

## An overview of Carphone Warehouse

### Carphone Warehouse:

The Carphone Warehouse Group PLC was set up in 1989 by Charles Dunstone with £6,000. Today it is Europe's leading independent mobile communications retailer, generating annual turnover of £1,841.5m (y/e March 03), offering customers impartial and expert advice, the widest choice of the latest product and unbeatable service. The company operates across 10 markets and employs over 8,000 people working across the stores, the support centres, the call centres, the online teams and the direct sales teams (telesales). UK market share is over 22%.



### Business Activities:

Carphone Warehouse has 3 different fields of operation: Distribution, Data Services and Telecoms Services. Carphone Warehouse sells pay as you go vouchers and accessories, PDA's and mobile phones, along with insurance. As a PLC the company's shareholders can be any member of the public, although shares are likely to be concentrated within the company. The company was first created in 1989.

- "If we don't look after the customer, someone else will."  
This aim can be easily monitored by the number of complaints they get through their call centres. They should aim to rapidly cut that amount of calls that they receive that concern complaints from customers, and deal with them swiftly and conveniently. **They have achieved this aim because they have now hit their target of answering "95%" within one minute, which they have achieved with a percentage of "99.5%"**.

- "Nothing is gained by winning an argument but losing a customer."  
They can monitor this aim by completing a survey, to see how satisfied the customers are with the level of service that is provided and the help they receive. **They have achieved this aim because they have constantly gained customers, which has caused them to make a profit. They have opened 250 stores to begin with, but now they are up to 317 stores, with constant numbers of customers, which were created in the last 12 months.**

- "Always deliver what we promise. If in doubt, under-promise and over-deliver."

**This aim has been met significantly well by the "Free Broadband" offer they created. For example, they promised the whole of the UK free broadband, in return they must take a specific phone package with them. They have also acquired the AOL internet company, and as a result of the acquisition, they are now they 3<sup>rd</sup> biggest ISP in the UK.**

- "Always treat customers as we ourselves would like to be treated."  
They can gain insight on how they are doing with this aim by asking their staff how well they think they are doing. **They have achieved this aim, as their customers have returned more and more because of the excellent customer service that they have been provided, and as a result, Carphone Warehouse are making a tremendous profit (Source: CPWPLC.com)**

- "The reputation of the whole company is in the hands of each individual."

The Carphone warehouse is also active with other areas. They provide sales of goods, where the customer can purchase anything within a selected branch (e.g. mobile phone, SIM cards), over the counter. The Carphone Warehouse also have availability online, through their website ([www.carphonewarehouse.com](http://www.carphonewarehouse.com)) where the consumer can purchase absolutely anything, and have it sent to their home address, allowing them to save time and money. This would also cut the overhead costs of their business, as there would only be a warehouse to distribute the goods, no branch staff and very few warehouse staff would be required, which is the same for over the phone sales through their call centres. In recent months, they have taken their market by storm by dominating the mobile telephone, and landline communication devices. They now offer free broadband, free landline calls, and mobile telephone access (*Mobile World*).

Depending on how successful Carphone Warehouse is this will fulfil how they will reach their aims and objectives, and how they will change over time. For example if Carphone Warehouse were to expand, not just as a company, but as a mobile phone distributor, they will be working towards the aim of looking after their customers more. Carphone Warehouse relies on their customer service's departments to work to maximum productivity, meaning that every individual customer that has a problem should be dealt with in a careful and courteous manner. When, or if, they expand, they would also be expanding their customer services 'areas' relating to their levels of customer services more easily.

It is very important for the Carphone Warehouse to set aims and objectives for themselves. As they will be able to use this as a tool to measure their success into allow Carphone Warehouse to see where they'll going wrong and furthermore they will be able to compare their aims and objectives with their alike business (e.g. mobile phone showrooms), so they will be able to excel in both their customer and business service.

Over time, their aims and objectives may alter to expand to changes in their business' for example if they like to expand they could modify an existing aim to take onboard this expansion, i.e.: "To provide the same level of care and service in this new area, as each of the others".

#### Business Ownership of The Carphone Warehouse

A sole trader is a private business which has been set up by one owner. The benefits of a sole trader are that they are easy to set up and give a personal service. The owner is independent and can make quick decisions, with the minimum paperwork, and helps to avoid bad debts with customers by knowing them personally. Although there are major drawbacks, there is unlimited liability, and you have long hours with no covers if you wanted to go on holidays or you were sick. Also you need many required business skills and if you die, the business ends as well.

A partnership as two or more owners, and so it is much easier to raise capital, but again there is unlimited liability. Problems and ideas can be discussed, but all profits have to be shared and there could be many disagreements. Although there is a greater range of skills and you can be covered for holidays, decision/actions are legally binding on all partners and the death of a partner would result in the share would need repaying.

A private limited company is often a family run business with the protection of limited liability. Private limited companies are good because there is a minimum of 1 director and 1 shareholder. It is easier to set up/affairs are still private. It is easier to raise capital/borrow from a bank and share transfers need

agreement of all. Although a few of the major drawbacks would be that you cannot sell shares to the public, and you have more regulations to comply with.

A public limited company is a large organisation whose shares are traded on the stock exchange. You still have limited liability, and shares increase in value if the company is successful. Again, there are many more regulations to comply with and accountants (and problems) are public knowledge.

As The Carphone Warehouse is a public limited company, shares within them are allowed to be bought and sold freely, but information of current shareholders are currently not available for view by the general public. You can however, view the current prices of shares, and view/download the annual reports published by The Carphone Warehouse PLC.

### **Interest Rates**

My Business would prefer lower interest rates because they can expand their business can maximise their profits. If the interest rates were higher then they would borrow the same amount of money but have to pay more back. This is why business' wait for the bank's interest rate to lower before they borrow any money. Interest rates also affect how much money is spent in their business. If the rates are lower than their customers will spend more on their credit cards as they know they also will not have to pay back as much. The interest rates that are published by the Bank of England also affect their mortgage repayments. If that rate is not fixed for a certain amount of time then the amount that they have to pay back each month could vary from a small to large repayment.

### **Exchange Rates**

My second business, Carphone Warehouse, does import goods from other countries. This is because the labour is cheaper in the Asian countries so the phones can be manufactured for a lower price and could be sold at a lower price as well. Carphone Warehouse would have to pay the labourers in their own currency so they would have to convert from the pound to the required currency. If the required currency is lower, and the British Pound is worth more then they will receive more so they goods imported will be cheaper. They would have to import phone cases and the microchips that are required to make the phone actually work, including all the sim cards. On the other hand, if the British Pound is not worth as much then the cost of the imported good may be higher, and may not be able to afford to purchase more goods at the same time. Again, when the British Pound is stronger Europe will suffer because it would cost them more to purchase the same product or use the same service. This affects the business overall as they could purchase more or less goods depending on the exchange rate.

### **How A Rise Or Fall In Interest Rates Can Affect Profits**

A rise or fall in interest rates can affect the profits for the business in many ways. For example, if a customer created an account, and purchased many products, and they owed you money, they would become your 'debtor'. If the interest rates were to rise then the debtor would owe Carphone Warehouse more money. This would allow them to make more profits than if the rates were lower. If the rates were lower then the repayments would be smaller and so would be the profits.

A rise or fall in interest rates can affect your business in many ways. If the interest rates are low, Carphone Warehouse could take out a typical loan from a bank when the interest rates are low. This is because their repayments would be lower. For example, if the interest rate was 3% per month, and each monthly

repayment is £1,000.00 then they would pay  $1000 \times 1.03 = £1030.00$ , but if the monthly percentage was 13% they would pay back £1,130.00 each month. This would mean they would have to pay back an extra £100 each month (in this example), where that money could be spent on purchasing new mobile phone parts, hiring staff, or even expanding the business. In the long term the money that has been spent for no reason would mount up. In response to this, Carphone Warehouse, if they want to take a loan, choose a bank or building society that offers a fixed rate for a period of time. They would then satisfy them because Carphone Warehouse would know how much they would be paying back each month, for that fixed period of time. After the fixed rate has finished, Carphone Warehouse would be put on a 'variable' rate, which means the rate can vary from month to month, so they can only estimate how much the repayments would be.