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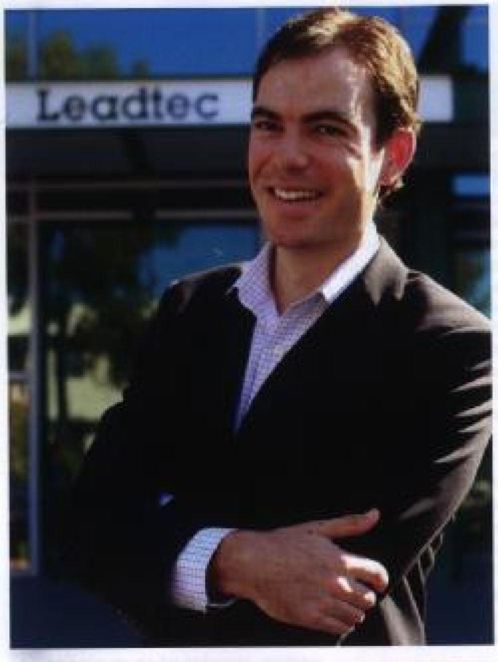

On message: Leadtec managing director Scott Needham

EMERGING COMPANIES

NEW ORDERS FOR GROWTH

The downturn is proving a spur to further acquisitions and Chinese expansion for an ambitious e-commerce software provider. **Report: Jeffrey Hutton**

For Chris Needham, managing director of e-commerce technology company Leadtec Systems Australia, the turmoil sweeping world financial markets may shape up to be a great opportunity to snap up struggling rivals.

Earlier this year, the Melbourne company, which expects sales of $7.5 million this fiscal year, paid off $2 million in debt from Commonwealth Bank of Australia. The debt was incurred to fund an acquisition in 2006, and Needham remains on the acquisition trail.

The company expects to join the fray for companies with "compelling technology" it can add to its own line-up of e-commerce and supply-chain management technology.

Since taking over the business from his father in 2001, Needham has more than tripled Leadtec's sales.

In that time, Leadtec has grown from a company reselling other companies' software to one that owns the technology that sits at the heart of the ordering and invoicing systems of some of Australia's biggest companies in the grocery, retail, automotive and health-care sectors. Its clients include Coles, Johnson & Johnson, Retravision, Toyota and Woolworths.

Leadtec owns and manages the messaging systems that lets Woolworths and other retailers place orders with suppliers automatically.

Prior to Leadtec, most of that messaging software was supplied by IT companies in the United States. After the dotcom crash of 2000-02, however, US companies were less interested in customising messaging and tracking software for Australian customers. "After the

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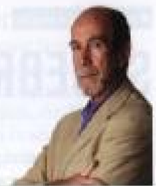
ENTERPRISE

BLACKIE



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No time to retire

I had a meeting with my financial planner this week and there was much wailing and gnashing of teeth. After I pulled myself together, we looked closely at the situation.

In a nutshell: retirement has to go on the back burner. And aside from minor cosmetic changes to my superannuation investment portfolio, my adviser suggests that we leave things as they are and continue to have the super investments ticking over.

Most importantly, my adviser's view is that it would be folly to make knee-jerk changes to the portfolio and to sell investments. In other words: "don't panic".

For people of my age group (late 50s, early 60s), the Howard government changed the super rules to let us put more money away in our funds, tantalising us with the prospect of being able to get our hands on our tax-advantaged super from as early as 55 years of age.

The economic downturn is forcing people to re-evaluate their life plans, especially business owners who were looking to sell part or all of their businesses.

The chances are pretty slim that their businesses will fetch a price anywhere near their expectations, and that's if they can find a buyer.

My adviser suggests it would be folly to make knee-jerk changes to my super and sell investments

Because most superannuation policies are losing value – mine has lost 12 per cent over the past year – cashing in needs to be delayed for as long as possible.

For those managing their own superannuation funds, the story could be even worse as they are more likely to have built more risk into their portfolios in order to make quick gains.

Others may have taken advantage of the changed super rules to buy property – and that doesn't bear thinking about.

All this presents a dilemma for small business owners who have put in 20-plus years of hard yakka to build a profitable business and who probably had visions of early retirement, cashing in their superannuation and selling the farm to live a comfortable life on the proceeds.

The good news is that the units Australians purchased as part of their superannuation are still there. They may be worth less now, but things will right themselves when the market comes back – which surely it will.

In the meantime, investors can buy more units with their money to invest in their superannuation fund.

So, as I left my financial planner's office, still clutching the damp tissues, my immediate retirement plans in tatters, I realised things were not quite as bad as they first appeared.

In the longer term, a few more years of work might even prove a substantial benefit.

TING + MEDIA

OEBRIDGE

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C's power play

weeks leading up to last month's release of *Black Ice*,
n rock group AC/DC's first album of new material in eight
me music industry executives and commentators predicted the
ould struggle to match the sales of the group's previous albums.
c business, they argued, had changed and the rapid growth of
illegal music downloads would crimp sales of *Black Ice*, which
d online. They were wrong.
rst week, the album sold about 5 million copies worldwide and
debut at number one on album charts in 29 countries, including
d States, the United Kingdom, Australia, Germany and France.
bum sold 110,000 copies in the UK during its first week
000 in the US, the second-biggest opening week for an album
this year (Lil Wayne's album *Tha Carter III* sold just over a
pies when it arrived five months ago). *Black Ice* sold 91,000
Australia during its first eight days, making it the fastest-selling
re so far this year.
the album was released, local
r Sony BMG Music predicted it
I more than 200,000 copies in
over the next year, compared with
00 copies AC/DC's previous
Stiff Upper Lip – has sold here in
rs. Cynics said Sony BMG was
and claimed the illegal sharing
online would retard sales. Sony
confident that pent-up demand
C/DC material and the group's
concert tour next year would
ch its sales target.

Cynics who said the growth of illegal downloads would crimp AC/DC's album sales were wrong

t-of-the-box success of *Black Ice*
valuable lessons for marketers.
rs is a long time in any industry,
ularly so in the entertainment
where consumers are fickle (not a new development) and new
and distribution channels appear at a regular rate. The big
sales of *Black Ice* underlined the importance of consistency
t marketing.
critics complained that *Black Ice* was too similar to old
lbums, particularly *Back in Black*, its 1980 album that has sold
copies worldwide. But AC/DC and its marketers understood
umers want familiar products, particularly if they are handing
ey at a time when a lot of music is available for free online.
ing consultants say that in difficult economic times,
s look for brands they know and trust. AC/DC falls into that
But Sony BMG did not simply rely on a known brand and a
t product. Around the world, it also ran elaborate marketing
s – including paid advertising, public relations and many
and radio specials – to ensure people were aware of *Black*
y the message got through.

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crash, the big US firms pulled their heads in," Needham says. "Australia wasn't a big enough market for them. They weren't taking notice of the Australian requirements."

That gave Needham his chance to enter the local market. He quit his PhD studies in computer science and joined his father's company at the age of 23, helping to develop inventory software that updates client records about what's arrived and what's to come.

In 2003, an acquisition, representing 40 per cent of Leadtec's sales at the time, added software that made it possible to track orders. Of the software the company now sells, 90 per cent is its own.

This rapid expansion should help improve sales this fiscal year by more than 15 per cent from $6.5 million last year and $2 million in 2000.

An environment in which financing is tougher to get may work in Leadtec's favour by forcing down salaries that had been growing about 15 per cent a year. It will also take some of the steam out of the competition for takeover targets as private equity companies struggle to raise cash.

Needham believes a flatter market for business sales will prompt ageing baby-boomer owners keen to retire to lower their asking prices. As recently as six months ago owners were routinely seeking prices as much as eight times earnings – twice the norm, he says.

"Baby boomers will have more realistic expectations about exiting," Needham says. "That will be a great opportunity to go back into an acquisition process."

Needham plans to introduce his messaging and tracking system to suppliers in China.

Usually, retailers such as Kmart have distributors repackage and sort shipments in the store's preferred format. Needham proposes extending that communication right to the supplier so that toys and clothes arrive in Australia in the way that Kmart wants them packaged and shipped.

He also expects to exploit China's slowdown to his advantage. A slowing economy should make it easier for the company to stand out, also making it easier to find clients as well as hire and hang on to local staff who can support sales to domestic suppliers.

"Having a less bubbly market, we'll get more attention when we get over there," Needham says. "I see that as a good opportunity." BRW

MANAGEMENT

FINANCE OFFICERS PAY OFF

A rapidly expanding company needs help to continue thriving, mainly with the financial side of the business. **Report: Tom Tauli**

● San Francisco email marketer VerticalResponse grew to $US6 million ($8.81 million) in revenue and 30 employees last year, and company founder and chief executive Janine Popick was overwhelmed with budgeting and accounts receivables.

Eventually, she hired a chief financial officer to help her resolve the short-term problems, with the long-term goal of setting her company on track for sustainable growth.

A CFO is often an overlooked recruit to a new business because of the expense and misunderstanding of the role.

A CFO prepares and interprets financial statements; develops financing strategies (with banks and investors); does tax planning; sets internal controls (to help minimise fraud); forecasts budgets, and handles compliance.

These tasks can be vital for a company. Yet it's common for founders to neglect them, instead building products and finding customers. If a company wants to grow, there needs to be a solid foundation, which is what a good CFO will provide. Here are some guidelines for when it is time to hire a CFO:

- The company's revenue is growing quickly (30 per cent or more per year).
- The company has received venture capital.
- There are more than 30 employees.

A part-time CFO can help provide a transition to a full-time CFO.

Tom Tauli is a finance author and blogger.