

Company Spotlight

Ambit Energy: Konnichiwa (Hello) from Japan

by J.M. Emmert



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Photo: Ambit employees enjoy the patio at the company's Dallas headquarters.

AMBIT ENERGY

Founded: 2006

Headquarters: Dallas, Texas

Co-Founders: Jere Thompson Jr.; Chris Chambless

2016 Revenue: \$1.20 billion

Global 100 Ranking: 16

Products: Energy



Jere Thompson Jr

When Jere Thompson Jr. and Chris Chambless founded Ambit Energy in 2006, they decided that, operationally, their enterprise was going to be a data processing company and not just an energy company. That concept has created a culture where employees do not just think about what customers and Consultants need; they think about how those needs must be met through technology.



Chris Chambless

“At Ambit, everyone is involved in the creation of new products or new processes because they understand that it is essential for each department within the company to contribute to the requirements in order to have a successful result,” says Chambless. “We don’t just throw things over the fence to our IT team and hope for the best; we’re all part of helping define exactly how something is supposed to work. We all think like developers.”

The focus on IT has enabled the Dallas, Texas-based energy company to take advantage of opportunities in deregulated utility markets wherever they have cropped up in the United States. The company has expanded into 74 markets across 17 states in 10 years, bringing its portfolio of electric and natural gas services to more than 1.3 million customers. The IT focus has also helped Ambit achieve over \$1 billion in annual revenue,

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Jere Thompson Jr., Co-Founder and CEO, Ambit Energy

making it one of the Top 20 direct selling companies in the world.

In April 2016, a new market opened that Ambit executives could not have foreseen back in 2006. It is 10 times the size of Texas, where Ambit currently has a 7 percent market share. The new market encompasses 84 million meters, all deregulated—compared to 24 million in Texas—which translates to roughly \$70 billion a year in revenue.

“When you look at 7 percent in Texas and a similar market that is 10 times the size, and then do the math, it’s staggering,” says Thompson, Ambit’s CEO. “We felt this was an opportunity we had to attempt. Despite the language barrier, the cultural barrier, the geographic barrier and the 14-hour time difference, we decided to go into Japan.”



Through Ambit’s charitable effort, Ambit Cares, volunteers donate their time to help a hunger relief organization in their community.

Tragedy Leads to Deregulation

On March 11, 2011, the most powerful earthquake ever recorded in Japan—a 9.1 magnitude event—occurred 40 miles east of Tōhoku. It shifted Japan's main island of Honshu eight feet east, triggered tsunami waves that reached heights of 133 feet, and caused meltdowns at three reactors in the Fukushima Daiichi Nuclear Power Plant. More than 16,000 people were killed, and approximately 4.4 million households in northeastern Japan were left without electricity.

In the wake of the disaster, a government-appointed investigation found that the power plant operator, Tokyo Electric Power Company, as well as government agencies, had failed to meet basic safety requirements. By March 2012, all of Japan's nuclear reactors had been shut down. Power rationing was put into effect. The cost of electricity rose sharply; occasional brownouts occurred.

With the entire country angry at the utility companies, the Japanese government considered deregulating its electric and natural gas markets. "They looked all over the world, at countries and states that had deregulated, and they focused in on Texas," says Thompson. "Far and wide, people look at Texas as having the most successful electricity deregulation in the United States, and that model was the template that Japan adopted."

In April 2016, the Japanese government deregulated the electricity market, allowing hundreds of businesses—both domestic and

It's like everything we have done in the past has just prepared for this unique moment in time when this window of opportunity is opening up.
Jere Thompson Jr.

foreign—to enter the electricity retail market. This past April, the natural gas retail market was deregulated as well.

When Ambit executives learned that Japan was deregulating its utilities, company executives began to investigate the opportunity to enter the market. In July 2016, they gathered up subject matter experts across all its departments of the company and flew to Japan. "We arrived in Tokyo having prearranged meetings all over the city," says Thompson. "Every day people fanned out and gathered information, and then we reassembled in the evenings. When we got back to the United States everyone reported what they had found. It was a pretty quick decision that we needed to take advantage of this opportunity."

Be Patient, Be Patient

What was not quick was the process of establishing Ambit Energy Japan. In addition to language and cultural differences, the business approach between Americans and the Japanese can be best described as polar opposites. As Jim Lent, CEO of Toyota America, told Thompson, the three most important things about succeeding in Japan are (1) be patient, (2) be patient and (3) be patient.

"Americans are far more direct—things just come together very quickly or they just move on," says Thompson. "The Japanese are not like that at all. Relationships are first and foremost to them. Your first and second meetings are all about getting to know each other."

The new Japanese market encompasses 84 million meters, all deregulated—compared to 24 million in Texas—which translates to roughly \$70 billion a year in revenue.

They want to be careful about who they are possibly entering into a new relationship with first."

Only when they feel comfortable that you are somebody they might do business with will the Japanese begin discussing the business aspect. The entire get-to-know-you process takes time. So, too, does the regulatory process.

"You are dealing with people down the chain, and they will ask every question that they will possibly be asked by their superiors," says Thompson. "And they will not submit it to their superiors until every question is answered by us. The series of questions took much

longer than we ever anticipated. In the meantime, we had people asking us why we thought we would be approved by METI. So, we had to finesse our way around that.”

METI is the Ministry of Economy, Trade, and Industry, the government agency that evaluates and monitors American companies coming through to compete in the Japanese market. Ambit executives found that getting regulatory approval was unlike anything required in the States. “Here in America you have A to Z, those items you need to get done before you can launch, and Item B is getting

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regulatory approval,” Thompson says. “In Japan, they won’t approve you on a regulatory basis until you are deemed fit to launch.”

That means that energy companies seeking to do business in Japan must pull all those items together—A through X or Y—before receiving regulatory approval. And that means making a huge investment without the guarantee that you will be approved to do business in the country. “It was one of those things, the chicken or the egg,” says Thompson. “We just had to work our way through it to pull all the pieces together.”

A Duplicatable System

The focus on building an infrastructure that enables the company to quickly enter a new market in the United States has now allowed Ambit to take advantage of this new opportunity half a world away. The system is applicable to what executives found was needed to be successful in the Japanese market, and so the company essentially recreated its entire technology platform, including every tool, in Japanese and localized them for authenticity.



Independent Consultants at Ambit’s U.S. Ambition convention in 2016.

“We realized we had an edge where we did not have to depend on outside vendors,” says Thompson. “We could take the systems we had been developing over the last 10–11 years, localize them in the Japanese market, and move forward. It’s like everything we have done in the past has just prepared for this unique moment in time when this window of opportunity is opening up.”

Duplicating systems applies to the training of new prospects in Japan as well. Ambit is conducting its training in the same exact way it is done stateside—through its Independent Consultant channel. Every prospect who signs up in Japan is coded to somebody here in the United States. “If you think about it, that is an enormous opportunity for those Consultants here in the States who want to build significant channels,” says Thompson. “Their channels now have connections to the Japanese marketplace.”

Just as it is done in the U.S., the very beginning of the conversation with a prospect must include the statement that joining Ambit is a direct selling opportunity. What is slightly different is that in Japan consultants must provide a prospect with a document on how the company does business,

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Chris Chambless, Co-Founder and President of Japan, Ambit Energy

called a Gaiyo Shomen, and then, if they want to join, they must sign the Keiyaku Shomen, or Independent Consultant agreement.

“The Gaiyo Shomen is required by law to be presented to a potential Consultant at the very beginning of the first meeting,” Thompson says. “It is a process to protect people and make sure they have all the information they need. We had to be very careful about how that process takes place. When they enroll, they must enter their unique Gaiyo Shomen number into the Consultant signing process.”

The interest about Ambit is obviously growing. After only four weeks in a pre-launch, which ran May 24 through July 24, the company was just about where it was after 10 months in Texas when the company launched in 2006.

Home Base in Osaka

Chambless has been in Japan’s second largest city, Osaka, since March, readying staff for the official launch, which was on July 24. Now President of Ambit Energy Japan, Chambless has established the company headquarters and call center there, and currently has 15 staff members working with him in the office—all supported by the Ambit team in Dallas.

“We’ve just spent the last year adapting our entire business to support a new market in a country that could not possibly be more different from our own,” says Chambless. “We’ve done it efficiently and effectively. We’ve proven to everyone inside Ambit—and those watching from the outside—that we are still a startup at heart. Now we have a proven template for international expansion. Everything

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Chris Chambless

we do and everywhere we go from here should only be easier.”

While both the electricity and natural gas retail markets are deregulated in Japan, Ambit will focus on electricity only when it opens. The company will provide service in nine of the 10 separate electricity zones in Japan; it will not be entering Okinawa, a prefecture with its own independent grid.

“While the gas market looks promising, our approach has always been to master one thing first before moving into something else,” says Thompson. “The main thing is to keep the main thing the main thing until we are rock solid. We just want to stay focused on electricity to make certain of everybody’s first impression and our ability to deliver as promised.”

Even focusing on just the electricity market can reap tremendous rewards for the company. “This market is 10 times our size,” Thompson says. “We grew in our first year from \$1 million in revenue to \$44 million in revenue our second year in Texas. When we look at that and consider that we are so far ahead of where we were when we started, and we’ve got very sophisticated systems assisting us as we expand throughout Japan, it is very, very promising. It’s going to be far faster than anything we did here in the United States, and that was pretty fast.”



Co-Founders Chris Chambless and Jere Thompson Jr.

The Winds of Deregulation

While the electricity market in Japan presents a tremendous opportunity, Thompson is as excited about what is occurring here in the U.S. Ambit celebrated its 10th anniversary last year, posting record-setting net sales of \$1.4 billion. This year executives are taking a fresh look at operations and product mix to provide Consultants with greater opportunities for success.

Those greater opportunities may come as the winds of deregulation change. Three states—Nevada, California and Florida—may be deregulated in the next few years. In Nevada, over 80 percent of those voting in the November 2015 elections voted in favor of deregulating the electricity market. Voters will have the chance to ratify that vote in November 2018. California was deregulated back in the 2000–2001 timeframe, and then the state backtracked and shut it down in 2002. However, the California legislature in Sacramento is talking about a fresh wave of deregulation. In Florida, a recent white paper revealed a polling that was done in which most Floridians want to see deregulation in their state.

“We are beginning to hear things that we haven’t heard for 10 years,” says Thompson. “I think Nevada may be first, but you may see Florida and California in the next four to five years go down this path toward deregulation.”

When they do, Ambit will be poised to take advantage of the opportunities. And when more international opportunities arise, the company will take the experience of the Japanese market with it. “We have discovered that we have a talent pool inside the company that is capable of doing probably the most complex of all international expansions—Japan—and so Europe looks simple by comparison,” says Thompson.

While energy is something that everyone needs and uses habitually, it is that talent pool that is the contributing factor to Ambit’s success. When you surround yourself with good, hard-working, smart people, your chances for success increase dramatically. “We have a great group of field leaders, and we have built an entrepreneurial culture from within as well,” says Chambless. “No one at Ambit is resting on our past success. We continue to look to and think about the future. There are no walls within our Corporate office for a reason. We want to continue to foster an environment of open communication and the exchange of ideas.”