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Accenture helps O2 deliver an improved and consistent digital customer experience

Overview

O2 is the commercial brand of Telefónica UK Limited and is a leading digital communications company with the highest customer satisfaction for any mobile provider according to Ofcom. With over 23 million customers, O2 runs 2G, 3G and 4G networks across the UK, as well as operating O2 Wi-Fi and owning half of Tesco Mobile. O2 has over 450 retail stores and sponsors The O2, O2 Academy venues and the England rugby team. Read more about O2 at o2.co.uk/news.

Opportunity

O2 has already achieved consistent customer service accolades, including No.1 network for customer service for the last six years in Ofcom's mobile provider customer survey. However due to the increasing propensity for its customers to use digital channels, O2 set up "Project Vincent" to reshape its sales and customer service organization to deliver the same award-winning customer experience with a reduced cost base, in order to set itself up for success as a lean and flexible digital telecommunications company.

Project Vincent was a critical component of the O2 strategy at C-level, as it would gain high visibility among

Telefónica Group's global leadership. O2 recognized that an important part of the transformation was in outsourcing its sales and customer service operations to a single vendor, and turned to Accenture Consulting for support in the process.

Solution

O2 and Accenture collaborated to identify the criteria that would make the outsourcer successful. The criteria included: a flexible commercial construct for the deal, an effective negotiation strategy, and an effective commercial negotiation with potential outsourcing partners. Which achieved the best possible value of services being contracted from the outsourcers.

Initially, an Accenture team comprised of representatives from Accenture Strategy and Accenture Consulting who worked closely with the O2 commercial team to identify the key strategic challenges. A key challenge was how to incentivize their chosen outsource partner within the long-term deal, given that the usual supplier-customer incentives would be difficult to apply. Additionally, the customer and employee experience was of paramount importance to ensure engagement with the O2 brand.

The Accenture team developed an innovative commercial construct that incentivized both contact reduction and operational efficiency improvement, while maintaining a consistent measure of customer satisfaction. The construct ensured that there would be a cost reduction to O2 to reflect the external market and customer dynamics during the deal, particularly customers' increased use of more cost-effective digital channels. The commercial construct also brought certainty around transformation and offered guaranteed year-on-year cost savings to shareholders. O2 also decided to include enhanced conditions in the deal for the transfer of O2 employees, guaranteeing employment for two years with the new provider after the contract was signed.

A cross-functional Telefónica team, Accenture and a team of City lawyers worked as one team to analyze bids, negotiate and ultimately contract a sustainable deal with their chosen outsourcing partner which allowed both parties to be successful.

The deal started on 1st July 2013 with 2300 Telefónica staff transferring to become employees of Capita, the successful winner of the contract.

After this time, Accenture provided a managed service to O2 to set up a best-practice contract management organization. Given the scale and complexity of the deal, it was critical to ensure that both O2 and Capita were complying with the terms of the agreement, that Service Learning Agreements and milestones were being met, and that a true partnership model was being forged. After initially designing the future operating model, governance and team structure to manage the contract, Accenture helped to set up the key contract management processes, tools and governance that would support the smooth operation of the agreement.

Results

The Accenture team helped to shape the design of a deal and the commercial terms that achieved all the business outcomes that O2 desired. The collaboration accelerated and provided surety to the closure of the deal, and the work was widely appreciated by O2's board as being fundamental to successful execution.

Accenture and Telefónica's collaborative negotiation approach helped achieve substantial savings based on the delta from initial bids to Best and Final Offer (BAFO).

Following deal execution, Telefónica's contract management capability is now in place to manage the contract with Capita collaboratively to achieve mutually beneficial outcomes for both parties.

About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 373,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.