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Satisfied customers spread the word to boost Telecom Plus

MOBILE & TELECOMS

By Philip Stafford

Telecom Plus's word-of-mouth assault on the utility and telecoms sectors is challenging accepted wisdom.

After disastrous forays into the telecoms market at the turn of the century, most utilities have avoided supplying communications to consumers.

Telecoms companies, meanwhile, have looked to win customers through acquisition or by selling additional services to existing customers.

Neither though has assumed it is possible to sell all utility services to consumers from scratch. Tele-

com Plus is challenging that.

It supplies cheap gas, electricity, broadband and mobile services, bought on the wholesale markets, to residential and business customers via a single monthly bill. It trades under the name of Utilities Warehouse and expansion is based on customer recommendations.

Charles Wigoder, chief executive, says: "Every single customer we've got is someone we've persuaded to move and they've come to us via word of mouth and the quality of our customer service is critical."

As the economic pinch squeezes overtime and jobs, distributors are signing up in record numbers. It has resulted in rapid expansion

and a share price that has risen 25 per cent in a year, giving it a £200m market value. Customer numbers for the quarter to December 31 rose 19,082 to 258,840.

Analysts expect sales to rise £94m to £280m and profits £6m to £22m in the year to March 31. Save for its call

centre staff, it has few costs. Its energy comes from Npower, under a deal that transfers the risk of price fluctuations to the provider.

Mr Wigoder previously built a service business in the 1990s when he founded People's Phone, for the mobile market. The business was sold to Vodafone for £77m.

Yet in spite of the rapid acceleration, its 250,000

households account for just 1 per cent of the UK market.

"Theoretically we could double in size and double in size and double in size again and we would still be the smallest utility player in the UK," says Mr Wigoder.

But analysts have forecast that rapid expansion comes at a price.

"The strong growth in subscriber numbers damps near-term profits and cash flow," says Jonathan Grocock, an analyst at Investec Securities.

He forecasts that the group will make £280m in revenues in the year to March 2009, rising to £355m in 2010 but profits of £22.5m in 2009 and just £23.3m in 2010.



Charles Wigoder says quality of service is critical Charlie Bibby