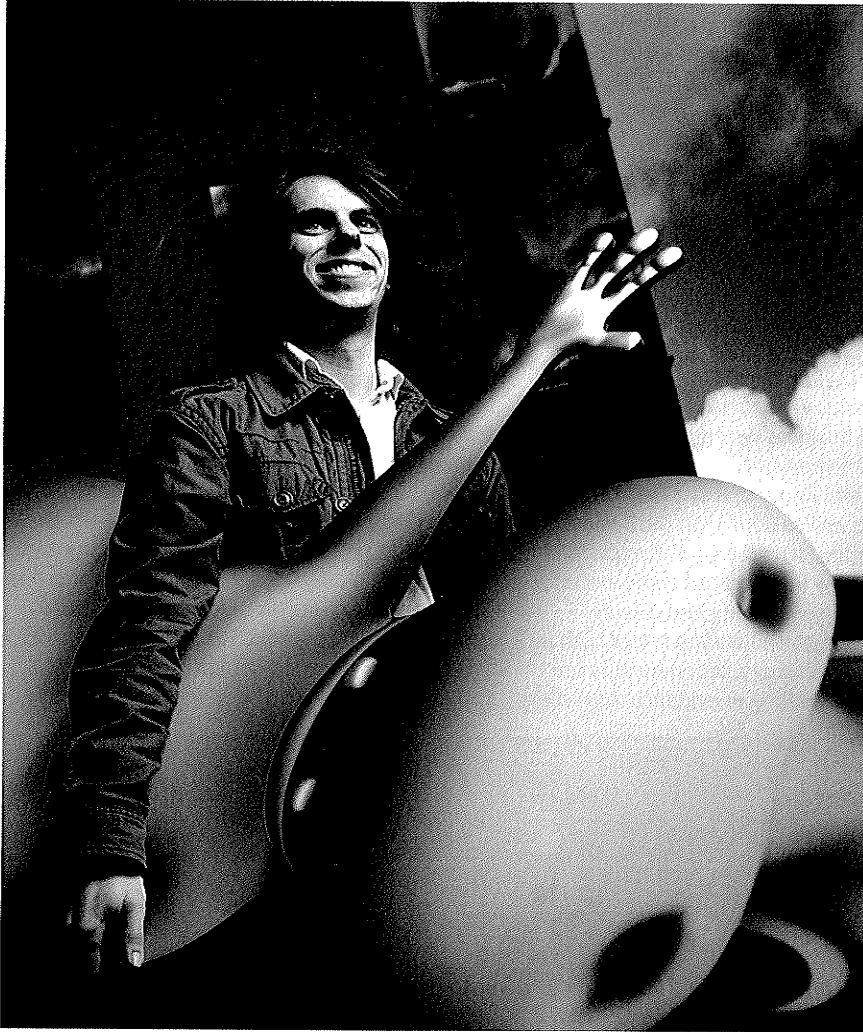


The business end

- 50 ENTERPRISE
- 52 LEADERSHIP
- 53 RECRUITMENT
- 54 THE LAW
- 56 TECHNOLOGY
- 58 MANAGEMENT UPDATE
- 59 THE BRW LIST



I don't think it's a gen Y issue ... we've seen plenty of businesses close, and not because they're run by people of a certain age

James Masini, Hippo

little, if any, impact from the global economic downturn. But this doesn't mean they are not prepared for the worst

Most of the gen Y business owners interviewed have developed contingency plans in the event that consumer sentiment continues to fall. The canny business owners understand that they cannot rest on their laurels when it comes to the continuing success of their businesses.

Entrepreneur in residence at Melbourne's RMIT University, Marcus Powe, says that young, educated entrepreneurs recognise the risks involved with tough economic times, even if they have not actually lived through them.

Gen Y business people may even be better prepared to handle changes in the economy because they have been exposed to "greater, faster rates of change", Powe says.

"I don't think there is any difference between this generation and my [baby boomer] generation because we all know there are peaks and troughs.

"They haven't physically, emotionally or financially experienced [a downturn], but you can draw parallels to other upheavals in our history, whether economic or otherwise – and you don't necessarily have to go through it to appreciate and prepare for it."

Almost 10 per cent of small businesses operating in Australia in 2004 were owned by people under the age of 30, according to the Australian Bureau of Statistics.

James Masini, 25, the founder and executive director of online job recruitment company Hippo, says that while the economic downturn has not had a direct impact on his business, he expects it will affect the entire job recruitment industry eventually.

The key to surviving the downturn will be developing more sophisticated products and offering customers new and relevant services, he says.

Hippo focuses on young job-seekers and university students who are looking for part-time or casual

ENTERPRISE

THE Y FACTOR

Vigorous, entrepreneurial 20-somethings are running into their first headwinds as business owners, but they are doing generation Y proud. **Report: Jane Lindhe**

● The economic slump has spurred speculation from economists and financial commentators that generation Y business owners – born between 1980 and 1994 – will crumble under the pressure of their first downturn. However, a *BRW* straw poll of young entrepreneurs suggests otherwise, revealing a steely determination to prove the cynics wrong.

Young entrepreneurs are unfazed by the deteriorating conditions, insisting that they are experiencing

work. The Melbourne company, which began last year, had revenue of \$500,000 in 2007 and includes retailers Woolworths and Rebel Sport among its clients. Hippo expects to triple its sales this financial year and return a profit by 2009.

While the downturn is not affecting his business yet, Masini is a realist when it comes to the long-term impact. "I think it is going to be exceptionally tough, and only the best businesses will get through it," he says.

"I don't think it's a gen Y issue ... we've seen plenty of businesses close down already with bad debts, and it's not because they're run by people of a certain age. It is because they are spending too much money.

"Business people will look towards more transient type staff. For example, if a job that is being done on a full-time basis can be replaced with someone who can do it in two days a week, then employers will choose to do that."

Masini says he would consider selling Hippo – which has some high-profile investors including retail magnate Marc Besen and Boost Juice founder Janine Allis – in the next three to five years if the price is right.

Campbell King, 23, the co-founder and director of Melbourne business Kegs on Legs, which home delivers kegs of beer and other alcohol to party venues, says that his business has yet to experience any fallout from the slowing economy.

While the company's sales growth was lower than expected last summer, sales this winter have been unexpectedly high, King says.

"I couldn't say people are spending exceptionally less," he says. "We have tried to make sense of these things, but at the end of the day if the phone is ringing and people are ordering then we are going OK."

King, who started Kegs on Legs in 2004, aged 19, with his RMIT classmate Valjean Boynton, says one economic factor that the company needs to take into account is the rising cost of beer.

This year, the company has had to increase its prices to keep up with inflation. "We tend to tell customers what's happening and why we're doing it, and we haven't experienced a drop-off in sales at all," he says.

The slowing economy is not affecting small businesses as much as media reports suggest, King says, adding

that most small business owners are too busy managing the day-to-day operations of their businesses to focus on wider economic issues.

He acknowledges that planning is crucial to the success of small businesses. Managing the growth of the company and judging when to invest in new equipment has been a challenge.

King and Boynton occasionally seek business advice from their parents and friends when making a decision about the future of the company. They also speak regularly to external mentors, such as university lecturers and a friend's father, who also happens to be their landlord.

For now, King says, he and Boynton must decide on the direction of the business. King has completed a master of accounting degree and won't rule out a change in career.

Selling the company is not out of the question, he says. The company's initial business plan included an exit strategy – something King says that good entrepreneurs always have in mind when they start a business.

"We have always said that whatever happens, this is a great learning opportunity. We can take this experience and use it in whatever we do, whether it's this or something else."

The co-founder and managing director of Simply Rose Petals, Sarah Sammon, is also confident that economic turbulence will not affect her Melbourne business.

The company, which she co-owns with her mother, caters mainly to the bridal market – which she says is showing no signs of slowing despite being considered a "discretionary spend".

"People today tend to have larger, more extravagant weddings," she says. "The average wedding now costs in excess of \$35,000 – and people don't tend to stop getting married because of tough economic times."

Instead, she will focus on growth plans. Since the company was started three years ago, Simply Rose Petals has experienced rapid growth and has begun selling its wholesale range to 11 countries.

Over the next two years, the company will focus on developing a range of spa and beauty products, Sammon says. "We just want to make sure that we extend the business beyond the bridal industry, which currently probably accounts for 90 per cent of our business." BRW