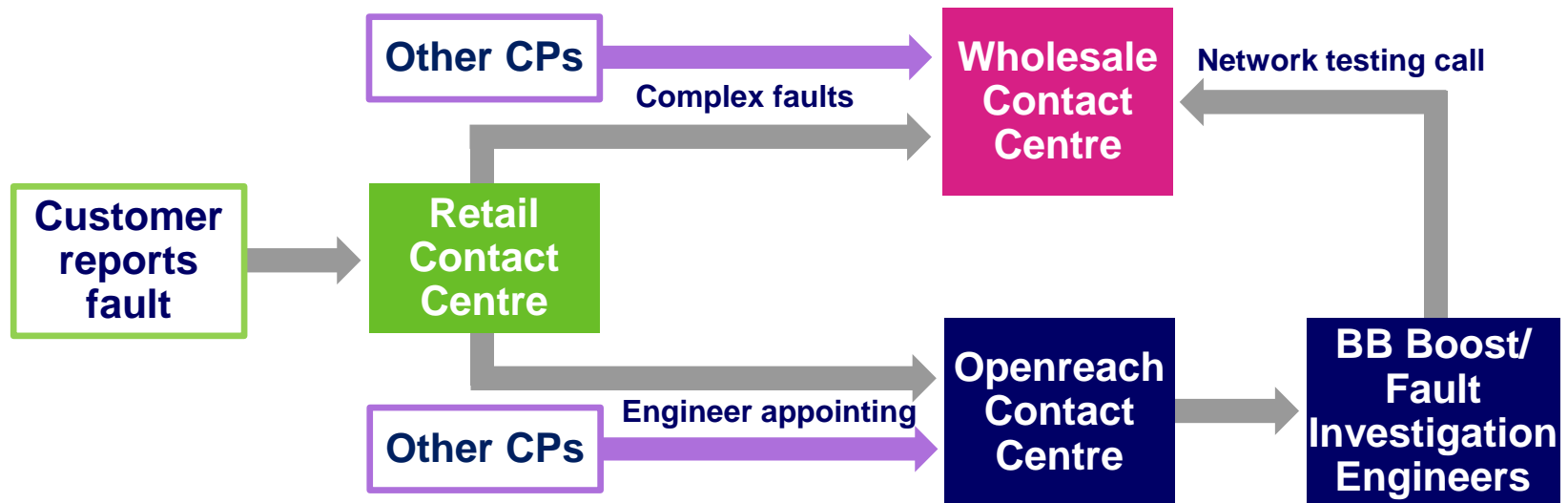
Broadband faults original process



Issues identified

1. Unnecessary dispatch of engineers
2. Faults sent to Wholesale in error (such as faults within customer's own premises)
3. High volumes of internal communication due to unnecessary and ineffective status updates
4. Insufficient engineering notes and manual process in contact centre supporting engineers
5. Multiple engineering solutions with different repeat rates
6. Inefficient communication medium (reliance on voice for updates)

Broadband faults revised process



Process improvements

1. Utilise additional procedures to actively monitor faults before engineer dispatch
2. Make Wholesale advanced diagnostic testing and profile reset functionalities available to CPs
3. Keep customer better informed by updating platform to include reliable progress status & information on major service outages
4. Standardise engineering note format
5. Allow CPs to directly appoint an engineering solution (e.g. Broadband Boost, which can resolve in-house broadband line issues)
6. Save time by switching update calls to e-chat

Total forecast saving >£60m per annum

Broadband faults results & next steps

- ▶ Customer experience improved due to fewer initial engineering visits and lower repeat engineering visits
- ▶ Next steps:
 - Apply same revised process to Wholesale Managed Service Contracts and Global Services broadband faults
 - Pan-BT project on provision process started using same approach, with initial focus on bundled products

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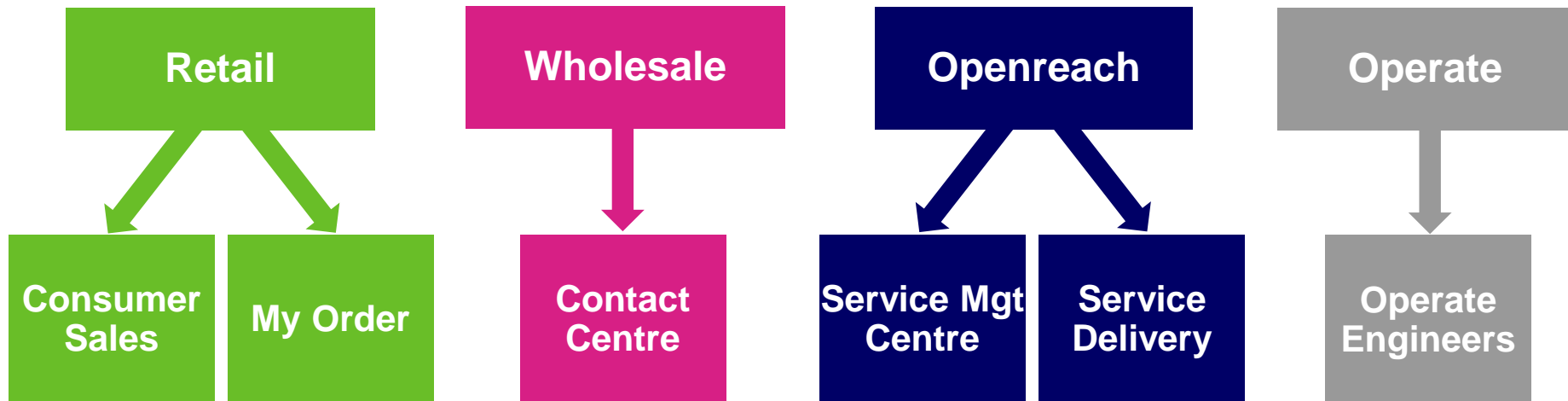
Consumer Lead to Cash

Consumer Lead to Cash objective & scope

Lead to Cash: The end to end process from sale through to provision

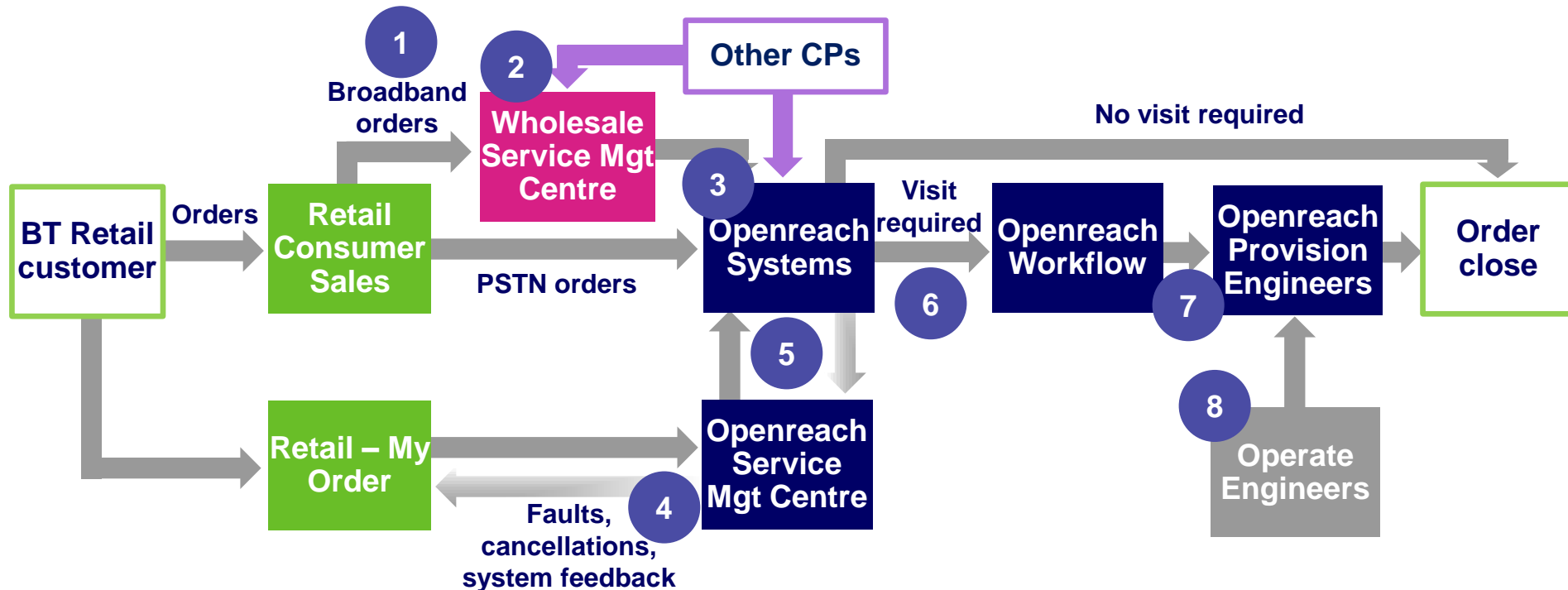
Objective: To improve the Consumer Lead to Cash process by eliminating cost of failure across lines of business, reducing the cost base and, at the same time, enhancing customer service

Project scope:



Total c.£450m cost per annum

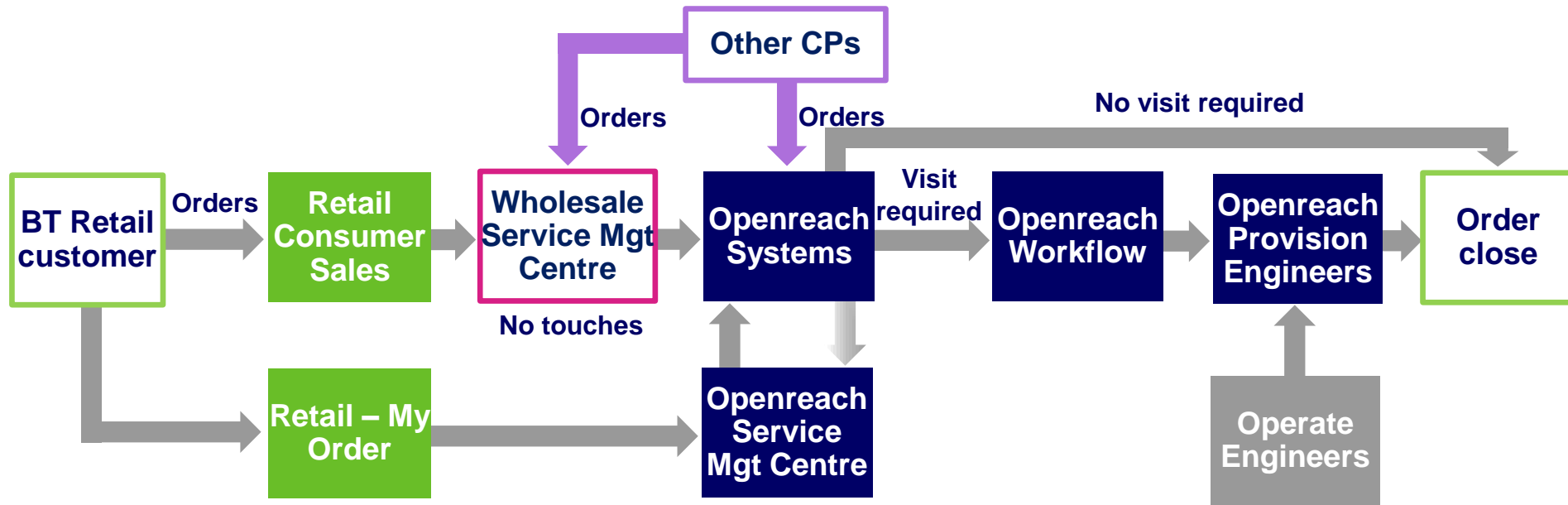
Consumer Lead to Cash original process



Issues identified

1. Broadband & PSTN order process separate
2. Wholesale unnecessarily act as 'middle men' in order process
3. Openreach and CP address systems not aligned
4. Unnecessary system generated updates
5. Multiple Openreach systems/tools to manage orders
6. Unnecessary field visits due to CP ordering process
7. Too many ineffective engineering visits
8. Multiple engineering visits by both Operate & Openreach engineers

Consumer Lead to Cash revised process



Process improvements

1. Re-design broadband and PSTN order process to enable efficient bundle sales
2. Minimise number of Wholesale 'touches'
3. Create unified address matching capability in Openreach to offer access to all CPs
4. Improve quality of updates from Openreach to CPs, and reduce unnecessary system generated messages
5. Introduce single system order interface in Openreach
6. Work with CPs to improve order management processes to avoid unnecessary visits
7. Improve Openreach engineering practice and job allocation process to reduce ineffective visits
8. Openreach engineers to provide additional value-added services, removing need for additional engineering visits

Consumer Lead to Cash customer experience

- ▶ With successful implementation, process improvements will have customer experience benefits

>2.5m cycle time days saved per year

- ▶ Cycle time measures time taken to complete process
- ▶ Reduced cycle time means customer orders are completed more quickly, improving customer satisfaction

Customer complaints roughly halved

- ▶ Process improvements will mean fewer unnecessary and unsuccessful engineering visits
- ▶ Re-design of sales process will enable more efficient bundle sales and lead to a better customer experience

>250k fewer inbound calls per year

- ▶ Customers will call to check order progress if the sales process is not proceeding efficiently
- ▶ A more efficient sales process will lead to fewer calls

Reduced churn

- ▶ Customers less likely to churn if their original order has been processed efficiently

Consumer Lead to Cash next steps

- ▶ >£50m annualised benefit to be delivered over 24 months
- ▶ Detailed implementation plan in place
- ▶ Cross line of business governance team will monitor progress against implementation plan

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BT Group plc

Concept to market – Delivery efficiency

Concept to market – Delivery objective & scope

Concept to market: The end to end delivery from requirement to product

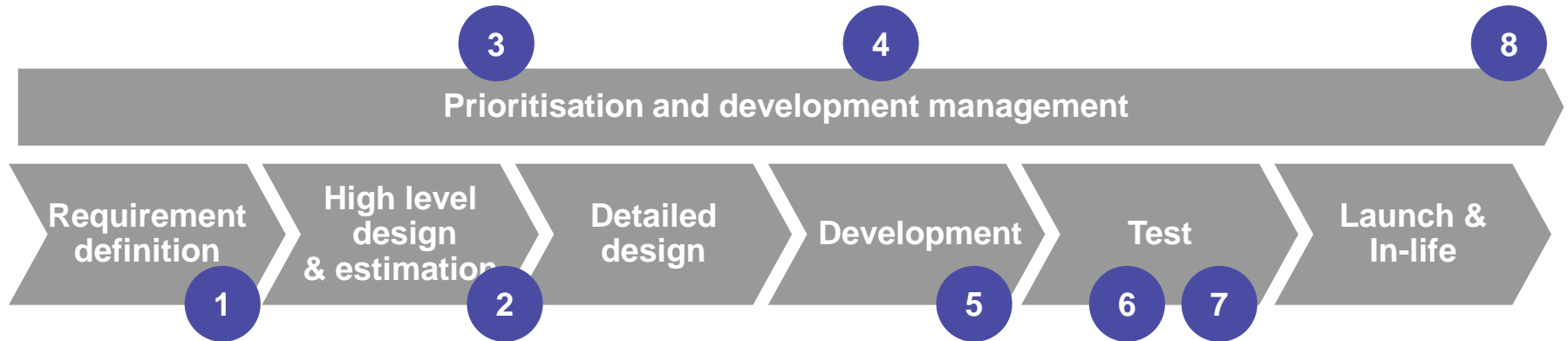
Objective: To identify key issues and bottlenecks in our development process to deliver throughput increase and cost reduction – while improving quality of the end products

Project scope:



Total c.£275m cost per annum

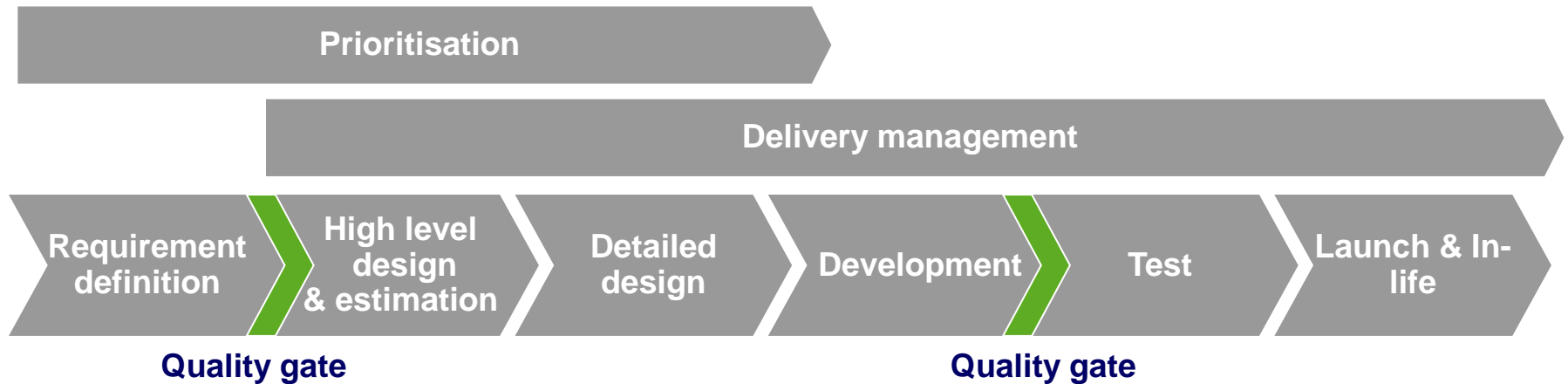
Concept to market – Delivery original process



Issues identified

1. Poor quality of requirements drive rework
2. High churn levels of (solution) designers and lack of product alignment leads to rework and abandoned work
3. Lack of standard model of release planning leads to churn and sub-optimal capacity utilisation
4. Late changes in business priorities drives waste
5. Poor quality of code drives rework and test cost
6. Fragmented approach to testing leads to overlap in activities and lower cycle time
7. High defect rate, churn and sub-optimal work load drive test cost
8. Long release cycle in Openreach drives waste and leads to long cycle time

Concept to market – Delivery key improvements



Key process improvements

1. Quality gate for requirements & user stories
2. Insourcing solution designers, creation of product oriented designer pods across the business
3. Improve prioritisation and reduce churn by establishing standard change control
4. Standardised release planning across deliveries
5. Include quality targets in third-party development contracts and set up QA function across vendors
6. Consolidate test management and assign end-to-end accountability to test leads
7. Reduce test volume from improved quality, churn rate and work loading
8. Half cycle time of Openreach releases and double frequency of deliveries (no CP impact)

Concept to market – Delivery next steps

- ▶ >£30m annualised benefit to be delivered over 24 months
- ▶ Detailed implementation plan in place, C2M transformation team will manage & monitor implementation
- ▶ Next step: Review C2M development portfolio and increase value of deliveries for BT

Key points

- ▶ £3.4bn cost savings delivered in 2010, 2011 & 2012
- ▶ Cost transformation team focussing on end to end processes and delivering significant cost savings
- ▶ Further opportunities for improvement across the business

More to do