

BEATING BIG BUSINESS at its own game

TELCOINABOX OPERATES IN A COMPETITIVE MARKET DOMINATED BY TWO CORPORATE GIANTS. WHY WOULD YOU WANT TO TAKE THEM ON?

⇒ The Telcoinbox franchise was launched in Australia in March 2004 and came to New Zealand just a year ago, offering people the chance to become their own telecommunications service provider and go head-to-head with some of the country's largest businesses. Frankly, it sounds like a recipe for commercial suicide so we put Telcoinbox founder Damian Kay in the hot seat and asked him why he thought it could possibly work?

How big is the franchise?

We have 115 franchisees in Australia. The first two guys to join us seven years ago have become our biggest franchisees and are still growing. We have ten franchisees in New Zealand so far and the rate of growth is phenomenal.

Telcoinbox is a pretty weird name. What does it actually mean?

Since deregulation of the telecommunications sector, anyone has been able to enter the market but it's a big ask for anyone to establish the necessary infrastructure. Telcoinbox (pronounced Telco-in-a-box) makes it possible for anyone with a phone and computer to set themselves up as a fully-fledged phone company and internet provider. We supply our franchisees with everything they need to offer a range of phone and internet services to their own customers. These include toll calls, 0800 and 0508 free phone services, fixed wire, mobile, wireless broadband, web and email hosting and even VOIP (voice over internet protocol).

Everything you need, from step-by-step guides to online support, comes in one box (hence the name), but franchisees develop their own brand so our name doesn't really matter.

If Telcoinbox is so good, why don't you let your franchisees use your name?

This business is all about occupying your own niche as a local hero. As a franchisee, you can develop your business in a community you know well, whether that's your local town, a particular business sector or even, say, a sports association. You can be North Queensland Telecom or Wired Waikato or whatever – be as specific as you like because your customers respond to dealing with a local person. If they have a problem, they can call you up and know who's on the end of the phone. Being small is good – the national names are the big, impersonal guys with the hold queues.

And building your own brand isn't a problem. We have templates for all the material so all you have to do is choose your name and logo, choose your colour and you're ready to go. Franchisees are free to use 'powered by Telcoinbox' under their logo, but skilled operators leverage their own brand.

But who actually provides the services?

We buy airtime in bulk from Telecom so franchisees have access to the best network in the country, and have our own operations centre which now employs over 60 people. Effectively, we package airtime so that our franchisees can offer their customers a personal service they'll love.

If Telcoinbox are just re-selling Telecom products, doesn't that mean the products are the same ones that everyone already hates?

They don't hate the products, they hate the complexity of dealing with the company.



IN THE HOT SEAT: DAMIAN KAY IS ALWAYS HAPPY TO EXPLAIN JUST HOW AND WHY TELCOINABOX ACTUALLY WORKS

So if a customer has a problem, the franchisee spends all day sitting in the service queue instead?

(laughing) No, we're a big client of Telecom so we have direct access to their Business-to-Business support centres. When we call on a client's behalf, we can usually help our customers more efficiently than the big companies themselves. Think about it this way: big companies like Fletchers negotiate directly with the telecommunications companies to get the best deals and the best service. Well, so do we. Many of our franchisees' clients are small businesses and we give those SME's access to some real muscle.

How can a small business possibly compete with the telecommunications companies themselves?

Those companies have a lot of network capacity so they are happy to sell it to us. Because they have a lot of overheads in attracting individual customers, servicing them, billing them and so on, they probably make more out of their wholesale customers than their retail customers. Our franchisees have no stock, no infrastructure and they work from home so their overheads are minimal and they can concentrate on what the big companies find difficult – building relationships. Meanwhile, Telcoinbox handles the buying, admin and billing on their behalf.

And is it actually profitable for franchisees?

Our franchisees can achieve 25-30% margins while saving customers 15-20% on their phone and internet bills. Those are services that customers are going to be buying anyway, so it's a matter of telling people, 'I can provide you with a better, more personal service for lower cost.' The result is a business that can earn over \$300,000 a year – and a lot of that is passive, recurring revenue. Not bad for a start-up cost of just \$65,000.

Damian Kay, thank you. What sort of people are you looking for?

You don't need experience, although we welcome people from the industry. What you really need is to be able to communicate with people – we provide full training in everything else. To find out more, call us. You'll find a real live person on the end of the phone! ■

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