



'We want to do another Dextra deal'

Fone Logistics chief Ian Gillespie on getting through tough conditions

BY KATE O'FLAHERTY

FONE Logistics had the potential to own up to 50% of the distribution market after it announced expansion plans following its acquisition of Dextra in May 2008.

The deal gave the Newcastle based distributor ownership of Dextra Airtime at no cost, with a payment to Dextra over two years based on a percentage of the commissions earned from Dextra's old dealer base.

With plans for further acquisitions to force market consolidation, Fone Logistics boss Ian Gillespie said he would grow the business and the workforce – something he viewed as inevitable at the time.

But the distributor's bid of



around £3m for Hugh Symons Communications (HSC) in June last year was rejected by HSC's parent company, Carphone Warehouse.

Fone Logistics has had a hard time in the past. It lost Vodafone in 2006 at a cost of £1m and then T-Mobile in October 2008.

But Fone Logistics believes it is well set to survive in the current market ahead of its rivals.

Mobile interviewed Gillespie on the events of the last year and the future plans for Fone Logistics' acquisition strategy.



Mobile: When you bought Dextra, you said 'this is just the beginning'. If you are not going to buy another distributor, are you going to find another strategy in light of that?

Gillespie: Not at the moment, we will see how it pans out. We are currently going on as we are and managing despite the economic climate.

Our strategy is just to continue – we are profitable and have grown our business over some networks. 3 and O2 connections have increased; it was poor at one point because people didn't understand O2's revenue share, but it is now back to where it was.

There has also been an uptake from the demise of Advantage because they had 3.

Do you think the market could still consolidate when the industry picks up?

We would always look to do another Dextra deal, it is just finding someone

to do it. I am still a big believer that something has to happen. But in business you have overheads and you have to meet costs. I think we are in for a tough 12–18 months – even the economists can't tell – it's difficult out there for everybody.

In 2008, you said your 104-strong workforce would grow to 125 in one year, do you still have these plans to expand?

The workforce is staying stagnant at the moment. We have around 75 staff now, as the way we run some departments has changed. For example, in service delivery, online systems have been put in place that integrate with the dealer.

There were some redundancies in December last year. Will there be more?

We are always managing costs, sometimes people go due to sales performance.

Do you need to scale down the business? How much smaller is Fone Logistics now?

Our size is similar to last year. We are down on staff but we have the same number of connections.

What are you telling your dealers that they need to do?

We are encouraging our dealers and doing as much as possible. We are helping and guiding them with account management when they sign deals. This has happened recently – we have been more proactive over the last three to four months.

What advice would you give dealers?

Work hard, and be cautious over how you spend your money. It's a matter of working through economic conditions.

How are businesses surviving in the current market?

Resellers are finding it more difficult, and decision makers are finding it harder to manage. Businesses are downscaling. We survive by managing costs and overheads on a month by month basis.

What has changed over the last year?

Obviously we acquired Dextra. We have also focused on O2 and grown the 3 business, and have had a reasonably good year on Orange. Against our peers we appear to be holding our own.

What is your market share like now?

I'm not sure, I think we have around 25% or more. But our numbers are nowhere near where they were two years ago. We are achieving the necessary targets.