

**COMPANY:** Telcoinbox  
**RANK:** 7  
**FOUNDERS/CHIEF EXECUTIVE:** Damian Kay, Morgan Duncan, Damien Gould  
**REVENUE:** \$20.10 million  
**GROWTH:** 183.2%

Damian Kay, Damien Gould and Morgan Duncan: 'Our average margin is 35 per cent at the moment'



**T**HAT THE COMPLEX WORLD OF telecommunications would one day be simplified and compressed into a franchise model is almost unthinkable. Yet that is precisely what Telcoinbox has done.

The three-year-old wholesaler is marketing itself alongside Bakers Delight and Pets Paradise to prospective franchisees as a high-margin option for people who are good at sales and know zilch about telecommunications.

"Our average margin [on sales] is 35 per cent at the moment," founder Damian Kay says. "We could see margin erosion of 33 per cent in this business and still make a profit."

Telcoinbox has about 20 different suppliers from which it buys everything from office phones to call time for mobile and landlines, broadband access and wireless data cards.

Franchisees buy in for \$50,000, which gets them training, products, a billing and customer management system, credit facilities (such as BPay and Visa), a laptop, and an MYOB accounting package with ready-made templates.

"All franchisees have to do is get customers, keep the customers and collect the money," Kay says. "We shield them from all the industry crap and take a clip on everything they sell."

Telcoinbox gets a fee on all the facilities franchisees use. It pays Westpac bank 0.87 per cent for the use of its credit facility, for example, and sells it to franchisees for 1.6 per cent. It also charges them a 2.5 per cent fee for using its million-dollar computerised billing system.

The company has 80 franchisees operating around the country, none of which operate under the Telcoinbox brand. Some are particularly successful at mining niches, such as pubs and clubs, or charities.

Recruiting quality franchisees is not easy. "We make no apologies for the rigorous process we put potential franchisees through, as poor performers end up costing us money in the long run," Kay says.

Telcoinbox itself has grown to 40 staff. In February last year, the wholesaler started offering its range to experienced service providers in the telecom market. This proved a hit and the division now accounts for 30 per cent of revenue.

Kay is mildly concerned about copycats, but says Telcoinbox has acquired a number of rivals over the past two years, in an effort to eliminate competition and achieve scale. He believes it has a big enough head start to deter challengers.

After two years of long working days, Kay and fellow Telcoinbox founders Morgan Duncan and Damien Gould have a new challenge: handing the day-to-day operations to a senior management team so they can assume a strategic advisory role.

"We've seen a number of businesses fail in this process, so we are mentoring our chosen managers over a 12-month period to take over day-to-day control of the business."