

How I made my first million

26 self-made millionaires reveal
the secrets to their success



Including the founders of **Just Cuts**,
EcoStore, **Aussie Home Loans**,
Fastflowers.com, **ModelCo**,
Fat Prophets and **Elite Introductions**

Nick Gardner

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In 2007 he joined the *Sunday Telegraph* in Sydney to set up its 'Personal Finance' section and is now Business Editor of the *Daily Telegraph* and *Sunday Telegraph*.

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For Grandad

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Preface

In Australia, entrepreneurialism is woven into the fabric of society. Australians aspire not only to home ownership, but to property investment—and they dream of owning not just one property, but an entire portfolio.

Tax breaks on property ownership are turning Australia into a nation of landlords, and that same spirit is fuelling a desire to break free from the nine-to-five culture to a life where their destiny is in their own hands, whether it be through a franchise or a small, independent business. The government fosters such entrepreneurial ambition with generous tax breaks, and while our big banks can sometimes make life difficult for small businesses, many start-ups not only survive, they prosper.

In this book we learn how it can be done, and how others can follow in their footsteps.

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An Idea Worth A Million Dollars

Danial Ahchow ***Service Central;***

established 2005;

100 employees;

\$4.7 million turnover



Photo: Anthony Reginato

One day, when Service Central is worth billions of dollars (as I've no doubt it will be) and founder Danial Ahchow is a squillionaire (which he most certainly will be), somebody will say: 'What a simple idea, why didn't I think of that?' So simple, in fact, that the chances are many of us have had a similar idea. But picturing a simple idea and having the

determination and vision to make it a reality are two very different things. And simple though Ahchow's idea was, implementing it has consumed the last five years of his life, eaten millions of dollars in investment capital, and only recently made the thirty-two-year-old entrepreneur a millionaire—on paper at least.

But millionaire status is just the beginning. Global domination is also on the company's agenda, and Ahchow has appointed Australian business legend Shaun Bonett, the property developer (and, with a fortune of more than \$200 million, a regular on the Young Rich List), and Cliff Rosenberg, former managing director of Yahoo! Australia & NZ, to help steer the company's growth. It is a testament to the potential of the business that both were so keen to get involved. 'I wanted the experience and credibility of these guys and I was so happy they wanted to get on board,' Ahchow says. 'They're easy to get along with and have so much experience, it's been fantastic.'

So what is this amazing idea?

As I said, simple: a quick and easy way for people to find reliable and competitively priced tradesmen instead of flicking through the Yellow Pages in blind faith. 'Looking in Yellow Pages or even scanning online can feel like doing the

lottery,' Ahchow says. 'I was trying to find contractors for my dad's cleaning business when I had the idea—there was just no way of telling how good people were or whether they wanted the work.'

Initially, Ahchow thought everything could be automated. 'I had this vision of a black box that could do everything, match all customers with tradesmen, and we'd make millions,' he says, waving arms in the air enthusiastically. 'But since those early days, we've spent about \$4 million on IT and we still don't have any little black box. And we probably never will.'

The main reason is that human input is needed to establish who is good and who isn't. A black box just can't give Ahchow the unique selling point that underpins Service Central's business. 'There are review sites for almost everything, but you can't just ask people for reviews of tradesmen. Companies have tried that, and they've had firms giving themselves great reviews, or rubbishing their rival across the road.' Ahchow's vision was of a site that 'had to be independent and be able to prove its independence'.

So Ahchow took on the leg-work himself. Service Central now employs almost 100 people to visit tradesmen and rate them on four indicators. First, they need to be properly registered

with their trade association. They also need to be fully qualified and able to prove it. Third, they must have insurance—which happens to be where about 75 per cent of businesses fail Service Central's eligibility test. Finally, Ahchow applies what he refers to as 'the granny test'. 'It's quite subjective, but we ask ourselves: "Would you invite this person over to Gran's for tea?"' Perhaps unsurprisingly, many companies also fall at this final hurdle. 'We don't want to be recommending people who are swearing every other sentence—it's not the image we want to convey.'

The tradesmen are then profiled and sorted by fee ranges and job capabilities: 'We don't want to send a handyman to build a skyscraper, and we don't want to send Multiplex to repair a gate.' Each company selected can register for an annual fee averaging \$3000, and a per-job kickback of \$7.50 for small tasks and \$30 for bigger ones. With more than 3000 businesses now registered, the site's turnover is over \$5 million a year and rising fast.

The business didn't really get going until 2005, yet Ahchow made his first million in 2007, when the company was raising capital for further expansion and his 50 per cent stake was valued at \$3 million. 'It was weird,' he recalls. But after it

happens, ‘You don’t behave any differently. I still act like I don’t have [the money].’ Well, almost. ‘I’ve bought a house in Melbourne and a BMW Z4, which is a nice toy. Other than that, I really don’t go spending money wildly.’

Ironically, rather than reducing the company’s revenues, the global financial crisis helped it become more profitable.

‘It resulted in us taking a long hard look at our costs and really cutting back,’ Ahchow says. ‘We have been reducing staff numbers and radically cutting overheads. Not that it’s been forced on us—it’s more pre-emptive. The business has continued to grow, but we are preparing for a worst-case scenario. Anything above that is a bonus.’

Ahchow has found more tradesmen applying to get on his books as the crisis has shaken business confidence: ‘They want to source as much work as possible, so suddenly we’re getting swamped by more and more tradesmen. It was such a struggle at first, but I suppose it’s no surprise that in a recession we’re getting more applicants.’

In addition to laying off some staff, Ahchow has cut back on some of his marketing costs and focused more on online advertising, which is easier to monitor.

‘I use the 80:20 rule a lot,’ he says. ‘Eighty per cent of your business tends to come from 20 per cent of your customers, so focus on that 20 per cent. Similarly, 80 per cent of your success with marketing will come from 20 per cent of your spend, so concentrate on those elements. It’s common sense, really.’

Service Central is getting around 10,000 inquiries a month—and that will jump substantially after Ahchow signs a deal with a national hardware chain to provide tradesmen to its customers. Other big companies also want to get involved: ‘We’re now speaking to AGL and TruEnergy [about how we can help them] manage their workload to get their [excess] jobs out to tradesmen as well.’

Ahchow says the downturn has also made businesses more open to partnership deals. ‘It’s a great time to look around to see who you can partner with to strengthen your business.’

To help ensure consistently good service, customers are invited to rate tradesmen when they have finished their work, much as sellers are rated on eBay. If a tradesman falls below three stars out of five, he must explain to Ahchow and his team why he shouldn’t be kicked off the register.

Tradesmen may be queuing up to get involved now but in the early days it was a struggle, Ahchow

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