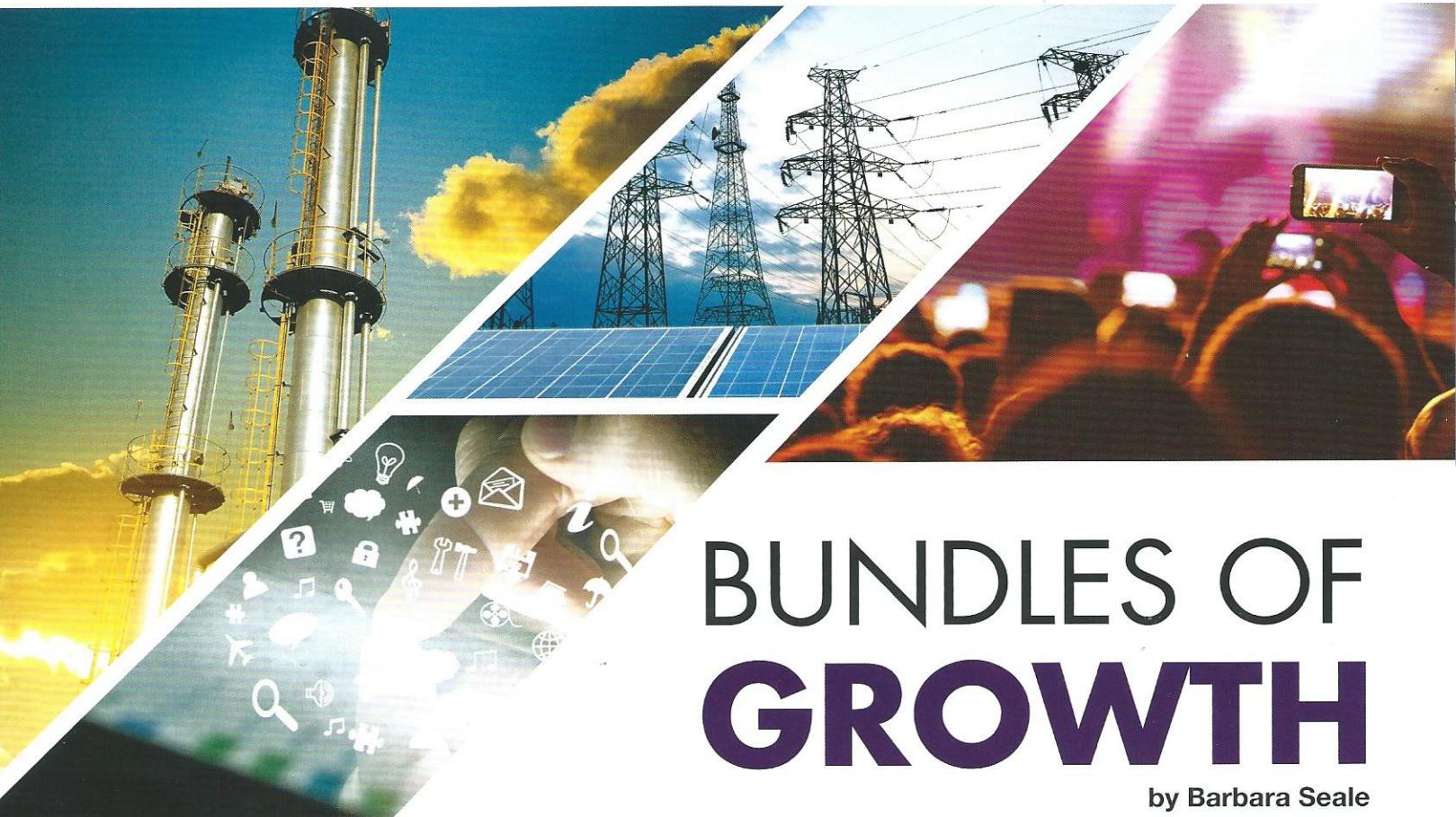


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BUNDLES OF GROWTH

by Barbara Seale

In a country where network marketing is a nascent industry, Utility Warehouse is growing by being the utility supplier you'd recommend to your mum.

The company offers energy, landline, mobile and broadband services, throughout the United Kingdom. Its nearly 50,000 distributors promote bundles that give members a single bill for all their services. Members can pick and choose the services they'd like to get from Utility Warehouse, but the more services they include in their bundle, the more they save on each service, and the more their Utility Warehouse distributors, or Business Partners, earn.

Utility Warehouse serves almost 600,000 residential and business customers, about 2 percent of the UK market. The customer base has grown over the years, taking the company from £419 million revenue in 2011 to £659 million in 2014. Telecom Plus PLC, Utility Warehouse's parent company, trades on the London Stock Exchange under the symbol TEP.

Utility service deregulation in the UK has followed a similar path as in the United States. It started with telecommunications in the 1990s. Telecom Plus was an early pioneer in the

deregulated utility industry, going into business in 1996 to offer a phone service. Service offerings have expanded over the years into mobile phones and broadband, and then into energy when it was deregulated in 2001.

"The vision of the company's founder, Charles Wigoder, had always been that we should be a multi-utility provider," explains Andrew Lindsay MBE, CEO of Telecom Plus PLC, who joined the company in 2007. "People don't tend to get looked after well by the big companies. They just come home to another bill that needs paying. But Charles had a vision that a multi-utility provider could give the convenience of a single bill based on the principles of good customer service. Then in 1996 he came across a new route to market for the UK: network marketing. Our business plays to that strength."

Andrew adds, "About 70 percent of our customers choose to be billed in equal installments each month. It's a big messaging thing for us. In the UK, no one knows how much they spend on utilities. We give them visibility to know how much they're spending. It's their biggest nondiscretionary budget item. It might be £2,000 a year across all their services."



UTILITY WAREHOUSE

The Discount Club

Company Profile:

Founded: 1996

Headquarters: London, England

Executive: CEO Andrew Lindsay

Products: Utility and essential services throughout the United Kingdom



Andrew Lindsay



HOME PHONE

BROADBAND



MOBILE

GAS



ELECTRICITY

CASHBACK



The company adopted its Utility Warehouse brand in 2003 to broaden public perception of the services it offers. The shift has even changed the way employees and managers view the company.

“Increasingly we don’t view ourselves as a utility business,” Andrew observes. “We view ourselves as a discount club. Our customers become members, and we try to look after them the way golf or country club members would like to be looked after. We give them value. Our rates are not necessarily the very cheapest, but they’re always fair, and we make sure existing members are always the first to benefit from any new, lower prices that we introduce. Two years ago we stated our mission to be the Nation’s most trusted utility supplier—the one you’d recommend to your mum.”

The mission has become the compass for decision-making within the company as it grows. Managers and even lower-level decision-makers ask themselves, “Is this decision consistent with being the Nation’s most trusted utility supplier?” Andrew notes that the company has over 800 employees now, and more and more of them must make decisions that are guided by what the company is trying to achieve. “This mission must be part of our DNA,” he insists. “We must live and breathe it, and our business practices must demonstrate it—both in our culture with Partners and our staff internally.”

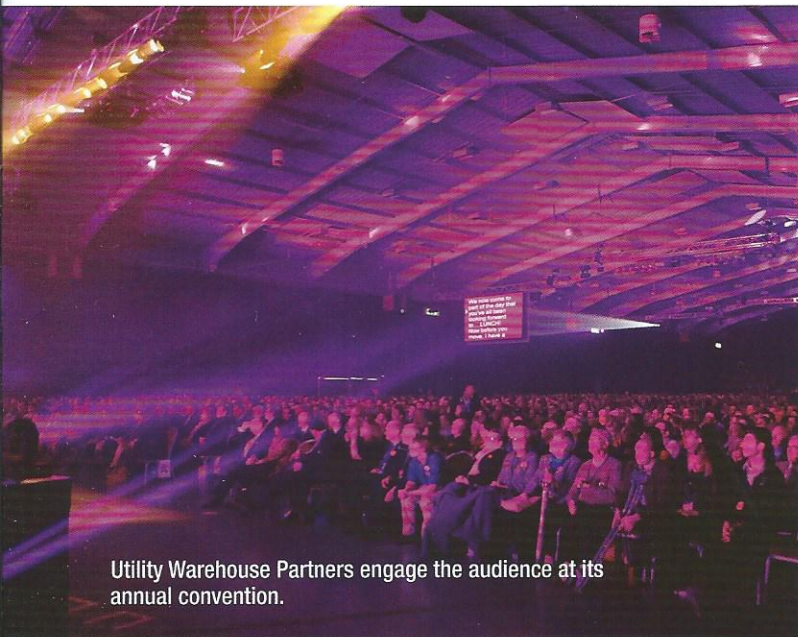
During last April’s month-long promotion, Business Partners recruited about 3,000 new Partners, about triple the usual monthly number. Customer growth followed.

For example, Utility Warehouse’s competitors run endless advertising campaigns enticing customers to switch to them. Andrew says that the pitch typically offers a year’s free broadband service or discounted energy—all introductory tariffs.

“Existing customers are paying about 2 to 3 percent of their costs a year to fund those advertising campaigns and teaser tariffs,” he says. “We fundamentally disagree with that. We can’t expect our Partners to recommend our services to mum when a year later she’s going to get ripped off. She must know that she’s with a trustworthy provider. Virtually all our competitors will hook mum in on a year’s free broadband service or a big energy discount for the first year and then start charging over the odds. We don’t do that. But our members will be paying less than they were to their previous suppliers before they switched. It’s all based on trust, savings and simplicity of service.”

Reserved Approach

Andrew notes that one of the company’s challenges is the British culture and the limited understanding of network marketing. Over time the company has had to adjust its approach to better reflect its marketplace.



Utility Warehouse Partners engage the audience at its annual convention.



Through membership sales top Partners earn the use of a Utility Warehouse-branded Mini.

“There’s a British reticence to talk with friends and family about money,” he explains. “Americans are bold, confident. We are more reserved. We focus more on generating an income that pays for basics—the mortgage, fuel or education expenses.”

Over the next year the company plans to reach many more interested prospects. According to Lynda Mills, Director General of the UK DSA, people in the UK are turning to direct selling as a real alternative to traditional employment, with 68,000 direct sellers (17 percent) working full-time hours (more than 30 hours a week). This is up 20,000 from 2011. “Direct selling here in the UK really has entered the mainstream,” Mills says.

While Utility Warehouse has Partners who achieve a full-time income, the company’s focus is on the average person who wants to supplement his or her salary by working part time, equipping them to gather members who save money on as many services as they choose. While the company sponsors opportunity meetings, most recruiting and member gathering is one-on-one. Partners earn a small commission each time they recruit a member, but the real value is in the monthly residual income they get from that member for as long as that member is with Utility Warehouse.

A few Partners identify prospects outside their warm market by exhibiting at town hall meetings and other community events. They invite attendees to enter a prize draw for a BMW Mini or £10,000, providing their contact information and answering questions about the utilities they use. The Partners then use that data to recruit and gather members. Andrew says that the tradition has been “remarkably fruitful over the last 10 years,” and has enabled the company to reward top Partners, who can earn their own BMW Mini. Around 700 Partners across the UK drive the Utility Warehouse-branded white vehicles with purple stripes.

“What’s clever are the savings we make from a corporate perspective,” Andrew says. “If I’m selling gas or electricity, I need to make a margin. If I’m adding mobile phone or broadband, I have the same overhead, but now I have additional revenue streams. My costs didn’t go up, but my revenue goes up. I can afford to make a lower margin on the services. We’re competitive for each product, but if I can put them all together, then we become disproportionately more competitive with each service. It’s a strong incentive for members to choose all of them and a clear incentive for Partners to recommend bundles so that they make more commission and members stay with us longer.”

Utility Warehouse helps those Partners earn money and rewards members for sticking around by offering several ways to help them save money. In addition to the savings on their utilities, the company offers a CashBack card—a prepaid MasterCard that members can use to shop in-store and online, saving between 3 percent and 7 percent at more than 40 leading retailers. Then, by using the company’s exclusive online portal, which it calls The Clubhouse, members can also save up to 20 percent at some 2,000 online retailers, including eBay and Expedia. The company also helps take the worry out of paying utility bills through its optional Bill Protector service. For an optional monthly payment of £2, members can benefit from £10,000 of accidental death insurance and up to six months’ payments of Utility Warehouse bills if they are unable to work. The offerings help further differentiate Utility Warehouse from its competition. Andrew says that the options are possible through the company’s robust, integrated IT system.

Tech/Marketing Partnership

The same IT system also enabled the company to launch its new online application process in March 2014. Partners

“We want to offer a life-changing opportunity. It’s about generating an income that pays the mortgage, fuel or education expenses as opposed to buying a penthouse.”

—Andrew Lindsay, CEO, Telecom Plus PLC



Headquarters of Utility Warehouse and its parent company Telecom Plus in London.

loved it. Some 10,000 of them flocked to training during the quarter following its launch—about 400% more than usual during that period. The huge numbers tested the company’s training resources, but the results were worth it. Right away Partners began using the new process for around 75 percent of all residential customer applications.

With an updated, streamlined, customer application process in place, the company then turned its attention to recruiting new Partners. But the offer went far beyond a simple promotion. Utility Warehouse hired Sir Terry Wogan to become its brand ambassador. Sir Terry has

been a leading media personality in the UK since the late 1960s. He recorded a video that now headlines Utility Warehouse’s new website, which was revamped to support the video’s messaging. Then Utility Warehouse offered Partners a Samsung Galaxy tablet equipped with all the digital tools they needed to sign up new members—and build their teams.

All new Partners learn to run their businesses through initial online training, followed by classroom training in one of Utility Warehouse’s 60 training centres. In those centres, experienced Partners who are qualified trainers, run six-hour “College of Excellence” courses, usually for about 20 Partners at a time. At these centres, some 3,000 Partners a month learn the ropes or enhance their skills.

Ample Accolades

The company’s culture and resulting success are being recognised in many ways. Company surveys reveal that more than 93 percent of members say that they would recommend Utility Warehouse to a friend. About 30 percent of new members also express confidence in the company by choosing the company’s five-service bundle, the Double Gold Bundle, which gives them the best possible rates. The company was recognised as “Most Trusted Broadband Supplier” in the Moneywise 2014 Customer Service Awards, and nominated by *Which?* magazine in two categories at its 2014 Annual Awards, including the award for “Best Customer Service.” The company was named Best Gas and Electricity Provider in both the value and service categories in the 2014 Moneywise Home Finances Awards and recently won “European Public Champion” in the 2015 European Business Awards.

The tributes create credibility that helps the company grow. Andrew predicts continued growth, not so much in new types of service, though some are on the horizon (he says that insurance is another service industry that is ripe for the company to enter, for example). But the greatest opportunity he sees is to continue growing the company’s current customer base. Andrew says that growth will be methodical, steady and as risk-free as possible. Meanwhile, Utility Warehouse will continue to invest in the building blocks that support its growth. In March it moved into a new headquarters that gave it about three times the office and call centre space it had previously.

“We’ve got 2 percent of 25 million households as members,” he notes. “We see a huge opportunity to take our business to many more of those customers over the coming years and to become a household name that Partners are proud of and that resonates with customers.” *DSN*

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