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BUSINESS

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INTERVIEW JOHN COLLINGRIDGE

Thinking big has got Richard Harpin in trouble before. Four years ago, HomeServe, the emergency repair company he co-founded, was fined a record £30.6m for persistent mis-selling. The Financial Conduct Authority attacked its “profit-driven culture where profit targets were met by taking advantage of existing customers in pursuit of sales”.

The City watchdog criticised the board for glossing over and often failing to discuss issues ranging from poor sales techniques to misleading customer information. Then there were the staff who closed complaints without sending out plumbers during a hard winter, when it was inundated with emergency calls.

HomeServe had already been fined £750,000 by the telecoms watchdog for bombarding households with thousands of silent and abandoned calls.

Harpin, a wiry bundle of energy at 53, is confident that all this is behind him. Framed posters bearing HomeServe’s “customer promises” line the red walls of the boardroom at the London office.

“I don’t think we could have that situation again,” he insists. “When an organisation goes through a really difficult period and comes out the other end, it can go on to achieve amazing things. That’s part of the reason I’m still here.”

Harpin is thinking big again. Over the past year he has paid a total £78m for Checktrade, a website that links householders with plumbers, decorators and so on. It was an eye-watering price tag for a business that had lost £1.3m on revenues of £25.5m over 18 months.

He thrusts a pamphlet into my hands, bearing HomeServe’s “renewed vision for 2017 and beyond”. It says: “Our vision is to be the world’s most trusted provider of home repairs and improvements.”

Predictably, Harpin wants the world to see his business as a technology “platform” — linking customers to services through the power of the web.

“How come Airbnb is global, offers a great service and is worth \$30bn after eight years?” he asks. “We’ve been going for three times that amount of time and we are not yet worth £3bn.”

“Why am I still here? Because we have a growth plan that says over the next eight years maybe we can do something as exciting as Airbnb.” (The homestay website is, in fact, 10 years old.)

Harpin says he never thought about quitting, even during the company’s nadir in 2014, when some feared the business would go bust. “We made a mistake and the buck stops with me,” he says, though he adds hastily: “I wasn’t the UK chief executive.”

“It wasn’t in my psyche to quit and it’s actually made me more determined that we can achieve more.”

The contrast with autumn 2011, when Harpin was last interviewed for this page, is noticeable. Back then, he was happy to pose for a photograph in front of the red helicopter he uses for commuting. It was peak hubris. The following month, the first allegations of mis-selling appeared and the company’s share price plummeted. It was the start of nearly three years of turmoil.

This time round, my attempt to get him photographed with his helicopter is flatly refused. “Hopefully I’ve matured and learnt a bit,” he says.



Here to serve: Richard Harpin bought the Checktrade site to expand away from the ‘worriers’ who buy HomeServe policies

I’m thinking big again

HomeServe boss Richard Harpin has put the bad times behind him and is now conquering America

Instead, Harpin wants to talk about the 84% approval rating HomeServe has on the review site Trustpilot, versus the 37% score for big rival British Gas. He fixes me with an unflinching gaze, his pale-blue eyes never leaving my face, and peppers the conversation with questions that he answers himself. “Why are we here? What’s our purpose? Through those scary headlines how many people cancelled their policies? It was only 30,000 out of about 3m.”

If it all feels a little scripted, it probably is. Harpin has an iPad in front of him, the screen filled with GoodNote-created handwritten scrawls.

He still has the helicopter, as well as a private plane. The small print of HomeServe’s latest annual report shows the company paid about £500,000 to aviation companies owned or part-owned by Harpin. One of them, Harpin Parkin Aviation, shares ownership of an Embraer Phenom 300 jet with Steve Parkin, boss of the delivery business Clipper Logistics.

“Flying is a passion of mine,” says the HomeServe chief, unblinking. It seems an expensive passion for shareholders to fund, I counter. Harpin is unflustered, insisting the company pays only when he uses his aircraft for work.

“I don’t think it would be fair to say that. It means I can put in the hours and have a little bit of home life, and it’s important to get that balance. Most of the cost of the helicopter is covered by me.”

HomeServe almost never came to be. Harpin started the company in 1993 with his business partner Jeremy Middleton as a joint venture with South Staffordshire water company. He saw an opportunity to set up a plumbing services business, copying a venture in Surrey.

The son of a surveyor, his previous attempts at building businesses had come to nothing. There was the student magazine he launched at York University, and the fly-fishing mail-order business.

“Most of my ideas are rubbish; there’s the occasional

one that’s good,” he says. “I do a lot of trying to copy from others. I’m a great believer in the second-mover advantage: find a business model that works and then copy it, improve it a bit and think big.”

South Staffs nearly pulled the plug in the first year when Harpin burnt through its £100,000 investment and more. His “final throw of the dice” was sending out 1,000 leaflets to homes. To his surprise, 38 people sent back cheques for £58.

“I had about 15 staff who all thought they were going to be made redundant. I remember getting on my office desk in Walsall, and saying, ‘Yes, we’ve made it!’” HomeServe, still based in Walsall, has grown into a business worth £785m turnover, struck deals with most UK water companies and expanded into America. The company has been on a buying spree, snapping up about 30 companies. In October, it raised £125m through a share placing to buy the home services unit of US company Dominion Energy, which has 500,000 customers.

Notably, HomeServe’s US customers now outnumber those in the UK — what Harpin calls the company’s “inflection point”. It has about 8m customers in total, including its operations in Italy, France and Spain.

Still, HomeServe’s model divides people. It relies on “affinity marketing” — signing deals with businesses such as Thames Water to get access to their huge cache of customers. HomeServe pays the utility firms commission for every policy bought by householders — typically, about 10% sign up. The policies are underwritten by insurance companies; in the UK, it is Aviva.

The cost, through the HomeServe website, is £204 a year for its most comprehensive heating, plumbing and electrics cover, plus a £50 excess. That is an expensive way to get peace of mind. Also, the underwriting fees and commission are not disclosed to consumers.

Harpin admits this kind of insurance is unlikely to appeal to more than 30% of householders. “They tend to be older, the

worriers, like my mother.

“Most of my ideas are rubbish; there’s the occasional one that’s good”

They’re on their own now and want the reassurance of paying for annual cover, and buying it via their utility is a great way of doing it.”

He hints that a deal with an energy company is imminent. It is an increasingly competitive sector, and many are waiting for Amazon and Google to arrive.

Centrica, the owner of British Gas, explored a deal to take over HomeServe several years ago. Now chief executive Iain Conn wants to embed Centrica in the home by selling services on top of power supply. Its Hive smart thermostat, which lets users control heating and lighting remotely via an app, and boiler breakdown packages are key to future profits.

Harpin has a few tricks of his own. He pulls out a small black plastic gadget. The LeakBot, developed by HomeServe, detects leaks and is used by insurers to help cut costs. “This is a £660m problem for home insurers, their biggest spend being water damage,” he says.

What excites him most, however, is HomeServe’s

investment in Checktrade and a Spanish counterpart, Habitissimo. Once again, the competition is fierce. In June, Centrica launched Local Heroes, which takes a cut from what tradespeople earn through the site.

Harpin scoffs at Local Heroes. “Since that business started, they’ve done only 17,000 jobs [as of November]. We do that in two days,” he claims. “It’s very difficult to do things organically. I think we can get there quicker by making some M&A [mergers and acquisition] investments.”

Currently, he says, the 28,000 tradespeople listed on Checktrade pay an £800 annual membership fee. The highest-rated workers get top billing on the site, and thus much of the work.

Harpin plans to tear up that system and link the fee to the volume of work picked up, as well as the number of calls received through the site. He also wants to tweak the site so tradespeople can pay to be listed higher up the search results.

It sounds like the sort of thing guaranteed to rile an army of builders and plumbers and lead to accusations that HomeServe is just another digital parasite creaming off their profits.

Not so, insists Harpin: “It becomes a win-win. We want to have a model where the strivers pay more money to move up the ranking.”

Some in the City are concerned that HomeServe’s dash for growth has left it

exposed. At the end of September it had a £304m debt pile — higher than its self-imposed upper limit of 1.5 times underlying profits.

Analysts at the investment bank Jefferies expressed fears that “potential upside and speed of delivery may currently be overestimated in the market”.

Sir Roy Gardner is an adviser to HomeServe, and considered buying the company when he was chief executive of Centrica, between 1997 and 2005. He is confident about its leader: “I’ve seen him in action and I know the regard his team hold for him. He’s got a superb work ethic. He fronted up about their mis-deeds, accepted the findings, paid the penalty and drew a line in the sand.”

That work ethic has made Harpin rich, with a £356m fortune according to The Sunday Times Rich List. His 12% stake is worth £316m at Friday’s closing price of 796.5p. He has a ski chalet in Courchevel, co-owns his local pub, and has so many other properties he’s lost track. It was 70 at the last report, I proffer. “It would be at least double, I think,” he replies.

With all this, why keep working? “I genuinely think, and I never thought I’d say this, John, that hopefully I’m a better business person today than I was in 2011. Too many entrepreneurs give up too early. I’m more excited about the business than I’ve ever been.”

THE LIFE OF RICHARD HARPIN

VITAL STATISTICS
Born: September 10, 1964
Status: married, with three children
School: Royal Grammar, Newcastle upon Tyne
University: York
First job: brand manager at Procter & Gamble
Pay: £4.3m salary and bonus last year. For the next seven years, his £550,000 salary and bonuses will be donated to the Enterprise Trust
Car: Range Rover
Home: village near York
Favourite film: Lion
Book: Alibaba’s World, by Porter Erisman
Music: Going Home, by Dire Straits
Gadget: Apple Pencil and GoodNotes app
Last holiday: Courchevel

Charity: the Enterprise Trust was founded by Harpin to encourage young people to start their own businesses. He has pledged £1m investment for Enterprise Nation, which offers support and advice for start-up founders



Film choice: Rooney Mara and Dev Patel star in Lion

WORKING DAY
The chief executive of HomeServe starts the day at 5am, travelling to the Walsall office by car or aircraft, or taking the train to London. Harpin spends time with customers, managers and focus groups. He is away from home about two days a week, and travels to America every six weeks.

DOWNTIME
Harpin plays squash twice a week, swims and goes to the gym. Family time is often spent walking their cocker spaniel and eating at the pub he co-owns, the Alice Hawthorn Inn at Nun Monkton. The family also love skiing, and spending time at their alpine chalet.