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Eleanor McEvoy

Phonocard Warehouse Ltd

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Topping Up Turnover with Mobile Millions

As Eleanor McEvoy takes stock at the end of another busy day, she reflects on her background, career to date and the path that has led her to managing Phonocard Warehouse. Phonocard Warehouse is an Irish company operating self-service vending machines that deliver top-up code for prepaid mobile phones and also provides international calling cards, ring tones and mobile games. Today's mobile phone users have a wide range of options for purchasing top-up credit, including vending machines, ATMs, on-line services, vouchers, 24-hour banking services, debit and credit card terminals in retail outlets and SMS text messaging. Among the most innovative of these is the Phonocard Warehouse Top-Up Station – the vending machine which is now a familiar sight in a wide range of retail outlets and other locations across the country. In addition to providing consumers with a fast, convenient, user-friendly top-up purchase option, the Top-Up Station offers retailers a "hassle free Top-Up Solution with no installation cost, no fee and no invoices...many advantages and no disadvantages, including guaranteed profits, and no requirements for a phone-line, maintenance or staff input"¹. Eleanor established Phonocard Warehouse in 1999 and, although setting up and running a business would be considered entrepreneurial in its own right, her entrepreneurial journey actually started many years earlier.

¹Phonocard Warehouse promotional brochure

Eleanor's background and early career

Eleanor always had her sights set on running her own business. By her own admission, she genuinely could not wait to get out of school and start making money. Much to the despair of her parents, she did not go on to third level after completing her Leaving Certificate. However, she did continue her education after she started working. Eleanor started her career in the 1980s with a job in telesales and she completed a FÁS telesales course to further her knowledge of the industry. This proved to be a significant move for her. Even today she would say that the business principle of focusing on sales and profit, introduced to her on this course, has been instrumental in her business success.

Like other serial entrepreneurs, Eleanor was involved in developing a number of different businesses before establishing Phonocard Warehouse. Her relationship with selling product through vending machines goes as far back as the 1980s. At that time, she realised that vending machines were the ideal way to take advantage of the growing consumer need for convenience. Armed with this insight, she searched for the best product to sell. Based on her research, she decided to introduce 'food to go' in garage forecourts in Ireland, starting with the Heinz lunch bowl which was sold from a microwave in the garages. This positioned her product in the right place at the right time – busy consumers stopping to buy petrol were able to purchase convenient hot food.

As time went on, market research and customer feedback indicated that, while the microwavable lunch was generally accepted by customers, the market for this product had limited profit and growth potential. Whilst searching for other suitable products to sell from vending machines, she learned that Cadburys were about to launch vending in Ireland. She immediately saw an opportunity and became the distributor for Cadburys vending, starting with ten machines. By 2001, she had invested in her own vending machines and at this stage her business, called Pembroke Distributors, was turning over €500,000. The company's machines, selling coffee, snacks and cold drinks, were to be found in banks, garage forecourts, railway stations and Dublin Airport. They were competing successfully with Coca Cola, who were deemed to be the leader in vending.

During this time, Eleanor was not happy to sit back with the food vending business as the only focus of her attention. She felt that the next business opportunity was just around the corner. Accordingly, she was constantly searching for new ideas and new ways of doing business. To help her in her search, she frequently attended trade shows in England, the United States and elsewhere to observe what others

were doing and to establish future trends in the marketplace. Attending trade shows, particularly those related to vending machines, played a huge part in Eleanor's search for new business ideas. This is an approach that she continues to apply to this day. She strongly believes in taking tried and tested ideas and ways of doing business from international markets and introducing them to local markets as a means of developing her business. She finds that attending trade shows in America is particularly beneficial as, traditionally, anything that happens in the US market will happen in Europe 10-15 years later. There are also many cultural similarities between the US and the markets Eleanor operates in. In addition, she says that it is easier to work with business people in the US as they speak the same language.

Rather than coming up with original business ideas, Eleanor says that her product and business development ideas have come mainly from visiting trade fairs and making the right connections. She is always on the look out for a new idea. This is reflected in her definition of an entrepreneur as *"Someone who sees an opportunity and can take it and develop it into a business."* She believes that too many people avoid making the leap into running their own business as they think being entrepreneurial is something that is unattainable. Eleanor's advice is simple: *"Stop thinking that being an entrepreneur is something that is special or a mystery – if you really want to be an entrepreneur, stop talking about it and just do it."* Eleanor takes her own advice when developing her own business opportunities. She is very focused on, and motivated by, finding an existing business idea that works elsewhere, assessing and adapting it and then launching it to potential customers. This approach means that she does not have to come up with unique, groundbreaking ideas; she just has to spot the opportunity and adapt ideas to the markets in which she has contacts and expertise.

Assessing and developing the business idea

Eleanor does not run with an idea based solely on its success elsewhere. She looks at the logic of developing a profitable business using a systematic assessment and development process. She outlines the steps in the process as follows:

Step 1: Where is the profit?

At this initial stage, Eleanor is looking for an indication that the potential business can be profitable. She needs to be able to see what she calls "a good profit story" before she goes any further.

Step 2: *How much volume can I generate?*

Eleanor identifies that many industries, including the vending machine industry in which she operates, depend on a high volume of sales. She examines each business idea to establish whether it can generate sufficient sales to sustain a reasonable profit.

Step 3: *Invest in a trial run*

Eleanor says that this step is all about *"getting your feet wet."* At this stage of the process she invests a small amount of money in a trial run of the product or service. She is adamant that, *"You should only invest as much as you can afford to lose as, even though you can do a lot of research prior to launching a product or service, there are still many things that can go wrong once it is on the market."* She has found that this approach makes it easier to launch new businesses: *"You don't have to worry about what will happen if it doesn't work as you've only invested what you can afford to lose."*

Step 4: *Evaluate the business potential*

Once the business is up and running for about three to four months, she has the market information necessary to enable her to do a month by month projection of sales and profit. This facilitates her in assessing the potential of the business going forward.

Step 5: *Find good staff while remaining in control of the business*

Eleanor's advice to entrepreneurs for sustaining a business is straightforward: *"If you decide to go for it with the business, you need good people around you. However, you need to remain in control all the time – staff can't determine the direction of the business, that's your job."* Eleanor is resolute about adopting this approach. As she puts it, *"At least if things go wrong, you're responsible. It's hard to live with yourself if the business fails and you've let someone else make the decisions!"*

Eleanor has found that this tried and tested process works time and time again as a method for assessing business opportunities. She has applied it to all of her ideas to date and will continue to adopt this approach for any new ventures that may arise in the future.

Developing Phonecard Warehouse – a problem with a profitable solution

Eleanor put her assessment process to good effect when she was approached with the potential opportunity for her current business through her connections with Irish Rail. During the 1990s, her company, Pembroke Distributors, was handling all of Irish Rail's vending business for snacks and cold drinks. At this time Irish Rail also had an extensive

payphone business with eircom. Irish Rail asked Pembroke Distributors to come up with a vending solution to sell eircom phone cards. The company tested this market, investing in a number of vending machines, but soon realised that there wasn't sufficient volume in the business to generate adequate profit. Mobile phone usage was growing and people were making less use of pay phones. Eleanor recognised the potential explosive growth of the mobile sector and, ever on the lookout for new opportunities, she realised that she could use her existing vending machines to sell top-ups for Eircell's newly launched 088 service. This was in 1999 and in essence was the start of Eleanor's current business. She sold Pembroke Distributors and launched Phonecard Warehouse, starting with six vending machines selling mobile top-ups, which quickly evolved into the familiar Top-up Stations seen in a wide range of outlets across the country. Eleanor is very clear-cut about the sale of Pembroke Distributors: *"You can't get emotional about a business – you just build it, sell it for a capital gain and simply move on to the next challenge."*

In the early days of mobile phones, all customers had to sign up to contracts. However, the operators quickly realised that this was limiting their customer base and having identified the gap for more flexible payment options, introduced the "pay-as-you-go" concept. The original method for purchasing mobile top-up phone credit was via scratch-cards revealing a unique code which activated the credit when keyed into the mobile phone. The cards could be purchased in newsagents, convenience stores and post offices. Within a year of the introduction of "pay-as-you-go" options, the mobile operators were approached by companies offering new solutions for the provision of top-up mobile phone credit facilities. The first of these involved credit card terminals in post offices and retail outlets, provided by one of Phonecard Warehouse's competitors, Alphyra (then ITG). However, this method still required a significant investment in terms of equipment and the staff hours required to use it.

From the start, the core business of Phonecard Warehouse was selling top-ups. The top-ups were printed on a card which the customer scratched to reveal the number. Customers then keyed in this number to their mobile phone to activate the top-up. About six months into this business, the mobile phone companies decided to dispense with the physical cards and move to electronic code dispensing instead. In order to remain in the market, Phonecard Warehouse had about six months to respond to their customers' new requirements and to develop and provide an innovative solution for vending electronic top-ups. Eleanor again used her personal techniques and business contacts and began cold calling in an attempt to identify a

company that would deliver an appropriate solution. This search took her to Canada, the USA and, finally, Germany. There she eventually identified a company that could provide the software and hardware solution she had been seeking.

Phonecard Warehouse worked intensely with the German software company to adapt and develop the best vending solution to meet the mobile operators' needs. The end result was a combination of internet and mobile technology, which enabled users to purchase the top-up they needed in seconds. Using her prior knowledge of vending machines, Eleanor also contributed significantly to the design of the new machine and implemented a number of adaptations to the actual vending machine itself. The hardware was redesigned to deliver the best solution, the objective being to guarantee a constant supply of top-up codes in real time. Because of the company's innovative solution, it was shortlisted for two of the prestigious ICT Magazine awards, Best Reseller and Best Use of Mobile and Internet Technology.

Phonecard Warehouse has two categories of customer, individual top-up consumers and retailers – the latter ranging from small independent retailers to large multiples such as Dunnes Stores, Tesco and Superquinn, who place Phonecard Warehouse Top-up Stations in their shops. The machines can also be found at Dublin Airport, railway stations, petrol and service stations, educational institutions, financial institutions and hospitals, and the company also has a distributor in Greece. Each of the Phonecard Warehouse vending machines at customer sites is fitted with a mobile SIM card linking the machine to mobile companies via the internet. This enables the machine to draw unique PIN codes from each mobile phone operator's database – an innovative solution at the cutting edge of technology.

The company's solution to mobile phone top-ups was quickly adapted by retailers as the leading way to dispense top-ups as it presented advantages to both the consumer and the retailer. The advantages to the consumer are many; the system offers a high speed instant delivery service, from a user friendly machine with an ATM-type screen, in numerous convenient locations. Additionally, the machines accept notes, coins or a mixture of both. The significant advantage to the retailer is that, due to the ease of using the vending machines by customers, staff time is not taken up with the transaction. Essentially, the system developed by Eleanor offers a trouble free operation, providing increased sales via a high visibility vending machine. Added to this is the 'impulse buy' factor and the fact that the retailer does not need to hold any physical stock. The importance of emphasising these advantages to retailers is demonstrated on the

company's website, www.phonecardwarehouse.ie, where the benefits of the service offering are clearly outlined. This is in keeping with Eleanor's emphasis on "the good profit story" that underpins all of her business dealings.

Over the past two years Phonecard Warehouse has increased its turnover by 120% year on year. Much of this growth is driven by the mobile phone market which has grown at a significant rate. The company has been profitable from the beginning and today, turns over a staggering €50m gross per annum. This represents some 5% of the mobile phone top-up market. Eleanor recognises that it is impossible for her to manage this level of turnover herself. She has good advisors around her and places particular emphasis on having a competent financial controller, given the high volumes of cash her business generates. She is meticulous about monitoring the company's EBIT (Earnings Before Interest and Tax), a commonly used measure of profitability. She is firmly convinced that this business model of very high turnover with low margins is the model that a number of other businesses are moving towards. Accordingly, she feels that it is very important to become familiar with the discipline of running this type of operation.

Eleanor says that the success of her business is due to her ability to sell and her mastery of the art of the vending machine. In terms of market expansion, the solution has been successfully launched in Greece through a distributor in Athens, and the company is in discussions with other networks to market the solution in other European destinations. As a further indication of the positive business prospects of Phonecard Warehouse, the company received investment from the NCB Guinness Equity Fund for a 24% stake in the company in 2003. This investment by an independent company signalled confidence in the management team and the business model, and publicly endorsed the company's efforts to succeed. Further recognition of her success was evident in the following year, when Eleanor was a finalist in the Ernst and Young Entrepreneur of the Year competition. She finds that such awards give her public recognition of her business achievements and entrepreneurial abilities, as well as being a useful way of promoting the business.

Entrepreneurial drive and business success criteria

Eleanor believes her entrepreneurial drive is based on the ability to recognise an opportunity and the business acumen to act on it. She is highly competitive and running a profitable business to make money is a big driving force for her. She was the eldest of five children and this meant that she had to "find her own feet faster." She couldn't wait to

get out of school and start her career. *"I always knew I was going to make money, I just didn't know how,"* she recalls. She got a job in a wine bar when she was 18 and moved into telesales soon after. Even at that early stage, the social aspect of the job appealed to her and, to this day, she feels that building relationships and being close to customers are critical to growing and running a successful business. Eleanor considers that taking calculated risk is an integral part of building a business. She believes in initially testing the water with any business idea and also in *"Getting out early on if it doesn't work,"* as she demonstrated with her foray into vending eircom phone cards.

She believes that stamina, hard work and determination have helped her achieve her business success. She feels that many people do not understand the hardship involved in running their own business. While managing her own business allows her the flexibility and freedom to live the life she wants, there are challenging times as well, when long hours are needed, and it can be hard to maintain the momentum. *"If a business is run well, it looks easy; people don't see the hard work going on behind the scenes."*

Eleanor feels that her personal selling skills give her a competitive edge in the market place. However, she does not particularly like being called a sales person. *"A good sales person should not be called a sales person; people who sell what customers need are business negotiators."* She works hard at identifying what her current and potential customers need. Her aim is to find products or services that make customers' lives easier, more efficient or better in some way. Once she can establish this, Eleanor believes selling the product or service is easy. She is resolute in her approach to customers: *"Treat people as you want to be treated and never tell lies to the customer; have honesty and integrity in everything that you do so people can trust you."* This is the lifeblood of her relationship with her customers. She has recognised that being personable is one of her strengths, as she puts it, *"People buy people first, not their products or services."*

Eleanor has never felt that being female has held her back in business. In fact, her own experience as a female entrepreneur is that she can use it to her advantage. She has found that many people underestimate female entrepreneurs and she then likes the surprise factor when they find out she is more capable than expected! For women with a desire to grow their own business, her advice is to *"try it, do it, go for it."* She believes that gender does not come into the equation when developing a new business: *"Entrepreneurship for women or men is straightforward; it is about spotting an opportunity and turning it into a profitable business."*

When asked about her business success criteria, Eleanor outlines a number of simple principles that she applies to all of her business dealings:

- The ability to sell what the consumer wants is the single biggest thing in business – if you don't have this ability you need to foster it.
- You need to enjoy making money and go for profit from the outset.
- It is crucial to know your sales and profit on a day to day basis.
- Keep overheads down, for example, employ new staff only when you really need them.
- Keep your business proposition simple, be it the business plan, product line or relations with financiers or the bank.
- It is critical to know your market well, essentially you need to meet an evident (and profitable!) need in the marketplace.
- Constantly seek out new opportunities through trade fairs and contacts.
- Growing a successful business is about building solid relationships with customers and staff.

Reflecting on her career to date, it is obvious to Eleanor that she has a strong desire to succeed and to try out new ideas. She constantly scans the business environment for new business opportunities while keeping focused on the critical elements for business success of strong sales and high profits. However, as Phonecard Warehouse continues to grow from strength to strength, will Eleanor be satisfied with being at the helm of this expanding business or will her desire to tackle "the next big thing" take over? Would she be tempted to sell Phonecard Warehouse if she comes across another compelling business opportunity?



Industry Profile

Mobile telephony was established in Ireland in the 1980s with the first operator being Eircell, the mobile division of the state telecommunications company, Telecom Eireann (now eircom). Eircell was acquired by the pan-European operator, Vodafone, in 2002. In 1997, a second licence was awarded to ESAT Digifone (now O2). Vodafone and O2 remain the largest operators, with two further licences since awarded to Meteor (2001) and 3 (2002).

In the short period since its introduction, growth in the sector has been dramatic. Ireland ranks number one in Europe in terms of mobile telephony spend per user with an ARPU (average revenue per user) of €47 per month, compared to an average of €32 for Europe². It also has a high rate of penetration of mobile phones at 104% against a European average of 106% (measured as the number of active SIM cards per head of population), indicating that a substantial number of people have more than one SIM card in use. The majority of mobile users (76%) use pre-paid credit (pay as you go) with the remaining 24% post-paid (pay monthly contracts). The current value of the mobile phone top-up market (over all networks) is approximately €1bn – of which Phonocard Warehouse has 5%. The main players in the market are:

- Alphyra (debit and credit card terminals)
- An Post and its bill payment subsidiary, Postpoint – (terminals and e-Post)
- Phonocard Warehouse and Omnivend (vending machines)
- Vendlink and Lighthouse Vending (vending machines and terminals)
- ePay and Paypoint (both UK companies which have entered the Irish market; the former providing online purchase services and the latter a branded retail network for convenient bill payment, mobile top-ups and other cash collection services).

The ongoing trend in the market is to minimise cost to both the service providers and the retailers through which the services are made available – i.e. to find more technologically advanced, cost-effective and user-friendly solutions which can be purchased easily, conveniently and directly by the customer with little or no input from third parties. This trend is supported by promotional campaigns by the mobile phone operators, designed to increase awareness and improve usage of the range of top-up options available.

Company Details:

Company Name: Phonocard Warehouse

Address: Swords Business Park,
Swords, Co. Dublin

Sector: Telecoms services, specialising in mobile phone services

Shareholders: Eleanor McEvoy (38%), George McEvoy (38%), NCB Ventures (24%)

Turnover: €50m (approx.)

Staff (including founders): 12

Established in: 1999

Main Products: Mobile phone top-ups, international calling cards, ring tones, mobile phone games.

Website: www.phonocardwarehouse.ie

²Irish Communications Market, Quarterly Key Data Report, September 2006 published by the Commission for Communications Regulation