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Flagship edition on sale September 24-November 4, 2009

YOUNG RICH

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\$7.95 (inc GST)

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ISSN 07277458

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● In an interview this year, Melbourne entrepreneur Ruslan Kogan claimed he couldn't remember experiencing any setbacks in business. The truth of this statement is a matter of perspective.

In 2006, halfway through pre-selling a container load of televisions online using eBay, Kogan's account was cancelled. It was his only sales channel. He had no way to sell the rest of the load, no way to pay for the order and no way to get the goods delivered.

That, in the minds of most people, is a big problem. Catastrophe was averted thanks to credit cards and a group of loyal friends. Between them, they rustled up \$40,000 worth of credit to complete the transaction.

After starting out in his parents' garage, Kogan has gone on to build a \$15 million online business, Kogan Technologies, selling consumer electronics – ranging from TVs and Blu-ray players to laptops and video cameras – and, more recently, furniture.

Kogan is a bargain-basement retailer. When he looks at a Harvey Norman outlet, the 26-year-old sees a mountain of overheads that adds up to 50 per cent to the price of an item. He keeps costs low by selling only online, sourcing product directly from China. He reacts quickly to price changes and currency fluctuations, markets himself cost effectively and makes computers do the work where possible. He checks product demand using Google Insights – a free service

Resourcefulness coupled with a savvy handle on technology enables an online retailer to undercut rivals. Report: Agnes King

THE BIG PICTURE

RUSLAN KOGAN

AGE	26
BORN	Bobruysk, Belarus
LIVES	Melbourne
WEALTH	\$15 million
SOURCE OF WEALTH	Online retailers Kogan Technologies and Milan Direct
SECRETS OF SUCCESS	Enjoy what you do – that way, hard work will seem easier
INTERESTS	Tennis, squash, fishing, luxury yachts, philosophy and poker

– rather than paying thousands of dollars to consultants to carry out similar research.

Kogan constantly tries to make the business more efficient. This year, he realised packaging in plain boxes could knock \$10 off the price of a TV. He supplies user manuals in digital format rather than paper and builds direct relationships with customers through blogs and social networks.

Corresponding with the federal government's \$900 stimulus handout, in March, he introduced his "Kevin 37" marketing campaign – a 37-inch high-definition LCD TV for \$900, plus a bonus Kevin 37 T-shirt – and caught the attention of commercial TV and radio stations. Later, he gained nationwide publicity, courtesy of the Seven Network's program *Today Tonight*, with the "1¢ TV". The gimmick is that all of Kogan's LCD TVs have a 1¢ reserve on eBay.

With revenue reaching nearly \$15 million in 2008-09, profits are poured back into the business. Kogan expects sales to increase to \$50 million this financial year, but the challenge is retaining a lean, agile model.

Eight months after starting Kogan Technologies with childhood friend Dean Ramler, he launched an online furniture business, Milan Direct, which sells replica designer furniture ordered directly from Chinese factories. Milan Direct is expanding into the United Kingdom market and will be followed by Kogan Technologies.

Kogan Technologies has pushed back its entry into the United States until Christmas, but Kogan maintains that the depressed economic conditions are an opportunity. "Cut-price brands are doing well in this climate; look at Vizio," he says.

Vizio is a privately owned consumer electronics maker that started in the US in 2002 with \$US600,000 and three employees. In 2007, it had an estimated turnover of more than \$US2 billion (\$2.35 billion).

"The plan is that Kogan Technologies will learn from Milan Direct's mistakes in the UK, and Milan Direct will learn from Kogan Technologies' mistakes in the US," Kogan says.

The Kogan model is becoming a familiar one, and there's a sense he could apply it to other products. However, he is secretive about involvement in two other start-ups. "I don't want competitors knowing I'm involved yet."

Time management is not his forte, he says, but for someone who works a 75-hour week, Kogan finds time to indulge a diverse range of interests. He is a keen tennis and squash player, made the finals in an amateur poker tournament at Melbourne's Crown casino, participates in a philosophy club, and one day hopes to add a luxury yacht to his list of assets. **BRW**