

Analysis of Call Recordings

October 2009

Ofcom

Disclaimer

This document is issued for the party which commissioned it and for specific purposes connected with the above-captioned project only. It should not be relied upon by any other party or used for any other purpose.

We accept no responsibility for the consequences of this document being relied upon by any other party, or being used for any other purpose, or containing any error or omission which is due to an error or omission in data supplied to us by other parties

This document contains confidential information and proprietary intellectual property. It should not be shown to other parties without consent from us and from the party which commissioned it.

Content

Chapter	Title	Page
	Executive Summary	i
1.	Introduction	1
1.1	Background _____	1
1.2	Objectives _____	1
1.3	Approach _____	3
1.4	Review methodology _____	4
1.5	A note on interpretation of data _____	4
2.	Review of Recordings	6
2.1	Overview – aspects of calls reviewed _____	6
2.2	The costs and benefits of the new contract _____	6
2.2.1	Definition _____	6
2.2.2	Degree of compliance _____	7
2.3	Automatic renewal unless opt-out _____	8
2.3.1	Definition _____	8
2.3.2	Degree of compliance _____	8
2.4	Initial and subsequent 12 month terms _____	9
2.4.1	Definition _____	9
2.4.2	Degree of compliance _____	9
2.5	Communication of sending a reminder _____	10
2.5.1	Definition _____	10
2.5.2	Compliance _____	11
2.6	The existence of an early termination charge (initial 12 months) _____	11
2.6.1	Definition _____	11
2.6.2	Compliance _____	12
2.7	The existence of an early termination charge (subsequent 12 months) _____	13
2.7.1	Definition _____	13
2.7.2	Compliance _____	13
2.8	The level of the early termination charge (initial 12 months) _____	14
2.8.1	Definition _____	14
2.8.2	Compliance _____	14
2.9	The level of the early termination charge (subsequent 12 months) _____	15
2.9.1	Definition _____	15
2.9.2	Compliance _____	16
2.10	The start time and any cool-off period _____	16
2.10.1	Definition _____	16
2.10.2	Compliance _____	17
2.10.3	Definition _____	18
2.10.4	Compliance _____	18
2.11	Discussion of non-rollover options and their cost _____	19
2.12	Instances of non-compliance across cases _____	20

3.	Insights into the process of sale	21
3.1	Introduction _____	21
3.2	The structure of the call: “pitch” versus “re-cap” _____	21
3.3	Style and content of the initial “pitch” _____	22
3.4	Use of language _____	24
3.5	Types of migration encountered _____	25
3.6	Quality of sale _____	26
3.7	Questions about the data set provided by BT _____	28
4.	Conclusions and Recommendations	30
4.1	A final word on quality of data _____	30
4.2	Conclusions on basic compliance _____	30
4.3	Conclusions on the process of sale _____	31
4.4	Overall conclusion: Are costs and benefits adequately communicated? _____	32
4.5	Recommendations _____	34
	Appendices	36
Appendix A.	Script examples _____	37
A.1.	Example of scripts at CCA _____	37
A.2.	Example of scripts at HCL _____	38

Executive Summary

BT reps at CCA and HCL are successfully communicating several key aspects of the 12 month rolling contracts to which it is signing up customers. For example, in over 95% of cases at both contact centres, Mott MacDonald found that adequate information was provided on:

- Benefits and costs in terms of the rental charges, tariffs, savings and discounts
- The fact that the new contract will automatically renew unless the customer opts-out
- The fact that the contract is for an initial 12 months with subsequent renewal also being for 12 months
- The fact that a reminder would be sent out nearing the end of the contract term.

However, other key aspects of contracts were not communicated as effectively, for example:

- The existence of an ETC regarding the first contract period was only stated in 18% of cases by CCA
- The existence of an ETC regarding the subsequent 12 month term of the contract was only communicated in 16% of cases by CCA and 4% of cases by HCL
- The amount of the ETC was not communicated in any of the CCA calls.

There was also no real provision of any cool-off period – with CCA stating that service would start in 2 days and HCL at the end of the call itself. Whilst in some cases written information was promised, these rapid start-times meant such information had little bearing on a customer’s ability to change their mind. Mott MacDonald believes this itself can be considered a failure in communication – given that it inhibits the ability of the customer to make an assessment of their decision over time, as opposed to a fairly instant, but binding, decision during a rapid sales call.

Mott MacDonald found that several other aspects of the way calls were conducted could inhibit the clear communication of the cost and benefits of these new contracts. Namely:

- There was a structural separation in all calls between an initial “pitch” and a “re-cap”. A go-ahead decision was sought at the end of the pitch – during which virtually no details of the terms of the contract were imparted. The go-ahead decision was then followed by a re-cap which in fact consisted of almost entirely new information about terms and conditions, largely read from a script
- The approach of the pitch was to play down the contractual changes being sought, for example:
 - The word “renewable” was only mentioned in 7% of pitches
 - In only 1 case of 253 did the pitch mention an ETC
 - In only 1 case of 253 did the pitch mention that customers must opt-out or the contract would renew
 - The fact that the contract would renew *for a subsequent 12 months* was never mentioned
- Whilst such key characteristics were covered in the subsequent re-cap, a go-ahead decision was nevertheless sought from the customer before the re-cap and thus without these points being raised
- Some of the language and phrases used by reps, both in the pitch and re-cap, had the potential to mislead customers – for example reference to ETCs as “a *single* monthly charge”

Indeed it is arguable that the term “renewable contract” itself is misleading in this context, given it fails to communicate the facts that a) the *customer* has to opt-out or this contract will renew, and b) it will renew for another 12 months. The latter is the crux of the matter – the fact that this contract renews for another 12 months after the initial term, making it different from the majority of telecoms contracts with which customers are likely to be familiar (eg mobile contracts). Given the uniqueness of this contractual situation this is the aspect of the contract which needs to be communicated most clearly – yet this aspect is glossed over in the pitch and the ETCs associated with it are barely mentioned in the re-cap.

Mott MacDonald therefore concludes that communication of costs and benefits of these 12 month rolling contracts is not completely clear. To address this Mott MacDonald recommends that BT should:

1. Ensure scripts fully communicate the existence of ETCs, particularly regarding the rollover 12 months
2. Ensure scripts fully communicate the level of ETCs, particularly regarding the rollover 12 months
3. Introduce a transfer process allowing customers time to review information and change their decision
4. Amend the balance of pitch and recap and ensure vital information is given before a decision is sought
5. Refer to this particular type of contract with a headline term which better reflects its nature
6. Change or remove other instances of potentially misleading language.

1. Introduction

1.1 Background

BT currently is currently offering contracts to residential customers with an automatic renewal process. This process entails:

- Customers signing up for an initial 12 month minimum contract period
- A reminder letter being sent to customers towards the end of this period
- If a customer does not contact BT before the 12 month period ends, the contract automatically renews for another 12 months
- Customers wanting to end the contract before the end of the initial 12 month minimum term – or the subsequent 12 month minimum term – incur an early termination charge for each month remaining on that term.

This type of contract is a relatively new introduction by BT, differing from its traditional contracts which customers were able to end at short notice. Anecdotal evidence, including calls to the Ofcom Advisory team and consumer research, suggests that consumers may not be fully informed about the terms and conditions when they sign up to a renewable contract.

Ofcom thus obtained a sample of BT outbound sales calls from 2 contact centres, together with sample sales scripts that the advisors at these contact centres are expected to follow. Ofcom wished to test whether the sales reps selling BT services in these two contact centres were clearly communicating the key terms and conditions relating to the renewable contract. Ofcom therefore asked Mott MacDonald to conduct a review and analysis of the recordings.

1.2 Objectives

The objectives of the call recording analysis were to:

- Provide a robust quantitative and qualitative assessment of the information provided to consumers when signing up to a renewable contract.
- Provide a quantitative assessment of whether BT accurately informs consumers about each of the key terms and conditions of the renewable contract at point of sale
- Provide a qualitative assessment of how clearly and transparently BT accurately communicates the key terms and conditions to consumers, and checks that they understand these before signing up to the contract.

It should be noted that in achieving the above assessments and analyses, Mott MacDonald was required to base its findings on the sample of call recordings provided. The conclusions reached thus relate to practices and tendencies identified in relation to these recordings, from two contact centres. Mott MacDonald is not able to indicate whether such patterns and practices are more broadly typical of agents selling on behalf of BT.

With regard to the above objectives, Ofcom asked Mott MacDonald to look in particular at certain key aspects of selling renewable contracts, to establish whether there was clear communication regarding them.

These key aspects were:

- The costs and benefits of the new contract
- That there is automatic renewal unless the customer opts out
- Both the initial 12 month contract term, and the subsequent 12 month contract term
- That a reminder will be sent near the end of the contract
- The existence of a charge for terminating early
- The level of that charge for terminating early
- The start date for the service, and any cool-off period
- That written confirmation will be sent in the post
- That consumers have the option not to accept a roll-over contract, that there are other options, and their cost

The aim was thereby to understand to what extent BT sales representatives in each of the contact centres are adhering to scripts and explaining key terms and conditions.

In this context it should be noted that Ofcom considered it particularly important that sales reps make clear the fact that this particular type of contract renews for a further 12 months after the initial 12 month minimum term. This is because this type of roll-over is seen to be almost unique in consumer telecoms contracts – and differs from contracts with which customers are likely to be familiar¹. Customers are thought likely to understand that a contract last for 12 months and that there is a penalty for breaking this term early. However, they are also likely to assume that the contract will revert to a monthly basis at the end of this term – as many contracts tend to do (eg mobile contracts). The way that these BT contracts differ from the norm could potentially

¹ BT is currently the only major communications provider offering renewable contracts to residential consumers in the fixed voice and broadband sectors. There are a number of smaller providers offering renewable contracts to residential consumers in the fixed voice sector for example Axis Telecom, AdEPT and eZe Talk.

be the “sting in the tail” which could affect customers later and lead to complaints – if not made sufficiently clear at the outset.

1.3 Approach

Ofcom provided Mott MacDonald with 2 CDs of call recordings, one from each contact centre. The CDs contained:

- 526 recordings from the CCA contact centre
- 495 recordings from the HCL contact centre

Ofcom was under the impression that the CDs contained recordings relating to both converted and unconverted sales calls, with the average conversion rate (ie percentage of successful sales) estimated to be around 49%. Ofcom and Mott MacDonald believed it would be more useful to analyse converted sales calls – given that these calls would require the full sales process to have been conducted, meaning it would be possible to analyse compliance with the full sales script.

There being no external means to identify which recordings related to converted calls, Mott MacDonald decided to listen to excerpts of all the recordings. This approach was adopted since, having listened to some calls it became clear that the calls followed a similar pattern, were relatively short in duration – averaging around 3 minutes – and could thus be vetted effectively without having to listen to full recordings. However, having listened to around 200 calls from each contact centre, Mott MacDonald found that all the recordings listened to related to converted sales.

It was therefore reasonable to assume that all the recordings on the CDs related to converted sales. Operating under this assumption Mott MacDonald therefore took a systematic random sample of each set of recordings, in order to identify the 100 recordings from each contact centre which were to form the body of evidence for detailed review. This was achieved through the following steps:

- The recordings from each CD were sorted according to a simple factor
 - The 526 CCA recordings were sorted numerically by filename (as each file came named by CLI)
 - The 495 HCL recordings were sorted alphabetically by filename (as each file came named by Sales Rep & date)
- Every fourth record was then selected for review, with the first record picked being selected by use of a random number from 1-4 (chosen at random.org)
- This meant a total of 254 records were selected across the 2 contact centres

- 131 records from CCA
- 123 records from HCL.

In the course of the review, 2 of the HCL recordings were subsequently excluded from the analysis. One was excluded because it turned out to be an unconverted sale – a case in which the BT rep pledged to call back later, meaning no attempt at a sale was made. The other was excluded because it was a duplicate of another recording.² This meant that in the end the analysis was conducted on 121 HCL cases.

1.4 Review methodology

Having identified the cases to review, Mott MacDonald set about the process of listening to the recordings and logging pertinent data on each of them. To aid the latter, Mott MacDonald created an Excel spreadsheet in which information was captured against each of the key aspects listed above in Section 1.2. Comments were also recorded for each key aspect, and in addition Mott MacDonald recorded information on:

- The initial sales pitch made by the BT sales advisor – including the key words and phrases used
- The quality of the interaction between the sales rep and the customer.

All of the information recorded has been fed into the review and analysis detailed in Sections 2 and 3 of this report.

1.5 A note on interpretation of data

Before detailing the results of the review conducted, Mott MacDonald believes it is important to set the data used for this review in context. It should be noted that it is not clear how the particular call recordings contained on the CDs reviewed were selected by BT or its contact centres. Therefore, whilst this set of data certainly reveals some interesting information and insights about sales activities at the 2 contact centres, it is not possible to say how representative the picture is of sales practices either at those contact centres or other sales channels used by BT.

Mott MacDonald does not know, for example:

² It should be noted that Mott MacDonald also encountered several other duplicates when listening to calls to determine which ones were converted sales.

- How the 526 calls at CCA and 496 calls at HCL were selected for inclusion on the CDs
- Why these calls were provided in preference to others
- What type of calls were excluded from this sample and why
- What instructions were given, by BT or the contact centre providing the recordings, to generate these recordings etc.

The recordings on the CDs appear to be drawn from a period of 3-4 months, during which time reps at the contact centres will have made many thousands of sales calls - of which those provided therefore comprise a small selection. Care should therefore be taken in interpretation of this data particularly if seeking to use it as evidence of broader patterns.

As a final comment on this subject, a more representative data set for review – upon which broader conclusions could be reached – could be secured by dictating to BT exactly the type of recordings it, or its contact centres, should provide.

2. Review of Recordings

2.1 Overview – aspects of calls reviewed

As mentioned above in Section 1.2 the following aspects of call recordings were reviewed, in order to assess whether sales representatives were clearly communicating pertinent information on renewable contracts:

- The costs and benefits of the new contract
- That there is automatic renewal unless the customer opts out
- Both the initial 12 month contract term, and the subsequent 12 month contract term
- That a reminder will be sent near the end of the contract
- The existence of a charge for terminating early (both in relation to the initial and subsequent 12 months of the contract)
- The level of that charge for terminating early (both in relation to the existing and subsequent 12 months of the contract)
- The start date for the service, and any cool-off period
- That written confirmation will be sent in the post
- That consumers have the option not to accept a roll-over contract, that there are other options, and their cost.

The following sections deal with each of these aspects in turn.

2.2 The costs and benefits of the new contract

2.2.1 Definition

This aspect of the review dealt with the key question: **“Were the costs and benefits of the new contract clearly communicated?”**

This question can be interpreted in two ways:

- Firstly, was there successful communication of the financial costs and benefits of the package associated with the contract – in terms of the savings and discounts the deal entails, and the tariff and service plans in place as a result?
- Secondly, *as a whole*, did the call successfully communicate to the customer the full cost and benefit (including non-price costs and benefits) of signing up to a renewable contract of this type?

Section 2.2 deals with the first of these two interpretations. The second interpretation is an important overall insight of this project and is dealt with therefore in the conclusions drawn in Section 4.

Mott MacDonald therefore set out to answer the question “were costs and benefits clearly communicated” in relation to the data specified in Table 1 below:

Table 1: Aspects of cost & benefit

Costs	Benefits
<ul style="list-style-type: none"> Line rental (eg monthly billed £15.45) Call charges outside plan (e.g. 4.5ppm plus set up fee of 8p) 	<ul style="list-style-type: none"> Discount on bill (e.g. £2.95) Inclusive free calls to landlines, 0870 and 0845 numbers during plan hours (eg evenings & weekends)

2.2.2 Degree of compliance

Regarding the aspects of cost and benefit indicated in Table 1, Mott MacDonald analysed each call to answer the question “were costs and benefits clearly communicated?” A breakdown of the verdicts regarding CCA and HCL are shown in Figure 2-1 and Figure 2-2 below:

Figure 2-1: Cost / benefit compliance at CCA

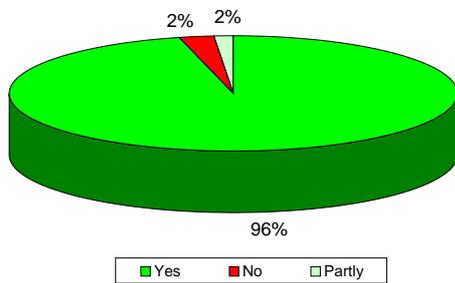
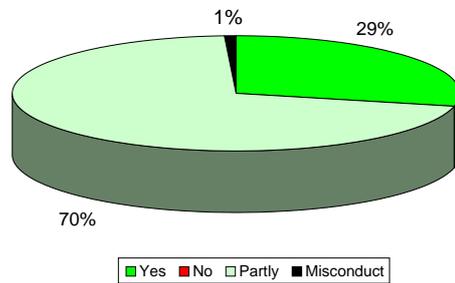


Figure 2-2: Cost / benefit compliance at HCL



At CCA, there were only 3 of 131 cases (2%) in which the costs and benefits were not clearly communicated – both cases in which the fact that a discount would appear in the credit section of the bill was not made clear. There were also 2 cases in which, while there was no outright failure to communicate costs and benefits, the level of detail provided was lower – in that the line rental costs and call tariffs for out-of-plan calls were not stated. Given that these were not due to change, apart from the discount given for accepting a renewable contract, Mott MacDonald felt this was only a partial failure in communication clarity.

At HCL this same partial communication of cost and benefits was more prevalent, with 86 of 122 cases (70%) falling into this bracket.

Finally there was one case at HCL where a complete failure to communicate occurred. In this case, the customer clearly did not understand the rep’s sales pitch, and it was evident this customer was elderly and struggling to comprehend proceedings. Nevertheless the rep continued with the sale. Mott MacDonald believes this should be

considered a case of misconduct, as regardless of whether or not the rep adhered to the script it was clearly not an acceptable sale.

2.3 Automatic renewal unless opt-out

2.3.1 Definition

This aspect of the review dealt with the key question: **“Was the fact that the contract would automatically renew, unless the customer opts out, clearly communicated?”**

The key here was to establish if the customer was made to understand that the onus was on the customer to action a release from the contract, and that without such an intervention from the customer the contract would automatically renew (how long this renewal would be for is dealt with separately).

2.3.2 Degree of compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mot MacDonald regarding CCA and HCL are shown in Figure 2-3 and Figure 2-4 below:

Figure 2-3: Auto-renewal unless opt-out at CCA

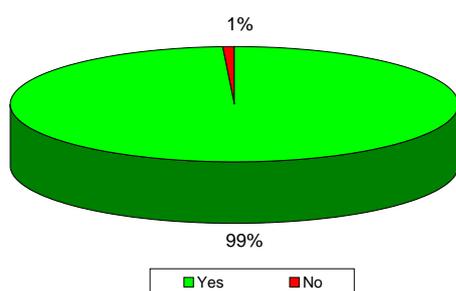
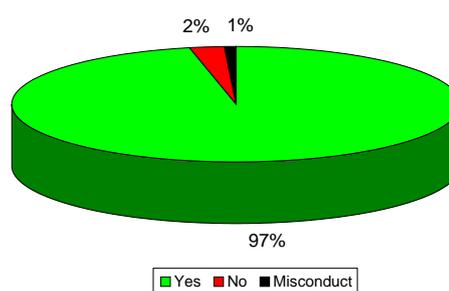


Figure 2-4: Auto-renewal unless opt-out at HCL



The standard phrase in the scripts used, which was repeated verbatim by the vast majority of reps, stated that the contract would automatically renew for another 12 months “unless you tell us otherwise before the renewal date.”

There was only 1 case of 133 (1%) at CCA in which the fact of automatic renewal – unless the customer opts out – was not made clear. In the case in question the sales rep stated that “at end of 12 months you can continue to enjoy the benefits of the plan unless you tell us otherwise” – a statement which does not adequately emphasise

that the *contract* will renew, given that a customer could potentially continue to enjoy the benefits of a package without contractual tie-in. That is the way mobile contracts work, for example, with package benefits continuing after the end of the initial contractual period, unless the customer moves provider or takes up a new deal.

At HCL there were 3 of 122 cases in which the fact of auto-renewal was not made clear. In two of these cases this part of the script was missed out completely. In the other case, the sales rep stated that BT would contact the customer to see if they wanted to continue – implying that the onus to act is on BT and that the service is opt-in, rather than opt-out.

As a final point it should be noted that very rarely did reps mention how the customer should contact BT to opt-out – and where such mention was made it was done in a casual manner, rather than being part of any script. And there was never mention of the fact that the customer could contact BT to give notice of termination at any point in time (ie informing BT in advance of the final month that they wished to terminate at the end of the year).

2.4 Initial and subsequent 12 month terms

2.4.1 Definition

This aspect of the review dealt with the key question: **“Was there clear communication of both the initial 12 month and subsequent 12 month terms of the contract?”**

The key here was to establish if the customer was made aware not only of the initial 12 month term of the contract but also that the contract would renew after this period for another full 12 month period. Ofcom has emphasised the particular importance of communication regarding the second 12 month term – given that this kind of renewal is relatively rare in consumer telecoms contracts.

2.4.2 Degree of compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mott MacDonald regarding CCA and HCL are shown in Figure 2-5 and Figure 2-6 below:

Figure 2-5: Initial and subsequent 12 months at CCA

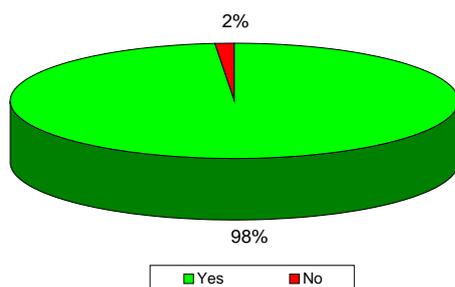
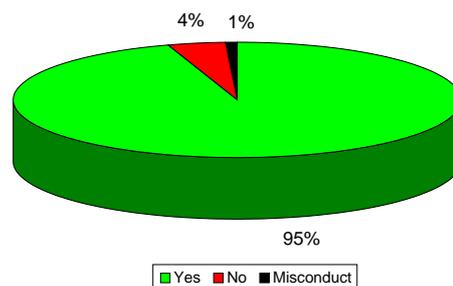


Figure 2-6: Initial and subsequent 12 months at HCL



The standard phrase in the scripts used, which was repeated verbatim by the vast majority of reps stated that “This comes with a 12 month renewable contract [...] the contract will automatically renew for a further 12 months [unless you...]”

In only 2 of 131 cases at CCA (2%) did the rep fail to communicate that the contract was for 12 months, initially, and would renew for another 12 months. In these two cases the rep simply stated that the contract would renew – without saying how long for.

There were 5 of 122 cases at HCL where the same omission occurred – with the rep failing to communicate the term of the subsequent renewal. In 1 case the rep failed to state the length of either the initial or the subsequent term.

2.5 Communication of sending a reminder

2.5.1 Definition

This aspect of the review dealt with the key question: **“Was the customer told there would be a reminder near the renewal date?”**

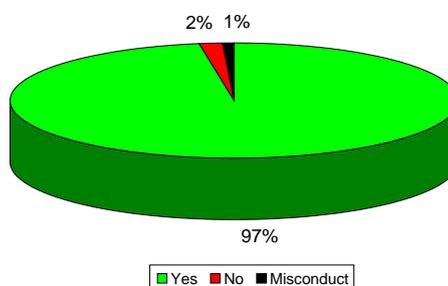
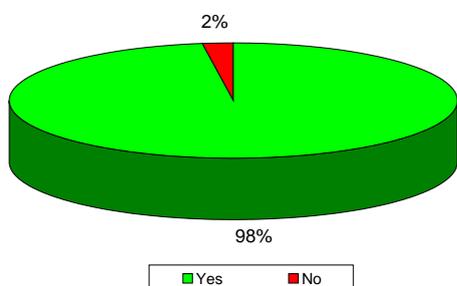
It should be noted that Mott MacDonald was not looking to identify the communication of any precise period of time. Reps did occasionally state that the reminder would be around a month before the renewal date, but in general this was left vague. The key here was to establish if a reminder of any kind was promised by the reps.

2.5.2 Compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mot MacDonald regarding CCA and HCL are shown in Figure 2-7 and Figure 2-8 below:

Figure 2-7: Communication of sending reminder at CCA

Figure 2-8: Communication of sending reminder at CCA



The standard phrase in the scripts used, which was repeated verbatim by the vast majority of reps stated that “we will write to you nearing the end of the 12 months.”

There were only 3 of 131 cases (2%) at CCA in which a reminder was not promised. There were only 2 of 122 cases (2%) at HCL in which the same omission occurred.

At neither contact centre was the timing of the reminder made specific, and there was never any discussion or comment on a reminder process for the subsequent 12 month period.

2.6 The existence of an early termination charge (initial 12 months)

2.6.1 Definition

This aspect of the review dealt with the key question: **“Was the customer told of the existence of an early termination charge regarding the initial 12 month contract?”**

It should be noted that Ofcom has communicated the importance of making customers aware that the ETCs apply not just to the initial 12 month term – which might be reasonably expected and is likely to be understood by some customers – but also to the subsequent term. Thus Mott MacDonald has looked at communication of the existence of ETCs for each period separately (in this Section 2.6 dealing with them

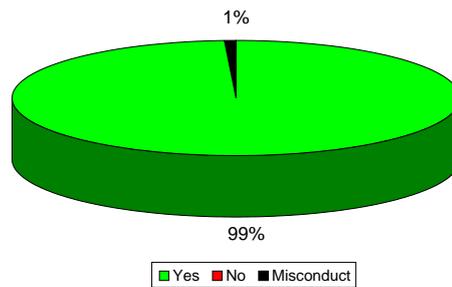
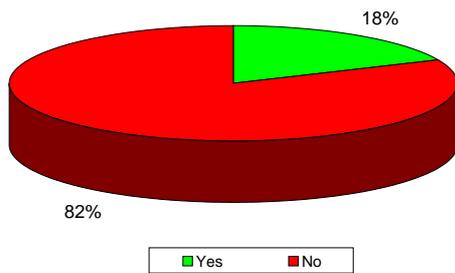
in relation to the initial period, and in the following Section 2.7 regarding the subsequent period).

2.6.2 Compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mott MacDonald regarding CCA and HCL are shown in Figure 2-9 and Figure 2-10 below:

Figure 2-9: Existence of ETC regarding initial 12 at CCA

Figure 2-10: Existence of ETC regarding initial 12 at HCL



The standard phrase in the scripts, which was repeated verbatim by the majority of reps complying with this part of the script, was: “If you do decide to end your contract with BT you will incur a charge, based on the number of months left in the 12 month minimum term.”

This phrase or a close equivalent was stated by CCA reps in only 24 of 131 cases³ (18%). At HCL, on the other hand, it was stated in all 122 cases.

It should be noted therefore that this appears to be a significant omission on the part of many reps at CCA – in that many customers are being signed up to a 12 month contract, without being made aware that there is a penalty for breaking that contract.

³ The 24 cases were from a mix of types of transfer

2.7 The existence of an early termination charge (subsequent 12 months)

2.7.1 Definition

This aspect of the review dealt with the key question: **“Was the customer told of the existence of an early termination charge regarding the subsequent 12 month contract?”**

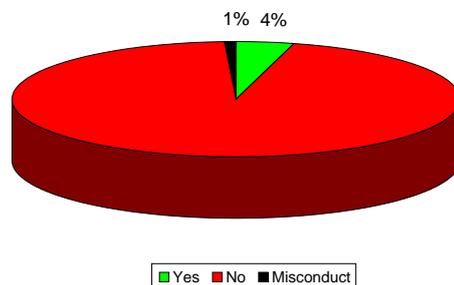
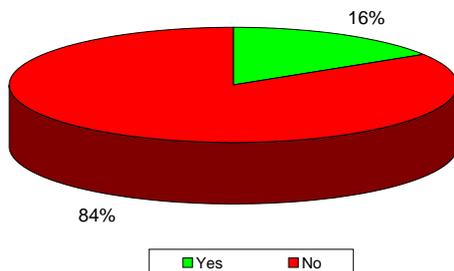
As noted above, Ofcom was keen to understand if there was communication regarding ETCs relating to the subsequent 12 month contract term. This was considered to be particularly important, because customers were thought to be less likely to understand that this contract renews for another 12 months – given that a lot of contracts (eg mobile contracts) tend to revert to a month by month basis after the initial tie-in period. Thus charges relating to breaking the subsequent term are likely to come as more of a surprise.

2.7.2 Compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mott MacDonald regarding CCA and HCL are shown in Figure 2-11 and Figure 2-12 below:

Figure 2-11: Existence of ETC re subsequent 12 at CCA

Figure 2-12: : Existence of ETC re subsequent 12 at HCL



The standard phrase in the scripts, which was repeated by those reps complying with this part of the script, was: “If you do decide to end your contract with BT you will incur a charge, based on the number of months left in the 12 month minimum term, or any 12 month renewable / renewal period.”

As can be seen from the charts above, there was a very low level of communication of the existence of ETCs regarding subsequent contract

periods. At CCA, there were 21 cases of 131 (16%) in which this fact was made clear, whilst at HCL there were only 5 cases of 122 (4%).

It is interesting to note that there were more cases at CCA than at HCL in which this type of ETC was communicated – given that the level of communication of ETCs regarding the initial 12 months was lower at CCA than at HCL (see Section 2.6). It seems that if reps at CCA mentioned ETCs at all, they tended to mention them in relation to both the initial and subsequent contract periods (in 21 of 24 cases where ETCs mentioned at all). Whereas at HCL, ETCs were always mentioned in relation to the first 12 months, but very rarely in relation to subsequent contract terms.

2.8 The level of the early termination charge (initial 12 months)

2.8.1 Definition

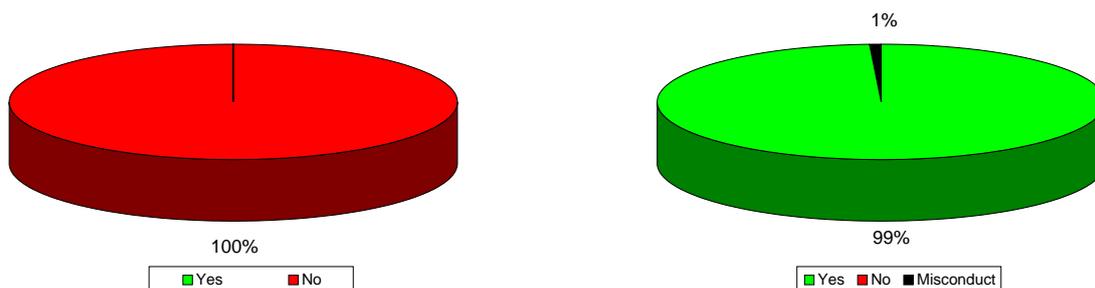
This aspect of the review dealt with the key question: **“Was the customer told the amount of the early termination charge regarding breaking the initial contract period?”**

This question was looked at separately for both initial and subsequent contract terms, because it was important to establish precisely the level of ETC information provided regarding each contractual situation. In practice, Mott MacDonald found that whenever the level of ETC was stated it was simply related to whichever ETCs had been identified as existing. For example, if a rep identified that charges applied to initial and subsequent terms, then the level of ETC (if it was stated) was related to both these periods. If the rep only mentioned that charges applied to the initial period, then the amount quoted referred to this period.

2.8.2 Compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mott MacDonald regarding CCA and HCL are shown in Figure 2-13 and Figure 2-14 below:

Figure 2-13: Stating amount of ETC re 1st 12 mnths CCA Figure 2-14: Stating amount of ETC re 1st 12 mnths HCL



The standard phrase in the scripts, which was repeated by those reps complying with this part of the script, was: “If you decide to end contract within the minimum term, you will receive a single charge of £7.50⁴ for each month left in the minimum term.”

As can be seen from the pie charts above, there was a contrasting situation at the two contact centres – with the level of ETC being mentioned in all 122 cases at HCL but in no cases at CCA, representing therefore a significant omission at the latter.

2.9 The level of the early termination charge (subsequent 12 months)

2.9.1 Definition

This aspect of the review dealt with the key question: “**Was the customer told the amount of the early termination charge regarding breaking any subsequent 12 month contract period?**”

As mentioned above, this question was looked at separately for both initial and subsequent contract terms, because it was important to establish precisely the level of ETC information provided regarding each contractual situation. This section deals specifically with information communicated about the level of ETCs for breaking any subsequent contract period.

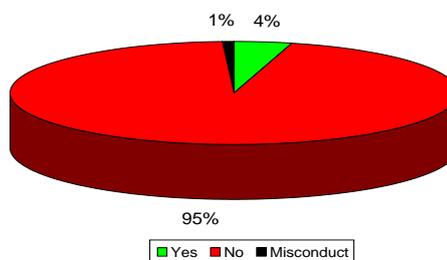
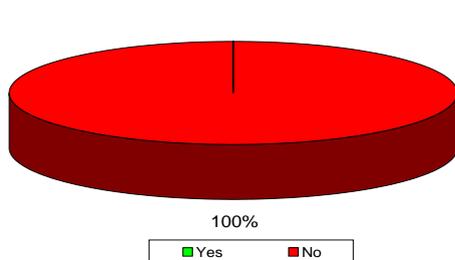
⁴ For Anytime contracts this amount was stated as £8.00

2.9.2 Compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mott MacDonald regarding CCA and HCL are shown in Figure 2-15 and Figure 2-16 below:

Figure 2-15: Amount of ETC re subsequent period CCA

Figure 2-16: Amount of ETC re subsequent period HCL



The standard phrase in the scripts, which was repeated by those reps complying with this part of the script, was: “If you decide to end contract within the minimum term, you will receive a single charge of £7.50⁵ for each month left in the minimum term **or any 12 month renewable period.**”

As can be seen from the pie charts, there was an extremely low level of communication regarding the level of ETCs relating to subsequent 12 month contract terms. The level of charge was never mentioned by CCA (just as it was never mentioned in relation to the initial 12 month period). At HCL, it was only mentioned in relation to 5 cases (4%).

This can be considered a significant omission on the part of reps selling the new contracts.

2.10 The start time and any cool-off period

2.10.1 Definition

This aspect of the review dealt with the key question: “**Was there clear communication about the start-time and cool-off period?**”

⁵ For Anytime contracts this amount was stated as £8.00

2.10.2 Compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mott MacDonald regarding CCA and HCL are shown in Figure 2-17 and Figure 2-18 below:

Figure 2-17: Info on start-time and cool-off at CCA

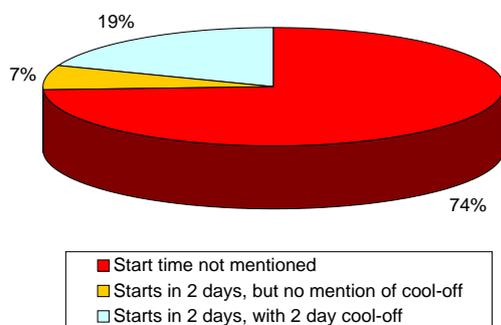
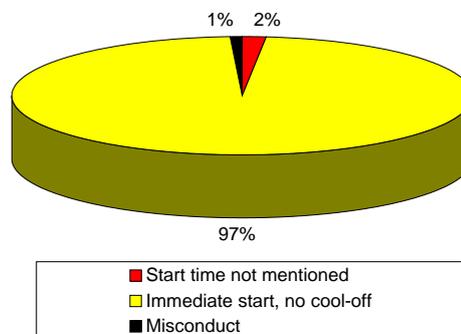


Figure 2-18: Info on start-time and cool-off at HCL



In 25 of 131 cases at CCA (19% of cases), it was made clear that the service would start in 2 days time, and could be cancelled up until this point. This in effect meant that there was a 2 day cool-off period, although the phrase cool-off period wasn't used by reps to describe this facility. In another 9 CCA cases, the same start-time was stated, but the reps did not indicate that the customer has the right to cancel up until this point. In the remaining 97 of 131 cases at CCA (74%) the start time or date for the service were not stated.

At HCL the start time was stated in 119 of 122 cases (97%) – however, in all these cases the start time specified was the end of the call. Indeed, most reps used the phrase "...the service should be on your line by the end of this call, and you have up until this time to cancel the order..." This is particularly notable, as it meant there was no cool-off period or opportunity for a customer to consider their decision or change their mind prior to a 12 month rolling contract becoming a reality.

In 8 cases at HCL the reps used the phrase "the service should be on your line by the end of this call and, *under the distance selling regulations*, you have up until this time to cancel the order..."⁶ It is not

⁶ All 8 cases concerned customers being moved from an unlimited weekend calls package to an unlimited evenings and weekend calls package – a type of transfer

clear whether this is consistent with the requirements in the distance selling regulations.

It should be noted that reps did not discuss the issue of cool-off periods with customers, nor did they state that customers were waiving their right to a cool-off period. Start times were stated as described above, without any further discussion of a customer’s ability or right to change their mind.

2.10.3 Definition

This aspect of the review dealt with the key question: **“Was the customer promised written confirmation?”**

2.10.4 Compliance

Mott MacDonald analysed each call to determine a response to the key question. A breakdown of the verdicts reached by Mott MacDonald regarding CCA and HCL are shown in Figure 2-19 and Figure 2-20 below:

Figure 2-19: Sending written confirmation at CCA

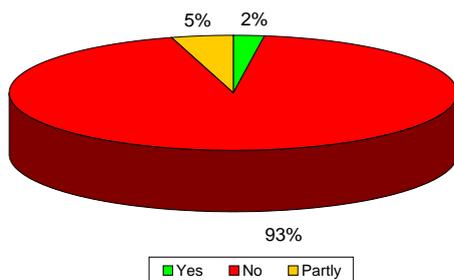
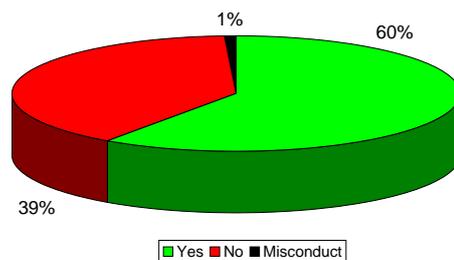


Figure 2-20: Sending written confirmation at HCL



In only 3 of 131 cases (2%) at CCA did reps promise written confirmation of the new contract would be sent in the post. In a further 6 cases, a partial commitment to written confirmation was made – all of them cases in which the customer specifically asked if they would receive something in writing. In 5 of these cases, the CCA reps stated that the customer would receive “amendments” “information” or “confirmation” in their next bill. Mott MacDonald did not feel this implied there would necessarily be any separate documentation about the contract – but rather suggested that the customer might be able to see

which accounted for 87% of calls by HCL.

the changes on their bill. In 1 case the rep stated that the only way to see details in writing was to look at BT's website, though when pressed the rep did concede confirmation would be sent out.

At HCL the picture was different, with 73 of 122 (60%) customers promised that written confirmation would be sent out. In 31 of these cases, the reps stated that confirmation would be sent in 3-5 working days. In 48 cases written confirmation was not mentioned at all.

It should be noted, however, that written information was always promised as confirmation *post-activation* – rather than being part of any cool-off period or decision-making process. There was no implication that the customer would have the chance to review the information sent, consider it, and decide whether to continue with the transfer agreed to a new contract type. Regardless of whether written information was promised, service transfer was a *fait accompli*.

As a final point, one could argue that the failure to provide written information – and period in which to review it – could be seen as a form of communication failure in itself. However clearly terms and conditions are communicated in a brief sales call, one could argue that a proper absorption of information and therefore an *informed* decision – rather than simply a decision – can only occur with adequate information and time in which to revisit it.

2.11 Discussion of non-rollover options and their cost

Ofcom was keen to understand what level of discussion of alternative options occurred on calls. As well as stating the costs and benefits of renewable contracts, did reps also inform customers they had the right not to accept a rollover contract for the same services and the comparative cost of this?

Mott MacDonald found that there was no such discussion, on any of the calls. All of the calls analysed were to existing BT customers⁷, who displayed little evident inclination to leave BT. All of the calls concerned converted sales⁸, with customers displaying little resistance to accepting the renewable contracts offered to them by the reps – meaning that there was little need for the reps to talk through other alternatives.

⁷ One customer may possibly have been with Sky for his calls, though this was not entirely clear

⁸ With the exception of the exclusion noted in section 1.3

2.12 Instances of non-compliance across cases

In general, the instances of non-compliance noted above related to different cases, rather than being common to the same cases. For example regarding CCA, there were 3 cases in which costs & benefits were not communicated effectively. There were also 3 cases in which a reminder was not promised – but they were 3 different cases, not the same ones. This is largely true of omissions regarding the following 4 issues examined:

- Costs & benefits
- Issuing a reminder
- Auto-renewal unless opt-out
- Communication of initial & subsequent contract periods.

Indeed, when considering these aspects of the renewable contracts, in only 3 instances across CCA and HCL was there more than one type of omission regarding a single case.

Across the remaining factors the patterns of compliance or omission were a lot broader. For example, in all cases HCL reps told customers about the level of the ETC, versus no cases at CCA.

3. Insights into the process of sale

3.1 Introduction

Whilst technically reps complied with scripts in many cases, there is still a question as to whether costs and benefits were well communicated overall. Other aspects of the way calls are conducted have an effect on the degree to which the customer understands exactly what they are agreeing to. It is not just important what information is stated – but when a piece of information is relayed, how that information is imparted, the language in which it is expressed, and how customers are thereby led to make a decision.

This section therefore seeks to look beyond simple compliance with scripts to examine some other interesting traits of the calls made by the two contact centres in order to examine their impact on the sound communication of costs and benefits.

3.2 The structure of the call: “pitch” versus “re-cap”

A notable characteristic of the sales calls made by both contact centres was that all calls were structured in two main parts:

- Firstly, a brief sales “pitch” in which communication was made by the sales rep of the offer being made as well as some details of cost and benefit
- Secondly, following acceptance by the customer of the offer (based on the pitch) a “re-cap” by the sales rep, which consisted largely of reading terms and conditions in more detail from a script.

Whilst this is an understandable structure for a sales call, the manner in which it was employed in this specific context nevertheless raises some important issues. For example, the vast majority of the key information regarding aspects of the new renewable contract and its terms and conditions was imparted in the “re-cap” – by which time the customer had already made a decision to accept the service. By the same token, very little information regarding the terms and conditions pertaining to the renewable contract were imparted in the pitch – yet at the end of the pitch the rep would ask customers if they wished to go ahead. Whilst the decision made at this point may not have been final – and there was opportunity for the customer to ask questions, object and stop the transaction during the recap – it is arguable that the initial decision made had considerable weight and that the customer ought to have been provided with more of the key information before this decision was sought.

In this context it is worth commenting that most of these sales calls were quite brief in duration – lasting an average of around 3 minutes.

Whilst the upside of this is that the attention of customers can wane during long sales calls, the downside is that quite a lot of important contractual information was imparted in a short space of time during the recap. There is a danger that the customer could have been drawn in by an overly positive sounding pitch, and could then have failed to take in some important pertinent information delivered during a fairly rapid re-cap. This could mean that while the re-cap part of a call could technically tick all the boxes in terms of compliance – with all terms and conditions communicated – a slightly false impression was created prior to this by a pitch conducted independent from any script or guidelines. This is particularly of concern given that there was no real cool-off facility for these transactions (none in the case of HCL, 2 days cool-off in the case of some sales made by CCA – see Section 2.9 above).

At this point it would perhaps be useful to look a little more closely at the style and content of the pitch used to gain a decision on transfer from customers.

3.3 Style and content of the initial “pitch”

The fundamental approach of the sales pitches executed by CCA and HCL on these calls was to play up the benefits of the deal associated with the new contracts, whilst playing down the costs or any catch. This is hardly revolutionary – the aim is to sell services, after all. However, Mott MacDonald believes it is interesting to note some of the ways in which this was done with a view to determining whether the approach taken at the contact centres was fair or whether it was in any way misleading.

On the benefits side all the calls started with the rep making a statement about a positive deal being offered to the customer in question. There were several different approaches here, all with similar intentions:

- Reps often positioned the change in deal being offered as a reward for loyalty, for example:
 - “Because you’ve been such a loyal customer we’d like to give you free evening and weekend calls.”
- Or the new deal was sold as a correction to an imbalance regarding a customer’s tariff plan:
 - “we’ve been reviewing our customers’ accounts, and have noticed a lot of customers are paying for calls they don’t need to pay for.”
- Or simply an attempt to save the customer money
 - “...calling to try to save you money / make you savings, by offering...”

- Or the deal was positioned as a service upgrade:
 - “we’ve done a review of your account and we’d like to upgrade you to our unlimited evenings and weekends package at no extra cost.”

At this point most of the customers sounded pleased, although some were keen to be sure that this did not come at any extra cost – or were curious as to what might be the catch. In answer to these questions (spoken or unspoken) the reps then positioned the trade-off as simply remaining with BT:

- “All we ask is that you stay with BT / you’re happy to stay with BT for another 12 months.”

This question was sometimes followed by a question such as “are you happy to stay with BT?” or “were you planning on staying with BT?” Given that most people (on the calls provided in this instance) were not intending to leave BT, this seemed a small price to pay for being given a package entailing more free calls – or having the £2.95 cost of that package waived. The customers tended therefore to say they were indeed happy to stay with BT and wished to go ahead – sometimes adding that they had been with BT for years and were not likely to change now.

However, whilst this situation might seem satisfactory at first glance, it raises some important issues regarding the fundamental question the study seeks to examine: to what extent the costs and benefits of the new renewable contracts are clearly communicated? It is notable in this context that the “cost” of the new contract was on the whole simply communicated as “staying with BT for another 12 months” – which is a long way short of the reality: namely, that the customer will be signed up not only to a renewable contract for 12 months, but one which (unlike most other communications contracts) renews for a subsequent 12 months if the customer does not opt-out – a fact not mentioned once in 253 sales pitches. Indeed, the word “renewable” was only used in the pitch in 18 of 253 cases examined (7% of cases). The fact that the customer would be obliged to opt-out of this contract was mentioned in the pitch only once. The fact that there was an early termination charge was likewise only mentioned once.

Taking the pitch alone, therefore – at the end of which the customer is asked to say whether they wish to go ahead – there was clearly insufficient communication of the cost and benefit of moving onto a 12 month renewable contract of the type BT is putting in place.

3.4 Use of language

Mott MacDonald also found that there were a number of instances in which the language used by sales reps – both in the pitch and the re-cap – was potentially misleading.

For example when reps at HCL were identifying the level of charge for breaking the contract⁹, in all but 4 cases the reps stated that there would be “a *single* charge of £7.50 for each month remaining...” Whilst this is technically correct, the use of the word “single” is unnecessary and potentially misleading. Whilst customers will indeed only be charged £7.50 for each month, overall they will receive far more than a single charge – but there is a risk that the words “single charge of £7.50” will lodge in customer’s minds, thus giving them a false impression of the penalty of breaking the contract. It would be sufficient to say that “... there will be a charge of £7.50 for each month remaining...” which communicates the fact of the monthly charge without any risk of misunderstanding.

Sometimes in the sales pitch reps said “...all we ask is that you are happy to *remain* in contract for a *further* 12 months...” Arguably, the words “further” and “remain” are misleading as they could be taken to imply that the customer is already in a 12 month contract – or that they are continuing on a similar basis to their present situation, thus playing down the fact that something quite significant is changing with regard to their contractual situation.

Similarly, the statement “...all we ask is that you’re happy to stay with BT for another 12 months...” is also potentially misleading, as this is not all that is being asked – the terms on which the customer is being asked to stay (ie on an annual rolling contract where the customer has to pay an ETC if they wish to leave and from which one has to opt-out) representing far more than simply “staying with BT”.

Indeed it is arguable that the term “renewable contract” itself is misleading, because it could mean a number of different things and does not give any sense of two key facets of this particular type of contract: a) that it automatically renews unless the customer specifically opts-out; and b) that it renews for another full year each time. Strictly speaking something like “12 month by 12 month rolling / automatically renewing contract” would be closer to the reality. The use of an

⁹ N.B. CCA reps did not mention the level of this charge at all

imprecise term such as renewable contract is particularly risky in this situation – given that the nature of this contract differs from the contracts many consumers will be familiar with, which last for a minimum term of a year and then become monthly.

Finally, it is also arguable that the use of the term “re-cap” – used by the majority of reps to refer to the part of the call in which they detail the key terms and conditions – is also misleading. Reps will often say something like “I’m just going to give a quick re-cap of what you’ve agreed” – yet most of the information imparted subsequently, which comes from scripts read out by the rep, is new. Using the word re-cap could imply this is something already covered or agreed – though the customer has yet to hear the information.

3.5 Types of migration encountered

The types of migration encountered on the calls analysed also sheds some light on the intention of sales reps at the two contact centres in attempting to sell new contracts to customers. Figure 3-1 and Figure 3-2 below illustrate a breakdown of the service migrations on these calls:

Figure 3-1: Service migrations at CCA

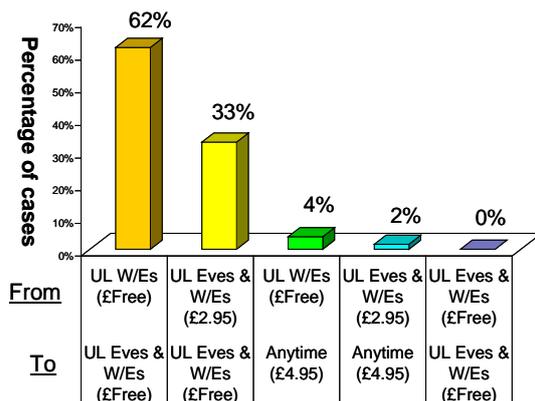
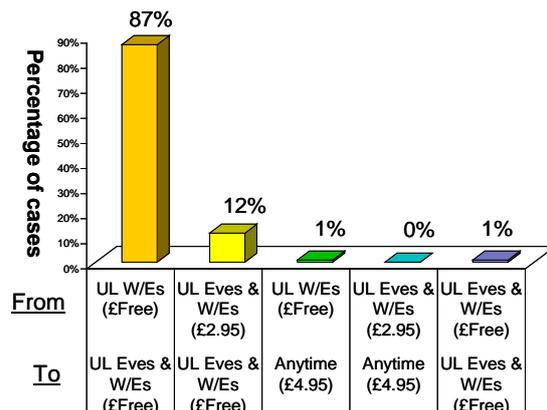


Figure 3-2: Service migrations at HCL



As can be seen from the charts, the most common migration was from an unlimited weekend calls package (“UL W/Es” in chart) to an unlimited evenings and weekends call package (“UL Eves & W/Es”) – with the extended package being provided free of charge (rather than costing the usual £2.95 fee). This type of sale accounted for 63% of calls at CCA and 87% at HCL. The next most common migration sold was from an unlimited evenings and weekends package costing £2.95 to the same package costing nothing (ie giving a £2.95 discount).

Most notable, perhaps, is the relatively small amount of anytime packages sold. Only 3% of calls at CCA and 1% at HCL involved the successful sale of an anytime package. Whilst reps did attempt to sell anytime packages in some other cases – 14 at CCA and 3 at HCL – there was little real attempt to push these packages. In this context it is notable that reps did not always appear to have access to information on a customer's calling patterns or levels. Whilst a few reps did engage customers in a dialogue about the cost of their calls, and appeared able to access information on recent call charges in order to advise on savings that could be made from an Anytime plan – in most cases this did not appear to be the case. The majority of reps would simply ask customers when they made most of their calls, and although they would sometimes offer the possibility of an Anytime package, they would usually settle quickly for the sale of a free unlimited evenings & weekends package. An inference which could be drawn from this pattern of selling is that the primary objective of reps was to sell renewable contracts, rather than save customers money through putting them on the best call plan for their usage patterns. Whilst it is true customers are being saved £2.95 per month (in return for being party to a rolling 12 month automatically renewing contract) – there was virtually no examination of their calling patterns, recent bills, and which package would therefore best suit their needs. This sits as an interesting counterpoint to the intentions stated by reps in the pitch – where reps claim their intention is to reward customers and save them money.

3.6 Quality of sale

Whilst the reps main intention may have been to sign customers up to rolling 12 month automatically renewing contracts, rather than save them money, Mott MacDonald was also interested to evaluate the quality of the sales calls – meaning the degree to which there was evidence of good engagement and interaction between sales rep and customer. It is possible for calls to be technically sound – for example, with customers saying “yes” when asked if they wish to go ahead – without there being much evidence that they are engaged and understanding the information being relayed. On other calls engagement is more evident – from the manner of the customer and the fact that they are asking questions or making comments, for instance. On their part, reps can aid understanding by reading scripts slowly and clearly – or conversely can race through scripts, meaning they have technically delivered key information, but have not done so in a meaningful way.

Mott categorised each call as high, medium or low in quality, where these were defined as:

- High: clear evidence of engagement and communication – with customer responding, or asking questions, or making pertinent comments at a key point or points. Rep read key terms and conditions clearly
- Medium: few signs of engagement or interaction, but affirmative responses given to key questions.
- Low: No real interaction or engagement, though service accepted. Some doubt whether the customer has understood information imparted. And / or rep raced through script so that it may have been hard to take information on board.

A breakdown of the calls according to these categories is illustrated in Figure 3-3 and Figure 3-4 below:

Figure 3-3: Call quality regarding CCA sales

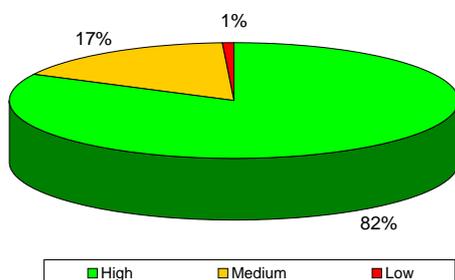
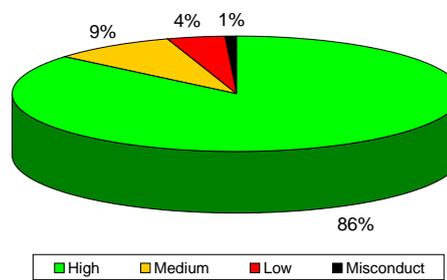


Figure 3-4: Call quality regarding HCL sales



As the charts indicate, on the whole Mott MacDonald found that call quality was relatively high – meaning that there was evidence of communication and engagement between customer and sales rep. In most cases the customer seemed engaged and to understand what they were agreeing to (based on the information provided by the sales rep). On the whole, sales reps did not run through scripts too fast, and read key phrases clearly and intelligibly. All but one of the cases was a valid sale – in that the customer accepted the deal being offered – notwithstanding the provisos in terms of sales approach mentioned in the sections above.

However, it is important to remember that Ofcom and Mott MacDonald do not know how or why these particular calls were selected by BT or the contact centres. It is therefore not possible to say whether the picture of call quality which emerges from this sample is representative of call quality in general at the two contact centres for this type of transaction.

3.7 Questions about the data set provided by BT

252 of the 253 calls sampled by Mott MacDonald turned out to be converted sales, and it is safe to assume that virtually 100% of the 1021 calls provided by BT were converted sales. The HCL calls appear to come from a period between April and July 2009 (we can tell this as the HCL recordings are labelled by the name of the sales rep and the date). It is not possible to tell what period the CCA calls cover, as they were not marked by date – but in the cases of both HCL and CCA it is nevertheless fair to assume that the calls provided represent a small fraction of the total sales calls made by reps from those contact centres at that time. This raises some important questions about the data provided by BT, for example:

- How did BT, or the contact centres, select these recordings in preference to others?
- Were they systematically or randomly sampled, or was there manual selection of these particular recordings?
- What was the intention in selecting these particular recordings? (eg to show a representative sample of sales, a sample of good sales?)
- What types of recordings have been excluded from this sample, and why?
- Therefore, how representative is this sample of recordings of all calls made by BT reps at these contact centres to sell rolling 12 month automatically renewing contracts?

From the calls analysed by Mot MacDonald, the impression gained is of a very simple and smooth sales process, in which selling this type of contract is akin to preaching to the converted. Very little persuasion was needed to persuade customers to accept the new contract type, few objections were raised or questions asked, and there were relatively few low quality calls where the understanding of the customer was in doubt (based on the information provided by the sales rep). The customers all appeared to have been with BT for a considerable period of time and not have been considering other providers.

Without knowing how the data here was selected by BT, it is not possible to know whether or not this impression is representative of the typical situation encountered when selling these contracts. A more accurate impression might be gained – and greater confidence could certainly be attached to whatever impression is gained – by mandating to BT the type of calls it should supply, in terms of:

- The type of calls from which the sample should be drawn – for example including:
 - Unconverted sales
 - Sales calls to BT customers recently gained from other providers

- Sales calls to customers of other providers.
- The type of calls excluded
 - Ideally there should be few exclusions, perhaps only those for reasons of privacy (customers which have not agreed to share information)
- The period from which the sample is drawn etc.

In practice the best way to ensure a representative sample is analysed might be to receive a list of all sales calls from BT for a given period, to systematically sample the calls, and then require BT to provide call recordings against those calls. This would help guarantee its validity.

4. Conclusions and Recommendations

4.1 A final word on quality of data

Before summarising its insights and conclusions, Mott MacDonald would like to reiterate that this analysis has been conducted on a selection of data of unknown provenance. At the time of writing, Ofcom and Mott MacDonald do not know how this data was selected by BT or the contact centres in question, on what bases the particular sample was chosen, how systematic, random or manual that process may have been and what types of call or customer were excluded. Mott MacDonald was simply presented with 1021 sales calls – all of which appear to relate to fairly easily and rapidly converted sales to existing BT customers.

The conclusions drawn, therefore, can only be considered in relation to the practices as revealed by this particular data sample – they cannot be automatically assumed to apply to the sales practices carried out more broadly by the two contact centres or by other BT sales operations.

4.2 Conclusions on basic compliance

In over 95% of cases, at both contact centres, there was basic clarity in communication of:

- Cost and benefits (in terms of savings and package costs)
- Auto-renewal unless opt-out
- Initial and subsequent 12 month terms
- The issuing of a reminder.

This means that in the great majority of cases, reps were following scripts on these aspects of the new contracts.

However, regarding other aspects of renewable contracts the picture was less satisfactory, and there were also more notable differences between practices at the two contact centres. For example:

- At CCA, there was inadequate communication of the existence of an ETC for breaking the initial 12 month contract (18% of cases)
- At both CCA and HCL, there was inadequate communication of the existence of an ETC for breaking the subsequent 12 months of the contract (16% of cases at CCA and 4 % of cases at HCL)
- The level of charge relating to either type of ETC was not mentioned at all by CCA (0% of cases)
- The immediate service start-date cited by HCL allowed the customer no cool-off period, and CCA only allowed 2 days
- CCA reps rarely promised any meaningful written information (2% of cases), and whilst HCL promised written information in 60% of

cases the lack of any cool-off period meant such information had little bearing on a customer's ability to change their mind.

Overall, there was therefore a mixed picture in terms of the adequate communication of information regarding the new automatically renewing 12 month rollover contracts. In particular it should be noted that there was inadequate communication regarding the ETCs payable for breaking the contract during any subsequent 12 month renewal of the contract – precisely the aspect of these contracts likely to make them different from other contracts with which the customer may be familiar.

4.3 Conclusions on the process of sale

There were also other aspects of calls which had an impact on the level of understanding of customers and the way in which they perceived the new contracts.

Firstly, the structure of the calls was such that the customer was drawn in by an initial “pitch” which positioned the change proposed as a reward, upgrade or cost-saving benefit to the customer – often as a gesture to thank them for their loyalty to BT. Against this, the “catch” was communicated as being simply staying with BT for another 12 months – something most of these customers were already intending to do. As a result, most of the customers decided to accept the offer proposed and go ahead with the new contract without there having been any explanation of the reality of the new type of contract. In particular, this decision was sought by the sales reps without any explanation that the subsequent term which the contract would automatically renew for would also last another 12 months (which is far more unusual in telecoms contracts and likely to differ from the communications contracts with which customers are familiar – such as mobile contracts).

Secondly, the decision to accept the service was then followed by a “re-cap” from the sales rep – which in fact contained almost entirely new information not divulged during the pitch or prior to the decision (in other words it was not a re-cap at all). This information came largely from scripts – which the reps generally read clearly and intelligibly. Whilst it was important for this information to be relayed – and to re-cap important information would indeed be an admirable step in the process – the positioning of this important information almost entirely after the go-ahead decision by the customer does raise a question as to validity of that decision. Why do BT reps not choose to impart that information before they ask the customer if they wish to go ahead? Having made the decision to go-ahead, based on an incomplete impression of the

deal, do some customers switch-off and thus fail to absorb some of the telling details given in the re-cap? These questions are particularly apt given the fact that customers are not afforded any meaningful cool-off period or provided with information in writing upon which to base a decision (as opposed to information received when it is too late to change anything).

Thirdly, the language used by BT reps could in some cases mislead – for example:

- Referring to an ETC as a “single” monthly charge
- Stating that all that is being asked is that people are happy to stay with BT for another 12 months
- Referring to the initial 12 month contract term as “remaining in contract for a further 12 months” – as if they are already in contract for such a term
- The use of the word “renewable” (which could mean various things) in contrast to “roll-over” or an expression which would better communicate the fact that the customer is tied in for a rolling 12 months and must opt-out.
- The use of the word “re-cap” to signify the part of the call in which new information is delivered.

Having noted all of these issues, it should be acknowledged that the quality of interaction on these sales calls was generally high and that by the end of calls, if not at the start, most of the important information had been relayed. However, it is notable again that there was little emphasis on the fact that this type of contract renews for a further 12 months after the initial 12 month term – something completely glossed over for example in the pitch.

4.4 Overall conclusion: Are costs and benefits adequately communicated?

At a basic level, customers on these calls are made to understand the type of contract to which they are signing up, and that is achieved – before the end of the call, if not during the pitch – with adequate clarity regarding *most* key aspects of these contracts. There is no wholesale deception taking place and it would be hard for customers to prove that these contracts have been mis-sold.

However, that is not a ringing endorsement of the sales carried out on these calls. Customers may have made a decision, but was it really a fully informed decision? One might ask here, for example, if there are aspects of these contracts that customers might misconstrue – and, if so, has every effort been made to ensure that customers did

understand these aspects fully? In this regard the key information sales reps ought to have been making crystal clear concerns the fact that these contracts renew for a subsequent 12 months, and that there are specific ETCs for breaking this subsequent contract term.

However, the fact is that the ETCs were not well communicated in reference to the subsequent 12 month period – a specific aspect of this particular type of contract likely to differ from other contracts with which customers may be familiar. The fact that this contract differs in this way was also glossed over in the initial pitch – though a decision on whether to go ahead was sought from the customer immediately after the pitch. Furthermore, the rapid start date for service, particularly at HCL, together with the lack of meaningful provision of written information, plus the lack of any cool-off period in which to reconsider – all also inhibited the ability to reach an informed decision based on full consideration of all the benefits, costs and implications of change.

In considering whether there has been adequate communication one also needs to look at the manner and depth of that communication. Even based on the evidence of this unidentified sample, there would seem to be considerable room for improvement in the way these contracts are being sold, and it could be argued that aspects of the current approach could mislead customers. For example the pitch versus recap structure of the call, with balance of important information only coming after the gentle pitch and customer's decision, is arguably not the fairest way to ensure that the customer makes a decision based on the facts. Whilst important information is largely covered in the "recap" – why does BT not choose to impart this information before it asks the customer to decide whether to go ahead? There are also a number of instances in which the language used by reps could create a false impression. Whilst each individual instance of this type may seem insignificant on its own, together they could combine to create an imbalanced perception of benefit and cost. Whilst not every customer will fall prey to these aspects of the sales approach, some others may not fully appreciate the realities of the contracts they are entering into.

Mott MacDonald believes that cleaning up some of these aspects of calls would therefore improve the clarity of communication and would remove all doubt as to whether customers are able to fully understand the costs and benefits of these contracts. The following section details Mott MacDonald's recommendations in this respect.

4.5 Recommendations

Mott MacDonald makes the following recommendations in the belief that they would improve the effectiveness of communication of the costs and benefits of the contracts being sold by BT:

1. Scripts should better communicate the existence of ETCs. All scripts should state the existence of ETCs regarding both the initial and – most importantly – all subsequent 12 month contract periods
2. Scripts should better communicate the level of ETCs – and it should be clear that they refer to both the initial and all subsequent 12 month contract periods
3. A transfer process should be introduced to give customers the opportunity to review information on the contract they have agreed and decide whether to let the transfer proceed. This means sending out written information for a customer to review and allowing adequate time between the initial decision made on the phone and the transfer date – in other words the implementation of a meaningful cool-off period in which customers can change their mind.
4. Overall there should be less of a contrast between the overly rosy pitch and the poorly entitled “re-cap”. More of the key pertinent information pertaining to the new type of contract should be relayed prior to asking the customer to decide to go ahead. Namely the following information should be relayed:
 - a. That the customer is obliged to opt-out of the contract before the renewal date – or it will automatically renew
 - b. That the new contract will renew automatically for another 12 months, after the initial 12 contract term
 - c. That breaking the contract, in either the initial or subsequent 12 month term will incur a monthly early termination charge.
5. The contract should generally be referred to in a way which better reflects its nature – given that the term “renewable contract” is ambiguous. Mott MacDonald believes the term “12 month rolling contract” is closer to the reality, for example
6. Other examples of potentially misleading language / phrases should be removed from scripts and pitches, namely:
 - a. The ETC should be referred to as “a monthly charge of £x” not a “*single* monthly charge of £x”
 - b. Reps should refrain from stating that customers are simply being asked to “*remain* in contract for a *further* 12 months” when they are not already in any such contract
 - c. The term “re-cap” should not be used to describe the delivery of information after the customer has agreed to go ahead – unless

this information or the key parts of it have actually already been delivered.

- d. Reps should not make statements such as “all we are asking is that you’re happy to stay with BT for another 12 months” when the characteristics of the contract being sold reflect a far greater change than this implies.

Mott MacDonald also suggests that Ofcom considers conducting a fresh review of BT data. This data should conform to characteristics specified by Ofcom, rather than its make-up being determined by BT or its contact centres. For completeness, such a sample should include unconverted sales, calls to non-BT customers and to those recently joining BT from other providers. Ofcom itself should determine any exclusions and should dictate the particular recordings it wishes to review having systematically sampled a raw set of BT data.

Appendices

Appendix A. Script examples _____ 37

Appendix A. Script examples

A.1. Example of scripts at CCA

The following extract is a typical example of a CCA call:

“Hello, can I speak to Mr(s) X?”

[If respondent is Mr(s) X or confirms they are their partner, call continues].

“My name is Y and I’m calling on behalf of BT, this is just a quick call with regard to your phone line and call packages, at the moment you have our evening and weekend call plan which costs you £2.95. Do you make any calls in the day time Mr. xxx?”

[Customer responds that rarely uses phone.]

“Ok, what we’re going to do today to save you money, is that regarding the £2.95 you pay for your package, we’re going to erase that charge for you today, and offer your call packages free, so you will pay nothing on top of your line rental anymore – so you’re saving £2.95 each month now – and all we ask is that you’re happy to remain with BT for 12 months?”

[Customer responds that has been with BT for years, so won’t change.]

“Perfect, nothing else will change. 0870 and 0845 numbers will remain free of charge with BT. Now just to inform you, some of our calls today are being recorded for training and monitoring purposes. Just for data protection purposes I must ask you to confirm...”

[Rep asks for first initial of account holder, first line of address and postcode, which customer gives.]

“We are also offering customers discounted prices on our broadband as well in the near future – would you like us to phone you about this?”

[Customer says No].

“Now I’m just going to read out your terms and conditions, if you have any questions please let me know. You have the unlimited evening and weekend plan with friends and family mobile. Your line rental will appear as £15.45 including VAT, if you pay monthly, or £46.35 if you pay quarterly. However, as I mentioned you will see a monthly discount of £2.95 appear in the promotions and discounts section of your bill. Daytime calls as normal are charged at 4.5ppm plus and 8p set up

fee. Calls are rounded up to the nearest 1p, and it comes with a 12 month renewable contract. 0845 and 0870 are only inclusive during the calling plan's inclusive minutes – so those numbers are only free during the evenings and weekends. There is also a fair usage policy for inclusive 0845 and 0870 calls, and exclusions apply.

It comes with a 12 month renewable contract. We will write to you nearing the end of the 12 months. If you agree to remain with BT, the contract will automatically be renewed for a further 12 months unless you tell us otherwise before the renewal date.”

That's all complete for you today then, thanks for your time.

A.2. Example of scripts at HCL

The following extract is a typical example of an HCL call:

“Hello, can I speak to Mr(s) X?”

[If respondent is Mr(s) X or confirms they are their partner, call continues].

“Hello, it's Y calling on behalf of BT. The reason I'm calling is that we've actually noticed that you're paying for calls that you are now entitled to make at no extra cost.”

[Runs through data protection, asking for first initial, first line of address and postcode. States that call may be recorded for training and quality purposes.]

“At the minute you are on the unlimited weekend plan, which means you don't have to pay for calls at the weekends. What I would like to do is, at no extra cost to yourself, I would like to upgrade you to the unlimited evening & weekend plan. This will mean you won't have to pay for any calls during evenings and weekends, you will also be given a discounted rate to mobile you might call from your home phone, and we won't charge you for the package. All we would ask is that you would stay with BT for 12 months. Have you been with BT for long?”

[Customer replies has been with BT for years.]

“So you'd be happy enough to do that then?”

[Customer says yes.]

I just need to re-cap briefly what we've agreed to. But firstly I need to remind you that this call is recorded for training and quality purposes. You have chosen the unlimited evening and weekend plan at no extra cost. Unlimited evening and weekend calls are inclusive up to one hour to UK landlines including 0870 and 0845 numbers. This exclude calls to Internet Service Providers and Indirect Access Providers and a fair usage policy applies. Non-inclusive calls are chargeable. This plan is at no cost because you are taking a renewable contract. This plan would normally cost £2.95 but you will see a credit on your bill for this amount. This also includes the friends and family mobile deal; you just pay 7ppm for calls to mobiles with an 8p set up fee. This comes with a 12 month renewable contract. We will write to you nearing the end of the 12 months. The contract will automatically be renewed for a further 12 months, unless you tell us otherwise before the renewal date. The service should be on your line by the end of this call, and you have up until this time to cancel the order. If you do decide to end your contract within the 12 month minimum term, you will incur a single charge of £7.50 for each month left of the minimum term. That's all done for you now – thanks for your time.