

In 2006 Ruslan Kogan started Kogan.com out of his parents' garage after quitting his job. He saw that the price of electronics goods such as television were sold in Australian markets at much higher costs as a lot of margins are taken by the middle men. As an exchange student in Miami, USA, Ruslan learnt the value of online retailing and thought that it could help benefits both manufacturers and customers of consumer electronics in Australia. He thought on seizing this opportunity to remove multiple middle men and selling electronics goods to Australian household using online portal. Ruslan decided to use private labelling i.e., buy the goods from third party and use Kogan branding to sell the good in Australia. From this humble beginning Kogan.com has grown into a highly successful public-traded company with more than 100,000 products in its online store.

Kogan.com now dominates Australian online retail market and most of their assets and revenue is generated from online electronics retailing industry. However, in recent years Kogan.com has expanded into service businesses such as Kogan Travel, Kogan Insurance, Kogan Money, Kogan Mobile, and Kogan Internet. However, underlying business model for all the businesses remain the same and their major focus has remained in selling electronics goods online.

Customers as King

Kogan continuously strive to provide their customers with wide range of in-demand products and services at the best prices. Quick processing and delivery supported by efficient, fast customer service makes for a compelling customer experience that's hard to beat. They have always believed that customers know what they want, and Kogan only keep the inventory of the products that has high demand and sells quickly. Kogan claims that keeping the customers happy by providing them high value is their strongest competitive advantage. This has helped Kogan.com to gain strong loyal repeat customer base.

Kogan's team constantly attempts to exceed customer expectations by introducing continuous innovation and changes in their processes. The employees are encouraged to think out of box to resolve customer requests and enhance their

experience. The top management team has developed a culture of inquisitiveness and innovativeness which drives the employees to always look for better ways. The fast growth and success of Kogan clearly indicates the effectiveness of their customer and innovation focused culture.

Technology at the core of innovation

Technology is at the core of Kogan's innovation and success. Kogan has built its company around the idea to leverage the power of the internet. Kogan prides their strength in analytics, which helps them to predict future buying patterns and demand. Every employee in Kogan has to clear logical and analytical reasoning test and have to improve their data analysis techniques continuously. They have dedicated team members who continually look at trends, analyzing data, analyzing google search statistics, and trying to find the patterns of what are people searching for, in what proportions. Kogan's strength in data mining and streamlined systems gives them valuable insight into what makes their customers happy. Kogan also builds insights from the internet. By engaging with consumers and using the data naturally captured on the internet, Kogan strengthens their online business. One of the main reasons for Kogan's success has been their ability to offer unlimited shelf space, huge reach, and more efficient distribution.

Strategic partnership as a key to success

Kogan has moved into multiple partnerships to provide best quality products to its customers at affordable prices. Kogan has a very strong partnership with Hong Kong suppliers of electronics goods. As they are online retail organization, they have very strong relationship with their delivery partners, who help them to cover their last mile and provide the goods to their customers in time. In recent years Kogan is also entered into many other partnerships which have helped them to serve their customers. Kogan entered into an agreement with Mercer to launch superannuation products under the Kogan brand. In 2017, Kogan entered into a partnership with Adelaide Bank and Pepper Group Limited to provide Kogan-branded home loan products in Australia. They also have agreements with Vodafone to provide mobile telecommunications and internet services in Australia and New Zealand. Their alliance with Greenstone Financial Services help them to provide life insurance and

The RI Hub is an alliance between the University of Melbourne and the Ruthven Institute centred on research and curriculum development to improve the profitability and sustainable success of Australian businesses.

See <https://fbe.unimelb.edu.au/cwl/research/the-ruthven-institute-hub>



funeral insurance policies to their customers. Kogan also signed a three-year partnership agreement with Medibank which will enable the company to offer budget health insurance to its customers. They have also entered into a supply and logistics agreements to market whitegoods and built-in kitchen appliances to consumers.

What does future hold for Kogan.com?

Online shopping market is still in its nascent stages, with only 8% of the goods sold via the online portal. However, most of the brick and mortar firms are also moving into online markets to supplement their traditional business model. Moreover, with the entry of Amazon in Australia, the online market in Australia might change significantly. There is no doubt that the road ahead provides many opportunities, but it also might bring many challenges for Kogan.

Table 1: Key Personnel

Name	Title	Position Type
Greg Ridder	Non-Executive Chairman	Chairman
Ruslan Kogan	Chief Executive Officer & Founder	Chief Executive
David Shafer	Chief Financial Officer	Financial Controller
Daniel Taft	Head of Operational development	Chief Operating Officer
David Shafer	Chief Operating Officer	Chief Operating Officer
Casey Dunn	Director of Marketing	Marketing Manager
Adam Jackson	Director of Buying - Partner Brands	Procurement Manager
Sergiy Bobrovnychy	Director of Imports - Exclusive Brands	Procurement Manager
Goran Stefkovski	Chief Technology Officer	Computing/IT Manager
Ross Metherell	Director of Strategy	Other

Source: IBISWorld Report

Table 2: Financials (A\$, 000s)

	30-Jun-2018	30-Jun-2017	30-Jun-2016	30-Jun-2015
Total Revenue	412,621	290,023	211,192	200,298
Cost of Goods Sold	331,719	237,824	178,462	171,422
Profit Before Tax	21,007	6,124	1,431	286
NPAT	14,111	3,740	809	-69
Dividends	10,001	3,640	2,460	487
Total Assets	105,985	80,324	32,443	31,776
Total Current Assets	99,043	74,441	26,899	28,568
Inventory	50,200	39,742	20,532	25,073
Cash at Bank	42,618	32,028	1,808	398
Total Non-Current Assets	6,942	5,883	5,544	3,208
Property & Plant Equipment	449	489	571	711
Intangible Assets	6,493	4,480	4,633	2,498
Total Liabilities	58,103	37,652	25,373	23,055
Total Current Liabilities	57,386	37,557	25,330	22,523
Total Non-Current Liabilities	717	95	43	532
Retained Earnings	11,571	7,461	7,361	9,012

Source: IBISWorld Report

Table 3: Operating Division

Segment Name	Revenue	Profit	Assets
Online Electronics Retailing	412,621	14,111	105,985
Total	412,621	14,111	105,985

Source: IBISWorld Report

Table 4: Geographic Location

Segment Name	Revenue	Profit	Assets
Australia & New Zealand	412,621	14,111	105,985
Total	412,621	14,111	105,985

Source: IBISWorld Report

Table 5: Key Ratios

	30-Jun-2018	30-Jun-2017	30-Jun-2016	30-Jun-2015
Return on Shareholders' Funds (ROSF) (%)	29.5	8.8	11.4	-0.8
Return on Assets (ROA) (%)	13.3	4.7	2.5	-0.2
Profit Margin (%)	5.1	2.1	0.7	0.1
Debt to Equity (%)	54.8	46.9	78.2	72.6
Current Ratio (X)	1.7	2.0	1.1	1.3
Dividends Paid per Share (\$)	0.1	0.0	7172.0	1419.8

Source: IBISWorld Report

Table 6: Growth rate

	30-Jun-2018	30-Jun-2017	30-Jun-2016
Total Revenue Growth (% change)	42.3	37.3	5.4
Sales Revenue Growth (% change)	42.7	37.2	4.4
NPAT (% change)	277.3	362.3	N/A
Shareholders' Funds (% change)	12.2	503.6	-18.9
Total Assets (% change)	31.9	147.6	2.1

Source: IBISWorld Report

Table 7: Largest Shareholders

Shareholder Name	Percentage Held	Country
Kogan Management Pty Ltd	26.2%	Australia
HSBC Custody Nominees (Australia) Limited	16.2%	Australia
J P Morgan Nominees Australia Limited	10.8%	Australia
Shafer Corporation Pty Ltd	10.2%	Australia
Citicorp Nominees Pty Limited	6.0%	Australia

Source: IBISWorld Report

Table 8: Historical Background

2018 November: The company announced that it entered into an agreement with Mercer to launch superannuation products under the Kogan brand.

2017 August: Kogan entered into an agreement with Adelaide Bank and Pepper Group Limited to provide Kogan-branded home loan products in Australia

2017 June: The company entered into an agreement with Vodafone New Zealand to provide mobile telecommunications services in New Zealand under the Kogan Mobile brand.

2017 June: The company announced that it entered into supply and logistics agreements to market whitegoods and built-in kitchen appliances to consumers.

2017 January: Kogan announced an agreement with Greenstone Financial Services to provide life insurance and funeral insurance policies under the Kogan Life Insurance banner.

2017 - December: Kogan signed a three-year partnership agreement with Medibank which will enable the company to offer budget health insurance under the Kogan Health brand.

2017 June: The company signed a partnership agreement with Vodafone Hutchison Australia Pty Ltd which will enable the company to offer fixed-line NBN services and mobile broadband plans to its customers.

2016 July: Kogan.com Limited listed on the ASX under the code KGN.

2016 May: The company launched the Dick Smith online store. Also, during that time, Kogan.com Limited was incorporated in Victoria.

2016 March: Kogan acquired the online retail business of Dick Smith for \$2.6 million.

2015 October: Kogan Mobile was relaunched with Vodafone Hutchinson Australia as its network supplier.

2015 January: The company announced the launch of four new private labels to engage the pet supplies, grooming, health and infant supplies markets. Kogan also entered into the online groceries retailing market

2014 July: Kogan Technologies Pty Ltd changed its name to Kogan Pty Ltd.

2013 August: Kogan's mobile service was terminated

2012 December: Launched Kogan Mobile, offering discounted pre-paid mobile services.

2011 September: Began shipping from Hong Kong operations directly to global customers.

2010 December: Kogan launched LivePrice, a service that allows customers to purchase a product before it is manufactured at a discounted price.

2007 May: Kogan Technologies Pty Ltd was incorporated in Victoria.

2006 Ruslan Kogan began his online consumer electronics retail business selling low-cost Kogan-branded LCD TVs on eBay.

CASE QUESTIONS

1. How would you rate Kogan's performance?
2. What are Kogan's key competencies and sources of success?
3. Kogan has entered a number of new industries. Can they leverage their current strengths in online sales for success elsewhere?
4. How should Kogan deal with the entry of Amazon?