



The Interview

Gavin Oldham is the founder of The Share Centre, one of the UK's largest independent retail stockbrokers. Early next year The Share Centre is planning to float on AIM.

We would like to ask you a bit more about the float later but perhaps we should start at the beginning.

Q. Going right back to the beginning, why did you found The Share Centre?

A. Well I suppose it all started because I passionately believe that investors should not have all their assets invested in their home; instead they should be encouraged and be able to spread their risk by investing in the stock market.

When I first started in the City in 1976, there were no retail stockbrokers. I worked for Wedd Durlacher which was eventually acquired by Barclays. I went to our new owners and presented a proposal for establishing 'Barclay Share' as a retail stock broking concept. It was accepted and we went live on Black Monday! It was very enjoyable being entrepreneurial in a large organisation at first, but eventually I decided to leave and set up my own business 17 years ago.

1990 was a good time to set up - we had the opportunity to stick to a consistent strategy and benefited from a lot of privatisation work. In 1997 we took over Bradford & Bingley's corporate PEP business, which gave us the management of 93,000 PEPs.

In 2005 we started marketing our services heavily, having built up sufficient reserves to finance a comprehensive marketing strategy. This has yielded positive results with the business continuing to grow at an impressive rate. Turnover for 2006 was £10.6m, up 12.6% on the previous year and our profits rose by 13.4% to £3.4m

Moving swiftly forward to today, we have now reached the point in our plan where we need to seek a listing on AIM as part of the stepping stone towards being listed on the Main Market. We need the listing to raise the profile of the business and give us access to more opportunities as we grow.

Q. Has it turned out the way you originally envisaged?

A. Yes although it is fair to say that we place more money in collective funds than we used to, especially unit trusts and OEICs. This reflects the fact that many people start by investing in funds rather than into individual shares, which they perceive to be higher risk. In order to try and mitigate risk we provide free advice to all of our customers on both shares and funds.

We continue to be available to all our customers, however small or large on the telephone and we publish The Shareholder magazine which also gives advice. We have been lucky that we have been able to build a very capable team in all areas. It is not hard to recruit great people in Aylesbury (where The Share Centre is based) and it is this team that has enabled us to grow.

Q. What have been the biggest challenges you have overcome in building the business?

A. There have been a couple of big pinch points. In the mid 1990s there was a big issue over systems because we had to convert from our starter system onto something that was capable of meeting our future growth expectations. It was a very difficult project. Our move to new offices was also a big issue - before we moved to Aylesbury, we were spread across three offices and I was determined to find the right building where we could all be on one floor, but which gave us capacity to grow.

I have found that the best way to overcome the challenges was to listen, work the point through and accept that you may have to wait for conditions to come right and then when conditions are right, to say yes!

Q. You are based outside London, in Aylesbury which must be pretty unusual for a financial services firm? Why are you there and not in the centre of London or another big City?

A. We are slightly unusual for a retail business as our customers do not tend to come to our door - they phone or use the internet instead. So the requirement to be in London has completely disappeared. We use modern technology to chase the volume model of retail stock broking rather than the value model. So we price as competitively as we can and apply the right parameters to ensure profitability. One major way to avoid cost is to avoid having expensive offices in London when you don't need them.

The other point about being in Aylesbury is the great people here who are very skilled in the areas we need such as systems, clearing and settlement, which we do ourselves. This enables us to run a very smooth back office which saves a lot of money in the long term. Those people are less likely to be found in the City.

Q. As the owner of a business, how did you build a team around you that worked?

A. It was not an overnight process. I have been through a very carefully balanced process of reiteration over the years working out what to hold onto and what to delegate as I have built the business. The biggest issue to overcome is the feeling that no-one can do it as well as you do and therefore not to delegate. But if you do this, good people get frustrated. It is right that they should have responsibility and authority, but they should also feel that they can come to me at any time.

Nowadays my role is to look at how decisions are being made and keep a watch on the strategy of the business. The balance is difficult to achieve and I have not always got it right, but I look for people who have potential and knowledge, but will allow this to cascade through the business and not just hold onto it themselves.

We are very focused on processes to make the job easier and we have achieved Investors in People accreditation which has been a key part of helping us to extend this involvement throughout the company.

Q. Do you have an international arm? If not, why have you not expanded overseas?

A. We have consciously not gone overseas because we are actively keeping the business straightforward. There are a number of different parameters that come into play if you trade in stocks abroad, including different settlement procedures and the management of currency risk, which bring with them complex issues and therefore high managements costs. These issues are not compatible with a volume business.

That being said we are looking at the potential for European expansion that the recently introduced Markets in Financial Instruments Directive presents. .

Q. You are expanding at a very rapid rate - what hurdles are you having to overcome?

A. My biggest bug bear is the fact that there is government stamp duty on shares, but there is no duty on spread betting! It is a ludicrous situation and as the commissions are tiny they have got to go!

We have recently overcome a significant hurdle. There always used to be an inequality of information access for shareholders who held in a nominee name. We are delighted that a recent change in legislation means that even if you hold shares in an ISA you can now 'opt in' to get a copy of the company's annual report. . This is helping our customers and it will help us.

In terms of company strategy one of the best hurdles is when an acquisition opportunity comes along and we have to decide how we will respond. We like this type of hurdle!

Q. You set up Sharemark and you act as market operator to Investbx. Please could you tell us about your views on how stock markets for SMEs could and should work?

A. We feel a market maker model is not the best for a small company with narrow liquidity. There is usually an expensive price to pay for the opportunity to deal immediately which is reflected in the market marker's bid/offer spread. It can be as much as 20%. So we get rid of that by allowing everybody to contribute to price formations. What they do is exercise some patience - they put the order up (to buy or to sell) and then they will deal in due course, when their price becomes available. It is extremely effective way of achieving tighter pricing which benefits both buyers and sellers.

We trade Share PLC shares on Sharemark and we intend to retain a dual trading facility on Sharemark and AIM. It will be interesting to see how this works out as investors will have the opportunity to deal on Sharemark, outside the AIM spread.

We also recognise that there are some companies which require liquidity in their shares, for example where an employee share plan has been

introduced, but aren't ready for the cost and commitment of maintaining an AIM listing. We believe that Sharemark offers a simple, flexible and cost effective alternative.

We respect that fact people are becoming more and more sophisticated and empowered every day - largely due to the internet. The entire market place has far greater access to research than ever before and it can easily make use of clever financial techniques such as stop loss structures. As a stockbroker or stock market you have to evolve systems and services that reflect this - and not try to pigeonhole people into a traditional way of acting just because that is how it has always been done.

Q. What tips would you offer an entrepreneur wanting to sell products or services, particularly IT solutions, to your industry?

A. All they have to do is prove it will substantially add value in two respects; for our customer and for ourselves!

Q. How did you win your first customer?

A. It was my wife! I had to fill up the nominee and the corporate action papers and buy 10 shares in each company in the FTSE100. Unfortunately I cannot remember the name of the first genuine new customer, but I don't think we charged her commission.

Q. You now have some of the biggest corporates in the UK as customers through SMEs and across to the smallest private investors? Is there a difference in how you treat them and why?

A. I always think the real customer is a human being, however large or small the organisation they represent. So we follow a mantra that our raison d'être is people and ensuring that more people enjoy straightforward investing. This means that we can offer an excellent service to people even if we are working for them on behalf of our corporate customers such as Virgin Money or Fleet Street Publications.

So whoever we talk to we always spend as much time with them as they need - be they big or small.

Q. You must see a lot of companies as a result of your services. Can you tell very early on whether they are going to succeed or fail? If so, how?

A. I am not sure that I could be a Dragon on Dragon's Den. I find I need to see how people work. In an interview situation they can sound committed, but they may just have the gift of the gab. I must see them walk the walk to understand them and you cannot find that out early on.

That being said, we do a lot of testing and modelling to see how people behave under stress, including biometric testing and psychometric testing.

Q. Do you have a feel for the hot investment sectors for the future?

A. I think the big winners in the future will be those companies exporting to areas outside their domestic market, especially to the US. The timing is good for big companies at the moment, but smaller companies are finding it tricky.

Q. What lessons would you give to an entrepreneur wanting to build business in your sector if they were starting today?

A. My view is that there is nothing more expensive than second round capital - so go and get revenue.

Q. About the float?

A. We are making steady progress towards our float and I should be able to have a sensible Christmas holiday with the family before we join AIM by way of an introduction early next year. I don't think we will be raising any money when we float.

The float feels like a sensible step in our evolution and we are following a path set by others such as Hargreaves Lansdowne. And look what they have achieved.

Q. What did you learn from your first great boss?

A. My first job was at Oxford Airport and the first thing I learned of real value was how to do accounting. Before that I was an engineer.

There was an excellent finance partner at Wedd Durlacher, called Gerald Dennis who along with Les Turtle taught me a great deal, including the ability to look for strategy and business models. With Les, I worked out the basis for nominee shareholdings all those years ago - a concept that was originally used in Barclay Share and is now adopted by virtually every retail stockbroker in the country.

Q. Finally, how do you relax?

A. I just enjoy the colour and the character of life. I do lots in the Church - I am a church commissioner. I also work for a small charity, love eclectic music and have a boat on the south coast. I love going to stay at our house in Scotland.