

## Software and Innovation Lead Ambit to Early Success

By Barbara Seale



Innovative, recession-proof and profitable in just two years. That describes electric and natural gas service provider Ambit. Its executives give much of the credit to an unusually robust, custom-developed information-technology system.

Entrepreneur Jere Thompson Jr. had successfully navigated telecommunications regulation, building the fastest-growing private company in Dallas a few years before. As that market matured, he wanted to take advantage of the deregulation of electric energy in Texas. He quickly realized that his company already had many of the fundamentals that would let it manage the process of switching and billing a new electric company's customers. His big, unanswered question: How do you find customers at attractive costs to loyally pay their bills?

The answer came from one of his collaborators, who explained that the kind of customers he wanted were exactly the kind he would find through direct selling. His friend also strongly advised him that if he were serious about direct selling, he really needed to meet with Chris Chambless, who had been one of the top managers at a telecom direct seller.

"I set up a meeting with Chris on a Friday, and he told me about the things I needed to consider," Thompson recalls. "On Sunday I called him and said, let's do it! When all the stars line up, things can move quickly. Right away, we started the process of building Ambit Energy."



## Bits, Bytes and Brains

Thompson became the new enterprise's Chief Executive Officer, with Chambliss as Chief Marketing Officer. Having been part of fast-growing startups, both understood the problems caused when a back office can't keep up with demand. They committed immediately to build the finest, most-respected company in America.

"That was bold for a company with two people at that time," Thompson says, only half joking. "But we knew that we had to be able to support what this channel is capable of generating. We had to be able to handle 10,000 new customers a day with nothing ever falling through the cracks. That's a lot of data processing."

They also brought in an experienced management team that had successfully launched fast-growing startups. Together, they laid the groundwork, built the compensation system, developed attractive power products and recruited their first salespeople. They invested in must-haves, such as a world-class IT system. Less important trappings, such as office furniture, literally came from Wal-Mart.

"We knew right away that it all had to do with systems and people and having the right combination of both early on," Thompson says. "But it didn't come without angst. We hoped we could buy great off-the-shelf systems. But we quickly found that the time required to modify the systems and the cost of modifications were unacceptable. We had to build our own from scratch. That was painful, long and exasperating. But ultimately, it has enabled us to do things that no one else in the marketplace can do. We can innovate where others can't."

He explains that telecommunications company MCI built its reputation on its Friends and Family program.

"That program was all software," he says. "They developed it internally and in doing so set themselves apart from every competitor. Coming up with innovative products in our industry is all about software development."



## Free Energy

Ambit's powerful software does such tasks as provide replicated, task-specific Internet sites for each customer. Yes, not only consultants, but customers, too. The sites allow existing customers to refer their friends to Ambit. When the customer refers a minimum of 15 customers who pay their bills, the original customer receives a credit on his Ambit Energy bill equal to the average amount of their payments. If the average is equal to or more than the referring customer's bill for the month, he pays nothing. What's more, the credit applies every month as long as the customer maintains a minimum of 15 customers who pay their bills. Quick translation: Ambit customers can get free energy.

The same software that makes the free energy possible also enables the Ambit independent consultant who enrolled that first customer to be paid on all the customers. That creates a deep layer of recurring monthly income. Some 8 to 10 percent of Ambit sales are referred by existing customers.

But Ambit wanted its customers to have an immediate positive experience with the company. It also wanted to arm its independent consultants with a strong initial "sales" point. So Ambit offers a welcome gift to customers just for enrolling. Currently, the gift is a travel voucher good for a free three-day/two-night stay at a three-star hotel. Ambit also tracks the kilowatt hours that customers use and credits customers with points toward discount travel. Cruises, airline tickets, travel packages—Ambit customers can earn points toward them every time they turn on the lights or fire up their gas cook top.

"I've seen a lot of companies struggle to do the basics right," Chambless says. "That's because they didn't have software systems that were as fine-tuned as ours. Our systems all work flawlessly, so we can think about developing new features."

Thompson adds, "Startups look at things a different way. They make the most innovation. They say 'why not' as opposed to 'why.' Innovation will change the way power deregulation will take place and the way consumers will use electricity."

The approach has allowed the company to offer a customer satisfaction guarantee that it has never needed to use. It guarantees that if the customer's transition to Ambit Energy isn't flawless, Ambit will pay the customer's first bill.

## Rapid Results

The bold, innovative approach is attracting both independent consultants and consumers. Although Ambit hasn't yet celebrated its third birthday, it already has more than 200,000 energy customers, 50,000 independent consultants and 230 employees. In 2008 the company earned \$197 million in revenue. It forecasts almost \$400 million this year. Ambit now offers electric and natural gas services in deregulated markets of Texas, Illinois and New York.

With such rapid growth, consultant income has skyrocketed, too. The company has already paid more than \$1 million to four consultants, and two of them earn more than \$1 million annually. Those top earners join Ambit's exclusive Millionaire's Club. At the company's annual convention, Ambition, they are recognized with a custom-tailored, gold blazer embellished with a special crest. Whether or not consultants make it into the Millionaire's Club, all take advantage of a virtually recession-proof product: energy. After all, many people pay their electricity and gas bills even before their mortgage.

High-earning consultants who want to turn their Ambit Energy business into a full-time enterprise even have the option to say goodbye to their J-O-B without giving up their surefire health insurance. Ambit takes advantage of its Direct Selling Association membership to let consultants purchase health insurance.

"We wanted to give people who want to do the business full time an opportunity to do it," Chambless explains. "People get in on a part-time basis because of our great compensation plan, and many get into the position where they want to work their Ambit business full time. Healthcare insurance holds them back. We were able to partner with one of the DSA-endorsed companies to make healthcare insurance available. That gives people another reason to have confidence in the company. We've had a favorable response."

## Doing the Right Thing

With so many features that attract consultants and customers, Ambit executives look forward to the future. The energy industry is an exciting place for a direct selling company, Thompson and Chambless believe. They're convinced that Ambit's innovative approach will

create more millionaires, and that its impact can be significant even beyond saving customers cash and helping consultants earn extra income.

"In the energy industry we'll eventually see electricity priced as long distance used to be priced," Thompson predicts. "In the foreseeable future we'll offer time-of-day pricing. That will allow people to shift their use of electricity from a high-cost time of day to a low-cost time at night. We'll still help people save money, and as a country, we'll be able to build fewer power plants and take advantage of our existing capacity throughout the 24-hour cycle. Old, inefficient, more polluting plants can be replaced with more modern, cleaner plants. And we'll be right at the front of it. That will change the way the industry has operated for the last 100 years."

Chambless says that such innovation would have far more environmental impact than carbon credits could produce. And the company's "green" service offerings, called Ambit Certified Green plans, are certified by the Green-e Energy™ Program to reduce the environmental impact of the energy used by Ambit customers.

"We're one of only two companies that are e-certified green," he says. "We promote these real green products for those who are environmentally focused. Time-of-day plans work hand-in-glove with green energy. People concerned about the environment, the country's use of natural resources and our overall use of energy will be looking for companies that can offer products that match their concerns. We'll be one of the first to offer them. Companies that don't have the financial stability that we have can't make that kind of investment."

Making the right early investments in the right things positions the company for future innovation and growth. Though Ambit is already profitable and growing, its leaders still ensure that every expenditure is the right one. Thompson jokes that it's hard to get arrogant when you're sitting at a \$19 Wal-Mart desk.

Circling back to the early goal he established with Thompson, Chambless says, "We never said we wanted to be the biggest company. We just said we wanted to be the finest and most respected. We're making investments that will allow us to do that. Our decisions with employees and customers are focused on that goal, too. If your actions let you be among the finest and most respected companies, you may have a chance to be one of the biggest, too." DSN

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