

INNOVATION 2015

Joining up the dots

Xero founder says we should aim to be the world's 'Digital-First' nation

Xero's Rod Drury reckons it's time for New Zealand to rebrand itself and become a "digitally-connected" nation.

Drury – founder and chief executive of the online accounting software company – says taking that step would attract significant global investment into New Zealand as well as international class entrepreneurs who would base operations here to use NZ as a test pad.

It's a theme that resonates with other leading NZ digital entrepreneurs like Spark's Rod Snodgrass who asks "Why doesn't New Zealand adopt a target to be the world's first 'Digital First' nation?"

"I've been thinking about why don't we actually engineer New Zealand to be the best digitally connected country," says Drury. "The people I've met that are really at the top of the global technology industry already have a relationship with New Zealand and come down here all the time."

"So why can't we engineer the best digital experience? And people will actually live here and build globally-focused businesses from here."

"It would be good to get some good versions of Kim Dotcom."

Drury believes by adopting a vision to be the best digitally connected country, New Zealand would be able to leverage its free trade agreement with China and become a digital crossroads between the Western world and China.

He is concerned there is not enough focus on the opportunities New Zealand can gain from being ahead of the curve in a digitally connected global age.

"If we don't have a vision for New Zealand, what feels like a void just gets filled by *Dirty Politics* and the Northland by-election, which are really not important."

"It ends up in a race to the bottom." Drury – who was invited to join the Flag Consideration Panel by Deputy Prime Minister Bill English –



Los Angeles Innovation Director Amy Amsterdam helps provide support to businesses moving to her city.

Help from on high in the city of angels

Kiwi entrepreneurs, start-ups and fast growth companies are now putting Los Angeles on the map as their US landing pad as they seek to globalise their operations.

Vista and Orion have already trail-

blazed a path in LA which has emerged as one of the most vibrant centres in the United States. In a six-page report, Alexander Speirs reports on the steps Los Angeles is taking to foster innovation and entrepreneurship.

looks in on steps some established NZ players have already taken, talks with one Kiwi company at the fledgling stage and explores opportunities in cleantech.

See pages 8-13



If we don't have a vision for New Zealand... it ends up in a race to the bottom

Rod Drury

says one of the burning issues for Xero itself is rethinking how New Zealand fits in the world.

"In the playbook for New Zealand software companies it used to be, 'look like an American company,'" says Drury. "But we have a lot more confidence in being a New Zealand global company now. We've got to a scale and we have serious global investors investing in our unique story with our values and global view."

He says he agreed to join the flag panel as it was very relevant to Xero's business. "Our connections are to our past and to our large trading partners. We have a large customer base in the

continued on D2

Inside



Rod Snodgrass on a digital first for Spark and New Zealand – D2



ANZ's Fred Ohlsson on why we should move beyond cool. – D5



Bill Bennett talks to Microsoft's Nigel Parker – D6



Michael Barnett says human qualities are the key to success – D7



Smart start-ups – Graham Skellern talks to Revert's Rich Chetwynd – D16

Kiwis eye the bright opportunities of LA

Alexander Speirs

Kiwi entrepreneurial companies will converge on Los Angeles in June for a high-powered innovation summit with counterparts from LA and Guangzhou.

It's the first major business summit since local government leaders from Auckland, Los Angeles and Guangzhou forged a tripartite relationship last November.

Ateed chief executive Brett O'Riley says the aim is to "showcase a different innovation ecosystem in the United States that a lot of New Zealand companies probably haven't considered as a landing pad for entry into the US."

"There's always been a natural connection in the digital media space



Brett O'Riley

between Hollywood and Auckland, but the opportunity extends much further than that," he says. "Making LA a first point of call for food and beverage is just one other natural fit and we've already got a host of successful Kiwi

companies up there. Typically we've been very focused on Silicon Valley, and for good reason – but the development we're seeing happening in Los Angeles is incredible. The intensity of innovation happening and the broad range of industries it's touching could make it a better fit for some companies."

New Zealand is planning on taking a sizable delegation to the LA summit, with as many as 50 companies. They will be briefed in April at an innovation event hosted by Ateed in Auckland.

NZ technology companies have tended to target Silicon Valley – seen as the pinnacle of their industry. But in certain specialties – particularly where the likes of gaming, digital media and entertainment technology are concerned – Los Angeles very well could

be a better fit and at a cheaper cost – while still offering world-class technological infrastructure and access to the entire ecosystem.

Los Angeles boasts three world-class universities focused on innovation and a City Government that incentivises overseas businesses to be based there. Plus there's access to a huge market.

San Francisco in itself is not an overly large market, but Los Angeles and Southern California through to Mexico is a significant market on an international scale.

If the Trans-Pacific Partnership (TPP) is sealed in coming months that will add to the potential for Auckland businesses in Los Angeles, says O'Riley.

He hopes it could spark an opportunity to start working on NZ's largest

remaining barrier to entry; immigration. "We're out of step when it comes to visas. Whenever we talk to New Zealanders, if they were to lose their job or things went pear-shaped, it can be extremely problematic."

Even compared to Australia, New Zealand is lagging behind in the apparent opportunities for our citizens to live and work in the United States. That's an issue New Zealand Ambassador Mike Moore has been flying the flag on.

Though it remains unclear what changes could be on offer for business immigrants, it's not uncommon for trade deals to ease the restrictions on movement of people – the North American Free Trade Agreement (NAFTA), a pact often compared to the proposed TPP, being one example.

Innovation 2015

Digital first for Spark and NZ

The company has embraced its new focus with a passion, says strategy leader Rod Snodgrass



Innovation
Fran O'Sullivan

Spark is strongly focused on its "Digital First" strategy with a firm ambition set to be a winning business "inspired by customers to unleash the potential of all New Zealanders".

It's a major shift for Spark – but one which falls naturally out of the transformation process that chief executive Simon Moutter put in play when he took up the reins at the then Telecom in 2012.

When Moutter announced the new strategy earlier this year he said his goal was to create New Zealand's leading digital services platform.

He plucked Rod Snodgrass who was heading Digital Ventures (described by some as an internal "skunk works" to lead cutting-edge change) to head up the overall Digital First strategy.

Snodgrass had earlier taken a "more provocative view" on what was necessary for Spark to keep evolving, at a time when its legacy business was eroding. His concern was that as the company moved to the next level it might just simply digitise the current business.

In an interview with the *Herald*, Snodgrass said he put the case to Moutter.

"What we really needed to think about was using digital in a very disruptive way to recreate our business models so we are fit for the future."

It's a focus that found favour with the Spark board when the executives outlined why the Digital First strategy was imperative.

"We are living in digital times," was the message. A raft of metrics was chosen to make the point clear:

- Apple paid more to app developers in 2014 than Hollywood made at the box office;

- Expedia gets 90 per cent of its revenue from apps; Salesforce gets 50 per cent and eBay's share of revenue from apps is a whopping 60 per cent;

- 80 per cent of consumers are more likely to recommend a brand that offers a simpler ... magical experience.

The executives talked about how experiential competitors were winning with digital disruption. Among them was Netflix which had changed the market twice – first through con-



What we really need to think about is using digital in a very disruptive way to recreate our business models so we are fit for the future.

Rod Snodgrass

venient physical home delivery, then through OTT (over-the-top content or the delivery of video and audio via broadband without the involvement of a multiple-system operator in the control or distribution of the content) and is now doing it again with analytic driven programming and digital delivery.

Uber, which has re-imagined the taxi experience making it better for both consumers and drivers, was also cited. And Amazon.com which combined analytics and a one-click buy, was now bigger than physical retailers and had totally rewritten categories like books.

"You either get disrupted or you disrupt," says Snodgrass. "We needed to disrupt ourselves before someone else did."

The digital businesses were growing faster and many were now bigger than their non-digital competitors, as the compelling financials showed.

In essence, what Moutter and Snodgrass proposed was the fourth phase of Spark's transformation process. The first had been launched in

August 2012 when Moutter returned to Telecom, drew a line under broadband and said the company needed to win back mobile where it had been conceding market share; it then re-engineered the core platform, stripping out decades of complexity that had been wired in.

The third phase was to transform cost structures and assert financial disciplines.

What was evident to the Spark executives was how the digital businesses focused first and foremost on magical customer experiences, changing the way digital is delivered to the consumer.

Snodgrass points to Air New Zealand as a traditional business which has done a "fabulous job" in this area.

"We are going to look across the group to work out where we go first," he says.

"It's a little like Air New Zealand. They built an app and it got better and better – and my relationship with Air New Zealand is awesome. It's got better and better.

"They've used data and digital to do that and they've created an experiential model that's greater than their peers."

Much of the details of what Spark is evolving is under wraps. But asked for a concrete example of something that might evolve from the experiential focus Snodgrass's teams will adopt, he replies "Why can't you order broadband fibre like you order an Uber taxi? I can't see any reason why you couldn't, other than a bit of design and build.

"We're going to look across our customer journeys by products and we're looking for pain points or frictions for customers that we can move by applying digital capabilities at pace."

Snodgrass acknowledges the digital-first approach may be somewhat "confronting" for Spark staff in the initial stages.

"But I'm pretty confident there is a lot of innovation in our workforce, particularly in process. Staff are awesome at finding fixes to things."

Some core principles have been adopted, among them: obsess on the customer experience; reimagine the business model from the customer back; challenge everything; set quite unreasonable targets internally; digital best practices; acquire and ring-fence key talent; follow the money.

Inevitably there will be the occasional epic fail but Snodgrass says Spark has embraced Digital First with a passion.

"New Zealand should do the same."

The new and Qrious way of doing things

Alexander Speirs

Last year Spark announced it was moving the business beyond the brand overhaul. Digital services were to become the backbone of the organisation, with no move more radical than the establishment of Qrious – the new big data arm of the company.

Qrious aims to take the heavy investment and infrastructure requirements away from big data, creating a platform offering analytics and data science under a SaaS (software as a service) model.

Rather than trying to compete with big, long-established players – the likes of SAP, IBM and Amazon – Qrious' offering is New Zealand-focused, designed for local businesses and to integrate domestic data.

"The combination of data science with New Zealand-specific data sets is unique in the market place. While you can procure some pretty heavy equipment, they don't typically come with much in the way of in-region technical expertise and knowledge, nor do they come pre-packaged with relevant data sets," explains Qrious CEO Ed Hyde.

"Some of the investment in these big data technologies is substantial, so a big part of our offering is making it cost-effective to just get going. We've placed significant investment into the platform already so our customers don't have to."

The Qrious model consists of three main pillars, brought together on a case-by-case basis depending on the customer.

- A high performance data platform which ingests data in a variety of formats, with a host of tools to manipulate the data. The tools can be used in an accessible, business friendly way, or for more technical users using big data tool kits, on a more raw level.

- The second component brings a variety of data sets into the platform. "We've got anonymous network location data coming in from the Spark network, customer segmentation data which is being provided by Roy Morgan through their Helix Personas programme, along with weather and sensor data from around New Zealand," says Hyde.

- The third pillar focuses on analytics, using the Qrious data science



We've placed significant investment into the platform already so our customers don't have to.

Ed Hyde

team to make the information meaningful, bridging the gap between raw data and business insights – identifying opportunities and areas for improvement – and packaging those up for end-users.

"Using tourism as an example, we package up services which are a combination of those three different factors to provide information around event visitation, tourist numbers in a particular region – where they've come from, what profile of people they are and the recommendations on how to extract the most value," says Hyde.

Qrious is remaining focused on specific sectors, predominantly transport, tourism, retail and local government, while dipping its toe in the water with health and agriculture.

With a tentative date set for September, Qrious will launch a service with completely secure domains so customers' own data science teams can store and use their data. Qrious could engage its own data science team on request for certain projects, but the focus will be on a "hands-off" model to attract a new customer demographic.

Still in its relative infancy, Qrious has targeted businesses at the top end of town while building out its platform – now boasting close to 20 major customers. But with accessibility in mind, creating offerings to smaller players in the market is one item now heading the agenda.

Joining up the dots – Drury's vision for us

continued from D1

UK, but also this new confidence in us standing up as our own New Zealand brand."

He believes developing the NZ brand takes more than a flag panel. Drury continues to promote the concept of a government-appointed Chief Technology Officer to ensure New Zealand is working on the four to five big picture strategic issues that will move the nation forward.

He suggests the right person for the job is globally connected and wants to give something back to New Zealand.

"Someone like former Commonwealth Bank CEO Sir Ralph Norris would be ideal."

That person would scope the opportunities, deal with the vested interests of the private sector and report back to Cabinet.

The idea has not (yet) lit a fire with the Government. But it's notable that Los Angeles – which is fast-developing as one of the key entrepreneurial powerhouses in the United States has done just that as we report in *Innovation 2015* today.

To deepen external connectivity with a digitally-focused New Zealand would also require better external fibre cable connections; an area which Drury has long been focused on. He believes such a step would enable super profits to come back to New Zealand and fund better internal networks including mobile towers.

Among the opportunities he highlights is the business-to-government arena where Xero is working with Inland Revenue to devise modern approaches to solve their complex systems requirements such as the NZ business number.

"We should be the poster child for

business-to-government electronic commerce," he says, pointing to the opportunity to draw in huge investment from the likes of Apple, Amazon and Google, which he believes would "love to use New Zealand as a test lab for some of this stuff" and at the same time dramatically reduce the paid-for investment needed to develop New Zealand.

Other areas where we could be taking a lead include the evolution of the payments network where the locally based banks, through Paymark, have an opportunity to for instance deliver eftpos over mobile phones and stop other carriers from clipping the ticket.

Why not also just have one mobile network? asks Drury. "It's crazy in a small skinny country running more than one of those?"

Xero is focused on its own connectivity and uses Google Hangout to link

staff in its offices around the world. Its accounting platforms also enable New Zealand customers to "talk through the same technology" with other potential customers offshore. This Xero facilitated network could help them find new clients as they drive into exporting.

Drury says he has no problem attracting staff to work at Xero's Wellington HQ. "We've got paddleboarding sheds and go paddleboarding at lunchtime.

"I can't believe the lifestyle we have here, yet we get to do globally significant work.

"We push a button to 400,000 customers."

He says having visa exchanges between United States west coast cities like San Francisco and Los Angeles would assist.

"We can't think of ourselves as being an island anymore – we've got

to think of how we drink from the global fire hose.

"The upside is we get all the benefits of living in New Zealand: Great food, great coffee, empty beaches, good education. But with a global income."



Executive Editor: Fran O'Sullivan
Writers: Bill Bennett, Greg Hall, Graham Skellern, Alexander Speirs.
Sub-editor: Isobel Marriner
Advertising: Nathan Laing, Nancy Dudley.
nzherald.co.nz

Why sharing is the next revolution

Anyone with a computer can now potentially become an online business

The next online economic revolution is well under way internationally and quickly infiltrating New Zealand shores – much to the ire of some traditionalists.



Innovation
Alexander Speirs

The sharing economy, as it is known, comprises businesses built on the sharing of resources – the most popular of which have so far been accommodation and transport. The real key is a decoupling of ownership and benefit through the use of technology – in turn creating new efficiencies.

Already we're seeing the sharing economy transform legacy industries which previously seemed untouchable. The sharing economy is effectively an extension of the revolution we saw eBay and TradeMe make with online sales – allowing anyone with a computer to become an online business – simultaneously disrupting the market for everything from garage sales to small business operations.

Now it's service providers who are under threat, as the likes of Uber and AirBnB go head to head with traditional taxi services and hoteliers.

Uber, the controversial ride-sharing app founded in 2009 lets car owners act as taxi drivers, connecting drivers with passengers through their app, slashing the prices of a usual taxi service and drawing a whole new demographic of clientele to the service. The app is now available in 53 countries and 200 cities around the world, making waves with slick mar-

keting and raising the tempers of taxi drivers to boiling point.

In New York, the iconic yellow cabs long associated with the Big Apple are now outnumbered by Uber – the city's Taxi and Limousine Commission last week announcing 14,088 registered Uber cars compared with 13,857 yellow cabs. Though the sheer number of rides still comfortably favours the yellow cabs, it's a staggering achievement considering Uber was only introduced in 2011.

AirBnB was established in 2008 with the initial concept literally an air bed and breakfast – an air mattress in the lounge and breakfast in the morning – somewhere in between couch surfing and a youth hostel. The business has boomed in the years since, now offering accommodation at all levels of the market – be it a spare couch or a luxury villa. AirBnB has more than 1000 accommodation options available in New Zealand alone.

Uber is now one of the 150 biggest companies in the world, it's value eclipsing US\$40 billion and leaving behemoths of yesteryear like FedEx in its dust. AirBnB is valued at \$13 billion – about half as much as Hilton Worldwide.



Uber, the controversial ride-sharing app founded in 2009 lets car owners act as taxi drivers.

However, both still operate in a relative grey area of the law in New Zealand – and the ongoing political divide seen internationally could be a sign of things to come here.

Opponents argue the services are not sufficiently regulated and are fertile ground for cowboys looking to make a quick buck, with the stringent requirements expected of licensed operators and the costs to meet those creating an unfair playing field.

Las Vegas, backed by one of the strongest taxi authorities in the world has led a fight back against ride-sharing apps – with a recent court ruling forcing Uber to withdraw from the market pending a decisive legal decision. Throughout Europe taxi

drivers have blockaded national highways and staged enormous protests against Uber.

It's a matter of the law playing catch-up and figuring out how to stay ahead of a rapidly evolving phenomenon – hardly a quality that lawmakers have ever been associated with. We've seen trouble already in New Zealand with police stopping rides, throwing passengers out of cars and fining drivers. Despite that, the Government is still quick to clip the ticket on each and every fare.

One Uber driver, who wished to remain anonymous, opined on a recent trip "it is hypocritical of the government to take GST from us when they're outlawing and inter-

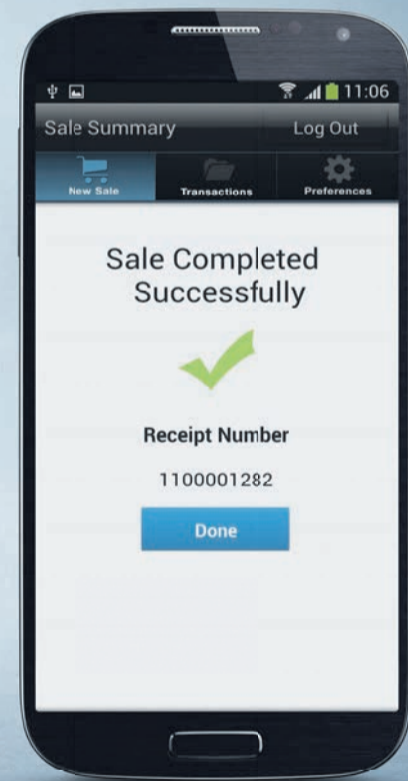
rupting our services. We should be able to operate legally and pay our taxes like any other business, not be treated like a criminal yet still expected to pay up."

We've seen the Government step up to the plate with laws around crowd funding and crowd lending – very much a work in progress on which the jury is still out. The sharing economy must be next on the agenda – to provide certainty to workers, to ensure that safety and best practices are followed regardless of the operator, and to make sure government coffers are taking their fair share – not forced into a situation where they're playing catchup a-la online GST.

Get paid fast.

Spend less time chasing invoices and more time running your business with ANZ's FastPay app. It's free to download and comes with the flexibility of no long-term contract. It allows you to accept Visa and MasterCard payments using your smartphone – anytime and anywhere. Later this year, FastPay will accept EFTPOS payments too (fees and conditions will apply).

Find out more by visiting anz.co.nz/fastpayapp



We live in your world **ANZ**



ANZ FastPay is only available to approved merchants who meet ANZ's credit approval criteria and have an ANZ business account. Terms, conditions and fees apply. Use of ANZ FastPay requires a cellular or wireless internet connection. App Store is a service mark of Apple Inc. ANZ Bank New Zealand Limited. ANZ2314

Innovation 2015

What turns a dream into reality?

Tim McCready looks at financing trends for innovators and entrepreneurs.

What does it take to turn a dream into a reality? The answer inevitably involves money, and usually quite a lot of it.

Many New Zealand businesses choose to grow organically, either by bootstrapping, where revenue is reinvested into the business for growth, or through small amounts of funding obtained from the bank, family, or friends. However, a business built on innovation nearly always requires a significant injection of capital from a third party, and traditionally through venture capital or angel investment.

Aside from money, these sources of investment can bring additional spillover benefits to advance a business.

Angels and venture capitalists will typically invest in opportunities where they can add value using their networks, bring knowledge and a new perspective, or impart first-hand experience. When it comes to innovation, you cannot have enough of any of these.

New Zealand's 'no. 8 wire' mantra is not just rhetoric. Over the last few years I've seen an increase in international funds and multinational organisations taking an interest in New Zealand.

They recognise us as a pool of largely untapped potential and are coming to see what we have to offer.

There is plenty of exciting innovation happening here, but it is probably fair to say that many businesses are not 'investment ready', and don't present themselves in the best light to make an attractive funding proposition. There is some truth that money is hard to get. Not just from New Zealand, but anywhere.

Venture capitalists and angel investors

hear about opportunities to spend their money continuously - it's their job.

They want to see solid business opportunities and investment pitches that are professional, polished, and concise.

It is arguably for this latter point that many businesses unwittingly make the challenge more difficult than is necessary and struggle to get their foot in the door.

New Zealand Trade & Enterprise's Better by Capital programme addresses this by explaining the capital raising process, allowing a business to identify and access the investment required to expand and internationalise.

Better by Capital partner with private sector specialists who have capital raising experience to help businesses get 'investment ready' and prepare a capital plan. NZTE's capital team can then assist with their global investor networks to identify and access domestic and international sources of funding.

Callaghan Innovation, the government-backed innovation hub, provides more than \$140 million in funding a year to businesses to use for their R&D projects to encourage innovation.

R&D Growth Grants provide 20 per cent public co-funding for R&D expenditure, capped at \$5 million per annum. R&D Project Grants are targeted at businesses who are new to R&D where Callaghan provides funding for 30-50 per cent of R&D costs.

R&D Student Grants provide funding to cover the salary of a university student or graduate to work on an R&D project within a business for up to six months.

For early stage, high-growth busi-



Venture capitalists and angel investors hear about opportunities to spend their money continuously - it's their job.

Tim McCready

nesses, Callaghan Innovation has an Incubator Support programme.

The incubators are privately owned businesses that can assist with all areas of innovation, including access to networks, market and tech-

nology validation, intellectual property assessment, access to capital, and advice on strategy and governance.

The introduction of this programme last year is the result of a push from the Government to get more innovation off the ground in high-tech sectors, which they rightly recognise as crucial to growing New Zealand's economy beyond commodities.

Aside from the time required for the application process, government grants have few drawbacks and are a useful way for a business to make their cash go further.

R&D grants from Callaghan are non-dilutive, meaning that they don't affect the ownership structure of the company. If your business is eligible, this funding should be at the top of your list.

Technology entrepreneur Sam Morgan has been known to criticise the government's overzealousness when awarding grants, however he concedes that "it would be irresponsible not to try to get some".

Not only does this help the balance sheet, but showing support from the New Zealand government and having access to extra cash for projects will undoubtedly help when talking to third parties about further investment.

It would be remiss to talk about capital raising and not mention crowdfunding. Equity crowdfunding is a relatively new method of raising capital, and is becoming an increasingly popular buzzword since a change in New Zealand's securities legislation last year allowed it.

The Financial Markets Conduct Act allows a business to efficiently crowdfund up to \$2 million without having to put together a costly and time consuming prospectus, prompting the launch of equity funding from PledgeMe, Equitise, and Snowball Effect. Donors pledge their support online, where their investment level can be of almost any size.

Crowdfunding relies on an opportunity reaching a large audience, which means it tends to work best if the project is something the mass public can get behind - exciting technology or niche healthcare innovations have done particularly well on these platforms internationally.

As crowdfunding becomes more mainstream, having an opportunity that stands out and entices investors will inevitably become more challenging.

Finding funding for innovation is notoriously difficult and takes a significant amount of time.

But like so many things in business, funding is about networks, and you can't do it alone. There are tools and services in place to help make it easier - you just need to know where to look.

● *Tim McCready is Director of Business Development & Trade Correspondent for NZINC. He has worked in the public and private sector in New Zealand and offshore growing businesses internationally.*

Our Silicon Valley lies in green pastures

Bill Bennett

Anyone looking for New Zealand's answer to Silicon Valley should avoid Auckland, Wellington or Christchurch.

Vodafone CEO Russell Stanners says our most exciting technology developments are taking place in rural New Zealand.

"We are the Silicon Valley of agritech. Our dairy farmers have become corporations. They expect to have the latest tools to drive their businesses and that include digital dashboards that quickly let them see what is happening in every aspect of their operation. Technology is now at the heart of agriculture. It makes a huge difference. Agriculture is 15 per cent of GDP and 55 per cent of exports."

New Zealand's farmers have long been enthusiastic adopters of technology. Stanners says things have stepped up a gear since the government funded Rural Broadband Initiative has delivered more, better and faster internet services to the nation's heartland.

Vodafone took the telecommunications industry by surprise in 2011 when it partnered with Chorus, then owned by Telecom, to bid for the RBI. The project saw Government commit to spending \$300 million upgrading rural telecommunications technology and the first wave is due to complete next year.

The winning bid saw Chorus add thousands of kilometres of fibre stretching its network into rural communities. Along the way it has connected fast broadband to hundreds



Agriculture is by definition a mobile industry.

Russell Stanners

of existing and new rural cellphone towers. From these towers Vodafone offers fixed wireless broadband services and increased mobile coverage covering farm buildings and paddocks.

Bidding for the RBI proved a timely investment. One of the hottest trends in technology at the moment is machine-to-machine communications or M2M. This will connect billions of sensors and devices to the

global network in the so-called internet of things.

Stanners recalls a Federated Farmers conference where he told delegates every animal would be connected to Vodafone's network. There was some scepticism from the audience until the next speaker stood up to tell them his company made the ear-tags and there were already building-in RFID (a low cost radio-frequency identification technology).

It's not just animals. Stanners says every farm vehicle, machine and even many gates are already connected.

He says it costs about \$20 to add a sensor to an animal. That includes a Sim card connecting to the mobile network. Because devices often don't need to transmit a lot of data they can use more cost-effective routes. If more power is needed, the latest wave of devices can use the fast 4G mobile network and are designed with batteries that can last 10 years.

Vodafone technology director Tony Baird says these devices operate in real time and can have millisecond latency (that's the time it takes between a signal and a response).

Tracking and sensor technology is increasingly important to farmers as overseas customers become more concerned about where their food comes from.

They may want to know where a leg of lamb came from or assurance that the chiller protecting a shipment of crayfish was working all the way from Cook Strait to Osaka.

The cost of tracking it through the entire cycle is a relatively small investment. Stanners says food security is a way farmers can add value. It's not just food, he says. People buying Icebreaker jackets can now learn where the wool in their clothes comes from.

There's also a move towards precision farming where mobile data and GPS systems make it possible to irrigate or add fertiliser with pin-point accuracy, making sure there's little waste.

Away from agriculture, the same

technology can be used for services such as driverless cars. The faster chips with millisecond latency are essential here.

Vodafone customers in Australia use this to remotely operate giant trucks on the big mines - in some cases from far away.

Even where there are humans in the driving cab, the technology helps. Cameras can monitor inside and outside the cab providing information to help truck owners reduce their insurance premiums.

Involvement in the RBI has seen Vodafone, previously seen as a largely urban phone company, move to become a full service telecommunications operation known nationwide.

Today you are as likely to see the brand on display at Field Days as in Queen St. "As a business, we've been focused on strengthening our support and services to rural New Zealand over the last five years," says Stanners.

He says Vodafone's technology works well with the rural sector. "Agriculture is by definition a mobile industry."

"The 4G cellular technology and the recently auctioned 700MHz cellular spectrum are a good fit with rural users; in places the new cell towers can transmit to phones up to 22km away."

The next wave of agricultural innovation is likely to include drones, small pilotless planes which can take some of the burden in remote or difficult terrain.

Stanners says eventually drones could be used to deliver fertiliser.

Beyond cool...

The challenge is to transcend technology with solutions that are universally accepted, says **Fred Ohlsson**

Businesses around the world are coming to realise that, to be relevant, innovation is not just about technology but about what people want and need and how they choose to interact and do business.

The real challenge is not just to come up with amazing "inventions", but to ensure they're meeting genuine customer needs, are easily adopted and can quickly be made available to everyone. In other words, to take innovation through amazing and new – and beyond cool and fashionable – into normal.

The best technology is so closely aligned to users' needs they stop seeing it as technology at all. It's just something that helps them get on with their lives.

Developing solutions that meet this test is as much about knowing your customers as knowing technology. It's about understanding what people expect from you in terms of digital capability, insights, culture, and how they want to connect with you – and then delivering this on a scale that makes it the norm.

But successful businesses also understand that even the new normal is not a fixed end point. Customer preferences and behaviour are constantly changing.

Businesses need to ensure they never stop innovating and adapting the way they serve and engage with their customers in line with these evolving needs.

Nowhere is this truer than in banking, where technology's great quest for a new normal is set to take a major leap with the advent of the mobile wallet.

The mobile wallet could transform the way people pay for goods and services in New Zealand, with contactless mobile payments ending the need to carry a physical wallet full of debit and credit cards and cash.

Its potential to enable people to make mobile payments anywhere, any time is genuinely exciting. But the ultimate measure of its success will be when it's considered as ordinary as the physical wallet it replaces.

The full potential of a mobile wallet can only be achieved once the wallet and terminals have been rolled out on a scale that makes it accessible to all and wallet payments so universal they are considered routine.

Regular users of an accessible, secure and easy-to-use mobile wallet will think not of the cutting edge technology behind it, but the everyday coffee, petrol or groceries it enables them to buy more quickly and conveniently.

As a bank that shares a financial relationship with one in two New Zealanders, ANZ has a particular contribution to make in delivering this new normal.

We see contactless mobile payments as the way of the future and are ready to play a major role in making them mainstream as quickly as possible.



The best technology just helps users get on with their lives, says Fred Ohlsson.

We recognise that an important part of gaining widespread acceptance for new technology is to satisfy users that it is secure. In the case of the mobile wallet, this means using the latest encryption technology to protect customers' financial information.

Another factor businesses need to take into account when innovating to meet changing needs is that not all customers have the same requirements. In fields such as mobile payments, a "one-size-fits-all" approach is not an option.

Banks must provide solutions tailored to differing needs.

At ANZ, this has meant developing distinct mobile solutions for every type of customer, from our hundreds of thousands of retail customers to the country's largest institutional businesses.

Continuing to meet evolving needs also means engaging and listening carefully to your customers, and acting

on their feedback. We are applying this principle with upcoming improvements to ANZ FastPay, our app enabling small businesses to process Visa and MasterCard credit and debit card payments on the spot using their smartphones.

The idea behind payment apps for this market is that owners of small firms – think plumbers, builders or mobile dog groomers – want the convenience of taking card payments from customers on the go.

Their primary concern is not gadgets or software – cutting edge as they may be – but meeting customer needs by accepting multiple types of card payments wherever they are.

Businesses have hailed this type of technology as a game changer in enabling simpler, quicker payments on the go, and supporting cashflow. But no provider can rest on their laurels. For our part, from mid-year we will be extending FastPay's capability to

eftpos transactions and introducing a new card reader so merchants can process transactions even faster.

These improvements are the result of feedback from customers on how we can make it even better.

Successful technology has to be the servant of its users. The challenge for businesses everywhere is to transcend technology with solutions that are universally accepted, intuitive, and that people will want to use every day.

Just a few years ago the idea of doing your everyday banking on a mobile phone was almost unimaginable. Yet today ANZ's goMoney banking app alone is used by 500,000 New Zealanders. By continuing to move beyond innovation to normal, we will very soon create a future where a mobile wallet is as ordinary as the leather one of today.

● Fred Ohlsson is ANZ New Zealand's Managing Director, Retail & Business Banking

The key to retaining a global advantage

Given the growth of TIN companies over the past decade, what role do you see innovation playing in ensuring they grow even faster?

Shanahan: Innovation is increasingly important in New Zealand for a number of reasons. Firstly, innovation is required to have a value-leadership position to avoid margin erosion in a volatile New Zealand currency. Secondly, the intensity and speed of global competition is increasing, so innovation is required to sustain a global competitive advantage. What surprises most people is how significant these TIN100 companies already are in our economy.

Last year, foreign tourism accounted for about \$11 billion, dairy accounted for about \$14 billion and the next on the list is the TIN sector – at \$6 billion. I see this as a golden opportunity for New Zealand, where our currency has dropped against the US dollar but the US economy is growing. All three TIN companies that have sprung up in the past 10 years can ride off the back of that growth and improve their value in NZ dollar terms.

Because of the nature of the TIN sector, we're going to see more parity with the dairy and tourism sectors because these companies have the unique ability to innovate and be globally scalable more quickly.

What is needed to further encourage or enable foreign investment in the TIN companies? There has already been rapid growth



Greg Shanahan, managing director of the Technology Investment Network (TIN) – talks to Greg Hall about key trends impacting NZ companies on the leading edge of change

but we need to be careful – this may subside if the market becomes overheated and the bubble bursts. One of the key trends is the growing number of US venture capital firms looking to New Zealand over the past 30-40 months. But the Nasdaq has passed a record level of activity compared to what it was when the Dotcom bubble burst in 2000. When the market becomes too hot, people start paying for things at prices that can't be sustained. One of the reasons investors are coming here is that there is too much money chasing too few deals in the United States, whereas here there is a diversity of opportunity. This, and the fact that the world is rapidly becoming more globalised economically, means New Zealand needs to have a long-term view in responding to these factors.

Of the companies that make the leap into the top revenue bracket, what common capabilities or qualities do they have?

There are four key things: Intention, People, Focus/Strategy and Execution. For intention, these companies want to be big at the outset with an

ambition or sense of destiny starting with the CEO and management team. What we see in these companies is that many keep "global domination" in their sights. As far as people go – staff attraction and retention are key issues as competition for talent rises.

TIN100

The TIN100 report which tracks the fortunes of the top 100 fast-moving – and globally focused – NZ companies in the hi-tech manufacturing, biotech and ICT sectors. www.tinnetwork.co.nz

Successful companies typically are places people want to work as they have an attractive culture, which fosters success. Focus and strategy are also important. The most successful companies survive long-term because they are profitable. Technology exporters have maintained profitability through the

Global Financial Crisis with the appreciation of the NZ dollar by becoming price makers or market/value leaders. Successful companies increasingly focus on areas where they can sustain a leadership position.

Finally, execution. We've moved past the "clever Kiwis" stage to a place where we have a growing number of innovative companies who also execute very well operationally, as well as in sales and marketing. The leaders are defining the success culture for others to follow, and defining that culture is one of the key objectives of the TIN100 Report.

The theme of the 2014 report is where the TIN companies have come from in the past decade – what changes do you see in the next 10 years?

- The key trends are likely to be:
- A growing profile of larger TIN companies;
 - More New Zealand companies with a global footprint;
 - Growing foreign investment in New Zealand TIN companies;
 - A rise in talent in New Zealand coming to fill the growing number of

skilled positions. Sir Paul Callaghan used to talk about New Zealand being a place where the talent wants to reside. We need to ensure this.

The TIN100 timeline highlights that the NZ innovation sector is currently undergoing a period of growth and expansion following the GFC. What must be the wider focus in New Zealand moving forward to ensure that this period of growth is sustained?

First and foremost, we have to be able to supply the skill base required to support the growth. We must keep the country attractive to skilled people, and this is not just about the money. People want to live here for career opportunities, but also for lifestyle reasons. If you can satisfy both, you'll be able to continue to attract the people we need.

We also have to encourage investment in R&D, through cash as well as streamlined systems – New Zealand must support that. We've got to keep ourselves connected locally – our small size is a major advantage. We need to align Crown-funded research in Crown Research Institutes and universities with the more commercial outcomes of TIN100 companies.

Lastly, we need to look closely at succession planning for longer-term growth of our best companies. Looking at the CEOs of the big TIN100 companies, many are ageing, and we need to be careful that the next generation doesn't all sell up and leave.

Innovation 2015

Microsoft shifts focus

The software giant's emphasis has moved from physical products to services

For most of its history Microsoft was a software company. Make that the software company. A decade ago it was the world's largest company by market capitalisation.

In 2012 former CEO Steven Ballmer wrote to shareholders telling them Microsoft had shifted to become a devices and services company. A year later he announced his retirement. Since he stepped up to the top job a year ago, new CEO Satya Nadella has busy rebuilding Microsoft around a single strategy based on "reinventing productivity".

Nigel Parker, director of developer and platform evangelism at Microsoft New Zealand says Nadella's arrival has had a profound effect on the company, both internationally and in New Zealand.

Microsoft's definition of productivity goes beyond getting a phone or a PC to perform basic tasks. Parker says: "People are now more mobile than in the past. They have mobile tools and they expect those tools to know who they are and where they are going. There's been a move away from single purpose tools: a phone is no longer just for calling, a television does more than just broadcast TV programmes. Now people expect to be able to work or be entertained across a range of devices."

There's been a move to where almost everything can be delivered as a service. Parker says Uber car booking is an example of transport as a service, Airbnb is where accommodation is delivered as a service and Microsoft's Windows Azure cloud platform is computing delivered as a service. He says this shift is closely aligned to reinventing productivity.

At the same time there's an economic effect driving down the price of hardware. Parker says when smart watches first appeared the typical price was around \$300. Now you can buy them for \$150. Hardware prices are falling so quickly, that physical devices



Innovation
Bill Bennett

are moving into the background. "And this all means a massive increase in the amount of data people use. In turn we are bombarded with more and more information competing for our attention. There's a danger that if we don't find ways of focusing, we'll switch off and lose the benefits."

So when Microsoft talks about reinventing productivity, the idea is to funnel the tide of devices, data and services invading our lives down useful channels.

Parker gives personal healthcare as an example. Microsoft now makes and sells the Fitness Band, a wearable device that fits on the wrist. It monitors such things as heart rate, sleep, activity and exercise. Parker says he has been able to transform his own health thanks to having "my data of me".

He says having a better idea of one's own health saves money, helps people stay out of hospital and in extreme cases can provide early warnings to change habits in order to ward off conditions like diabetes.

The Fitness Band is an example of how a tidal wave of data can be channelled to make it useful. Parker says the key to understanding how it works is to recognise: "The Fitness Band isn't an end-point, it's a platform. Others can build on it."

This fits squarely in Microsoft's approach to the market, which addresses three distinct audiences: end users, developers and IT professionals. "Our intention is to harmonise the needs of all three audiences".

Historically Microsoft had a distinctly confrontational internal culture where groups, teams and divisions would face off in a Darwinian battle for



People are now more mobile than in the past. They have mobile tools and they expect those tools to know who they are and where they are going.

Nigel Parker

resources and attention. That worked as the business climbed to the top of the information technology industry during the 20th century. It's no longer the right culture for 2015.

CEO Nadella has moved to align units to work together towards common goals. Parker says this cultural change has been a challenging period for the company; it means people have to think differently.

Another cultural change at Microsoft is recognition of the blurring between personal life and work life. That's how most people live today, but it wasn't how Microsoft addressed the market. It had clear lines drawn between the parts of the business addressing consumer or individual needs and those divisions targeting business and enter-

prise customers. Parker says these are now breaking down and Microsoft increasingly offers products and services that address both consumer and enterprise needs.

Microsoft's New Zealand customers are more in tune with Nadella's vision than some overseas counterparts. Parker says New Zealand has the highest proportion of people who have moved to Office 365 – Microsoft's repackaging of its mainstream applications as an annual subscription. He says we've embraced the terabyte of online storage that comes as part of the subscription and the Skype calling minutes that allow users to make device to traditional phone calls each month for no extra charge.

"We've seen a shift in the way individual people are buying this as a service. The same thing is happening in business. Our OneDrive for Business is essentially the same service. Microsoft has successfully moved from mainly selling physical boxes of products to selling services."

These changes have altered the way Microsoft earns revenue. Many services are now given away free to individuals. You can run basic versions of Office apps on an Android or Apple device for free. There are free versions

of Office apps that work in web-browsers. Consumers who pay NZ\$165 for an annual subscription get access to more features along with storage and phone calls. They can install the Office software on up to five computers and all their handheld devices for no extra charge.

As a result Microsoft has shifted away from earning money from individual consumers; businesses and cloud customers are now the dominant source of revenue.

Nothing illustrates the changes more than its position in cloud computing. It's no accident Satya Nadella ran Microsoft's cloud business before he rose to the CEO role. His understanding of how cloud computing changes the face of the technology industry is the context for the changes he has put in place.

Parker says there's still a land-grab going on in cloud computing. Today Microsoft is one of the top three cloud providers, along with Amazon and Google. The three have invested billions in the technology – that level of spending is required to build cloud services at the scale required to replace much of the world's existing computing infrastructure.

As an illustration of the power of cloud computing, Parker points to Vmob. It's a New Zealand-based business providing personalised mobile phone marketing around the world.

Parker says Vmob uses Microsoft's Azure cloud to service half a billion customers. Without cloud computing that would require a massive investment in infrastructure – more than a relatively young business could ever hope to finance. With Azure Vmob can buy just the resources it needs as and when they are required.

The results of these changes are already showing in Microsoft's financial position.

In 2014 turned in quarterly revenue reports that beat analyst expectations, mainly thanks to rapid growth in cloud computing sales.

Maturing economy sees Maori tap potential

Bill Bennett

Callaghan Innovation general manager Maori economy Hemi Rolleston says until now the Maori business sector has been largely conservative but that's changing. "We've tended towards acquiring safe assets. We've invested in term deposits and property. Much of our business is involved in primary production."

"The Maori economy is an important part of the wider New Zealand economy and it's growing. It is poised for take-off and not just because of treaty settlements."

There's already a significant asset base and a growing maturity. As they go through the business cycle, Maori-owned enterprises will move further up the value chain and head towards taking a more innovative approach. We're already seeing a spotlight on research and development and there's increasing government support.

Leon Wijohn, who has affiliations to Te Rarawa, Tuhoe, Ngati Tahu and Ngati Whaoa, is a lead partner at Deloitte New Zealand and a specialist in Maori business development. He says the Maori economy is now worth \$40 billion. It's a sizeable slice of the wider New Zealand economy and one that's likely to become larger. "Maori



Hemi Rolleston

organisations are important to New Zealand. They are growing faster than the overall economy and they predominantly reinvest in the country. They will be New Zealand organisations for ever," he says.

That explains why a business like Deloitte has invested in the sector. There are 20 partners working in the Maori area, five have whakapapa. Another 100 or so staff members support the partners and 40 of them are Maori. Like Rolleston, Wijohn believes the

Maori business sector is gathering momentum and fresh thinking is needed to unlock the potential and help the Iwi owning the businesses to serve goals that go beyond simply building wealth. "There are four pou or pillars: economic, environmental, revitalising Maori culture and the well-being of the people."

Another aspect sets Maori economic activity apart from the mainstream: long-term vision.

Wijohn says his work at Deloitte has seen him help develop business strategy for mainstream companies: "Usually they write plans that look one year ahead. Some might write five year plans. Maori organisations often plan 100 years ahead. They take an intergenerational approach."

While long-term perspective is at odds with the kind of fast-moving innovation you'll find in technology start-ups, it fits well with more traditional research and development. "Successful innovation in the tech world is often about building, acquiring and then exiting. Maori rarely look for an exit. However the patient approach is a natural fit with R&D," says Rolleston.

He says the first areas to look for innovation are those where Iwi-owned businesses are already strong. "The natural ones are in the primary sector.

That's where our assets are.

"There's a propensity to look at high end products, deeper in the value chain. Fish would be an example. We need to look at the whole of catch, not just the fish, but all the product including the waste streams. Ironically these days the waste can be more valuable than the main catch. The challenge is to get nutraceuticals and pharmaceuticals out of this product. It could be fish or it could be honey."

Another natural starting point for Maori innovation is in the indigenous product area. Rolleston says: "These are the ingredients that are set in our land: the kawakawa, the harakeke, the kanuka and the manuka. These are an important niche for us."

Indigenous products link to another area where Maori have a head start: story-telling. He says: "We have an amazing story, in general the world loves to hear it. The way technology is changing the world at the moment is opening up a whole new opportunity for Maori to tell these stories using new, modern tools."

"The world wants to hear about food-safety, sustainability and traceability. It wants to know about provenance and people are looking for social responsibility when they buy. Maori tick all those boxes and there's a great story

to tell about the people and the land", he says.

"This works well with innovative business like Ian Taylor's Animation Research who use digital technology to tell a really powerful Maori story. In most cases our products can have a similar taste or offer more or less the same profile as non-Maori products."

"You might have two very nice bottles of wine sitting next to each other; they both taste similar and sell for the same price. One has a good story about where it came from and how the money made from selling it goes back in the community. It's going to sell better and that's one area where Maori businesses are ahead of the game."

Wijohn says though Maori organisations continue to invest mainly in land and primary industry assets, there's a growing realisation they need to take a broader approach. The challenge is to find ways to make the best of the assets to generate free cash flow and create jobs for iwi members. This generally means moving up the value chain.

Rolleston says his role at Callaghan Innovation is partly about helping to build relationships between Maori bodies and potential partners. He says like Asians, Maori organisations are more interested in long-term relationships than one-off deals.

Our people, our thinking, our values

An innovative company depends on a broad range of intangible people-centred qualities, says **Michael Barnett**

An innovative business is often thought about in terms of the new technology it adopts or the R&D investment it makes to come up with new products or services.

But over the past few years many companies have begun looking beyond the traditional idea of what makes a company innovative in a belief that innovation should involve all corners of your organisation.

The idea of what is and what inspires innovation has been evolving to meet the new realities of a business world that these days takes innovative design and creativity for granted. The question is no longer framed on the premise of how to innovate a better product or service but instead how to inspire and unleash a sense of belonging and innate creativity within the existing people in a business.

The old model of driving innovation through strategic corporate investment in ICT and R&D are no longer enough.

To my mind, "Z" is one company demonstrating how innovation and its value creation goes well beyond just applying new technology or R&D.

In a handbook for staff, investors and other stakeholders on what matters in Z, we read: "We believe that if you want to be a world class Kiwi company, don't just employ people, divide them into functional departments and tell them what to do.

"Instead give them a reason for belonging, the possibility of a bigger



Success comes through recognising people as innovation carriers, says Michael Barnett.

purpose, and a hunger for the extraordinary."

Innovative thinking has been applied to capture the identity, the meaning, values and beliefs of Z's people individually, and then collectively as an entire firm. When it comes down to it, at its essence the company is expressing itself as a values-based and organic firm of

people, not a clock-on, clock-off machine.

The brand is summed up as "solving what matters for a moving world". "Our driving obsession is to relentlessly look for solutions that help our customers get out and about, get on with their lives and get on with running their businesses."

To me that's a form of innovation

– thinking, harnessed to arrive at a point of difference.

Over the years I have had dealings with many types of organisations – big and small businesses, councils and government agencies. For companies, I strongly agree that if they don't believe they need to innovate solutions that really matter to customers and embrace changes of attitude and behaviour that recognise the diverse needs and contributions of staff, they most likely will not remain relevant very long.

Continuing to do things on a basis that "this is the way we have always behaved", becomes counter-productive. Opportunities are missed. For example, many of Auckland's small-medium companies have innovated products or services that have generated success in Auckland. However, a step change in applying innovative thinking would see many develop a business plan to grow internationally.

In the past few months, the Chamber of Commerce has hosted a number of business award presentations. Many began in a garage or back yard and have grown rapidly into successful international companies, and it was traditional innovation that got them off the ground in the first place.

But they have not been content with just innovation of the new idea, the new product, the new approach; they have gone on to apply innovative thinking to build a successful team, create values they all share but at the same time recognise and respect the diversity of who they are

and where they come from; in Auckland that is all corners of the world.

To adapt an Ernest Rutherford quote in the context of an SME seeking to establish on a tight budget: "We don't have a lot of money, so we will just have to think." And that, of course, is the essence of innovation.

And my point is: It is the innovative thinking and flexible management that is invested to encourage individual people in the business to bring their values and beliefs that allows a business collectively to stand out in a crowded market.

"It's our people." This was the first words that many of Auckland's recent business award winners attributed to their success. They didn't stand up and recognise the new technology, the software they may have developed, or the marketing plan – as important as these business tools and strategies are.

Instead, the platform on which an innovative company achieves success depends on a broad range of intangible people-centred values and beliefs that create an environment that drives productivity growth and attracts customers.

It is through encouraging the pivotal role of people as innovation carriers – their network, collaborations, knowledge, interactions and know-how – and how this people power is harnessed that becomes the point of difference in building a successful innovation-led enterprise.

● *Michael Barnett is chief executive of the Auckland Chamber of Commerce and Industry.*



Go where your customers go.

Your customers are at the heart of a technology revolution. And they expect you to be there too.

The potential for your business is huge, but you need a clear vision of where this new future is and the digital connectivity that will take you there.

A digital connection to your customers is now vital, whether you're a major corporate or an up-and-coming SME. So we're here to help your business get to where your customers are, unleashing your potential and taking full advantage of the digital future.

We're providing the very best in mobile and fixed data services through major investments in big new data centres, smart data analytics and fixed data services. And we're backing all this up with our on-going commitment to build New Zealand's best data network.

In today's hyper-connected world, through Spark Digital and Spark Business, we bring you the digital solutions you need for success.

Unleash your potential. sparknz.co.nz



SNZ2474

Innovation 2015: the LA story

Finding help from above

As New Zealand invests significant capital and resources into the likes of Callaghan Innovation and GridAkl, it's important to measure how we stack up internationally and learn from those further along the innovation journey, writes **Alexander Speirs**

Look no further than Los Angeles, the fastest-growing region for innovation within the United States and a case study for the development of a fast moving high-tech economy.

Though existing in Silicon Valley's massive shadow, Los Angeles has undergone substantial change to move from being the creative capital of the Western world to a thriving hub for technology and entrepreneurs.

Los Angeles boasts 8.5 per cent of all early-stage start-ups in the United States, compared to the two traditional juggernauts, Silicon Valley and New York, which boast 24 and 14 per cent respectively. That margin looks set to narrow further with Los Angeles pacing the country with start-ups growing at 5.3 per cent in the first half of 2014 compared with Silicon Valley at 4 per cent and New York at 4.5 per cent.

The past two years have seen more than 250 companies raise at least \$1 million of investment in LA.

Los Angeles is thriving in the innovation and technology space and it hasn't happened by chance. It's taken a concerted push from government, business and intermediaries to spur and sustain growth.

Herald Business Reports identified seven key strategies that are propelling innovation success during a visit to Los Angeles.

1. Appoint a Chief Technology Officer

In New Zealand, Xero founder Rod Drury has been campaigning for the Government to appoint a Chief Technology Officer to ensure the country stays ahead of the big technological trends – to no avail. But in an effort to stay on top of the growth in technology and ensure Los Angeles can continue to forge ahead, that's precisely what Mayor Eric Garcetti did when he appointed the city's first Chief Innovation Technology Officer last year.

Peter Marx, referred to as Los Angeles' "tech czar", spearheaded the city's open data movement and is now taking the technology lead for the LA government.

"My role is to look at technology strategy as it affects different city functions, the economic development of the technology industry and



Peter Marx is the first Chief Innovation Technology Officer for Los Angeles. He oversees innovation for the city.

to work with the private sector and government agencies to understand how their development is going to affect the city," Marx told the *Herald*. "My job is less executional and more focused on drawing attention to what is happening."

"The technology industry works really differently from traditional government. If you think about how online services are developed today, they're built iteratively, with agility and without necessarily knowing what the end looks like. This is really different from traditional government functions – nobody would build a bridge without thinking what it will look like at completion – but the technology world does that every day."

Mayor Garcetti is banking that having a figure like Marx to shape development and champion change will pay long-term dividends.

Question: Why is New Zealand so

loath to follow suit?

2. Leverage Points of Difference

Hollywood has one of the strongest brands in the world – palm trees, movie stars, it's the epicentre of film and television production. It's also what makes Los Angeles stand apart and provides unique opportunities to build business.

"With the likes of Paramount, Sony, Warner Brothers and Disney being the most prominent companies in Los Angeles for a long time, the technology scene grew from a design, art and media perspective," explains Jay Tsao, founder of GM Technologies.

That had its "pros and cons" adds Innovation Director Amy Amsterdam of the Los Angeles County Economic Development Corporation, who frankly acknowledges the perception of Los Angeles as the "red-headed stepchild of the innovation world" and the struggle for investors, in particular, to get past the convertibles

This is really different from traditional government functions – nobody would build a bridge without thinking what it will look like at completion – but the technology world does that every day.

Peter Marx

and cosmetic surgery Los Angeles is better known for.

"We've struggled to tell the Los Angeles story, which is ironic coming from the centre of the world's best storytellers," says Amsterdam.

That was a point which Marx also hammered home as he talked about the role of defining Los Angeles as a technology hub. "I worked for a company called Digital Domain doing special effects a long time ago, and I don't remember New Zealand doing special effects, then suddenly New Zealand ends up being an incredibly significant player through the *Lord of the Rings* movies. New Zealand defined itself there, much like Los Angeles is trying to redefine itself with technology."

Rather than fight those perceptions, the technology industry in Los Angeles has piggy-backed on to the large media and entertainment ecosystem which makes up Tinseltown.

"A lot of the small up and coming companies leveraged the entertainment ecosystem and the core competencies already built through Hollywood. We saw companies gaining traction then in associated industries – excelling in graphics, digital design, animation," says Tsao.

With a barrage of content created in Hollywood every day, companies have worked to find synergies and opportunities working within the industry, improving the industry and creating platforms to utilise that content. That promotes growth and creates asymmetric opportunities through the wealth factor.

3. Engage the Wealth Factor

Success breeds success and wealth creates wealth. When successful companies grow it not only draws more direct capital into the innovation ecosystem, but attracts interest throughout it. In Los Angeles the success and then exit of the primary investors in MySpace spawned a plethora of start-ups and attracted the talent and investment necessary for a host of companies to take the next step.

"As we see the growth of more and more technology start-ups out here, we're starting to see more successful

continued on D9

CicLAvia makes the wheels go round

In a city where many of the world's biggest stars call home, the name on the tip of everyone's tongue isn't Brad Pitt or Leonardo di Caprio – it's Aaron Paley.

The man behind the wildly successful CicLAvia, Paley has become an icon to Angelenos as the city planner turned philanthropist continues to grow his status alongside the remarkable pedestrian event.

It's been called one of the great innovations to emerge in the 21st Century – even though it's based on an idea from the 1970's. Wrapping your head around it and what makes it so special isn't simple, nor as clear-cut as more traditional innovations.

The concept was developed in Bogota, Colombia – where every Sunday the main streets of the city are closed down for Ciclovía – a Spanish word which literally translates as cycleway. The day-long event completely changes the dynamics of the city, the transport and the people – if only temporarily.

Sitting down with an under the weather Paley outside of his



Aaron Paley

Hollywood Hills home, he tells the *Herald* "CicLAvia is all about reimagining our city and reimagining public space."

"What that means is people of all ages, of all classes, from all different neighbourhoods all feel comfortable. Public space is hard to find, so we're making it and we're making it temporarily.

Who is Aaron Paley?

Paley studied as a city planner but is better known in Los Angeles for the mass events he's staged – bringing the city its first fringe festival and producing Glow – a night-time art celebration which drew 200,000 people to Santa Monica. He was the 2008 recipient of the Durfee Foundation Stanton Fellowship which he used to study public space – sparking the interest and providing the catalyst for CicLAvia.

"We were really exploring Los Angeles and it doesn't follow the template of New York, San Francisco, Paris or London or any of the traditional great cities. I've been really obsessed with city form and shape, and I lived in these cities for extended times and came back to Los Angeles and what struck me was the lack of public space."

The first took place in October 2010

– as a 7.5 mile route through downtown Los Angeles was brought to a halt for motor vehicles. More than 100,000 people showed up with celebrities abundant and a swathe of accompanying media. The reaction in the days following was substantial – dominating the front page of the *LA Times*.

"I never thought it would be so fantastically successful when we started. This has been done all over the world, but for some reason this one really resonated, really made an impact and exploded in size from the get-go."

"It's a simple concept – any street, we're going to take it over temporarily, remove the cars and turn it into a public park. Most people use it to cycle, but lots of people walk, lots of people hang out and by creating a public space with the streets in Los Angeles that's a huge thing because there are streets everywhere and we can create this interconnected park anywhere we want."

New Zealand have run their own Ciclovía events, though not nearly on the scale of the Los Angeles version. Wellington, Christchurch, Auckland

and Waiheke Island have held events sporadically – but without the full weight of government and the public behind them – they can be hard to get off the ground.

Paley attributes a significant amount of the events success to having the weight of the mayor's office behind him.

"When the event was first starting we made a presentation to the head of the department of water and power and the deputy mayor for the environment and they loved it."

"They said told us that the mayor was 100 per cent behind this idea and committed to covering all the costs from the city side. They actually asked me how long it would take together to cover our own costs so we could get this going!"

CicLAvia is now held quarterly, with a medium-term aim to potentially make it a monthly occurrence. The event draws over 100,000 people and traverses a different route through Los Angeles each time. "This is all about Angelenos seeing the potential in their city and helping find ways to make sure it's living up to the potential it has."

in the city of angels

continued from D8

exits and the effect that has on the wider industry," says Bree Lennon, founding partner at Society 56.

High-profile companies making exits and taking the next step with IPOs - the likes of Oculus Rift, Blizzard and TRUEcar - are showing the world Los Angeles is a great place to be and somewhere that can produce successful companies by bringing the wealth factor into play.

Explains Tsao: "The initial founders, employees and executives, they naturally increase their wealth as a result of these exits and the natural progression is to fund their friends' companies, new internal company initiatives or other ventures that stay here within the local ecosystem and help start that growth."

"That's what we've seen happen with Silicon Valley over the past few decades and the same effect is emerging in Los Angeles."

Creating wealth and producing growth has an organic flow-through effect. As more successful exits happen, it's not just the entrepreneurs directly who benefit - the capital that is realised filters throughout the ecosystem, be it incubators, accelerators, venture capitalists and government institutes.

But it's not just about capital; the early successes of MySpace, Overture and Applied Semantics didn't just bring the money needed for the environment to grow, but also the talent, exposure and external interest. Taking advantage of that requires getting the public and private sector on the same page.

4. Push the Politicians

An integral component of the soaring growth in the Los Angeles technology and innovation space has been the contribution of Governments that have thrown their political weight behind initiatives to stoke development and sustain growth. Special tax brackets, zoning ordinances and business attractions schemes are just some of the initiatives offered in Los Angeles.

"There's a lot of work being done behind the scenes to try to alleviate the pressures on business and make it more attractive for businesses, in the technology spaces in particular, to come to Los Angeles," says Lennon, a founding partner at Society 56 which helps New Zealand and Australian companies make the transition to LA.

In 2010 the city implemented a heavily reduced tax rate for Internet companies - lowering their bill from \$5.07 to \$1.01 for every \$1000 in gross receipts - a move extended for four more years at the end of 2014 and passed with unanimous support.

Local government has also been proactive, ensuring that unique and open spaces with the ability to scale are available to companies of all sizes - from start-ups through to the Googles and Yahoos of the world.

"The zoning ordinance has been working with large land owners both in the private and public sector to come together and create more technology business parks," adds Tsao. "Local Government has created favourable ordinances and policies to enable land owners to be a little more creative about how they can build these projects out, attract a range of



Bree Lennon

businesses from a variety of industries and promote cross-sector collaboration."

There are also significant support networks in place through government agencies to help businesses looking to move their business to Los Angeles. The Los Angeles Economic Development Corporation has a clear mandate, to "attract, retain, and expand businesses and jobs for the regions of Los Angeles county".

"We provide assistance to get the resources within Los Angeles to make businesses work here," explains Amsterdam.

"We assist with site selection, layoff aversion, relocation services, tax assistance in terms of navigating the local network, ombudsman assistance. We provide that support to

make sure that businesses coming to Los Angeles can access the resources, the contacts and the networks to make transitioning and setting up here a smooth process."

5. Build Connections to Bridge the Gap

Expanding the influence and impact that the technology and innovation sectors can have, can't be moved ahead by just one player. It requires the public and private sector on the same page, with intermediaries helping to bridge the gap between them - as well as connecting the top and bottom ends of town.

"Compared to a lot of other regions, one of the gaps we saw in Los Angeles was a real lack of connections. If you look at Silicon Valley, you have the

universities, the government and large corporations all very well-connected to the technology community," says Sean Arian, vice-president of Innovation & Emerging Technologies at the Los Angeles Area Chamber of Commerce.

Bridging that gap has been a key part of the strategy to grow the innovation culture of Los Angeles, with the Bixel Exchange taking a frontline role. An initiative of the Los Angeles Area Chamber of Commerce, the Bixel Exchange works to connect, advise and educate companies in the region.

"We wanted to get back to what Chambers of Commerce originally stood for and that is, we help build industries within our regions," says Arian. "If you look at Los Angeles, the industries are in their beginning phases but what is really starting to grow is technology."

"We saw that Silicon Valley also excelled at mentorship, providing opportunities for entrepreneurs to connect with likeminded people, get advice from those who have been there and done that. That's partially because of the geographic spread in Los Angeles."

Arian told the *Herald* the Bixel Exchange's first project was mentorship and advisory services for entrepreneurs. "We put 80 companies through our programme in the first year and are hoping to do 150 in 2015. They work with our advisors who help with business plans, marketing materials, growth hacking - all of those good things which our advisors have been and done."

continued on D10



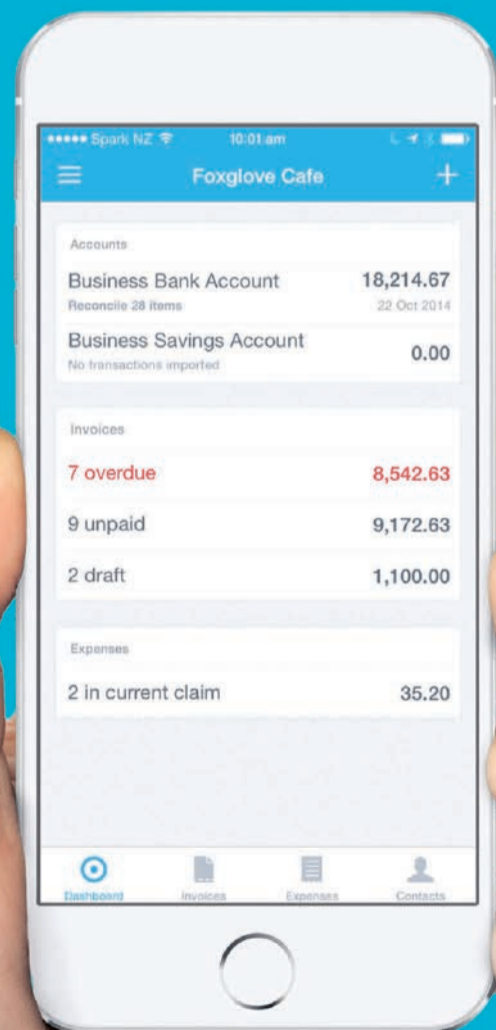
Beautiful accounting software

Taking kiwi innovation to the world

We continue to innovate our platform to help small businesses everywhere succeed.

Join more than 400,000 customers in over 180 countries who choose Xero.

www.xero.com



Innovation 2015: The LA story

Alexander Speirs talked to NZ companies making significant headway in the United States after launching in LA

Cloud Cannon aiming at US

Cloud Cannon is an online content management system (CMS) which makes static web pages, built by designers, simple to manage and edit without the need to change elaborate designs into formats editable in a responsive CMS like Wordpress.

In essence, it streamlines the process of deploying websites to the internet, carrying out in the background what was previously a tedious process – while putting the power to edit back in the hands of clients.

Built by Mike Neumegen and George Phillips, who spent years building websites in their days at the University of Otago, the service now boasts thousands of users managing millions of pages every month.

Cloud Cannon went through the Lightning Lab in 2014 – a Wellington based start-up accelerator which puts companies through an intensive three month programme culminating in an investment showcase.

They entered as one of the more established companies, bringing existing revenue and customers with them, and it paid off. Cloud Cannon pitched for \$450,000 at the showcase day and though the exact figure they received has remained confidential, it sounds like it was comfortably north of what had been hoped for.

CEO Mike Neumegen said with money behind them, the company was ready to take the next step and dip their toe in American waters – but it still took a bit of a push.

"I had a ticket bought for me three days in advance – I was told on Sunday night and on my way Wednesday. I had no time to prepare, I didn't know anyone in the US and I was thrown in the deep end."

Getting into California the first time was focused on investigating the potential of the market for Cloud Cannon and meeting with savvy investors and companies in the region.



Cloud Cannon founders George Phillips and Mike Neumegen.

As long as you are here and are doing something that could be vaguely interesting to these companies, they'll give you the time of day.

Mike Neumegen

"I've always thought in New Zealand it was really easy to access people you want to meet – particularly the start-up community was very accessible and eager to help where they could. Surprisingly, I found the same thing when I got over here.

"As long as you are here and are doing something that could be vaguely interesting to these companies, they'll give you the time of day. Google and Dropbox were two of the big meetings I had and people who I really wanted to talk with. I had to really hustle to get some of those meetings, but it's been eye opening."

Just being on the ground in California has unearthed a host of new opportunities for Cloud Cannon – both

planned and serendipitous. Neumegen says he's met clients, developers and investors completely by chance in bars and Uber pools.

"It just makes all the difference being here because there's no way I'd be meeting all of these people at really big companies in New Zealand – you kind of have to be there to have those experiences.

"The big milestone from our trip last time was starting to get some enterprise customers and beginning to appreciate the needs of some of these big companies. Initially, we couldn't figure out why some of them were signing up to our service – it was difficult to get a real understanding over email and we prioritised meeting these

clients face to face early in our last trip.

"My big goal this time around is to understand enterprise better and get some sales under our belt, from there we hope to get some big companies signed up which we can use as case studies and testimonials for Cloud Cannon."

Getting some enterprise customers signed will be the first step on the way to Cloud Cannon establishing a permanent American base. Though it's firmly on the to-do list, it's about getting on the right side of the cost-benefit equation first.

"Hiring out here is just too expensive for us at the moment. At the moment it's just me over here – all of our developers are in Dunedin. We are going to have to have more presence here to succeed and grow and it's something we can start looking at seriously once we land a few enterprise deals."

"We have a US company and at some point I'll start working for that, after which we'll hire out here. That's probably still more than six months down the track, however. We're taking it one step at a time."

"We've been working on a new offering which is what is attracting a lot of interest from potential enterprise customers all of a sudden. That will be launched while I'm in the US and will be a big step for us."

Neumegen says the Kiwi Landing Pad has been a great help during their trips to the US – with a plug and play working space and the advice of Kiwi companies who have been in the same position before.

"It's great having New Zealand companies around you who are going through the same experiences and can offer a word of advice. Having issues with getting a visa, securing investment ... because none of the US investors understand the NZ legal environment, even something as small as when I get homesick."

Finding help from above in the city of angels

continued from D9

Getting major players on the same page as fledgling companies has been a real success. SAP is a strategic partner in the big data space, while Warner Brothers has taken a lead on digital media. Both these companies are examples of corporations that are taking the development of new and innovative technology seriously. They boast internal incubators, bringing in companies within their industries, giving them access to their executives, capital and most crucially – their internal intellectual property.

Says Arian: "We need that connection now to be the same with Microsoft, Google, NBC Universal, Disney and create similar programmes with them. It's about taking what we've learned from these first two and scaling up."

6. Fighting the Brain Drain

Just like New Zealand, the innovation ecosystem of Los Angeles faces the threat of brain drain. The city graduates more engineers than any other city in the US. But keeping them around to contribute to the economy that educated them has proved a problem.

"Once they get their degrees, we're seeing the engineers we're producing and nurturing heading out to the East Coast, up the road to Silicon Valley and others overseas, all of who are helping those places innovate and grow," says Tsao. "Now we're seeing a much more concerted effort here to try to retain them in Los Angeles."

One of the key retention issues is



Sean Arian presents to YouTube at the Bixel exchange.

the lack of understanding by graduates about the scope of opportunities in Los Angeles. The development agency is now putting a lot of effort into building relationships between the universities and the business community.

"The schools here are so large, they're isolated on these huge

campuses and the students weren't getting off the campuses to get hands-on with the community," says Amsterdam. "At the growth rate we're experiencing, we're starting already to have labour shortages with coding, and high-skilled roles. Having a local workforce prepared to take advantage of that is really important. We

can play a role in that by helping to link the tech community to the education system."

The Los Angeles Area Chamber of Commerce is working with LA Hi-Tech to prepare students while still in school for jobs in technology. Their pilot programme brought together eight community colleges to work

with 16 high schools and 3600 students.

7. Celebrating Innovation and Innovators

Celebrating innovators and inspiring others has become a key pillar of Los Angeles' strategy – with the first Innovation Week held in 2014 drawing a huge response – and more such celebrations are planned.

"Innovation Week was born out of the concept to highlight and celebrate the amazing things happening in Los Angeles and try to encapsulate that in seven days. There were events all over the city, showcasing everything from architecture to gaming," says Amsterdam.

California is turning out more entrepreneurs than anywhere else in the country – and a big part of that is the perception and positivity associated with entrepreneurs. Innovation is celebrated. Failure is expected, not punished.

People turned out in their thousands to Innovation Week.

Even President Obama crashed the party, hosting an interactive town hall celebrating the success of Los Angeles and the opportunities apparent for innovators.

"Technology is changing now just how you do business, not just how you buy products, but also how you interact, how you organise politically, how you get involved in the community and how you solve problems," said Obama. "And all of that can support millions of new jobs. So in some ways, entrepreneurship is in the DNA of this generation."

Working the American way . . .

Derek Forbes – president of Vista Entertainment Solutions (USA) – believes Kiwi companies have to “Americanise” their businesses in order to compete in a local market saturated with brands.

The Vista Group currently has a portfolio of six businesses that provide software solutions to the global film industry.

Los Angeles seems like a natural fit for a company working in the film sector – when did Vista first enter the US market?

I moved here in late 2009 to set up the US office, but prior to that we had been working here through a reseller since 2002. In some countries we’ve gone into, working through re-sellers has been an effective strategy, but here we weren’t really getting the results. The US was a big black hole in our market share worldwide, we had virtually nothing and so we made the decision to open a direct office on the ground.

What was it about the US market that made it difficult to gain any traction without that direct presence?

Trying to do business here without having a direct presence was never going to work – that’s something we can see now. Because the US is such a large, self-sustaining economy with such a great technology sector, it has companies which do everything within its own borders and most American business people are not familiar with doing business with people outside of the country. It was also quite different when we were starting in terms of our reputation in the market – we were not very well known. People who did know us generally knew us as a foreign company and our biggest competitors were using that against us. They knew we were quite big in other countries and our software was better, so they

were doing whatever they could to keep us at bay.

Getting in to the US market can’t be like anywhere else – what was the approach Vista took?

We took a pretty conservative approach to our expansion into the US which is a fairly New Zealand sort of mindset. We didn’t want to spend too much money just in case it didn’t work out!

We started with three people, bringing in a guy from the company that was reselling for us already; we seconded someone from New Zealand and they joined me to set up the office.

We had a handful of customers here so keeping those guys happy and making sure they had the support they needed was the first priority, so we could turn them into vocal supporters of the product and help us establish a platform to build from. After that it was a matter of me flying all over the country, knocking on doors trying to build up our profile.

Five years into the US experiment, how is Vista now placed in the market?

We’ve grown quite significantly and have gone from having three in the office to now having 50. Our market share in the US is sitting at about 37 per cent of US theatres with 20 or more screens, which is our traditional market. We’re also generally now considered to be the leader in our market and having that reputation means that it’s not the equivalent of cold-calling potential customers – they generally know about us and our presence here, and it gives them confidence in dealing with us.

How does Vista approach innovation and what processes are in place to ensure Vista remains at the cutting edge of industry development?

For us when we talk about innovation, what we’re thinking about are greenfield ventures. It’s about thinking where the industry is going next and



what we can do to add value to it. We do consider ourselves to be innovators; we pride ourselves on being a company that doesn’t just react. Our product team is based in Auckland, which is headed by our CEO Murray Holdway. That team is very well connected into the industry through our customers and they are dreaming up what’s going to help move the cinema industry forward. Coming to the US certainly added some new perspective and thinking on what we could do.

We typically aim to do one major release each year and a series of minor releases every month or so. The major release tends to be where we’re aiming our more significant innovation – the more visible and high profile changes – major new features or products. Part of staying ahead is a conference

we host in New Zealand very two years for our customers and we get people coming to that from all over the world. That is where we typically showcase all of our innovation from the past couple of years and get some direct input and feedback from our customers.

Has using customer input as part of the innovation process led to the development of any new products or technologies?

We received a lot of feedback from some smaller players who weren’t particularly happy with the offerings at that end of the market. We had Vista which was really good for medium to large cinema chains and had a really good reputation – but it was expensive and overkill from what was required. Some of those who could afford it did install Vista, but they found it rather

cumbersome and overwhelming in terms of all the stuff it could do – a lot of which really wasn’t necessary for what were smaller and simpler operations. After struggling to gain much of a foothold in that end of the market, we made the decision to develop a solution for independent cinemas.

Our solution had to take out the heavy IT infrastructure requirements that came with Vista – so we built a cloud-based version of the software, which required a sizeable investment of money and resources. This was at a time when people weren’t quite sure how cloud technology would play out, so it was a bit of a gamble.

With such a significant portion of the market now secured globally, could we see Vista look to implement their technologies and experience in other sectors?

A couple of years ago we went through some quite long range strategic planning. We had come to the conclusion that one day we were going to branch out and would we take our point of sale technology sideways to other markets like restaurants or stadiums – and that was the natural thought. But in the end we realised that we had such a great position within this industry – these relationships, our reputation and these connection points to other things in the industry that we were much better placed to expand vertically – moving up the supply chain and leverage what we already had.

Movio is one early example of this. They’re one of our companies within the group and they do marketing campaigns for movie theatres, with one of those being a membership loyalty programme which makes use of the data collected to more effectively target and market to customers. They were a start-up we invested in with the aim of using our worldwide presence to very quickly take them to our customer base.

– Alexander Speirs

Sending the health company to Arizona

Alexander Speirs

Paul Viskovich started the North American business for Orion Health in 2002 and now heads the sales operation globally.

With the presence of health technology giants like Oracle already in the market, how did Orion work to win some initial market share?

When we initially came to the market, we focused on the niche of integration of healthcare – essentially trying to integrate a number of disparate systems of healthcare and aggregating that data so you can be more informed and do more useful things with that information.

We set out to prove ourselves in the market, first with that product – Rhapsody – starting with integration in rural hospitals before moving into urban hospitals and then as a part of much larger provider networks and state health organisations throughout the country.

Was it difficult starting out in the US as a New Zealand company?

It’s hard, you’re not from here, you talk differently. It wasn’t possible for us to go meet the CIO of UCLA, it was a good day if we talked to the security guard. Health care as a whole is



Paul Viskovich

largely not good with innovators either, and when you combine those two things, it’s very difficult.

For us it was about building gradually, after those first sites it was essential that we exceed the expectations of those initial customers so that they’re strong references for other parts of the market. That remains true now – building the

California Health Information Exchange, a system with more than 30 million members – that goes along way to proving that we are credible at the higher end of the market.

As you moved in to capturing a larger share of the market, what contributed to your success?

With the implementation of Obamacare and the HITECH Act, the federal government started to fund public health information exchanges throughout the United States. That enabled us to use our expertise with integration, which we’ve developed a leadership position in, and apply that to health information exchanges. We were very successful in deploying a number of those solutions in 15 to 20 states. That was really just a building block though. With a health information exchange there is a lot of integration required.

Our reputation as a company that can integrate this data, innovate it and implement it into a healthcare platform was key.

It’s shown that our strategy of focusing on our core competencies, making sure the market understands what you’re good at and then leveraging that has been a positive. It’s something we’ll continue into the future too – there’s a lot of interesting things you can sidetrack into – but

our focus will be building on our leadership positions.

Where is Orion positioned now and how important is the US to the business?

The US is our biggest market, it’s a bit over half of our business and our presence is growing here. We saw a need to get some of the product management and certainly some of the development happening closer to the customer so we could innovate faster.

That’s led to us building a centre of excellence in Scottsdale, Arizona, where we have a growing campus there – it’s not quite a campus yet but some day it will be.

We wanted somewhere that we could bring a customer so that they could understand the entire business – particularly the R&D and project management side so they can understand where we’re going. It’s also a chance for them to see our roadmap and touch and feel the support organisation, the delivery organisation and who the people behind the cloud service are.

There’s a lot of product, development and delivery staff based there and they can give our customers a level of comfort and understanding, while also giving us the opportunity to receive direct feedback – so it’s quick

for us to improve our processes. **Will the growth of the Scottsdale location and the establishment of an R&D team based there have an effect on New Zealand-based innovation from Orion?**

We’ll be very much continuing our development in New Zealand as well – this won’t change that. Our teams are cross functional, people in New Zealand are also working on projects at the same time as people in the United States – and if you manage that correctly it can be a real benefit. If you’ve got a customer who has a problem late at night here, people will only just be getting to work in New Zealand – so you can check your inbox in the morning and it’s already fixed because you’ve had a stream of people working on it continuously. If you can get that collaboration and communication right, it can be extremely effective.

The key really is to over-communicate. You have to keep that going so people understand and are working inclusively, so people understand what they’re doing and where they’re heading. There’s no secret to it, but it’s definitely easier said than done. Things do get lost across the Pacific – but in the end it’s about using the geography of New Zealand to our advantage.

Innovation 2015: The LA story

Capitalising on global demand

Alexander Speirs

Clean technology and green innovation is big business, as investors and entrepreneurs look to capitalise on a growing global demand for renewable materials and environmentally friendly solutions.

After the Global Financial Crisis, investment in clean tech was sparse – progress can be slow, expensive and fraught with risk.

But as prospects rebounded, the City of Los Angeles was well prepared to take advantage of the pickup in investment having made the development of a green economy a cornerstone of its primary economic strategy.

At the heart of that strategy is the Los Angeles Clean Tech Incubator (LACI) – a non-profit organisation formed with a mission to help make the city an epicentre for clean tech innovation. It was founded as a partnership between local government & universities – with a number of other agencies and organisations contributing as part of the Clean Tech Los Angeles alliance.

It was considered a high-risk high-reward project when it was founded in 2011.

But three years in, 33 companies have taken part and the alliance has gone from strength to strength.

Collectively, those companies have attracted \$US50 million investment, with revenues at \$US10 million in 2014 – a figure expected to top \$US30 million this year.

It's had a positive impact on the wider economy for the city too, with 475 new jobs created while generating \$104 million of economic value.



Executive Director Fred Walti says that's an impressive result considering the time and investment taken to develop clean technologies.

"Our model isn't typical – it isn't really graduating companies. It can take a long time to develop clean technology, some of our companies have been working on their prototypes for three or four years. That means, when we're looking at companies, we say to ourselves, are we willing to spend five years with these companies?"

"First we look at the technology or the product and assess to what degree there is a market for the product, is it unique, disruptive, protectable? We look at the management team to see if they're capable of getting the company to the next milestone. Do they have the ability to get it to market?"

"Where we differ from how a traditional firm would estimate value, is that we might accept a company that

we think will never be a VC fundable company – maybe their market will never be big enough, but it has the potential to play a role for the economy here in California. We want to build companies and return investment to the investors, but we also have a mandate from the public side to build an economy and infrastructure."

At present, LACI has been predominantly restricted to small-end startups, but the world-class LA Kretz Innovation Campus being built to house the incubator should help it take that next step when it opens later this year.

The 5.5 square kilometre campus will sit in the heart of the Clean Tech Corridor, comprising incubators, offices, an enormous research and development facility, a training centre and conference venue.

"The move will force us to scale and perhaps shift our focus," says Walti.

I would love to talk to companies in New Zealand operating in this space and learn what's going on. It would make sense that there would be some good fits.

Fred Walti



"Up until now the focus has really been from the garage to series A funding. What this will allow us to do is to work with and help companies further down the line."

Both the public and private sector are funding the campus, with LACI not forecast to become a fiscally self-sustaining business until next year.

Financial targets have been broken every quarter since inception, generating revenue with contract

work carried out for other organisations – including research, and the development and running of other incubators in the region.

To really develop scale however, Walti says developing deeper links and synergies with the broader international community is required – a factor the opening of the Innovation Campus can only improve.

"We had come to the conclusions that although we are Los Angeles based, the greatest market for the companies we work with is often going to be outside the borders of the city, the state and the country.

"The problem is, if you're not GE or SAP – doing business globally can be really difficult to do.

"So what we're trying to accomplish is establishing a network of like-minded organisations around the world so we can exchange companies and operate an international landing pad programme for clean tech companies.

"About a year ago we started to increase our footprint and are in the process of building satellite incubators throughout the city. We're building one in Northern California and are in discussions to build another on the West Coast of the United States and one in a Northern Hemisphere city outside of the US."

So far LACI have established partnerships with 12 different organizations in 10 different countries and Walti hopes to be able to add New Zealand to that list in the near future.

"I would love to talk to companies in New Zealand operating in this space and learn what's going on. It would make sense that there would be some good fits."

Auckland Chamber of Commerce

Innovation through people.
It's your **call**. 0800 543 543.

- **Find** staff at no cost
- **Talk** to our business help line
- **Join** the Chamber

www.aucklandchamber.co.nz

A U C K L A N D
C H A M B E R O F C O M M E R C E
Business Vitality



Some lessons from the Valley

Silicon Valley investors Sam Altman and Scott Nolan had Auckland's start-up community abuzz when they joined Kiwi innovators at Auckland's Spark City to talk about innovation and its importance to the global economy.

"The Valley" has long been the world's number one hub of high-tech innovation. It's littered with venture capital firms and business accelerators, whose mandate is to seek out promising young tech start-ups, seed them money and help them grow.

Altman, president of Y Combinator, and, Nolan, partner at Founders Fund had plenty of lessons to impart to the Kiwi startups including Logicore, which is also featured in this report.

Said Altman: "Execute early. Winning teams keep winning, and losing teams keep losing. Execute early." Nolan added "California and New Zealand – they're not so different. Don't look up to California: think of them as your peer."

The pair pointed to NZ's unique value to innovators across the globe. One example was commercial drones. "We're waiting too long for the Federal Aviation Authority to adjust their laws and make their legal status certain – where do these firms go?," said Nolan. "These firms go to smaller countries, like New Zealand, with less regulatory overhead." Altman said it wasn't a question of if Auckland was getting a start-up ecosystem, but when.

In the wake of the Spark City event, *Herald Business Reports* put some questions to The Icehouse chief executive Andy Hamilton about the local startup ecosystem.

Where does Auckland sit as a centre for innovation and tech start-ups, and how do you see this changing?



Innovation
Greg Hall

Start-up ecosystems are all the rage around the world just as they are in Auckland and wider New Zealand. They are important, but they are only one part of the story that New Zealand needs to focus on. The single biggest influencer on the health of our start-up system will be the successes that come out from it. Think Wynyard Group, Orion Health, Xero and Vend – these organisations are creating inspiration for the next generation of Kiwi entrepreneurs who believe it can be done. It is early days for Auckland, and it is also something that you can never "stop" doing; you just need to keep pushing the boundaries and opportunities as we live in a pretty competitive world. Changes in the future will come from a freer market for capital and an increasing interest from hot-spots of capital like the US and Hong Kong to look for the next big thing.

What are the biggest challenges that a New Zealander with an innovative business idea faces in trying to develop and bring the idea to market?

The biggest challenge is that most entrepreneurs are doing something they have never done before, so they are learning on the go and normally hiring people who are also learning. The second is that most of our markets are offshore, which is a great opportunity but also a big learning challenge as you have to cope with different cultures,



Andy Hamilton

exchange rates and ways of doing business. The third is having the ambition to build something big and also the guile to raise the funding that you need to give you time to get the cashflow positive, the combination of these two things is pretty immense. The way to short-circuit all of this is to build teams and advisers who have been there before and done it – so you can short-circuit the journey.

What is it about New Zealand that makes it such fertile ground for a start-up community compared with larger nations?

We are not any different to most countries albeit we are a long way from most and maybe we have more doses of creativity than most – when you look at the statistics, we have relatively the same number of small firms than other "small economy countries". One difference in the stats is that from our large firms which employ more than 100 people (this number is about 2500), these firms are actually much smaller than comparison countries, not the

relative number just the actual size of them – our big firms are not big enough which is suggestive that we have been slow on the uptake of building truly global enterprises that own the path to market, globally. We have very similar startup and SME rates to other countries. We just need to grow some bigger and more successful firms that operate in global markets.

What is the Government's role in developing New Zealand's start-up ecosystem and how much of the burden falls on it compared to the private sector?

It is a partnership. Government's role is to enable the most optimum conditions for our people to grow, succeed and contribute back to the country and their communities. The Government needs to manage on a "system" basis and look to address and focus on the really big blockages and issues that exist. For example, with SMEs that is compliance and red-tape while for start-ups as I have said the single biggest issue is "capability", not access to funding – if you have great people, everything else is not a problem. A good example where the Government could do better is around our University and Crown Research Institutes and commercialising that IP that exists. There is a significant shortage of supply of startup founder entrepreneurs who can take a bit of IP off the bench, validate the market, build a team and raise funding to get the innovation to market. We don't need more consultants and maybe an idea for the Government would be to conduct a job search in Israel or Silicon Valley for 50 "tech capable start-up entrepreneurs" to move to New Zealand with a visa, some

matched funding and 18 months to found a start-up. It would be cool to see this happen.

What can a thriving start-up community do for wider New Zealand? Why is it important to nurture this community?

It creates jobs, it creates wealth which is often recycled and it creates hope and inspiration for others to follow in the footsteps of Vaughan Rowsell, Rod Drury, Ian MacCrae and Peter Beck.

What trends have you seen in your visit to the United States?

A continuation of a massive shift to mobile, big data is everywhere and now everyone has a fancy algorithm while there is also some uneasiness about the state of the markets, particularly with the start-up world being over-hyped and hints of a correction coming. The other thing I have observed is that there is a big movement emerging called "Scale Up" which is focused on growing firms that already exist, not just singularly focusing on start-ups. I totally endorse this, our Kiwi economy will be badly balanced if we chased the nirvana on start-ups – we should do both.

What will be most useful for New Zealand in building an innovated pipeline to the US?

Keep doing what we are doing; build relationships with key connectors and funders out of the US, showing them the cool Kiwi businesses coming out. At the end of the day, however, the US is a true capitalist society so if they can make a bucket load of money out of Kiwi firms they will not only love the country, they will also respect and admire us for making them money.

Accelerators putting pedal to the metal

"Accelerators tend to create a focal point in the local start-up ecosystem," says Mark MacLeod-Smith, Programme Director of Lightning Lab Auckland. "By creating an entrepreneurial nexus, emerging entrepreneurs, knowledgeable mentors and early-stage investors can share experiences and the journey of creating a technology company." The programme reaches beyond just the select few who make it through to the 12-week intensive, however. Says MacLeod-Smith: "Though the focus naturally falls on the selected nine companies, the accelerator programme also helps the wider group of interested start-ups by running free workshops on specific topics. Not only does this help to increase the combined level of entrepreneurial capability but it also assists in helping connect co-founders."

2015 saw the addition of nine digital start-ups to Lightning Lab's accelerator programme. Among them are Designer Wardrobe and Logicore.

Logicore

Logicore is another start-up to get the Lightning Lab treatment. A software development company focusing on value-chain management solutions for businesses, the company is developing an ERP fringe platform aimed at helping businesses manage the fringe functionalities of their business, connecting a company's back-end enterprise systems to their suppliers.

The product has been in development for five years. Between its inception and the team's acceptance into the Lightning Lab programme, the project was entirely self-funded, as the three co-founders pursued contract work to keep the money flowing into the project.

"Before Lightning Lab, we were all doing our own contract work to build up the share pool of money for Logicore," explains co-founder Rob Silver. "We looked at other funding avenues, for sure- we're even still talking to Lightning Lab about the viability of those avenues."



"But we got talking to The Icehouse at their 'First Wednesday of the Month' event."

Silver is referring to The Icehouse's monthly event, open to entrepreneurs looking for insights into developing a successful start-up as well as an opportunity to network amongst the business community.

"We went along and pitched our concept a bit, and they gave us a call back. We pitched our idea again, and they liked it," Silver explains. "At that point we were still funding

Logicore through contract work, so The Icehouse was a great next step."

Now, with the seed money and access to a well of experience and knowledge via Lightning Lab's mentors, Logicore can look to the future. And so the company has become a part of a thriving start-up community in Auckland's Wynyard Quarter.

"Wynyard Quarter already has a buzz going," says Silver. "I've joined communities based around the start-up ecosystem we have here and just looking at the discussions that are taking place, you really get a feel that this is a growing thing."

"It fascinates me the amount of ideas out there, the variety. It's only day three, but we're already getting such a good vibe from all of the start-ups involved."

As for where they'll be once the three month Lightning Lab intensive is over, Silver isn't worried about getting investment. "We've got a really good product, and we've got a vision of where we want to be."

Lightning Lab

Lightning Lab is a 12-week intensive business acceleration programme, each year providing up to 10 New Zealand start-ups with structure, business skills, start up methodologies and funding avenues, with the aim of developing them into strong, successful companies. Originating in Christchurch, the programme teamed up with The Icehouse to bring the initiative to Auckland-based start-ups.

Designer Wardrobe

DesignerWardrobe.co.nz is an online marketplace for second-hand designer fashion items. For co-founders Aidan Bartlett and Donielle Brooke, what began as a small Facebook group among friends quickly grew into a thriving second-hand fashion community.

"The idea is, you can list your items in 30 seconds, and clear your wardrobe in five minutes," explains Bartlett.

"And then go ahead and buy a whole new wardrobe."

After taking the step of converting the growing Facebook community into a stand-alone website last year, Aidan and Donielle knew that it was

time to take their budding business to the next level. That next level was The Icehouse, and by extension, Lightning Lab.

"I'd read a lot of success stories with The Icehouse," says Bartlett.

"We're a start-up: we want to grow. The Icehouse and Lightning Lab seemed the best way to give us that shot."

"So we started a conversation with them and it didn't take long to see that this was the way forward for us."

Since its inception in 2012, Designer Wardrobe was managed and maintained solely by Bartlett and Brooke.

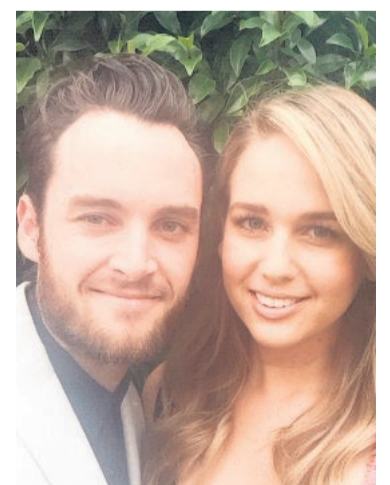
Now, with a place in the Lightning

Lab programme, the team receive \$18,000 seed funding and the opportunity to work with more than 100 mentors to develop their business.

Ultimately, at the end of the 12-week programme, they will get the opportunity to pitch their concept to a room of over 200 angel investors in the hopes of getting further funding.

"Taking the next step, applying to Lightning Lab, was such an organic, natural decision for us."

They've already made strides, expanding their two-person core team to three with the new addition of a Chief Technical Officer – a move the logistics for which Lightning Lab was able to help the team iron out.



Aidan Bartlett and Donielle Brooke

Innovation 2015

A sweet spot for people

The FoodBowl aims to increase the value of manufactured food and beverage exports, reports

Graham Skellern

Sam Bridgewater couldn't bear watching his stepfather – who had cancer in the jaw – struggle to eat ordinary food. He reckoned there had to be an easier and better way to maintain a normal healthy diet.

For nearly two years he and his business partners, older brother and Olympic rower George Bridgewater and Maia Royal, researched texture modified or soft food and developed their innovative product.

They talked to clinicians, dentists, District Health Boards, food scientists, chefs and consumers, and found a market niche for people with eating difficulties.

The three partners launched The Pure Food Co on to the market last October and first concentrated on supplying nutritionally fortified meals in plastic pouches to people living at home, including elderly and children with difficulties. The company then moved on and began supplying rest homes and hospitals.

"Tens of thousands of people in New Zealand have eating difficulties," says Sam Bridgewater, a former corporate banker.

"For people who have had a stroke, are suffering from Parkinson's or dementia, have a broken jaw, have no teeth, eating becomes a stressful part of the day

"We decided to provide a real food solution that keeps people well nourished," he says.



Olympic rower George Bridgewater (left), his brother Sam and fellow director Maia Royal have found a market niche providing texture modified and nutritionally fortified meals for people with eating difficulties.

"The meals include proteins, vegetables, carbohydrates and sauces, and we reduced the plate size and increased the vital nutrition to ensure every mouthful is a winner."

Bridgewater and Royal first worked at their kitchen bench in Grey Lynn, and then operated out of Massey University's Albany campus.

"We got our friends and our grandparents to taste our food, and we took it to consumers at Mercy Hospice," Bridgewater says.

The Pure Food Co received Callaghan Innovation R&D Getting Started and R&D Project grants,



organised by Auckland Tourism, Events and Economic Development (Ateed).

The new business reached the stage of refining manufacturing processes and completing pre-production runs at The FoodBowl processing plant, which funded by Callaghan Innovation and Ateed.

"The FoodBowl has all the right equipment and technical expertise, and the staff and consultants there helped us develop the right packaging and best practice in food safety and risk management (HACCP)," says Bridgewater. "We will stay there and make plans to increase production."

The Pure Food Co is now completing two-day production runs at The FoodBowl every three weeks and is supplying its nutritious meals to aged care facilities and homes throughout the country. "We have a very healthy pipeline of interest, including from overseas," says Bridgewater.

The meals are supplied chilled and have a six week shelf life. Customers can choose their own meals or be sent a chef-selected set menu that provides a balance and varied diet.

They can choose, for example, hoki fish pie with leek and potato, cooked in a bechamel sauce and hints of lemon, nutmeg and bay leaf; or roast lamb with potato, parsnip and carrot sauteed with thyme, and braised purple cabbage.

The fresh beetroot is cooked with a touch of balsamic and the green beans are flash cooked with a hint of lemon.

The menus will be refreshed every six months in line with seasonal ingredients, and each meal costs \$7.50.

The Pure Food Co is one of more than 100 companies, small and big, that have used the state-of-the-art FoodBowl (Te Ipu Kai), now into its fourth year of operating, for testing and producing new products.

Earlier this month The FoodBowl – assisted by Ateed – hosted two open days, attracting about 700 people representing more than 300 companies from around the country

"The awareness is definitely out there – from start-up food and beverage companies to product development technologists working in larger businesses," says Angus Brown, The FoodBowl's business development manager.

"Lots of companies approached us with projects over those two days. There is a drive to utilise traditional waste streams and turn

continued on D15

Smart start-ups light up city's innovation scene

continued from D16

have anyone around to interact with and you forget how to talk to people. Being in the Grid is about people, connections and continuous feedback."

Rich is a member of the 100-strong Flounders Club which meets monthly at Grid AKL to share development and problem solving stories. The business accelerator Lightning Lab, operating in Auckland for the first time, is in its third week of a three-month programme to unearth the latest and brightest start-up digital companies.

Lightning Lab, established by Wellington-based incubator Creative HQ in partnership with The Icehouse and Canterbury Development Corporation, sifted through more than 200 inquiries and 71 completed applications to select the final nine for the intensive Auckland programme at Grid AKL.

The nine teams or businesses, representing 30 keen entrepreneurs, are busy working to make their product a commercial viability within 12 weeks. A group of 10 lab technicians and 120 experienced mentors are available to lend support and provide valuable advice.

"It takes a village to raise a kid and it takes a community to raise a star," says Lightning Lab's market validation executive, Mark MacLeod-Smith. "The mentors have been there and done it, and they can help solve problems and provide clarity to where the teams are heading."

The programme culminates with Demo Day where the teams pitch to



Koordinates staff, based at Grid AKL, are busy providing interactive online maps and multi-media solutions for customers.

200 investors and hope to attract their attention and purse. Some previous businesses from the Lightning Lab programme have attracted funding of up to \$500,000.

"The Xeros and Vends have paved the way and provided inspiration and motivation. We can foster and build capability, connections and capital, and fuel the next wave of technology companies," says Mark. "We will do as much as we can to make sure the companies find the business models that work for them."

The nine teams working towards making a big impact are:

- **Broker Better** – lead and referral generation for mortgage and insurance advisers.
- **Designer Wardrobe** – a market platform to buy, sell and swap high-end, second hand designer clothes.
- **Estimeet** – mobile app that lets you know how far away your friends are when meeting up.
- **Future Insight** – online tool for business analysts to find what they don't know about their data in seconds.
- **Logicore** – value chain management software.
- **Justly** – Xero-style creation and management of testamentary documents such as wills, power of attorney, advance medical directives.
- **Preno** – property management application for smaller accommodation providers.
- **Roll** – super simple business intelligence and management software for small and medium enterprises (SMEs).
- **Wear it Her Way** – crowdsourcing web app that passes on clothing recommendations from females in your demographic, or Facebook friends.

Astrolab, a public private partnership with Callaghan Innovation, started operating from its Symonds St office last August and plans to incubate five to eight hi-tech companies a year.

Chief executive Brett Oliver says the new incubator plugs a gap in the innovation ecosystem. "We want to get complex technology working in a way that is quick and effective and to get it to the marketplace ahead of the competition."

"We have funding channels, and we can help commercialise IP from the universities and Crown Research Institutes, as well as private companies. We complement the approaches that are under way at Grid AKL, Lightning Lab and The Icehouse," he says.

The early-stage tech companies at Astrolab will be backed by a \$450,000 repayable loan from Callaghan Innovation, as well as \$150,000 private funding. The loan is only repaid if the company succeeds.

"It's the Government's offer to help fund those sorts of ventures that provide the highest possible return," Brett says.

Astrolab has taken on its first software company which is developing a complex algorithm for the digital film industry, primarily in the US. Another candidate is a business planning to create new protocols around communication over the internet.

Brett says Astrolab is looking at three or four companies capable of attracting Callaghan funding and "there are quite a few others in the pipeline."

with eating problems

continued from D14

them into value added byproducts, and newer technologies to remove preservatives from food products. The big transformation is to go all natural," he says.

Up to 30 food and beverage companies are presently using The FoodBowl - part of the New Zealand Food Innovation Network - at any one time. They have access to a hands-on, world class manufacturing pilot plant that provides effective, low risk product development facilities.

The businesses have the choice of hiring and working confidentially in seven processing halls for: High pressure processing (HPP); General processing and retorting; UHT/Aseptic hot and cold beverage filling; Twin screw extrusion milling and grinding; Freeze drying; Product development kitchen; Microwave thawing.

The FoodBowl holds extensive Food Safety and Risk Management plans, and the advantage for the clients is that they can prove the commercial viability of their new products before moving on and buying their own expensive equipment or committing to large volumes with contract manufacturers.

ANZCO Foods has created the FoodPlus programme and utilised The FoodBowl to develop new and innovative uses for the parts of the red meat carcass that currently generate less value.

Fishing company Sanford has established an extensive research and development programme, extracting premium quality fish oils such as Omega 3, protein and marine calcium and turning them into high-value and nutritious food

supplements and additives from previously under-utilised raw materials.

Tomette, the French food company which won three categories at the 2013 New Zealand Food Awards, developed a new range of soups using the facilities at The FoodBowl.

Kokako was able to extend the shelf life of its Cold Brew Coffee from two to six weeks, and thus increase its market reach, after trialling the high pressure processing (HPP) and nitrogen gas flushing systems at The FoodBowl.

Fresh to Go used the HPP technology to increase the shelf life of its salads and healthy snacks and the company supplies the supermarket delis of Pak 'n Save and New World.

Apollo Apples developed a single-pressed premium juice for overseas markets from the process grade apples that couldn't be exported.

Since its opening, The FoodBowl has added new equipment to meet client demand and allow them to complete larger and advanced projects more efficiently. "It's important to do rapid prototyping and get the new products to the market in a cost efficient and timely manner," says Brown.

The FoodBowl invested in an Apex labelling machine that can apply up to 120 adhesive labels in a minute, instead of the previous 10-20 labels per minute. A sachet packer can handle liquids and powders on the same production line, and separators and centrifuges were introduced for oil extraction and separation projects.

The FoodBowl's mission is to increase the value of manufactured food and beverage exports. It is supporting growth and development of New Zealand food and beverage busi-



The FoodBowl's latest open days attracted about 700 people and new research and development projects.

Companies can be matched with suppliers ... They can share information which speeds up research and development.

nesses, of all sizes, by providing facilities and expertise needed to develop new products and processes from a concept to commercial success.

Because of this, The NZ Food Innovation Network including The FoodBowl has developed strong industry connections and in the process accumulated plenty of information. The network is now eliminating its own "bottleneck" by launching an

online platform The FoodPortal which will connect the whole industry and go live in June. It will be the most comprehensive online directory for the industry. "It means companies can be matched with suppliers, whether it's research expertise or packaging specialist. "They can share information which speeds up research and development," says Brown.

AUCKLAND

THE FOODBOWL

Creating a culture of innovation

Attracting international business and investment

Enabling education and talent

Developing a skilled workforce

Growing the visitor economy

Showcasing Auckland to the world

Leading the transformation of Auckland's economy

Auckland Tourism, Events and Economic Development
An Auckland Council Organisation

Innovation 2015

Smart start-ups light up city's innovation scene

Aided by hubs and incubators, Auckland's innovation ecosystem is expanding, writes **Graham Skellern**



Innovation
Graham Skellern

Technology innovation is coming thick and fast in Auckland as more start-ups eye the lucrative international marketplace.

The city's innovation ecosystem has suddenly expanded. Grid AKL, the innovation hub established in Wynyard Quarter by Auckland Tourism, Events and Economic Development (Ateed), is operating at full capacity; Lightning Lab has moved into the Grid to fast-track the brightest early-stage digital companies; and a new specialist incubator Astrolab wants to turn university and Crown Research Institute research and intellectual property (IP) into commercial reality.

After opening in May last year, Grid AKL houses 15 high-tech companies and in conjunction with Ateed organises an events programme and workshops that attract up to 400 people a week. The latest guest in its GRIT (Get Really Inspired Today) series was David Butler, vice-president of innovation at Coca-Cola, who provided valuable entrepreneurial tips to the Grid's resident companies.

The Grid's newest tenants include Weirdly, which has developed a recruitment app that generates a fun, customised quiz ranking candidates in order to find the perfect 'match' for the business and vision; and LeaderKit which has created a software programme for managers to track and report progress against operational goals and the strategic plan.

Previously Unavailable, the first company of its kind in New Zealand, is a new consultancy headed by James Hurman dedicated to helping companies grow by creating more successful product and customer service innovations.

One of the original residents, software company Revert.io, is poised to make a big impact in the cloud storage space. Revert's software provides customers with a back-up of its data stored in the cloud and it can quickly retrieve files and information that are deleted.



Rich Chetwynd is planning to crack \$1 million turnover with his data protection company Revert.io, and then move on to \$100 million revenue.

"We built Revert to empower our customers when disaster happens and to give them peace of mind that they have a secure, second copy of their precious data," says its founder, Rich Chetwynd.

Revert, which launched its product last September, presently has

5500 customers, mainly based in United States and Europe. They have a free offering and paid plans start at \$9.99 a month.

Revert wants to attract greater attention by adding an exciting feature to its data protection software. Its four-strong team is building a

software tool that provides an alert as soon as something happens to the stored data - such as hacking or deletion, whether accidentally or maliciously. "It gives a layer of visibility for companies who have invested in the cloud," says Rich. "The algorithm we are building

audits information flowing around SaaS (Software as a Service) applications such as Salesforce, Dropbox and Google Drive, then uses machine learning to profile and flag unusual activity.

"We are taking a very reactive approach in protecting data by providing insights and intelligence about what is happening with data.

"It's exciting new space. We will sit between the traditional back-up companies and the hardcore security enterprises which are expensive. We will service businesses of 30 staff and more," Rich says. "The alert feature is a unique tool and it gives us a chance to go really large as a company."

He says presently about 100 terabytes of data is managed by Revert, representing 75 million different files. In the United States more than 30 per cent of companies operating in the cloud have experienced some form of data loss, and by 2020 78 per cent of businesses (100-1000 employees) will be operating fully within the cloud storage space, up from 37 per cent in 2014.

Revert will begin beta testing its alert tool within two to three months before launching it on the marketplace. The Auckland-based software developer raised seed funding of \$420,000 in June last year, with Rowan Simpson - a Trade Me, Xero and Vend investor - making a significant contribution.

Revert is presently conducting a second round of funding, and is planning to double its staff to eight or nine by the end of the year.

"We want to be a \$100 million recurring revenue company and possibly complete an IPO (Initial Public Offering)," says Rich. "But first we have to get to \$1 million annual revenue. I've done that before and ideally we can do it within 18 months."

Rich, an experienced software programmer, developed an e-learning management system Litmos.com, which was sold to Californian-based CallidusCloud in 2011.

"That was an early exit and Revert will be a life-long business," he says.

"The Grid is an exciting place to work in. There's lots of people to talk to and flesh out ideas and add more value to your product.

"I worked at home with Litmos and it just became really lonely. You don't

continued on D14

WITH THANKS

TO OUR SPONSORS



If you always do what you always did, you will always get what you always got.

- ALBERT EINSTEIN