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Net gain in internet budget sorting

Morris Kaplan | August 29, 2008

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THERE'S never been a better time to take advantage of the expansive opportunities that the internet affords an entrepreneur. Broadband penetration, already more than 50 per cent of Australian households, is set to reach 75 per cent in a few years.

With consumers "always on" to the internet, business operators can incorporate the staggering ability of the net to reach out to their customers.

At large, the financial services sector has been one of the principal beneficiaries. Consider, for example, Tammy May, who at 22 established MyBudget in 2000, offering a service that physically takes control of the budgets of those with bad debts.

"We're not an internet business but the internet is critical to our business," May says.

MyBudget specialises in helping people manage their personal finances.

"Many of our clients have defaulted on their debts. This can impair a person's credit records and that can prevent them from buying a home. Young people in particular are vulnerable." May identified a niche in the market, offering ongoing management services. "Think of us like your personal book-keepers."

Based in South Australia with plans to roll out offices interstate, May has built an impressive technology-driven operation all before turning 30, managing to raise four children along the way.

Husband Eddie joined the business, assisting with technology development. With a growth rate of 50 per cent a year for each of the past four years, and about 2500 clients, who pay an upfront fee and a monthly management charge of \$15-35 a week, MyBudget manages more than \$70million worth of salary credits for its clients and processes more than 400,000 transactions on their behalf every year.

May, a nominee for the Ernst & Young's Entrepreneur of the Year award, says her clients enjoy the service because, apart from sorting out creditors, it "empowers them".

MyBudget, a hybrid of a traditional face-to-face service business and a powerful internet interface, has provided May and her team with a scaleable platform.

"We could not have worked with thousands of people over the years without a solid internet strategy," she says.

When it comes to technology, most business operators are familiar with the notion of "build or buy" -- the decision on the part of the entrepreneur to either have a technology solution custom built by a developer or bought "off the shelf".

Such solutions generally cost a fraction of their custom-built equivalent but, as was the case for May, they do not always meet a business requirement.

"Features like being able to send an individual's files to a bank, to make individual payments, were simply not there. This (software development) took the best part of a year. But we then knew we had a unique business model and valuable IP."

It is known that the web allows you to build one-to-one relationships with customers. May says that although each client needs a face-to-face meeting, it is the internet platform that has enabled MyBusiness to establish a presence in Victoria. "It'll be satellite-linked to our back office systems in South Australia.

"The internet is great, but there are limits to how a business like this can operate exclusively online."

May points to the differential conversion rates: face to face translates to an average 78 per cent conversion rate while telephone-based services only achieve 35-40 per cent conversion.

"If this was 100 per cent online business, then someone could simply knock off the codes and you'd have a competitor. Here nobody can access the IP."

As with many entrepreneurs who have reached the point in business where the concept is proven, the systems are tested under robust demands, and charts are curving upwards, May's role has evolved: "I'm not hands-on any more. I manage the managers."

Although referrals flow from satisfied customers and agencies, she wants to build relationships with new referral sources.

"This is the tip of the iceberg. Creditor departments (banks, credit card providers, collection agencies) are inundated."

No surprise here; the global credit crunch has underwritten this.

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