

TelecomPlus

Business Model



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Our business model is fundamentally different from our competitors in two key respects:

1. Our multi-service customer proposition

We offer our customers a clearly differentiated product, saving them both time and money by supplying them with all their home services in one, simple, monthly bill. As the UK's only fully integrated multi-service provider, we derive significant operating efficiencies by spreading a single set of overheads across the multiple revenue streams we receive from each of our customers.

2. Our route to market

Rather than seeking to attract new customers through expensive advertising or price comparison sites, we rely on the personal recommendations of over 45,000 Partners.

Our Partners can earn a small percentage of the monthly revenues generated by any customers gathered, either personally, or by someone in their team. The clear alignment of interests that this revenue-sharing model creates enables us to sign up a uniquely high-quality customer demographic.

We continue to pursue a differentiated strategy in the energy, communications and insurance markets, focussing on delivering an integrated multi-utility proposition that includes three key benefits:

- **Simplicity** - just one, simple bill for all your home services;
- **Savings** - compared with prices previously paid; and
- **Service** - delivered by our award-winning UK-based support teams.

These benefits are underpinned by our commitment to treating our customers fairly, avoiding the business practice adopted by many of our competitors of combining cheap introductory deals for new customers with higher tariffs charged to their legacy customer bases.

Ultimately our aim is to help our customers to simply get on with their lives. They can switch once, be confident in the good value and service we deliver, and never think about utilities again.

Most of our competitors in each of the individual markets in which we operate seem focussed almost solely on price. We believe this approach is not only viewed by their loyal customers as fundamentally unfair, but makes



it less likely they will succeed in creating a sustainable long-term business - as customers who have chosen to switch based solely on the headline price on a comparison site will have a high propensity to do so again when their introductory deal expires.

Our alternative approach of earning the trust of our customers, by rewarding loyalty and commitment with additional savings and benefits, is the key point of differentiation that will enable us to achieve our medium-term growth objectives, helping us maximise long-term shareholder value. The trusted relationship this creates, and the consequent longevity of our customers, are illustrated by switching data within the domestic electricity market: reported churn amongst small and medium suppliers is currently running at an annualised rate of almost 33% - over twice the level we are experiencing.

These core values, as well as the consistently high standards of service we deliver to our customers from our single support centre in North London, are critical to our route to market, giving our Partners the confidence to promote our services to their friends and family.

The Net Promoter Scores ('NPS') of around 50 that we consistently achieve reflect our relentless focus on this goal, and are in stark contrast to the negative NPS scores prevalent within the energy, telecoms and personal insurance markets.

We continue to invest in our technology systems, which enable us to integrate all the services we supply into a

single monthly bill, supported by just one set of central overheads. This highly efficient cost base is a key factor in enabling us to offer attractive pricing and a wide range of valuable benefits to our customers, a secure and growing income stream to our Partners, and a progressive dividend for shareholders. We are pleased with the good progress we've made on our ongoing programme to enhance and update these systems, and look forward to the greater business efficiency and flexibility this will deliver in due course.

We have strong commercial relationships with all our key suppliers, who recognise the value of our unique route to market and the importance of maintaining a competitive and clearly differentiated market proposition.

To this end, we have regular and ongoing discussions with each of them about how the market dynamics for each of our services are changing, and the best way to ensure these are appropriately reflected in our wholesale supply agreements. The average tenure of these relationships - typically over 15 years - is testament to their strength, and the value that our suppliers attribute to our unique multi-service proposition and unique Partner distribution network, both of which complement their own service offerings.

We are extremely pleased with the further progress we have made this year in taking advantage of our multiple key points of differentiation, and towards securing our position as the Nation's most trusted utility provider.

