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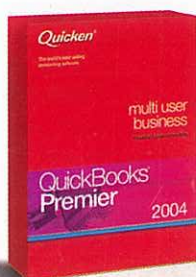
GREG WILKINSON, CEO AND FOUNDER, QUICKEN AUSTRALIA

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A LESSON LEARNED IS A LESSON SHARED

BY PHIL HENRY

GREG WILKINSON, CEO AND FOUNDER OF RECKON LIMITED, SAYS THAT STARTING AS A MICRO BUSINESS AND BECOMING A MUCH BIGGER BUSINESS HAS TAUGHT HIM SOME HARD-EARNED LESSONS

GREG WILKINSON IS SOMEONE who knows only too well the challenges that each day face micro businesses in Australia.

It was 16 years ago that, from the second bedroom of his Rose Bay unit, he and Phil Hayman started what was then a two-man business called *Reckon Software*.

The fledgling company was funded by the \$2000 credit limit on a visa card that belonged to Phil and a loan against an old Commodore that Greg had purchased with the last of his cash after he arrived in Australia.

When *Reckon Software Pty Limited* started in 1987, its only other asset was Phil's delivery van that was used for door-to-door sales.

Today, trading as *Quicken Australia*, the company has a customer base of over 300 000 small-to-medium-sized enterprises (SMEs) using the company's *QuickBooks* software to manage their business. It also has some 200 000 individual customers who use *Quicken* software to manage their personal financial affairs. There are also 4500 accountancy practices which recommend *QuickBooks* to their clients and over 400 individuals around the country who hold a *Quicken* accreditation to train *Quicken* and *QuickBooks* customers in the use of these products.

Just five years after listing on the Australian Stock Exchange (in 1999), *Reckon Limited* is today valued at over \$100 million.

Greg, the guest Editor for this issue of *Work From Home* magazine, says that starting as a micro business and becoming a much bigger business has taught him some hard-earned lessons.

"The best lesson in life and business comes from learning from your own mistakes – and I have made plenty in my time in business. By sharing some of these lessons with the readers of *Work From Home*, I am hoping they can avoid some of the mistakes we made as well as benefit from the lessons learned.

TIP: LEARN THE FUNDAMENTALS OF THE BUSINESS

Zimbabwean born-Greg had been working in London and, after extensive travel, decided that if he did not get to know something about computers he would become a modern illiterate. He took an MISC course in micro-computing. At course end he landed a job with a publisher named *Caxton Software* where he learned the fundamentals of a business, which he says, is not that different today.

"To publish software is much the same as publishing a book," says Greg. "The author can write the stuff but generally he or she will have no idea how to get mass distribution.

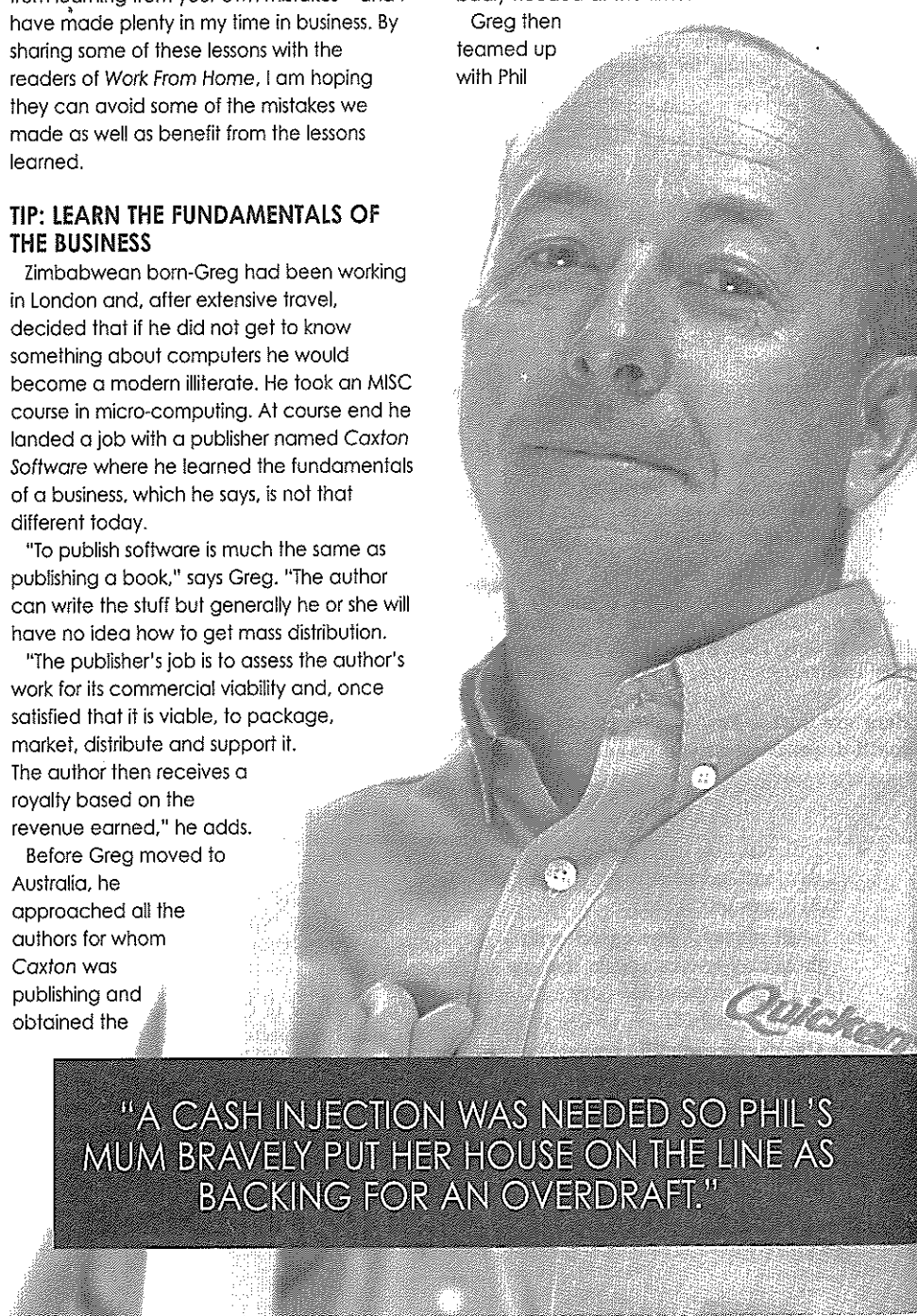
"The publisher's job is to assess the author's work for its commercial viability and, once satisfied that it is viable, to package, market, distribute and support it. The author then receives a royalty based on the revenue earned," he adds.

Before Greg moved to Australia, he approached all the authors for whom *Caxton* was publishing and obtained the

rights to become their publisher in this region.

The range included a leading British database called *Cardbox*, an accounting product called *Desk Top Accountant*, a typing tutorial and a number of other minor utilities for systems enhancements that were badly needed at the time.

Greg then teamed up with Phil



"A CASH INJECTION WAS NEEDED SO PHIL'S MUM BRAVELY PUT HER HOUSE ON THE LINE AS BACKING FOR AN OVERDRAFT."

[INSIDE PERSPECTIVE]

Hayman and the two-man band secured the agency rights to sell a range of computer accessories such as disk boxes and computer covers – and their garage at their Rose Bay unit became the company warehouse.

As the business grew, the pair had to move to a new home – a unit above a real estate agency on New South Head Road in Rose Bay.

It was at this point in time that another mate of Greg's arrived from the UK via India on his shoestring-budget world tour.

Steve Rickwood had worked with Greg in London and knew the industry well. Greg and Phil decided to offer Steve one third of the business, giving them all an equal share.

TIP: ENSURE YOUR PRODUCT APPEALS TO YOUR TARGET MARKET

Back in the late 1980s when Reckon Software was starting out, there was no retail distribution channel as we know it today. It was office supplies shops which first took on the job of familiarising themselves with the technology, and these had become the places to buy software and personal computers.

Because of this the trio decided to repackage their products to give them a more 'retail-oriented' look, to price their products to make them affordable to small business and to have them sold in places where small business people shop.

Grace Bros Broadway, Sydney, no longer there today, was the first department store to stock small business applications – and a revolution in computer and software distribution was born.

Other companies like Harvey Norman and Dick Smith Electronics slowly began to stock 'micro computers' as they were then known as well as business applications merchandised and priced for small businesses.

Today, Quicken Australia's products are available through some 5500 resellers such as Harvey Norman, Officeworks, Dick Smith, David Jones and select Myer stores as well as over 15 000 independent software retailers.

TIP: DON'T BE AFRAID TO THINK BIG

Now that Reckon had what could be termed a distribution channel, revenues enough to let Phil have his credit card back and a growing range of locally developed products, it was time to venture overseas in search of more products.

They targeted companies such as Symantec, Intuit, Autodesk, Software Publishers, Bayware, Softdesk, Serif and Migent which considered Australia too small a market in which to set up an infrastructure, and so might prefer the publishing model over simply signing a few distributors and hoping for some focus on their products.

"By the early 90s Reckon Software was publishing a range of over 80 titles, we had dropped the computer accessory agency and we had upgraded our transport to leased Toyota Camrys," recalls Greg.

TIP: DEAL WITH ISSUES RELATED TO GROWTH

Over-trading became the problem in that the biggest retailers were on 60 to 90 days credit, so by ordering large quantities of stock, Reckon Software found itself unable to collect debts fast enough to pay for production.

A cash injection was needed so Phil's mum bravely put her house on the line as backing for an overdraft. Soon, even this wasn't enough to cope with the growth and eventually the debts were factored in order to keep the company alive.

The growing company needed more, a telesales team and a bigger warehouse – so it moved to Camperdown.

They also hired Carol Browne, fondly known as 'Mrs Browne in Accounts' who formed the nucleus of the 'home team' while the three boys got out there and established relationships with retailers, authors and suppliers.

"We found that the three of us complemented each other perfectly," observes Greg.

"I had the job of identifying products, negotiating publishing agreements and maintaining relationships with authors and also had marketing responsibilities.

"Phil managed the product production, warehousing and distribution and oversaw the financial management and Steve's job was to take care of the relationships with retail channels and OEM partners as well as to maximise the sales."

It wasn't long before Reckon Software had outgrown its Camperdown premises, which meant yet another move – this time to Stanmore.

TIP: FOCUS, FOCUS, FOCUS

By now the range of products that Reckon Software published had started to consolidate around global leaders such as Intuit's Quicken range, Autodesk's

Autosketch and AutoCAD LT, Parson's home productivity range, Ultrafax from Wordstar and Page Plus from Serif.

However, it was time to narrow the focus.

"Intuit in the US had become the world leader in the provision of a personal financial management product called Quicken and a small business accounting product called QuickBooks and Reckon owned the publishing rights for these products in Australia," says Greg.

"We realised that if Reckon was to compete effectively with our arch rival MYOB in the financial management category then we needed to adopt the same focus to the Quicken Range that MYOB had been applying to their range," he remembers.

In a bold move, they decided to put all their eggs in one basket – but the key was to ensure that the basket was a very strong one.

They negotiated a new agreement with Intuit – an agreement that effectively gave Reckon Software complete access to the world's best code on a perpetual basis.

Reckon Software then terminated all publishing agreements for all non-financial products – thereby narrowing its focus to only software produced by Intuit.

Today, Intuit spends more than US\$200 million each year of research and development of the Quicken and QuickBooks software – and users of Quicken and QuickBooks in Australia get all the benefits of that spend.

In addition, Reckon's software engineers work in tandem with the US and Canadian development teams to ensure that the Australian, New Zealand and South East Asian versions of Quicken and QuickBooks are specifically tailored to local accounting conditions and are connected to the tax and financial institutions in this region.

SO THE FOCUS PAID OFF?

"Definitely," says Greg. Intuit and Reckon Limited today have 3.7 million QuickBooks customers and 19 million Quicken customers around the world.

"We both get tens of thousands of suggestions each year on how to improve these products which we continue to do in order to maintain the worldwide leadership position of QuickBooks and Quicken."

As a footnote, Greg and Phil remain with the company while Steve decided to move on. After being in business for over 15 years, they all remain the very best of friends. [WFH]