Case Study: BT

Market Evaluation Study

To underpin an internal decision about whether to invest in or divest one of its Internet Sector business units, BT needed a detailed analysis of the future market opportunity. Milner Strategic Marketing was brought in to support this.

Milner built a detailed forecast model to explore how the market would evolve over a five year forecast period. The market was examined across 6 different sectors, 4 regions and 3 different (but related) product-sets.

By exploring how market prices differed across sectors and whether there would be price inflation over time, market values were calculated. The model findings were triangulated against other analyst research in this space and with calls to independent industry experts.

About BT

BT is one of the world's leading communications services companies, serving the needs of customers in the UK and in more than 170 countries worldwide.

Its main activities are the provision of fixed-line services, broadband, mobile and TV products and services as well as networked IT services.

In the UK, BT is a leading communications services provider, selling products and services to consumers, small and medium sized enterprises and the public sector.

BT also sells wholesale products and services to communications providers in the UK and around the world. Globally, it supplies managed networked IT services to multinational corporations, domestic businesses and national and local government organisations.

BT's Requirement

BT wanted a five year market forecast model to understand how a market would evolve over time. In particular, BT wanted to track the behaviour of six target sectors across four geographic regions (EMEA, Asia, NAM and LATAM) to gauge the value of the market opportunity for its business unit and to help develop insights about whether this was a market that it wanted to continue to invest in.

It was necessary to quantify the value to the market of new sales and the installed base was over a five year forecast period. These needed to be calculated by understanding the number of contracts made in the market each year and understand the length of these contracts to approximate the churn cycle.

Finally the buying behaviour across 3 product areas needed to be assessed and compared across the target six segments.

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Milner's Solution

Secondary research
In order to get a deep understanding of the number of potential customers across six target sectors, detailed desk-based market research was undertaken, reviewing analyst reports, competitor profiles and information gleaned from the trade press and other journals. This was coupled with an analysis of demographic and economic measures to create a detailed understanding of the target customer base.

Primary research
Assumptions were tested by conducting primary research with key stakeholders in the market. Further to this, remaining gaps in knowledge about the wider market dynamics were filled by holding separate calls with influential industry experts.

Modelling
A detailed Excel model was built that explored four years' worth of historic market sales data. This was used as a foundation to forecast future market sales utilising market penetration levels to apply Diffusion of Innovation Theory. Unit sales were multiplied by forecast market selling prices in order to calculate the value of the market. The impact of the recession on new sales was quantified and compared to normal market development to measure the effect of these macro-economic developments.

Market Evaluation Report
Milner wrote an in-depth report that analysed the findings of the market model, explaining the market size and growth rate across geographic regions, sectors and product areas along with an explanation of market and revenue drivers and how these will vary over time. Based on the findings of the report, conclusions were drawn.

BT's Benefits

1. Independent
As external consultants, Milner was able to produce an unbiased and independent assessment of the market opportunity. The independently-derived analysis and the findings were trusted by the BT.

2. Up-to-date information
Although there was analyst research and market forecasts prepared by firms like Forrester, Gartner and IDC, these had not been refreshed for a number of years. Milner provided BT with a market evaluation report which allowed decisions to be made based on market forecasts that reflected the latest information.

3. Expertise
Milner has been building market forecast models for technology companies for over 8 years. Its staff speak at conferences about forecasting, write white papers and provide academic training. BT harnessed this expertise to ensure a rigorous and robust market evaluation was undertaken.

4. 100% customised
The fact that the market forecast model and subsequent analysis was prepared to meet a specific business need meant that it was 100% customised to BT's requirements. The market forecast model and market evaluation report looked at exactly the right geographic regions, mirroring in-house sector splits and addressing the correct product and service areas which made the market evaluation truly relevant.

5. Confidential
Milner does not work for any of BT's competitors and this allowed an open relationship. This meant that BT's confidential in-house data could be incorporated into the market forecast model to improve accuracy without fear of the data leaking into the market.

"We asked Milner Strategic Marketing to independently review a BT unit and give us market recommendations for its future.

Within a month, Milner gave us a report outlining the key market forces, the market size, competitor positioning, four commercial options and an estimate of the unit's market value.

I was very impressed with their ability to analyse the market and the clarity of their options and recommendations."

David Belcher

Head of Corporate Venturing

BT

www.milnerltd.com   **+44 (0)1473 633121**