Call to arms

Former Aussie and Loan Market stalwart John Kolenda is set to launch his latest venture – 1300 Home Loan – which he hopes will revolutionise the mortgage-broking market in Australia. *Barney McCarthy* finds out more

Q: To start with, talk me through your career to date – what's brought you to this point?

A: I grew up in Melbourne and spent the early part of my career there. After spending seven-and-a-half years working for a property developer in acquisitions and financing, I joined Aussie in 1994 as a mortgage broker. By 1995, I was Aussie's number one broker having written 348 loans in my first year. I then progressed through the ranks to area manager, regional manager, then state manager for Victoria, while also looking after SA and WA. I looked after various divisions including lending settlements and data entry. I moved up to Sydney in 2000 when I became part of the executive team that transformed Aussie Home Loans into Aussie Mortgage Market. I left Aussie in June 2004 and later that year I co-founded Xinc. The birth of that was a great time. We built it very aggressively with a strong model that represented an attractive proposition to brokers.

Q: Was it a similar operation to Aussie?

A: It was probably more comprehensive. It worked effectively because we were successful in recruiting, signing up nearly 250 brokers in two-and-a-half years. In late 2007, we merged with Loan Market, which was a division of Ray White Financial Services. The two groups coming together made us one of the largest independent mortgage brokers in the country and I became executive sales director.

Q: What was behind the merger? Who approached who?

A: They initially approached us. I owned the phone number 13-LOAN and they were interested in buying it, but it wasn't for sale. We got into deeper discussions and discussed the possibility of a merger. We were both around the same size – 250 brokers – so when we merged we had a national footprint of more than 500 brokers. There were three different brands – Xinc, Loan Market and the realestate.com.au home loan brand – but it has all moved towards a more singular brand of Loan Market now.

Q: When did 1300 Home Loan start to take shape then?

A: I bought the number in 2007, paying just shy of $1.2m for it. For a while, it was an asset sitting there, but I always had big plans for it. I acquired it from 1300 AUSTRALIA, which is the biggest owner of phone word numbers in the country. They put it up for tender and advertised it in the mainstream papers. I think the reserve price was about $800,000 and I ended up being the successful bidder. This was around May 2007, not long before the merger with Loan Market.

Q: How long has it been a going concern in its own right?

A: We have been presenting the model since November 2010, initially to brokers on the eastern seaboard. The eventual goal is to try and make it the number one brand in the home loan space and we are attempting to amass a war chest of $4m worth of media spend which would make us one of the single biggest advertisers from day one. We believe it is the only model of its kind where brokers own the brand and build the asset themselves.

Q: Would brokers operate under your brand name?

A: They remain truly independent, but they can co-brand if they want. We are after the best brokers and have been quite selective in the recruitment process.

Q: Are you seeking them out or are they approaching you?

A: A bit of both. We've been getting brokers to attend our presentation as it is quite comprehensive. Once they see it, most brokers are quite interested, and register, follow due diligence and sign up. They get to become part of a big brand that they own at a local level. All the leads are generated via the mainstream media and get sent to the brokers who 'own' a geographic

Photo by Thilo Pulch

John Kolenda

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location. We are targeting the major TV channels – 7, 9 and 10 – as well as radio and Foxtel.

Q: How do brokers pay for certain areas?

A: There is a monthly licence fee starting from $700, 80% of which goes straight into marketing. The monthly licence fee varies depending on the postcode and is based on the geographic commercial dynamics like population and number of households. On average, brokers only need five converted leads per annum to cover this, which is a relatively simple target. The price is fixed for the life of the agreement with only small annual increases.

Q: Do they have to pay an upfront fee to secure a particular postcode?

A: There is a one-off $500 fee. That puts them on to our system, we create their website and they are highlighted on Google searches. They are also given a media schedule so they know when and where our adverts are appearing and they know where their money is going. We can also put banner adverts on property search websites, such as Domain, that flag up the local broker for a property to the consumer. The initial $4m marketing budget will be spent on mainstream TV, Foxtel and radio. This will increase as we sign more brokers up. It isn't a cost-per-lead operation, all monies go directly into advertising the brand and generating leads. It's direct to consumer marketing, so they are warm leads.

Q: Have you started rolling that advertising spend out already?

A: No, we're building it up. Once we have 400 brokers and we can service the leads on a national level, that's when we'll officially launch. A spend of $4m would make us a top six advertiser in the home loan space, giving us significant clout and marketing capability to launch a powerful brand.

Q: Once brokers join you, will all their leads come from you? Will they still need other leads?

A: It will be a significant part of their business. With the sort of spend we are targeting, we will have a significant presence in mainstream media which will see 65% of consumers touched 30 times a year. Brokers will own the brand and the asset and the only way someone can get into their geographical area is to buy it off the incumbent broker. That means they can put a real price on the asset. Imagine what it will be worth when we have invested tens of millions of dollars marketing the brand.

Q: We see a lot of bank advertising on TV, but is there much from a broker point of view?

A: There is nothing of a truly independent nature. This proposition will support the best brokers at a local level and let the public know how to access them. 1300 Home Loan is easy to remember and will hopefully become a brand that allows us to compete against banks.

Q: Talking of bank advertising, what do you make of NAB's break-up campaign?

A: Seeing the banks going head to head is a good thing. I don't know if consumers will buy into it as they are quite sceptical of the major banks and don't trust them. We've definitely seen non-bank lenders take a larger share in the last couple of months.

Q: Does this dissatisfaction with big banks play into brokers' hands?

A: Definitely. It supports brokers' proposition of being independent and able to offer the best deals, especially since the major bank rate rises.

Q: Has it mainly been new brokers signing up to 1300 Home Loans? Can more established brokers rely on word of mouth and referrals?

A: We're actually attracting some of the best brokers in the country. We have eight of the recent MPA Top 100 brokers signed up so far. From day one, we always intended to just pick the best brokers to deal with. Part of the value proposition to customers is that they are only dealing with the top brokers – local, independent and experienced. Many interested brokers have said they only want to be part of a group with other capable brokers, so we have implemented a stringent recruitment process. I'd rather wait until we've built the best team of brokers we can on a national level, rather than rushing it to market. It's a long-term plan.

Q: What about brokers who say you're in the wrong industry if you need to use lead generation companies?

A: Our model is quite supplementary. It gives brokers brand value that they own – it's an asset you can trade. Usually, if you are trading you just sell your trail and receive a small price for your customers, but here you have a brand you sell with a stickier relationship with customers. We have one of the most sophisticated telephony systems in the country which effectively guarantees brokers true customer ownership. When a new customer calls, they go through to a call centre, are asked what area they want to see a broker in and it will be patched through. Subsequent calls from that number are routed straight through to that broker. Brokers can upload customer numbers to the system, too. It guarantees customer ownership, and you can put a value on them.

Q: So are brokers getting the brand advantages of a franchise while still keeping their own trade name they have built up?

A: It doesn't have the set-up costs involved in franchising. Another sophisticated part of the model is that every call is recorded and sent to the broker as an MP3 file that also sits on a web-based interface. This is handy for compliance issues, training and retrieving phone numbers. Existing customers will be routed straight through to their specific broker automatically without realising. Brokers have exclusivity on their area, too – there will never be 20 brokers in one location with the leads divvied between them.

Q: How do you see the role of the broker evolving, now licensing is here?

A: I've always believed that brokers play an integral part in offering customers a broad financial services offer where they can tailor solutions to individuals' needs; there is no other model like it. Having access to 20 or 30 lenders, brokers can independently offer solutions that meet the customer's needs. If you go to a bank you get a one-dimensional offer, whereas brokers can give you something in your best interests.

Q: Will brokers become more like financial planners as they increasingly diversify?

A: Once brokers have built trust with a consumer, there is the opportunity to introduce other products and services that may be of value. Some brokers have moved down the path of offering insurance and life cover, whereas others have gone to the other extreme offering a full financial service. Only a small percentage have moved right up this value chain though, with the majority just piggybacking insurance on to the original solution.

Q: Have you noticed any reduction in broker numbers as some advisors don't fancy going through the rigmarole of licensing?

A: Not from what I've seen. The intermediaries I've talked to are well up to it and are in the market for the long term. They love the industry and the businesses they have built up.

Q: How many are getting their own licences compared to becoming credit representatives?

A: I would say it's a fairly even split. Historically, brokers should have been taking diary notes, producing evidence backing their recommendations and putting together files with supporting documents, so the fundamentals of regulation have already been there for years.

Q: Can the percentage of the market accounted for by brokers increase or has it reached its natural level?

A: The GFC changed the dynamics of a lot of things. Broker share will increase over coming years as the sector becomes even more sophisticated. Many brokerages are maturing and are great businesses. As they improve, they will reap the benefits of greater market share. I think it's understandable that consumers played cautiously during the GFC and the banks did a good job of playing on issues of trust and security. Since the GFC however, they have increased rates and disenfranchised people.

Q: Finally, what do you like doing outside of work?

A: I'm married with two kids, Natalie who is 15 and James who is 11, so I spend a lot of time attending various sporting events. I'm an avid tennis player and I help my daughter with her game. I also enjoy socialising with friends, having barbecues and getting out on Sydney Harbour on my boat. I've had 18 months out of the industry honouring non-compete terms and it's been nice doing things I haven't had the chance to do for years. **MPA**