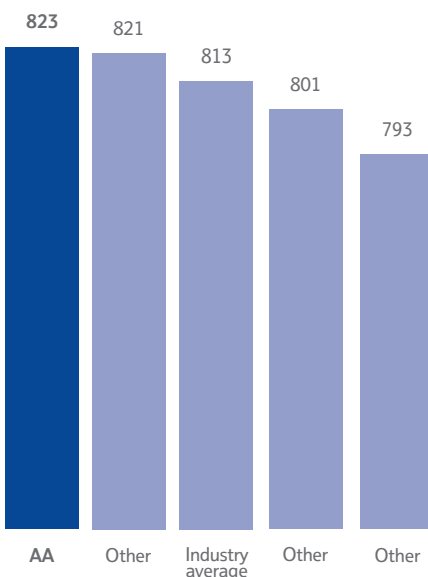




Outsourcing solution keeps national motoring organisation ahead of its competitors

J.D. Power and Associates 2005 UK Roadside Assistance StudySM

Overall Satisfaction Rating
(Based on a 1,000-point scale)



The AA won the JD Power 2005 UK Roadside Assistance award. The AA acknowledges that the support provided under its outsourcing contract with BT for mobile technology infrastructure support is a major contributor to this success. (This chart is reproduced with the kind permission of J.D. Power and Associates.)

BT has assumed management and support of the AA's mobile technology infrastructure, helping the AA to maintain its market-leading position of customer service excellence

Executive summary

The AA is by far the largest motoring organisation in the UK, with 15 million members and nearly 3,000 highly trained patrols. Previously owned and run by Centrica, the sale of the AA to a private equity consortium meant that its systems had to be separated from Centrica's within one year. Failure to hit that 12-month window would have been catastrophic.

The AA chose to outsource support of the field component of its mobile technology infrastructure and in-vehicle systems to BT in a £4.6 million three-year agreement. BT set up two help desks from scratch, took over management of third party suppliers, and created an asset management system and an infrastructure for building and delivering quarterly CBT and vehicle repair update DVDs to the AA's patrols. From contract signing, the problem-free transition was effected in just three weeks, well ahead of schedule. Under BT, the AA met its challenge of retaining the low cost of mobile technology ownership that it had from economies of scale with Centrica.

Mobile technology is critical to the AA in providing market-leading customer service. Its patrols arrive on average in 40 minutes and it achieves a roadside fix rate of 80 per cent. That service excellence has been recognised by awards from J.D. Power and Associates and Fleet News. The fact that BT meets and exceeds all SLAs set under the outsourcing contract – and assists the AA with technology innovation – is noted by the AA as a major contributor to that success.

“We compared BT’s service and capabilities with our needs and the match was excellent. The ability to handle a high level of on demand work, rather than just scheduled tasks, was critical.”

Trevor Didcock
Information Systems Director
The AA

A BT outsourcing case study

The Automobile Association

The business case

Background and challenges

The AA is over 100 years old. Its 15 million members make it by far the largest motoring organisation in the UK, with nearly 3,000 highly trained patrols at the ready to assist motorists.

Until recently the AA was owned and run by Centrica. The two organisations had similar highly skilled mobile workforces – delivering quality service under respected brand names – with Centrica providing technical support to both.

Following Centrica's sale of the AA to a private equity consortium, it was stipulated that the AA's systems must be separated from Centrica's within 12 months. Now, in a race against time, the AA had to decide from scratch how to manage its own infrastructure.

Financial and operational goals

An outsourcing strategy was chosen. One of the most complex outsourcing areas would be the support and management of the AA's mobile technology infrastructure (MTI) and in-vehicle technology. Each AA patrol is equipped with the Panasonic CF28 ruggedised laptop configured as the AA's

VlxEN (Vehicle-Information-crossed-with-an-Electronic-Notebook) unit, vehicle diagnostics, GPRS communications, route guidance, and a mobile phone.

Trevor Didcock, Information Systems Director at the AA, explains: "Support of the MTI was already realising economies of scale as a service that we shared with Centrica. Our objective in outsourcing it was to at least maintain that low cost model."

The objectives were not just the AA's however. The company's private equity owners will eventually be looking to realise a profit by selling the AA. A rule of thumb is that every £1 of additional annual profit realised is returned tenfold on the sale of the company. Cost optimisation would therefore be a critical success factor for the AA.

Trevor Didcock continues: "Value at exit is not only dependent upon profitability but also on having the right share price to earnings multiple. That's all about business growth and, in our industry, the key to that is service and innovation. So under an outsourcing agreement we needed to equal or, ideally, better the service provided by Centrica – and also engage a partner who would help us to develop into new areas."

Partner selection and relationship development

Five companies were invited to tender for the MTI outsourcing contract. Because of the time pressure that the AA was under to separate itself from Centrica, those companies were given just two weeks to respond. In answering that tender BT chose to partner with one of the other bidders, Panasonic.

Chris Bailey, Head of Business Systems (Roadside) at the AA, explains: "The response from BT and Panasonic stood head and shoulders above the other three bids we reviewed. There were a lot of synergies. BT was able to prove that it knows how to manage and support such an infrastructure: it is already doing it on an enormous scale."

BT operates a field force of over 28,000 engineers (one of the largest in Europe) and a further 15,000 mobile staff. It has invested massively in technology to continuously improve its field force's productivity and customer service. BT uses this experience to deliver field force automation solutions to its own customers.

"We were able to visit BT's facility in Leicester, where it was profoundly demonstrated to us that BT had the necessary skills and resources required for the massive task of supporting 12,000 in-vehicle devices and managing the operating environment across the whole of the UK," continues Chris Bailey. "BT uses this type of mobile technology itself every day, and we were able to talk to its people about the nuts and bolts of the operation, as well as strategic issues."

Trevor Didcock adds: "We compared BT's service and capabilities with our needs and the match was excellent. The ability to handle a high level of on demand work, rather than just scheduled tasks, was critical. BT got right under the skin of what we needed, and we felt that BT really treated us as the fourth emergency service."

Outsourcing scope

The £4.6 million three-year outsourcing contract required BT to:

- Assume ownership of the AA's 4,000 ruggedised Panasonic laptops (the core of the VlxEN units) and stock of spare parts
- Provide hardware and software support for the VlxEN units, including next day replacement
- Manage third party hardware and software suppliers such as Blaupunkt, Crypton and Centralis
- Manage the GPRS mobile communications architecture provided by Vodafone
- Manage the quarterly build, replication and distribution of DVDs loaded with computer-based training modules and technical information
- Provide separate help desk facilities for both the MTI and the in-vehicle technology
- Run and maintain an asset register for all field-based equipment

Transition and change management

Enabling projects

BT already provided support for its own mobile technicians from the service centre in Leicester. This also houses a Panasonic support team and repair facility. The AA and BT field forces use similar Panasonic CF28 laptops, so BT would be able to support the AA laptops at Leicester.

BT set up from scratch two help desks including communications facilities, computer systems and access to BT applications. The MTI help desk can fix equipment remotely or despatch replacement units. Providing the call comes in before 17.00 the patrol will have the unit by 09.00 the next day. For the Patrol IT help desk, BT worked with the AA to acquire an in-depth understanding of the units that make up the patrols' in-vehicle environment.

In creating an asset register for the AA, BT replicated its own field services asset register. Centrica's stock of Panasonic laptops and spare parts were transferred into BT's ownership. Parcel Force moves items around the country and data is captured at the point of despatch and receipt. The AA always knows the status of an item and to whom it is assigned.

The infrastructure for the build, replication and distribution of DVDs required new processes. For example, Crypton Technology – the leader in engine diagnostics, tuning and emissions testing – sends BT data on newly detected vehicle faults. BT ensures that the new DVDs contain such updated technical information. Every three months these are sent out to each patrol, to update its operating environment.

Chris Bailey comments: "BT met and formed alliances with all of our third party suppliers, and worked with them to understand the total environment. They now manage those suppliers very effectively, representing the AA but engaging us where necessary."

BT's technical knowledge is much appreciated. As well as a GPRS infrastructure, AA patrols also use GSM and SMS technology. BT brings its mobile communications expertise to bear, not only in keeping the system running but also in developing it. Trevor Didcock says: "We have quarterly strategic reviews. BT brings new ideas to the table, and suggests new ways of working. Its people are very proactive in helping us to develop the technology further."

An example of the innovation that BT is bringing is the possible use of mobile technology to download data into the patrol vehicles. That would eliminate the need for DVDs to be produced quarterly, and save cost. Equally importantly it would improve customer service by ensuring that AA engineers always have up-to-date technical information at their fingertips.

Human resources

Trevor Didcock underlines the importance of the HR dimension: "One of the key considerations for us was the transfer to BT of the people staffing the AA help desks under Centrica. In order to maintain the levels of service that we had been getting from Centrica, it was vital to get that right."

Centrica had eight people who ran the AA help desks, all of whom were entitled to transfer to BT under TUPE. However, Centrica offered jobs to all of them. Five elected to stay with Centrica, including the team leader. BT had to rapidly back fill with its own staff to bring the team back up to strength.

BT Human Resources people took care of critical personnel issues such as transfer of pension rights. Centrica operated a defined benefits pensions scheme, but BT opened up its final salary scheme to the Centrica people – a real improvement in their terms and conditions.

Chris Bailey recalls: "The whole HR dimension was managed completely seamlessly. Workshops were held at the BT offices in Leicester to give the Centrica people the opportunity to see the new environment and the enthusiasm of the staff they would be working with.

"The AA has won the J.D. Power award three years out of the last five, including 2005 during the transition to BT. This year we also won the Best Overall Service Provider award from Fleet News magazine. The support that we receive from BT is essential to us in receiving those accolades and maintaining and improving the customer experience."

Trevor Didcock
Information Systems Director
The AA

There was zero business disruption, and the people who transferred are delighted with their new careers in BT."

Risk management

The disengagement window was narrow, and there was no room for error. Trevor Didcock says: "It had to be done within 12 months otherwise Centrica would literally stop service to us. That was a major risk with obvious serious business consequences."

BT managed that risk by putting in place a substantial team including specialists from Human Resources, Legal, BT Global Services and BT Wholesale as well as BT's "One IT" information systems division. A single project leader carried authority for the project's success, and provided unambiguous management. In fact, the outsourcing contract was signed on May 16th 2005 and service commenced on June 7th 2005 – three weeks ahead of schedule.

Chris Bailey says: "Issues were identified early in meetings between BT, Centrica and the AA. We decided upon solutions, which BT executed according to an agreed plan. At BT's insistence, daily meetings kept everything on track." Trevor Didcock adds: "Despite its complexity, this was the most seamless of all the transitions we managed. There were literally no major issues, which is quite unique."

A BT outsourcing case study

The Automobile Association

Business outcomes

Measures of success

To ensure that BT is conforming to the service level agreements (SLAs) under the contract, regular monthly performance review meetings are held. BT is required to achieve the following help desk SLAs:

- 75 per cent of all calls answered within 30 seconds
- 80 per cent of problems solved on the first call
- 95 per cent of hardware replacement parts to arrive next day

All SLA achievements are above the levels that were being realised under Centrica management. In respect of call answering times, the average achievement is 90 per cent of calls answered within 30 seconds; with 100 per cent being achieved much of the time. "The service has been running exceedingly well. There are no SLAs that BT has not met or exceeded," says Chris Bailey. "We are very, very happy with the level of service being provided," adds Trevor Didcock.

Financial and operational results

Under Centrica, the costs of MTI support appeared in the AA's accounts as a transfer charge. The company therefore has an exact benchmark against which to compare costs. Despite the economies of scale with Centrica, moving its mobile services to BT allowed the AA to meet its challenge of retaining its previous low cost of ownership; something the AA could not have done by itself.

In operational terms, two main factors contribute to a breakdown customer's experience: fix rate and speed of response. Typically the AA achieves a fix rate of 80 per cent and its patrols arrive within 40 minutes. The mobile technology infrastructure, together with the VixEN units in the AA's patrol vehicles, is the key to those outstanding 24*7 customer service levels. It is essential that the mobile technology's up time is maximised and that its functionality is optimised – and that is exactly what the AA's outsourcing agreement with BT is all about.

Chris Bailey says: "The service that we get from BT is very proactive. For example, its technicians audited the patrols' hardware and found longstanding faults on hard disks. Those problems have been eliminated, leading to improved reliability and better availability for the VixEN units. That equates to more time spent working at the side of the road – improving both productivity and customer service."

In fact, the AA's mobile technology underpins its market share. Market research shows that a delay of over an hour is when customer complaints begin. Then – at the point of renewal – people consider other breakdown service providers.

Trevor Didcock concludes: "The AA has won the J.D. Power award – the standard bearer for customer service excellence in the breakdown business – three years out of the last five, including 2005 during the transition to BT. This year we also won the Best Overall Service Provider award from Fleet News magazine. That recognition attracts more customers because it reflects our market-leading customer service levels. The support that we receive from BT is essential to us in receiving those accolades and maintaining and improving the customer experience."

"Support of the MTI was already realising economies of scale as a service that we shared with Centrica. Our objective in outsourcing it was to at least maintain that low cost model."

Trevor Didcock
Information Systems Director
The AA



Offices worldwide

The telecommunications services described in this publication are subject to availability and may be modified from time to time. Services and equipment are provided subject to British Telecommunications plc's respective standard conditions of contract. Nothing in this publication forms any part of any contract. BT and the BT logo are trademarks of British Telecommunications plc.

© British Telecommunications plc 2006.
Registered office: 81 Newgate Street, London EC1A 7AJ
Registered in England No: 1800000
Produced by BT Group
Designed by Westhill Communications