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## Changes at Allconnect

By Christopher Perdue  
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[News item from the Atlanta Journal - Constitution] Mark Miller, former president and chief operating officer of Equifax, was named chairman and chief executive of Atlanta-based Allconnect, following a \$10 million investment in the privately held company by Maveron, a Seattle-based venture capital company whose principals include Howard Schultz, chairman of Starbucks Coffee Co.

**Analysis:** The latest news from Allconnect is interesting on a number of fronts. It points to the fact that the energy venture capital sector continues to show it is willing to invest in companies that can present a compelling business case. It also highlights a new entrant in the energy venture capital sector. Additionally, it demonstrates that even when a start-up company becomes a market leader in its field, there are still growing pains to be experienced.

For background, Allconnect offers a free service to residential customers that helps them select and order home utilities and other services that include electricity, natural gas, long distance, home security, newspapers, Internet access, and wireless phone service. So, when a residential customer moves, instead of having to call all of the potential service providers, the customer calls Allconnect.

The company has developed a unique business model in that the company acquires its customers through call-transfer programs with the local electric

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utilities. Allconnect claims that 70 percent of the people that move, call the electric company first, so the company partners with the electric utilities, which then refer customers requesting new service to Allconnect.

Once a mover calls the electric company, the first step in the process is for them to complete the electric service order. Once the order is taken, the electric company representative will let that customer know about this new service available to them.

If the customer is interested in the service, the electric company representative then transfers the customer to the Allconnect phone center in Atlanta, along with the name and address of the new customer. Once transferred, an Allconnect representative will answer the phone as a brand determined by the electric utility. For example, for one of Allconnect's clients, Duke Power, customers will hear it referred to as Duke Power Connections. To the customer, it seems like a seamless transition from one side of the Duke Power call center to another.

Once Allconnect verifies the accuracy of the incoming customer data, the company begins to ascertain the other utility services that the customer would like to utilize. These orders are then sent to the associated service providers.

Allconnect receives its revenues from referral fees from its service providers. Allconnect shares the revenue with the electric utility that transferred the customer. In this way, the electric companies take the new customer activation transaction and turn it into a source of revenue.

Allconnect currently has its call-transfer program in service at a number of utilities, including Duke Power, First Energy, Alliant Energy, TXU Corp., Florida Power, Tampa Electric, Xcel Energy, and Puget Sound Energy. The company is also running live pilots at several other utilities.

#### **F is for Funding**

Allconnect's latest round of financing was a Series F, and consisted of \$16 million. Existing investors Southeast Interactive Technology Funds of Research, Triangle Park, N.C., Haas Partners of London, and Nth Power Technologies of San Francisco contributed \$6 million of the new financing, with the remaining \$10 million coming from Maveron.

This appears to be Maveron's first foray into the energy sector. Maveron manages close to \$400 million in committed capital from a broad range of individuals and institutions. Maveron is a consumer-oriented fund that sees the Allconnect model as enabling a unique consumer experience. According to the company's web site, Maveron looks for companies that have strong brands, scalability, and people with proven skills.

Speaking of people with proven skills, Mark Miller brings more than 20 years of consumer marketing and information services experience to his new position at Allconnect. Most recently, Miller was president and chief operating officer of Equifax (NYSE: EFX), a \$1.3 billion leader in information management and consumer solutions. Prior to joining Equifax in 2002, Miller was president and chief executive officer of Galileo International, a Cendant Corporation (NYSE:CD) subsidiary, which provides global distribution services for the travel industry in over 120 countries worldwide.

Before his tenure as CEO of Galileo, Miller was president and chief operating officer of Cendant's Travel Division and President and CEO of PHH Fleet Services. Additionally, Miller was president of GE Capital Financial, a GE venture business specializing in corporate payment and management information systems. Miller's experience with call centers, consumer marketing, venture capital, and information services seem like they could be a good fit for the company.

I had the opportunity earlier this week to discuss the recent changes at Allconnect with Tim Woodward, managing director of Nth Power, and board member of Allconnect. According to Woodward, Allconnect is at a critical juncture at being the dominant player for residential services. "Receiving the interest and commitment of an executive of Mark Miller's caliber highlights the power of Allconnect's unique model and its current leadership position in the market," said Woodward. "His role at intermediaries such as Equifax and Cendant allows him to truly understand the value in the customer relationship, and to further expand the company's reach and service offerings."

#### **The Bundle**

The idea of a bundled offer—incorporating electricity, natural gas, local, long distance, Internet access, wireless, and other services—has been a trend



generating interest for some time. There are a number of companies offering consumers bundled solutions that compete with Allconnect. These companies, such as Monstermoving.com, tend to rely on a Web-centric business model that relies on bringing customers to a Website where their service providers can be selected.

It would seem that Allconnect's call center-oriented business model has a few advantages over such competitors. In my opinion, the main advantages are its seamless customer flow and user friendliness. The transition from the electric utility to Allconnect is seamless, whereas other business models rely on a person to take the time to find an Internet connection, go to their Website, and enter their customer information. The other business models also rely on customers being comfortable with using the Web.

It would seem that perhaps the company's primary competition could come from its prospective customers themselves—utilities. There are two principal reasons for this. First, some utilities are diversified to the point that they compete in some of the areas where Allconnect provides customers with choices. For example, Southern Company's Georgia Power is the sole electricity provider for much of the state. Georgia Power's sister company, Southern Company Gas, sells natural gas in the deregulated Georgia market. Another Southern Company subsidiary, Southern LINC, sells wireless communications service in Georgia. As a result, by using Allconnect at Georgia Power, Southern Company would be making it easier for its Georgia Power customers to select a gas company other than Southern Company Gas, and a wireless communications provider other than Southern LINC.

A second reason that utilities could serve as a competitor to Allconnect is that they already have an infrastructure that could handle such a service. With some changes to the call center, the utility themselves could set their systems up such that they capture their preferences for other services to the home. While the infrastructure issues associated with such an endeavor may not be too cumbersome, establishing the appropriate relationships with other residential service providers might be. These service providers may not see the volumes from one utility that would make such an arrangement economically viable.

Allconnect, on the other hand, brings much more volume due to the fact that it is working with a number of utilities across the nation, and thereby is more attractive to residential service providers.

It is rare to see an emerging technology company with a completely unique business model, but Allconnect certainly fits that bill. Now we will see if the company can translate this business model into a financially healthy future.



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