Competition and regulation of markets

Business, Marketing

British Telecom (BT) is now a multi-national company which operates in over 50 countries worldwide. It employs approximately 120, 000 employees all over the globe. In 1997 the companies' turnover was 15, 000 million and its profit 2, 000million. When BT first came to being it had a tall hierarchical structure, and autocratic management style. Employees were made aware of their position in the hierarchy by example what your chair looked like; if it had arms. Before BT became an individual company in 1980, it was known as GPO, a state owned company which consisted of both a call centre and post office.

BT continued to be a state owned company up until 1984 when the Telecom Act was introduced and it was privatised. In the same year OFTEL was also created, a regulator which controlled the prices which BT set for its customers. OFTEL was set up in the interest of the customers, and focused on providing choice, value for money and quality of service for the customer via competition. As an OLIGOPOLY, BT faced little direct competition at the time. OFTEL therefore aimed to encourage more competition from other telecommunication companies by granting more and more telecoms companies licenses, it also disallowed BT to cross-subsidise its business.

OFTEL also introduced the RPI-X% formula as a way of preventing BT from increasing its prices and exploiting its customers. RPI stood for Retail Price Index. The Retail Price Index was a price boundary which BT had to follow, and if they were to go beyond this barrier OFTEL would ensure they increase their prices by X% (which was usually 2. 5%). Competition has had a great influence in the way BT runs its company. Before 1984, as a state owned company competition was an insignificant factor to the companies' survival, BT's service was rather poor. Customer service was not on the top of the companies list of objectives.

Customers had to wait 9months to get their phone installed, in fact they weren't even known as customers but subscribers. Long distance phone calls could only be made via the operator as telephone cards had not yet been introduced. After the privatisation of the company in 1984, and a shift from a monopoly to an oligopoly, competition and regulation of markets began to have a real affect on the success of the company. BT was now not only subjected to direct competition from companies such as Telewest, however due to the introduction of the internet and mobile phones they now also faced indirect competition.

BT had to make drastic changes in the way their company operated if they were to survive. The company had to reduce costs, hence flatten their hierarchical structure in order for prices to customers to be reduced, this process known as Business Process Re-engineering also helped the company operate more efficiently. If they had not reduced their prices, they would have automatically lost customers to their competitors who were charging less for the same service. They also introduced discounts to customers and promotional offers to prevent the loss of customers.

They also reduced their waiting time of 9months to have a phone installed to a minimum of days. A brand new image 'Busby' was introduced to establish the changes the company had gone through. The results of increased competition meant a flatter organisation structure for the company, a change to a more democratic management style, leading an adaptation of the business culture. The business became more customer focussed and more efficient. For the customers it meant better technology, more choice, cheaper prices and better service. BT's experiences in the UK allowed them to take advantage and exploit new markets abroad.