

**SPECIAL EDITION  
FAST STARTERS**

**100 FASTEST GROWING START-UP COMPANIES**

# BRW.

Flagship edition on sale June 25-August 5, 2009

**INNOVATING IN TOUGH TIMES**  
How Australia can defy the gloom

**SOUND FUTURE**  
Can Cochlear's good run continue?

**ORIGIN OF THE SPECIES**  
20 traits of successful entrepreneurs

**A PROFITABLE PRACTICE**  
Deloitte shines in a difficult year

## **EAST STARTERS**

**THE YOUNG  
BUSINESSES THAT  
ARE THRIVING IN  
THE RECESSION**

\$7.95 (inc GST)

[www.brw.com.au](http://www.brw.com.au)

ISSN 07277458



9 770727 745010



# Despite early setbacks, an online electrical and appliance store is thriving on big discounts.

Report: Georgina Dent



## Cut from the middle

### KOGAN TECHNOLOGIES

**Rank:** 37

**Founder:** Ruslan Kogan

**Turnover 2007-08:** \$3.68 million

**Growth 2007-08:** 148.14%

● It took a 15,590-kilometre journey from his hometown of Melbourne for Ruslan Kogan to find out where his future lay. Nearing the end of his bachelor of business systems degree at Monash University, Kogan decided to complete his final semester in Miami, Florida, in 2003.

After buying bar fridges from Wal-Mart and hauling them across town on buses to the University of Miami campus, where he was about to begin six months of study, Kogan joked with a group of international students that there must

be an easier way to furnish their dorm rooms. Turns out, there was.

The next morning the American students descended on the college and had trucks deliver their appliances for them.

“Not only did they have the convenience of having the goods delivered to their door but it turned out they paid about half what we all did,” Kogan, founder and managing director of Kogan Technologies, says.

The American students had taken advantage of what remains a burgeoning industry – online electrical and appliance stores. It was the first Kogan had heard of them.

“While I was there I started to realise how big online retail was, and how it delivers significant cost savings by cutting out the middleman.

Kogan contacted some suppliers in China and discovered he could get the same LCD television that big retailers were selling for \$3000 for \$1000. “There were huge savings to be made – the only problem was I had no capital.”

Not long afterwards, on a shopping trip with his mother, he discovered a way around it.

“Mum was buying furniture. She paid in full for a dining-room set, which they said would be delivered in six to eight weeks. I said, ‘Why would you pay for something upfront that you won’t have for weeks?’ She said that’s just the way it works.”

Kogan thought if it worked for furniture, it could work for electronics too. In 2006, he started Kogan Technologies, which was a one-man show run from his parents’ garage.

“I had no money, but I put televisions up for pre-sale on eBay and said they’d be delivered in 45 days. People were comparing the product specs, and it was a risk initially because they hadn’t heard of Kogan, but the deal was too good. People locked in sales which enabled me to order the first container.”

The nascent business almost suffered a fatal setback early on. “A few weeks into the venture, when I had sold half of the first container, eBay contacted me and said, ‘You’re selling lots of really expensive items, you’ve never received feedback and we view you as high risk.’” The online marketplace closed Kogan’s account.

“I was in a pretty bad position – half the container was sold but they shut off my avenue to sell the second half. I had no way to pay for the full order and get the goods delivered.”

Kogan’s close friends rallied around. Between them, they obtained six credit cards and took full cash advances on all of them. “I paid for the remainder of the order, paid the credit cards off in full (about \$40,000) and that was the start of Kogan Technologies. After that first order, things got much easier on the cash front.”

Kogan Technologies now employs four full-time staff and nine part-timers, and has premises in Melbourne’s Malvern East. It debuts in the *BRW Fast Starters* list this year in 37th position. The company sells everything from televisions and Blu-ray players to laptops. It is expanding into the United Kingdom and the United States later this year. Overseas sales accounted for less than 5 per cent of 2007-08 sales.

Turnover in 2007-08 was \$3.68 million, representing growth of 148 per cent. Revenue for 2008-09 is sitting closer to \$17.5 million.

“Customers now research every bit of money they spend. A year ago, they would walk into a big-name store and slap their credit card down on a big-name purchase. Now they research and compare prices. It’s created a huge increase in our market share.”

Kogan can sell cheaply because he has stripped the overheads of retailing.

“We manufacture in China and load products into containers, which get unloaded at our distribution facility. A shipping label is attached and it’s sent to your door.

“Usually, a product goes from factory to importer to distributor to wholesaler and then a retailer – and everyone gets their cut along the way. We’ve cut all of that out.” **BRW.**