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# LET YOUR FINGERS DO THE SPELLING

Phone names have been proved to boost advertising response rates but buying or licensing a good one these days doesn't come cheap.

Report: Michael Bailey

● Phone names seems like such a quaint business in 2011. After all, Americans have been able to tap out the name of the business they want to contact on their alpha-numeric keypads for more than 40 years.

Yet there's nothing old-fashioned about the economics. The phone number 1800 356 9377 – which just happens to spell 1800 FLOWERS – was valued at \$US104 million (\$98.4 million) on the US owner's balance sheet three years ago. That puts to shame the highest sum paid for an internet domain name, \$US13 million for sex.com last October.

In Australia, the situation is almost identical, except 13 or 1300 are the prefixes we use for local rate calls with a phone name attached. 1300 FLOWERS was bought for more than \$2 million in 2007, yet flowers.com.au fetched only \$153,000 and that was at the height of the tech boom.

They may not be a trending topic on Twitter but phone names seem to be making an impression on mainstream Australia.

Gerry Harvey was convinced to change the Harvey Norman phone number to 1300 GO HARVEY after a one-week experiment on Sydney radio revealed a 290 per cent higher response rate to an ad with a phone name call to action versus an otherwise identical ad using a phone number.

"Now I just laugh when I see phone numbers in ads," says the retail veteran, whose use of the same jingle for decades shows he appreciates commercials with components people can remember. He's not the only one – 37 of Australia's top 50 above-the-line advertisers now

promote a 13 or 1300 phone name. Pizza Hut was so scared by the success of 1300 DOMINOS – an early adopter – it was prepared to trash 25 years of investment in 481 1111 for the NSW market and since 2008 has been moving its national number to 1300 PIZZA HUT.

Roy Morgan research last year found more than 90 per cent of Australians aged 14-49 were aware of phone names, although they have only ever been dialled by 62 per cent of 14-24 year olds, 42 per cent of 25-49 year olds and just 18 per cent of the over-50s. Still, Australia was a few decades late to the 1300 PARTY.

Phone names used to be impossible to promote here because there were no laws standardising telephone keypads. The country became a dumping ground for non-compliant models on which phone names wouldn't work until the government finally banned all but the universal alpha-numeric keypad in the late 1990s.

Nobody knows how many non-compliant phones are still in use, although the two big owners of 1300 number sequences in Australia – the Telstra-backed 1300 AUSTRALIA and Jack Singleton's Phone Names operation – insist the rise of mobile phones, which people tend to change every couple of years, has eliminated non-compliant keypads as a problem.

Standardising keypads was only the first hurdle. Next, the Australian Communications and Media Authority had to be convinced to make available all the possible combinations of 1300-phone word numbers. The man doing a lot of the convincing was Gavin Scholes, the founder of 1300 AUSTRALIA, who had his future livelihood riding on the outcome.

"The government used to have an allocation pool," he says. "It had 50,000 numbers but if the number you wanted wasn't in there, you couldn't get it until it was randomly allocated.

"We had to get the government to realise there was a finite resource sitting there and if they opened the entire pool up there would be businesses interested in buying numbers from the government outright."

The authority finally agreed to auction off all the numbers in 2004 but it was only two businesses that bought the lion's share.

Jack Singleton worked in the US advertising industry in the late 1990s and saw the 1800 phone words up close. He returned to Australia a convert, lobbied for the number auctions and put together \$4 million to spend on them.

Scholes, meanwhile, borrowed money to buy a suit for a meeting with Telstra. The sartorial investment paid off, with the telco convinced phone words would catch on. Scholes found himself in command of a \$9 million war chest before the auctions.

"Gav and I cost each other a lot of money in the early days," laughs Singleton. "It's as if we were bidding for broadband spectrum."

It's a more orderly business today, with the ad

## 1300 FACTS

- Roy Morgan research found a radio ad using a phone name had three times the response of the same ad with a phone number.
- They're not cheap. Licensing a generic name such as 13 HIRE can cost up to \$5000 a month. There will be only one owner of the number you really want, so shopping around is not an option.
- The owners of 13 TAXI have been offered \$6 million-plus for the phone word. It's not currently for sale.
- Phone words work best when supported by advertising.



Number crunchers:  
Jack Singleton (front)  
of Phone Names and  
John Kolenda of  
1300 Home Loan

man chairing the Australian Phone Word Association, co-ordinating wholesaling between the owners of the precious digits.

Generally speaking, Singleton's Phone Names business owns blocks of numbers that spell the names of major companies. Selling 1300 DOMINOS was an early success, creating what Singleton describes (with a smirk) as a "Dominos effect" that led to the licensing of 1300 EAGLE BOYS and 1300 PIZZA HUT (According to industry legend, at least one of the pizza companies has tried to do a deal on its competitors' phone words).

Scholes, meanwhile, concentrated on generics. "So, 1300 RENTAL as opposed to 1300 COATES," he explains. True to form, he also snapped up 1300 MOBILE, 1300 BUSINESS and 13 POND for his new friends at Telstra.

In all, 1300 AUSTRALIA bought 7000 numbers, which steadily rose in value as Scholes and Singleton paid for research proving the concept. The company is forecast to turn over at least \$11 million in 2010/11.

One of Scholes' most profitable deals to date is selling 1300 HOME LOAN for \$1.17 million, the biggest such deal in Australia until 1300 FLOWERS eclipsed the \$2 million mark.

The buyer of 1300 HOME LOAN, former Aussie Home Loans marketing boss John Kolenda, is turning the phone word into a branding, marketing and lead generation offer for Australian mortgage brokers. He's signed up 100 of a target 250, who will pay a monthly licence fee to become the exclusive receiver of any calls to 1300 HOME LOAN within a specified territory.

"Eighty per cent of that licence fee goes into making them one of the largest advertisers in the home loan category in Australia, with a launch budget of \$4 million," he says.

The early signs are good.

"We get calls on the number and we haven't even advertised it yet," says Kolenda, who if successful with mortgage broking will try to repeat the trick with his other properties, 13 HIRE and 1300 LOCKSMITH.

For businesses that can't or won't buy a phone name outright, licensing is the only option. The price ranges from \$150 to \$5000 a month, says Scholes, with the few remaining "good" generic numbers on his books (1300 FINANCE, 13 AUTO) at the upper end of that range.

He thinks phone names work best when supported by an advertising budget of at least \$25,000 a year – "it will make it look like you're spending \$50,000" – but Singleton believes any business can benefit.

"My plumber's number is 1300 UNBLOCK. He's never spent a cent on advertising," Singleton says. "That number would cost him \$200 a month max and what number do you reckon I call twice a year when something goes wrong with the kitchen or dunny? You can't forget the bloody thing!" **BRW**