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Rob Farbrother: 'You find out what your opponent isn't doing and look to the weaknesses of their game'

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SPOTTING OPPORTUNITIES

Winning against the tide

A market others ignore? Good. VCs not interested? No problem. New owner too cautious? Just move on. Rob Farbrother gives **Alison Maitland** some contrarian advice

On a miserable day in August, as many British holidaymakers flock to the Portuguese sun, Rob Farbrother is travelling in the opposite direction from his home on the Algarve to his company's headquarters in rain-soaked Hertfordshire. Mr Farbrother has made a career, and several million pounds, from doing things differently from the crowd.

While working for Citibank in the mid-1980s, for instance, he persuaded 13 banks and building societies to set rivalries aside and co-operate on a national cash machine network. The network, known as Funds Transfer Sharing (FTS), then joined the largest high street banks in the Link system and Mr Farbrother became Link's first chief executive in 1986.

Nearly a decade later, he spotted an opportunity in the form of the 4m UK households who pay their gas, electricity, water and telephone bills in cash because they do not have bank accounts. Mr Farbrother describes these mainly low-income consumers as "the ignored market". Whether in the UK, Portugal, or elsewhere, "the banks don't want them because they are not making money out of them".

In the UK in the mid-1990s, the outlets for such people to pay their bills were diminishing as deregulation led utility companies to cut costs by closing their high street showrooms.

Mr Farbrother persuaded several large utilities to fund PayPoint, a system of

electronic terminals located in corner shops, petrol stations and supermarkets, where people can pay their bills and television licence fees by cash or cheque. Today, dismissing talk of a cashless society, Mr Farbrother is betting that consumers from China to India and from South Africa to Brazil will be paying their utility bills in cash for years to come. Next month he launches his concept to the rest of the world under the name PayShop International. The company, working out of Lisbon but headquartered in Welwyn Garden City in Hertfordshire, will operate a bill-payment collection system in Portugal and act as a reference site for companies or individuals interested in licensing the system for use in other countries.

Mr Farbrother, 53, says he looks for business opportunities using the same strategy he applies to playing tennis or squash. "You find out what your opponent isn't doing and look to the weaknesses of their game, rather than concentrating on the strength of your own game. Sometimes you win more easily that way."

Not that being a contrarian has given him an easy ride. It took him 18 months to persuade the institutions involved in FTS that a management buy-out was the best way to resolve differences over future strategy.

Persistence paid off. After the MBO, he led the company, renamed Nexus Payment Systems, into new territory, taking on the big credit card and travellers'

cheque operators by linking up with cash-machine networks in Portugal, Spain, Italy and Belgium to give Britons abroad an easy way of withdrawing foreign currency.

Mr Farbrother is coy about how much money he made when Sligos, the French electronic payments company, bought Nexus in 1991 but it was "a few million".

Sligos was initially interested in his idea for PayPoint but later became concerned that it might upset banking customers, he says. So he quit to set up on his own, granting Sligos the contract for the system's computers.

It took him two more years to persuade the utilities to fund the start-up, which now collects more than £6m a day on behalf of 140 bill-issuing companies. His main shareholders at PayPoint did not share his vision of international expansion, so Mr Farbrother again broke loose, making "some good money" from selling his stake of about 25 per cent.

He and Dick Horsnell, former chairman of PayPoint, each invested about £250,000 in researching international markets. When their business plan was ready, they needed £10m to get PayShop off the ground. But this was the height of dotcom mania and the business was not a dotcom. Venture capitalists would not touch it.

Unwilling to give up, Mr Farbrother hired financial brokers to help find funds. They put him in touch with Prism, a South African electronic transactions company.

"They're an ideal partner,"

says Mr Farbrother. "They wanted to go global and they understood the bill payment collection service concept."

As part of the phased funding deal, PayShop will use Prism's technology and Prism's initial 19 per cent stake will rise to 50.1 per cent after four years.

Mr Farbrother did not want any of the large utilities to take a substantial stake in his latest company. With hindsight, he believes it was a mistake that companies such as British Telecommunications and British Gas became the biggest shareholders in PayPoint. "It is wrong to have corporates as major shareholders if you want... to be quick on your feet. It was not the right formula for me personally."

Speaking from experiences both as a manager at Abbey National and Citibank and as a standalone entrepreneur, he believes many big companies do a poor job of researching markets before they jump in. With his own ventures, he does extensive research into consumer habits and forges links with companies and influential organisations such as regulators and consumers' associations. Others also make the mistake of placing their own managers in foreign operations, he says. "When I went to Portugal, the first thing I did was to hire a Portuguese managing director." He will be using his powers of persuasion to press those messages home to potential licensees of PayShop.

● www.payshop.com