

● Online shopping is no longer just a pastime for computer geeks and bored homebodies. Everything from art and designer furniture to fresh produce and electrical cabling now can be bought online – and *BRW Fast Starters* companies are cashing in on the trend.

In 2009, online sales in Australia reached \$19.6 billion. That figure is just the tip of the iceberg, research from IBISWorld shows. As e-tailers increase their efficiency, reliability and turnaround time, online sales eventually may reach \$75 billion and potentially pose a big threat to traditional retailers, IBISWorld predicts.

Entrepreneurs such as Catch of the Day co-founder Gabby Leibovich, along with the founders of 12 other companies on this year's list, have zeroed in on the potential of the growing online retail sector. "We are showing the big boy traditional retailers how things are done," says Leibovich, who started the

business with his brother Hezi in 2006. "During the so-called downturn we were growing at 15 per cent a month with 400,000 customers registered. It was the best thing that ever happened to us."

Last year, Catch of the Day – which sells one item a day at a highly discounted price – sold \$1 million worth of Samsung televisions in one hour. Today, the company turns over an average of \$1.5 million worth of stock a day and it predicts revenue will grow from \$32.9 million in 2008-09 to more than \$60 million this financial year. It debuts on this year's Fast Starters in third place.

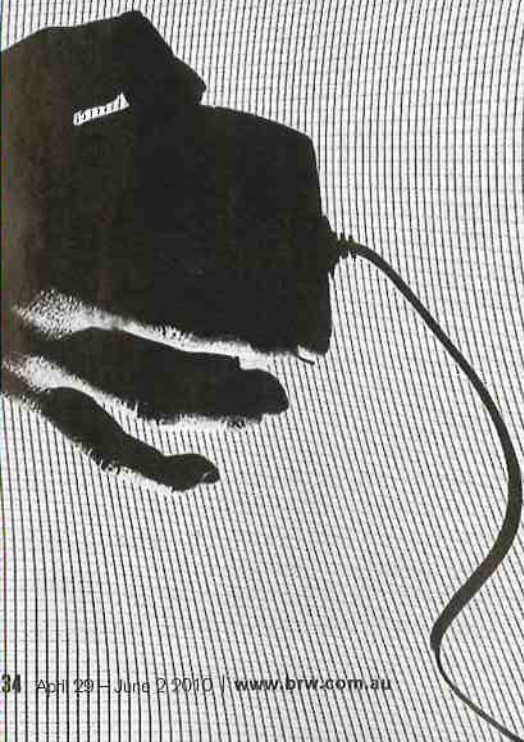
"The potential to clear stock, as compared with bricks and mortar retailers, is phenomenal. It is incredibly efficient," he says.

A benefit of operating online is the ability to grow relatively quickly and simply, Leibovich says. Last year Catch of the Day launched in



Traditional retailing is firmly in the sights of the children of the dotcom revolution and they are finding innovative ways to sell using the power of technology. **Report: Jane Lindhe**

OPEN ALL HOURS



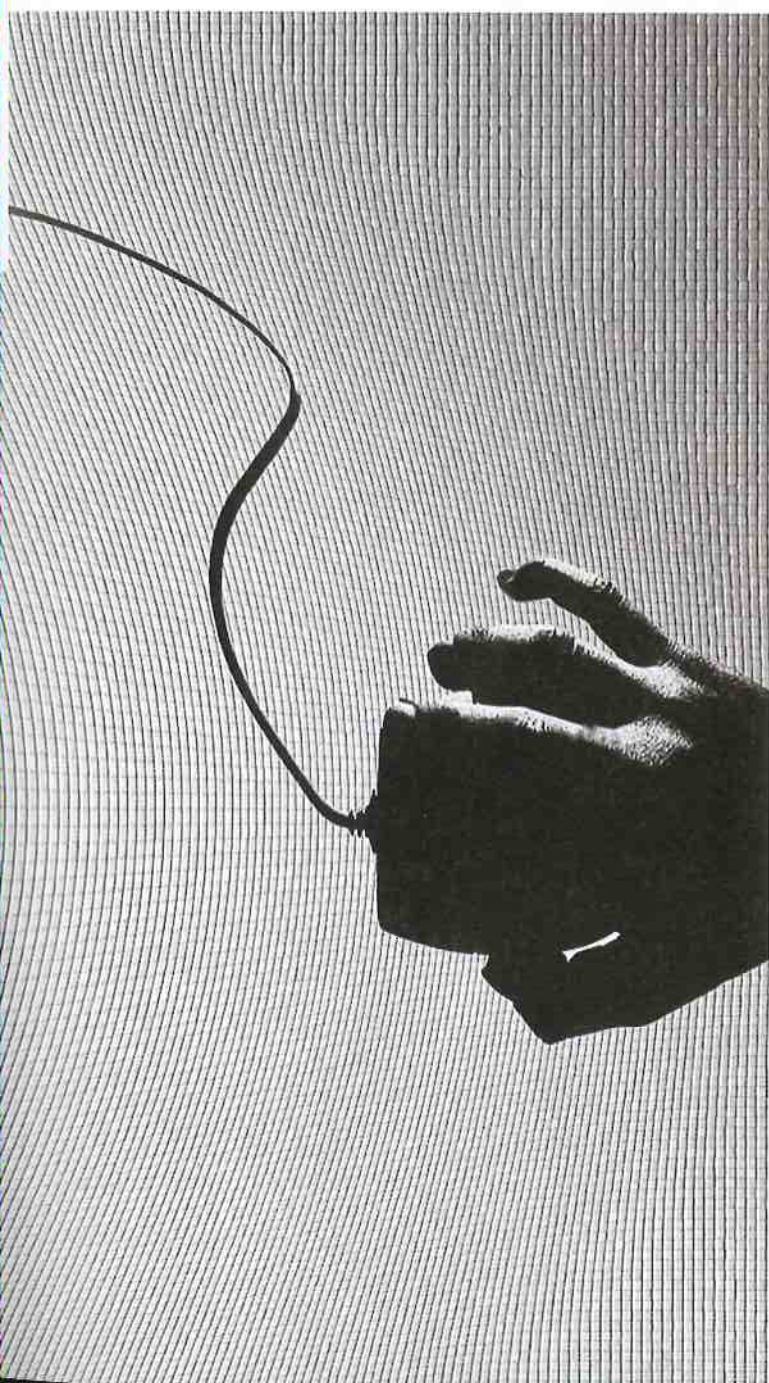
New Zealand and it has also recently spent about \$100,000 building its new online venture, Scoopon.com.au. The website will sell experiences, tickets and restaurant deals rather than products.

However, fast growth is not without its pitfalls, Leibovich says. Increasing customer registrations have increased Catch of the Day's website traffic substantially, causing it to crash about every two weeks. As a result the company has made close to a \$1 million dollar investment with IBM to rebuild its website. "It's a catch. You want the customers but you also need the investment in technology," he says.

Online sales continue to represent a small proportion – about 5.5 per cent – of total retail sales in Australia. That figure has grown an average of 5.3 per cent a year for the past five years, however the proportion of people

Continued on page 36

Showing the big boys:
Catch of the Day's Hezi
and Gabby Leibovich.



Greg Newington, Erin Jonasson, Jim Rice

PRIME POSITION

The internet is a lot like real estate – position is everything. Companies that fail to make it to the first page of search engine results are generally considered less desirable than those listed in the first few.

Demand for premium online real estate is rising, as shown in this year's *BRW Fast Starters*. This year three companies, Amblique, SponsoredLinX and First Click Consulting make it onto the list.

First Click Consulting is the largest search engine optimisation company by revenue on this year's list. It had sales of \$4.3 million for 2008-09, up 76.2 per cent on the previous year and is ranked 34 on the list. It has hired former Google's Melbourne head, Mark Armstrong, to run its new Melbourne office.

Amblique jumps from 91st position last year to 62nd, with a 47 per cent

increase in revenue to \$1.8 million.

SponsoredLinX debuts in 90th position, more than doubling its revenue to \$1 million.

First Click – which counts Australia and New Zealand Banking Group, realestate.com.au, Foxtel and Fairfax Digital among its clients – expects revenue to rise by more than 160 per cent this year.

Founder Grace Chu – a former eBay Australia marketing manager – says the downturn had a counter-cyclical impact on search engine optimisation. While the marketing budgets of many companies fell, budgets for search engine optimisation increased, she says.

"[Search engine optimiser] companies are getting better at linking the technical information back to a business and marketing result. The

return on investment is very measurable."

Australia is regarded as at least two years behind the United Kingdom and the United States when it comes to online but smart companies are beginning to catch up, Chu says.

"When someone searches Google for something, they are proactively looking for something, whereas if you see an ad on television you're not asking for it. You don't want to see it."

The founder and chief executive of SponsoredLinX, Ben Bradshaw, agrees. "As the global financial crisis hit, companies were looking for low risk and more measurable forms of advertising. With Google advertising you can get same-day return on investment statistics – it has revolutionised marketing in this way," he says.

Getting better:
First Click founder
Grace Chu



Continued from page 35

researching their purchases online has skyrocketed to almost 83 per cent, IBISWorld says.

Retail commentator and Deakin University consultant Steve Ogden-Barnes, says online retail is beginning to replace market stalls and niche retailers.

"For start-up operators, online stores reduce some of the immediate risks and costs in relation to property and staff," he says. "It facilitated an ease of entry for entrepreneurs and made retail more feasible for more people, especially niche operators."

While Ogden-Barnes expects online retailing to continue to expand, he believes growth will plateau. He also doubts that online stores will ever overtake traditional retailers here.

"Can you imagine the Melbourne CBD without stores? It just would never happen," he says. "Lobby groups would become involved and governments would legislate against it."

But 27-year-old Ruslan Kogan, the only entrepreneur to have two companies on this year's Fast Starters list, says online poses a big threat to traditional retailers.

"When I first started Kogan Technologies people were saying, 'You're absolutely crazy, a television is something people want to see before they purchase,'" he says. "When I succeeded with that and we started Milan Direct they said the same things in regards to furniture – but when you're offering a money-back guarantee it's not the case."

Kogan says buying items online is safer than shopping at a department store. "Being an online retailer essentially gives each and every one of your customers a megaphone. We can't afford for someone to go to Google and type 'Kogan review' and to read bad things about us."

Kogan gave up a well-paid job at global consultancy Accenture to start Kogan Technologies from his parents' garage in 2006. He began buying televisions and computers through Chinese manufacturers, the suppliers to companies such as LG and Sony, and selling them for a fraction of the price online.

Without a cent to invest in the business, Kogan held a 45-day pre-sale of television sets before ordering the items and paying for them. When the items sold, he paid the manufacturer and travelled to China to ensure the televisions made it safely onto the ship. "I made the taxi follow the truck to the dock because I needed to make sure that container made it onto the boat. I couldn't afford for anything to go wrong at all." Three years later, Kogan recorded sales of \$7.9 million in 2008-09, a 162.2 per cent



Dean Ramler and Ruslan Kogan from furniture retailer Milan Direct.

saw the increase in demand for replica design furniture. Together they developed a similar business model to Kogan for Milan Direct.

"I worked for my father and grandfather since I was a teenager and they both gave us a lot of advice before we started," Ramler says. "For 10 years they had been giving me advice on how to run a business."

Within a week of their initial chat, Ramler and Kogan were on a flight to China to meet manufacturers. The business – which has also started in the United Kingdom and will be introduced into Europe soon – had revenue of \$3.6 million in 2008-09, a 77.3 per cent rise on the previous year. "We have had 20 per cent year-on-year growth since we started, so we're pretty comfortable with that," Ramler says.

Like Kogan, finding a niche was not a problem for Yury Karpowicz, the co-founder and chief executive of eighth-ranked online computer retailer Megabuy Group. While he and his business partner, Nick

Shelomanov – both information technology engineers – had the technological experience, selling was more difficult.

It was Karpowicz's inability to find a product that sparked his idea for an online business.

"I needed a computer part and I asked the retailer the question and 10 days later I still hadn't had a response," he says. "I thought there has to be a better way."

He shared his ideas with Shelomanov and the two spent about \$30,000 of their own money launching the business.

The greatest challenge was creating a brand, Karpowicz says. The pair's lack of retail experience showed, especially in the early days. It took about six months and a hefty investment in search engine optimisation and IT price comparison websites before customers began to trust the site, Karpowicz says.

"Credibility is incredibly important," he says. "Initially people were not sure, so they might make a small purchase and when that runs smoothly they may make a bigger purchase."

Karpowicz says both companies and customers are becoming better educated about online shopping. Megabuy – which sells mainly to small businesses and government departments – encourages customers to track their purchases once they have been dispatched.

"Making it as streamlined and as simple as possible is one of the benefits of buying online," he says. **BRW**

increase on the previous year, lifting the company from last year's 37th ranking to 17th place on this year's Fast Starters list.

The idea for Kogan's second business, Milan Direct, which debuts this year in 39th place, came about while having \$4 pizzas with an old school friend Dean Ramler – son of furniture entrepreneur Paul Ramler – in 2007. Ramler had previously spent years travelling in Europe and

E-SELLERS AND OPTIMISERS

Company	Chief executive/s	Rank
4Cabling	Nicole Kersh	66
Amblique	Justus Wilde	62
Aussie Farmers Direct	Braedon Lord	2
Catalogue Central/ CC Media	Robert Wong	73
catchoftheday.com.au	Gabby Leibovich	3
Clickcorp	Alexander Tsintsiper & Igor Fenster	4
Everten Online	Natasha Luke & Hal Pritchard	33
First Click Consulting	Grace Chu	34
Kogan	Ruslan Kogan	17
Macfixit Australia	Robert Staszewski	78
Megabuy Group	Yury Karpowicz	8
Milan Direct	Ruslan Kogan & Dean Ramler	39
Pro-Sales Direct	Ty Pedersen	20
RedBubble	Peter Styles	49
Sponsored LinX	Ben Bradshaw	90