

# The Phone Co-op Limited

## Climate Change Roadshow

**Faringdon**

**18 August 2009**

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## The Phone Co-op's story

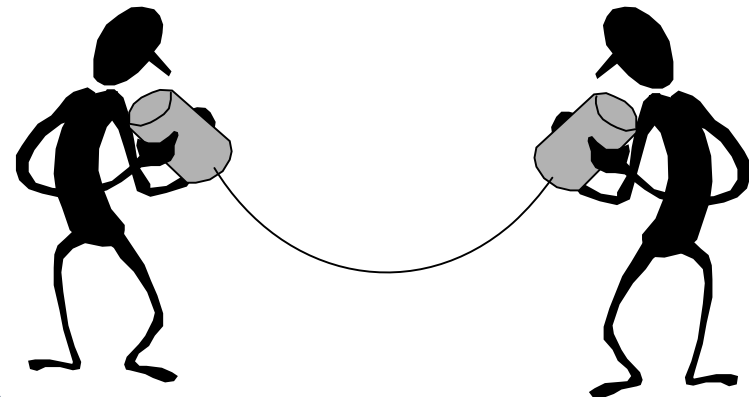
- One of the UK's fastest-growing and most successful consumer co-operatives
- How a co-operative can succeed in an industry which:
  - Used to be a state-run monopoly
  - Is now well known for financial problems and doesn't always have a good reputation
- And how it can base that success on the strength of its policies on the environment, ethics and membership

## What is The Phone Co-op?

- A telecommunications and internet service provider
- Entirely owned and controlled by its customers as a co-operative
- Uses traditional UK consumer co-op model
- 15,000 customers
- Profitable almost every year since it started trading

## The Phone Co-op: A Co-operative Telecommunications and Internet Provider

- Operates on behalf of its customers to maximise buying power
- Returns its profits to members through a dividend based on purchases
- Aims to operate in an ethical and environmentally responsible way and to promote co-operative values
- Supports the development of other co-ops through a loan fund



## Where did the idea come from?

- High phone charges working on international projects
- Looked for an alternative supplier
- Telephone calls bought and sold as a commodity
- Ideal opportunity for a consumer co-operative

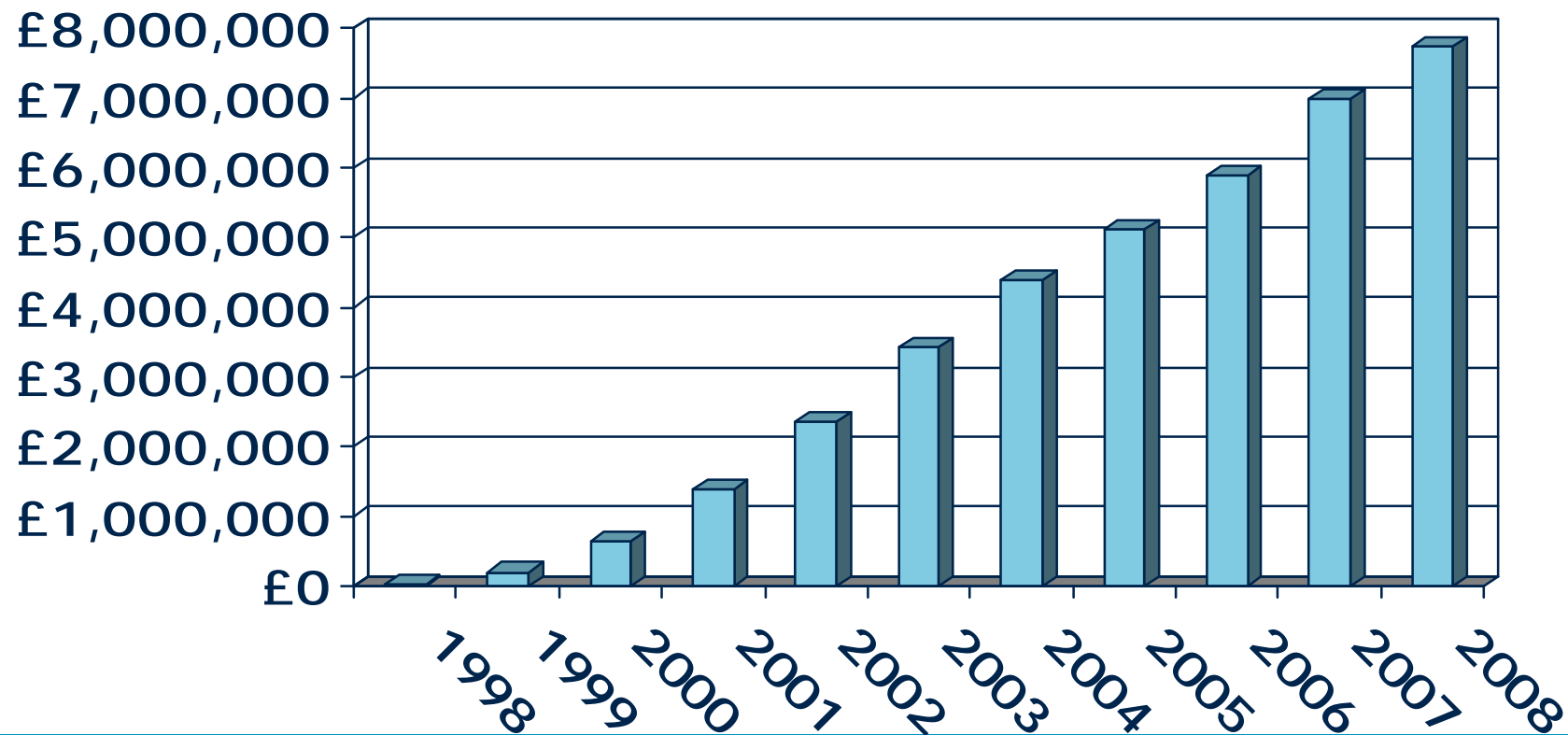
## A bit of history

- Privatisation of British Telecom in 1984
- Liberalisation of the telecoms market following privatisation
- Encouragement of new entrants to the market
- Development of reseller market

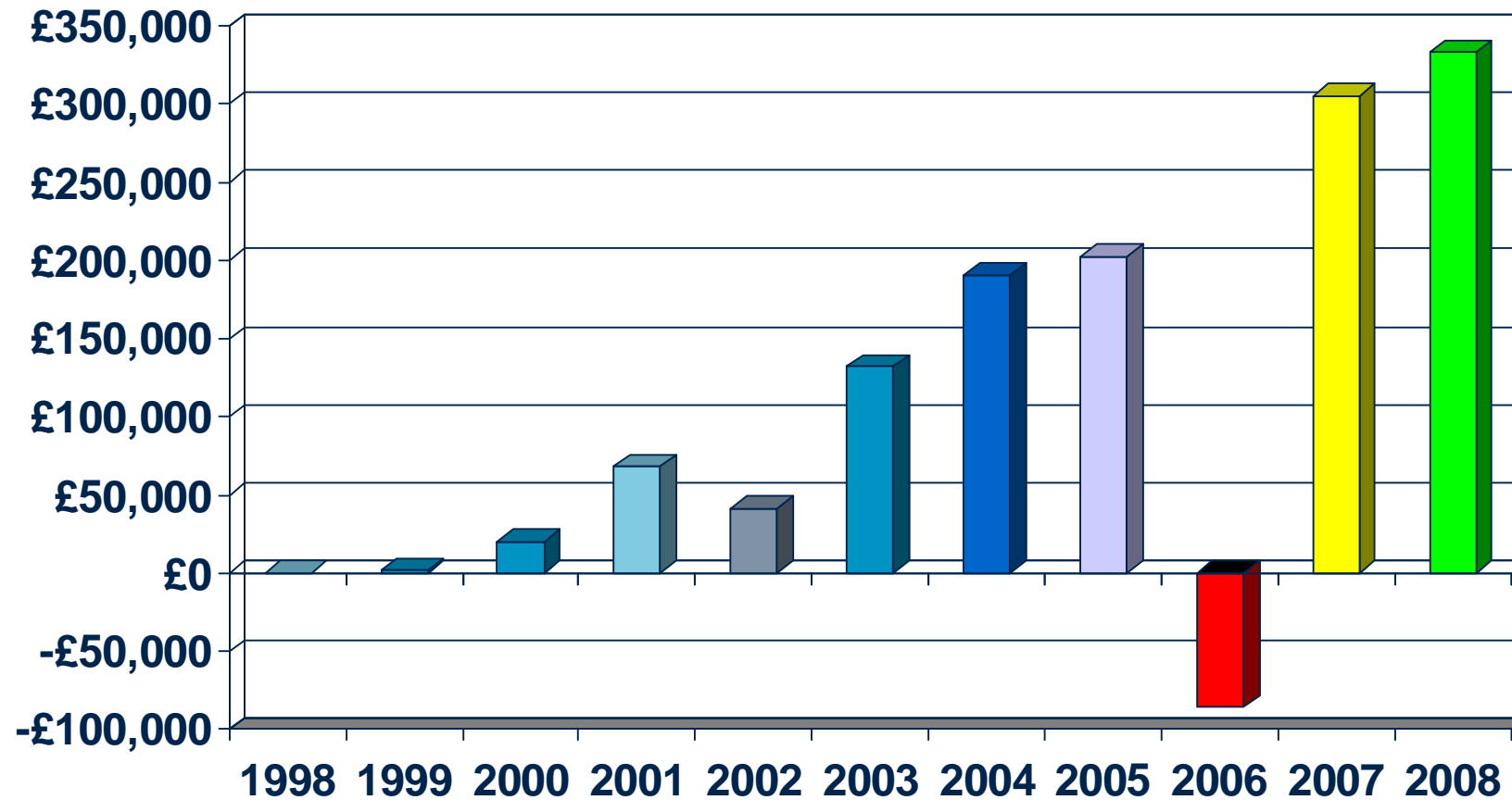
## Getting started

- 2 year trial phase
- Built up traffic in spare time acting as an agent with two telecoms carriers to prove concept
- It was hard work persuading a carrier to sell wholesale to us (nowadays they call us all the time trying to sell to us!)
- Started trading as a reseller in 1998

## The Phone Co-op: Turnover growth



## Profit before distributions



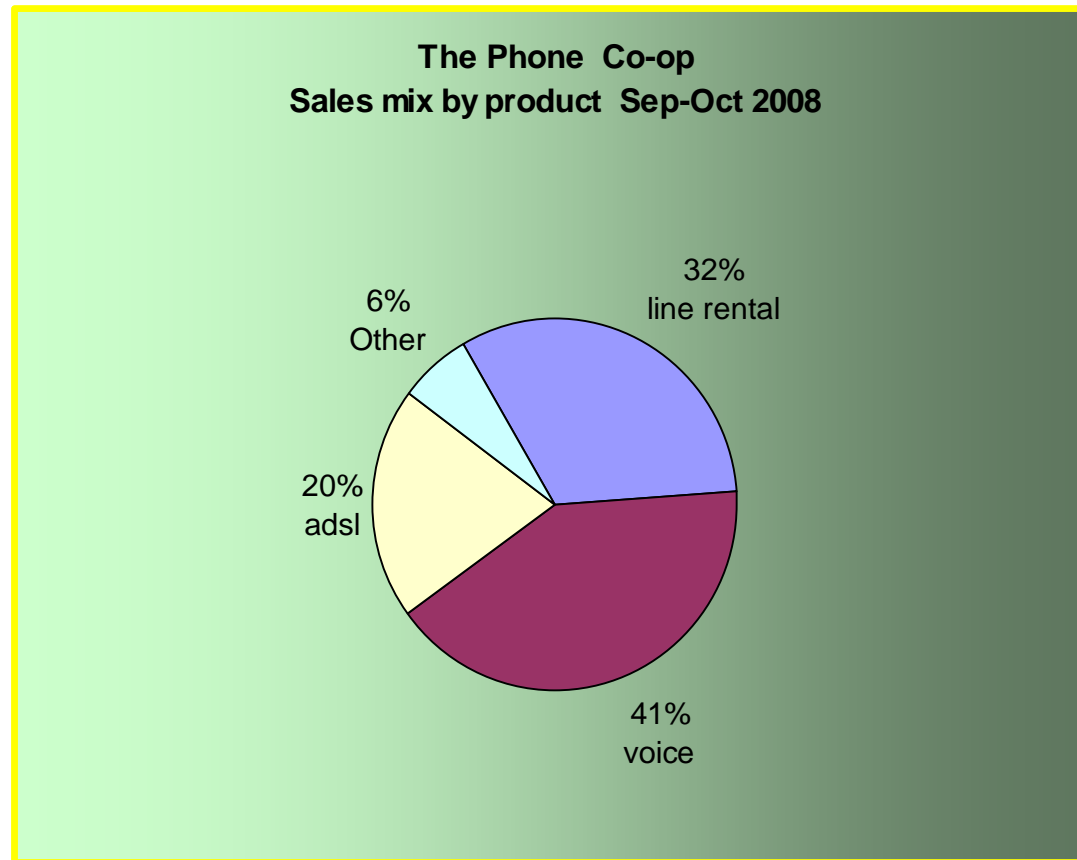
## What we did with the profit (2007-8)

- Profit: £338,000
- Dividends to members: £58,000
- Co-operative loan fund: £58,000
- Share interest to members: £92,000
- Taxation: £50,000
- Allocation to reserves: £80,000

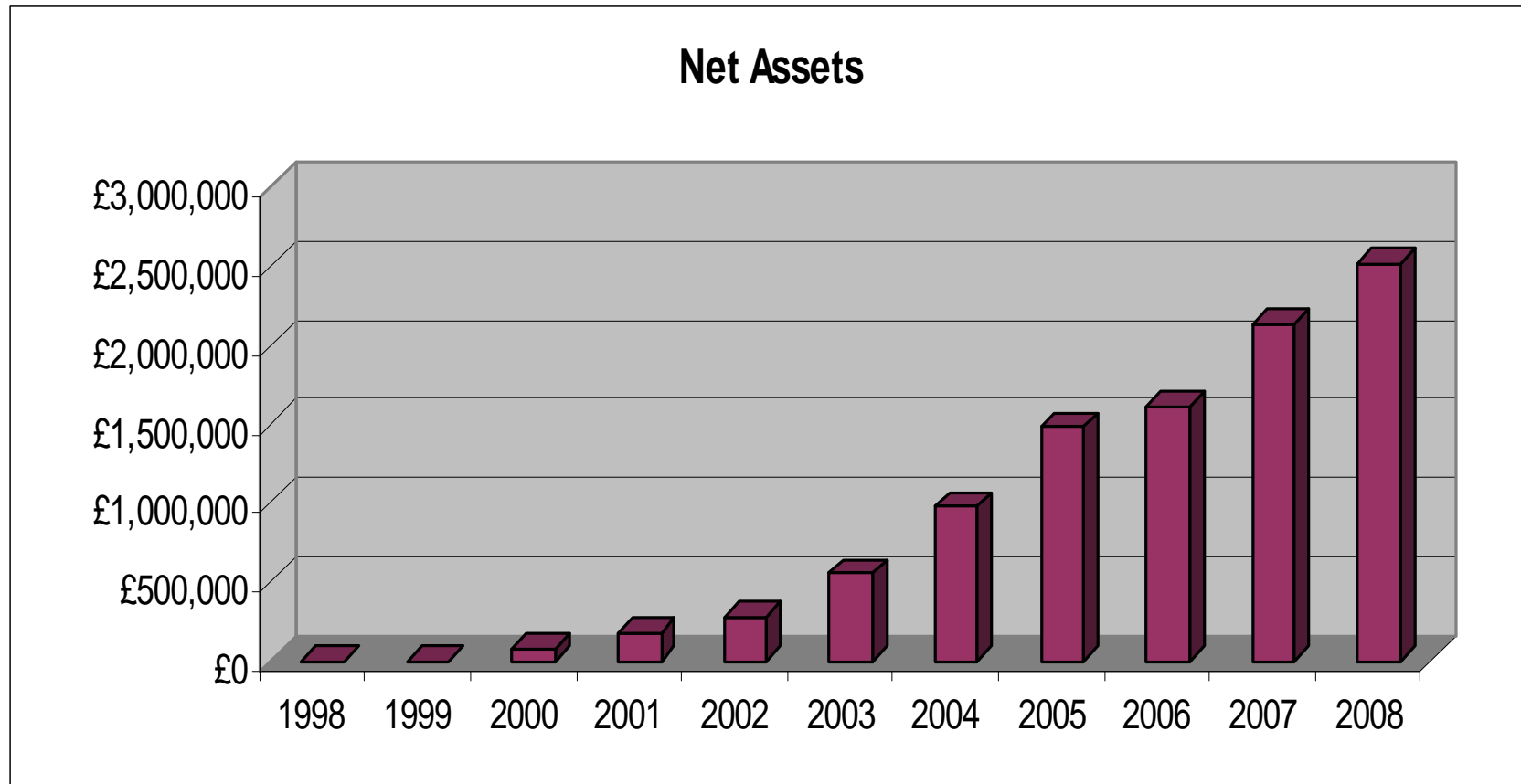
## Financially strong

- No borrowings
- Cashflow very strong
- Good trading record
- Financed by members not by external investors or banks
- Compares favourably with our competitors
- We have had the highest return on capital employed of any consumer co-op in the UK in several years

# Sales mix



# Net Assets



## Who are our customers?

- Other co-ops
- Several well known charities
- Home users
  - Joining because they like our approach and/or through affinity schemes
- Some local authorities
- Many other businesses
- Wholesale: Community broadband networks

## Living our co-operative values

- We publish an ethical policy and have set up an ethical policy committee to oversee it
- As well as promoting membership strongly we have a number of initiatives to show our support for other co-ops and the wider community
- We have always taken environmental issues seriously but the emphasis on this has developed and increased over time
- Our members have pushed us in this direction through interventions at the AGM

## Early inspiration for some of our environmental reporting

- Inspiration for some of our environmental reporting (especially for transport and performance of buildings) came from one of our largest customers, The Ethical Property Company
- They reported on business miles using data that was available to them already.
- Key principle: what gets measured gets managed!

## Co-operativesUK provided a framework

- Key Social and Co-operative Performance Indicators – a framework for the whole of the Co-operative Movement
- 10 Key categories – each co-operative creates measures reflecting its business and then reports on them each period.
- Environmental section covers not only transport but also CO2 emissions from our buildings

## Investment in renewables

- A key co-operative principle is that we should work together with other co-operatives.
- We do this in many ways, including buying from other co-ops, and we also invest in other co-operatives
- We have invested in two co-operatives that produce renewable electricity
  - Westmill Windfarm Co-operative (£20,000)
  - Torrs Hydro New Mills (£7,500)

# Environment

- CO2 emissions
  - We buy electricity from renewable sources (Good Energy and Green Energy UK)
  - We use public transport for as much of our business travel as possible:
    - Rail, bus, cycling and walking in 2007-8 accounted for 93% of business miles (up from 86.1%). Private car and motorbike journeys accounted for just 5.5 (down from 7.7%).
  - We pay mileage for cycling and walking
  - We provide free bikes for staff to commute to work

## Environment continued

- CO2 emissions
  - We offset all the emissions we cannot reduce, and all those of our upstream suppliers (this is most of them)
    - Offsetting is controversial but we believe that as part of an overall strategy it is better than doing nothing, and we are offsetting emissions we can't control
- Recycling
  - We use recycled paper for almost all our stationery
  - We recycle as much of our waste as possible

## Environment continued

- We compost all our kitchen waste
- Our next building will incorporate as much as we can afford in terms of sustainability measures
- We have launched a *Sustainability Fund*
  - Members can donate their share interest, dividend and cash
  - Will be used to enable us to fund the difference between an economic cost and the real cost – have raised nearly £10,000 in the first few weeks.

## Employee stakeholding

- Although we are a consumer co-op, our employees are recognised as partners and as a key stakeholder. We have:
- An employee council to act as a forum for employees
- A profit-sharing scheme which pays 11% of profits to employees based on hours worked.
- A sales-related bonus scheme operating across all staff
- Family-friendly policies such as childcare vouchers
- 11% pensions for all permanent staff after 6 months.

## Ethical business

- Ethical purchasing where possible
  - Fairtrade products
  - Recycled and from other co-ops/social enterprises Treatment of agents
  - We don't use high pressure techniques
  - E.g. commissions continue to be paid as long as customer is there

## Ethical business continued

- Treatment of customers
  - No high-pressure sales techniques or hard-sell (bad business practices are quite common in our industry)
  - Transparent pricing (contrasts with the rest of the industry)
- Marketing – where we spend money
  - Affinity partners make up the majority
  - We have contributed £600,000 to charities and NGOs over the years in revenue-share
  - Ethical policy committee with reps from board and staff draws up and oversees overall ethical policy

## Community and co-operative

- Co-operative and Social Economy Development Fund
  - Current Board policy is to recommend same amount as dividend is allocated to this fund each year
  - Total value now £160,000
  - To provide loan finance for new and developing co-ops

## Community and Co-operative ctd

- Trade with other co-ops
  - 14.7% of sales
  - 11% of non personnel overhead purchases
  - We monitor this and report on it in our annual report
- Employees can have one paid day a year to do co-operative, charitable or public benefit work

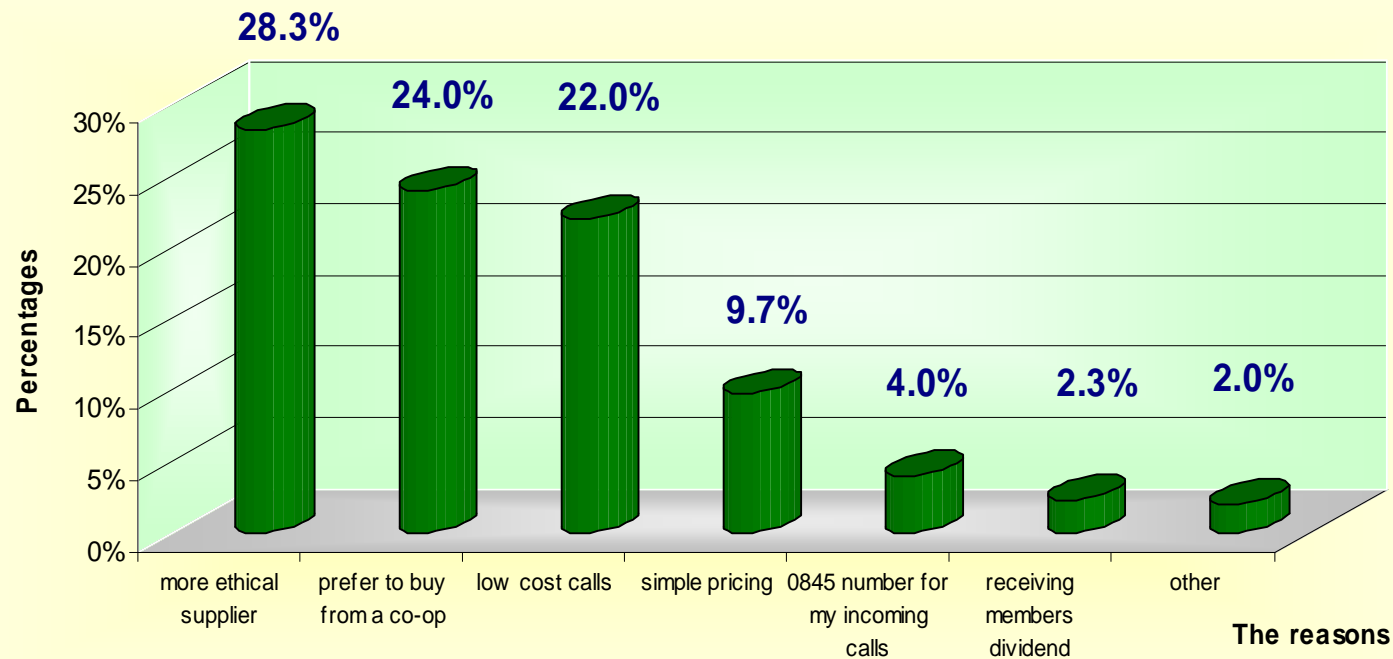
# Why do customers join The Phone Co-op?

- They like the fact that it's a co-operative
- Ethical stance
- Not there to “rip them off”
- Like to support an alternative to privately owned businesses
- Good value
- Dividend
- Affinity schemes

## Major surveys conducted in 2005 & 2007

- 1500-2000 non-business customers received survey forms with their bills
- 40% of them returned their forms - a very high response-rate
- Very high customer satisfaction rates
- We are doing another survey now
- One point in particular:

# Reasons customers choose The Phone Co-op



## Why do customers stay?

- Our customer loss rate or “churn rate” is low compared to most telecoms businesses
- Customers are owners and get treated as real people with needs not just a means to an end
- For business customers, CSR (including supply chain) is becoming increasingly important
- We attract customers who want to be with us.
  - Having a clear ethical and environmental policy and sticking to it is good for customer acquisition and retention

## Recognition from others

- Ethical Consumer “Best buy” 2006
- Top in Ethical Consumer mobile service providers survey 2008
- Which readers vote us No. 2 out of 19 (2006)
- Runner-up award in Oxfordshire Business Awards (2005)
- Finalist in DTI Social Enterprise Awards (2006)
- Awarded “Runner-up” position in FCS “Fixed Service Provider of the Year” Award, September 2007
- Short listed in Green Business section of Fast Growing Business Awards 2008

## Latest Recognition

- Overall winner, Enterprising Solutions Award (Oct 08) for best Social Enterprise in the UK, 2008
- Winner, the Green England Award for Customer Service, December 2008
- Winner the Federation of Communications Services Green Award, June 2009
- Winner Co-operative Excellence Award, for reporting to members, June 2009

## Future growth plans

- The Phone Co-op's Board wants to see co-operation make a real impact in telecommunications, and perhaps more widely
- Plan to own our own head office – working on this right now
  - Emphasis on sustainability
  - Can also invest in a better environment for our staff – helps recruitment and retention
  - Will involve members to raise finance

## Moving into new markets

- In our customer surveys, 70% of customers said they would be interested in buying renewable electricity from us, (only about 25% said they non-renewable electricity)
- We are actively exploring a move into the renewable electricity market

## You can be part of it!

- Thank you for listening
- You can be part of the Phone Co-op revolution!
- Everyone needs telecoms and can choose where they buy their services
- We'd love to talk to you.

## How to contact The Phone Co-op

- Contact details:
- [www.thephone.coop](http://www.thephone.coop)
- Tel 0845 458 9000
- Fax 0845 458 9001
- [enquiries@thephone.coop](mailto:enquiries@thephone.coop) (general)
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