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Holden redundancies breed entrepreneurs

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Michael Bailey

Mechanical engineer Jo Shanahan used her payout to start three businesses.

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Jo Shanahan, pictured with horse, Luxor 118, who is wearing the Activo Med Combi Pro rug distributed by Animal Therapeutics Online.

Mechanical engineer Jo Shanahan used a voluntary redundancy package from Holden five years ago to finance the launch of three businesses – one of which just won an award for best 'pivot' of 2013 – and she expects Adelaide to flourish as a centre for start-ups should the closure of the car maker hasten the economic transformation of her hometown.

Shanahan's Animal Therapeutics Online won StartUp Adelaide's Biggest Pivot Award on Friday, in a ceremony hosted at the Majoran Distillery co-working space.

The business imports German-made massage rugs for high-performance horses, using the Activo Med Combi Pro electromagnetic system, which retails for between \$5000 and \$15,000. It "pivoted" at the start of this year when Shanahan dispensed with an agent-selling model and converted all the customer training and after-sales service to online and telephone delivery.

The restructure, which also introduced a 14-day money back guarantee on the rugs, "reduced inconsistencies in the after-sales support", Shanahan says, partly because, at least until November, when she hired a training assistant, she took it all over herself.

The pay-off has been a 20 per cent increase in profitability (thanks to no agent commissions) and, she claims, a 200 per cent increase in sales (although she won't divulge revenue figures, as she says his would help her competitors, Equisage and Equivibe).

The 13,000 job losses expected to cascade through the South Australian economy should General Motors cease making Holden cars in Adelaide is "not a good thing", Shanahan says, but it's a "fact of life" and will make Adelaide's natural advantages as a host for startups come to the fore.

"Adelaide is a low-cost entry point to setting up a new business, and it's a great test market," she says.

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"There's a reason Janine Allis set up her first Boost Juice in Adelaide. The consumers here can be fickle, and you don't have the volume you get in the bigger cities, so if you can get something to work here you can be confident it will work elsewhere."

The Adelaide-based founder of Australian Baby Bargains, Belinda Jennings, agrees that Adelaide has always been a natural test market, but she has noticed the energy in the start-up scene has increased in the past two years.

That would coincide with the establishment of the ANZ Innovyz START accelerator in the town. Jennings is a graduate of that program – the accelerator is one of four sources for the \$250,000 seed capital she raised in 2010 – but she also points to the establishment of the semi-annual Adelaide Startup Weekends.

"It's like people are joining a movement," she says. "Everyone tends to know each other in the entrepreneur community and it's a very supportive environment."

The closure of Holden would be "very concerning" for South Australia's economy, Jennings says, but the "flipside" is that the attendant redundancy packages could convince "a lot of very skilled people into taking that plunge of starting their own business that they otherwise might not have".

Shanahan, who also runs a business consultancy called DVE Business Solutions, as well as Warrington Park Equestrian Services, says several of her former Holden colleagues used redundancy packages to fund start-ups and she expects many more to do the same should the 2016 closure of car manufacturing eventuate.

"Working at Holden taught me so much about running a business, around process improvement, lean manufacturing, problem-solving – it's a great springboard," she says.

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