



Recessions and New Companies: Success Stories from Flagging Economies

Who says a recession has to be all bad news?

If, as many analysts argue, Australia is heading for a recession, there is still room for opportunity and optimism for investors.

While a floundering economy might not seem like the ideal environment in which to launch a new business, there have been several high profile and highly successful companies which took on the challenge and thrived.

Who are these big achievers?

Back in the Panic of 1873, Thomas Edison started General Electric, proving that a great idea with mass appeal can light the way through dark economic times.

The Disney Corporation began in the 1923-24 recession. Not long after, the Great Depression of the late 1920s and 1930s saw the creation of Motorola, Revlon, Fortune Magazine and the Hewlett-Packard Development Company, which grew from a modest \$538 investment.

The Eisenhower Recession of 1957 – 58 gave birth to the Hyatt hotel chain, Burger King and the Jim Henson Company. The 1973 Oil Crisis, which sent the US economy into a slump, produced FedEx and Microsoft, while CNN and MTV emerged as popular television alternatives during the 1980-81 recession.

And, back in Australia, John Symond started Aussie Home Loans in 1992, during the recession we had to have.

Why do they succeed?

There are various factors which enable companies to forge ahead in the face of what should be adverse conditions:

- Many smart and motivated people find themselves suddenly unemployed in a recession, and choose to start their own business rather than join the job hunting circuit or dole queue.
- Governments offer incentives to small businesses. Prime Minister Rudd's recent \$42 billion stimulus package included assistance to businesses purchasing new assets, such as computer equipment.
- Competitors may be weakened, reducing production levels and advertising, or even going out of business.
- Consumers might look harder for better value, and be willing to try out new entrants in the market.
- New entrants who are strong enough to make it through the recession are likely to emerge in a strong position once the economy picks up again.

So there is a precedent for smart people with good ideas being able to achieve something big when the broader market falters.

Why not keep an eye on the ASX's lists of recent listings and upcoming floats, and when the market turns around check back and see who's defied the trend and emerged victorious.

ASX Links:

<http://asx.com.au/asx/floats/recentFloats.jsp>

<http://asx.com.au/research/companies/floats/upcoming.htm>

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<http://blog.mdsfinancial.com.au>

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