New Zealand prides itself on fostering an innovative culture. That runs deep throughout our society. But bringing those ideas to market can be surprisingly fraught. Thankfully a number of groups – both government and private – are organising ways to educate and encourage ambitious start-ups to take innovation to the world. NBR highlights some complications and collects advice on how to overcome them.

Building a stable for that innovation unicorn

Hamish McNicol

The chances of having the next unicorn, let alone being able to find one in the first place, are remote.

But for budding entrepreneurs who think they have cracked the next big business idea, accessing the expertise to help turn that casual thought into the “1% that will do spectacularly well” is crucial.

For others, however, success will be found in simply existing for more than a year or two, which one investment fund manager says is more important to New Zealand’s economic growth.

Last year, a record $55.9 million was invested by angel networks and funds into start-ups, 38% of which was new investments – more than twice the level of 2013.

Before a new business idea should even think about this type of funding, however, it needs an idea.

Crown entity Callaghan Innovation’s accelerator services provides support to people wishing to take innovations to market. This includes access to experts, technology, talent, capital or markets.

Accelerator Services acting manager Dean Peterson, who is also in charge of its National Technology Network, says it tries to connect people with relevant researchers and technologists around the country to further develop their work.

“It might be a short ‘here you go, this is a phone number, give them a call’ situation or it might be a much longer term, ‘let’s put together a project and then maybe in the future actually go into the grants project zone and get funding that way.’”

He says anyone can approach Callaghan but, ideally, he prefers to see ideas from people who have a good understanding of what they want to accomplish. This is often the hardest part, he says.

“We will help out where we can on any kind of question but, the more developed the scenario is to begin with, the better off you’re going to be and the more impact we’re going to have.”

He says the National Technology Network is dealing with about 50 to 60 clients on a weekly basis across the country.

It is targeting regional business development, where he says a “huge pot of creative individuals” are working.

But more people are starting to approach Callaghan Innovation now they understand it has experts who can make a difference, he says.

“Once you make a difference to two or three companies, that word gets around and then you’ve got 10 companies after you and so on and so on.”

He says innovation is incredibly important to the economy’s development, because without it the country could not possibly expect to compete on a global stage.

In addition to technical support, however, innovative ideas need to consider funding options as well.

FRANCESKA BANGA: Not many ideas get off the ground, but for those that do, access to funding and expertise is crucial to achieving growth.

NZ Investment Fund chief executive Franceska Banga says having an idea is the easy part – but that’s where probably 90% of ideas get killed.

For the remainder, funding and growth go through a few stages before an idea is even market-ready.

Ms Banga says early ideas will often be funded by the three Fs – fools, friends and family.

“But mostly you’re using your own sweat to get that idea further formulated.”

The seed stage is next, whereby your idea will have its first product and you will look to test it with a few customers, which typically requires some capital in the vicinity of $20,000 up to a couple of hundred thousand dollars.
### Providing a home for Auckland innovation

It’s impossible to legislate for innovation. That’s why our focus needs to be on informing the ambitious 10-year Auckland innovation plan launched by Auckland Tourism, Events and Economic Development (ATEED) in November last year. Among the goals the plan aims to achieve by 2025 is increasing R&D rates of Auckland businesses from the current 1.2% to the OECD average of 2.4%. To qualify for the purposes of this plan, Auckland business would include not only those legally based in Auckland but also those with a “significant presence” there. To achieve this, ATEED has funded the “innovation precinct” as a prototype hub to provide momentum to the formerly staid ’80s era building which ATEED has funded as a business incubator in conjunction with business incubator for that innovation unicorn.

### Out-innovating piracy

Strong intellectual property is an absolute must but consistent innovation wins the war. That is the view of Sharon Maloney, the chief executive of 3D geological modelling software company ARANZ Geo. Ms Maloney says the company, which has spent about $50 million in research and development for its software, probably spends only tens of thousands of dollars each year monitoring for intellectual property infringement. The item which has 99.5% of its customer base outside New Zealand, has patterns for certain components of its software but constantly battles piracy and IP infringement.

“Our secret recipe is our own trademark and we do the normal registration of our brand in as many territories as we can globally,” she says.

Mr Maloney says that is the modern nature of the world that infringement.

"It almost seems that China has overstepped the mark to meet its WTO obligations and has done so to show the world that it is doing its job."
Webmaster Tools refused to innovate and sub-safely, there wouldn’t be an Windows innovated beyond DOS, bathwater?

or with one product series along, staying in one place business success. At the Innovation is essential to Nathan Smith

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exponents, having been doing it now for 30 years. Glengarry are New Zealand’s most experienced En Primeur normally delivered two years later. The financial advantages Bordeaux En Primeur is also known as Wine Futures, heading to the nearest dealership during the buy-

“The buy-in of all the staff Mr Gibson says 10 years ago, the average customer visits the same person or car in a professional and engaging way any time on a yard was a little

time. “Today it’s approximately 30 minutes. The sales pro-
to the old. Mr Gibson calls the effort of “emotional momentum,” a time-worn method ofistemship:

Webmaster chief execu-
tive Jeff McGregor says the introduction of entirely
customers. What’s suffering is the project, well then it’d be worth

all that need to be done. That’s

whole dynamic provokes Mr Gibson

calling it a “dirtied word. It threatens the old ways of doing things with the introduction of entirely new processes. But it doesn’t have to be that way. The Auckland City BMW managing director is convinced that a company’s innova-
to the old ways. It’s often impossible to know whether a company’s innova-

A traditional dealership.

“Based on guaranteeing

Mr Gibson says some-
to its customers. “For our market of web

1st March - 31st March 2015

Continued P22

McGregor

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“Web Wonks chief executive Jeff McGregor says it’s difficult

to the desk but this is innovation

What Mr Gibson seems to miss

“We’re not saying that

matters. It’s often impossible to

it’s often impossible to know

“Thinking about cars and

Mr Gibson says some-

connecting the new

to the old

Fancy some Mouton Rothschild in your cellar?

Jeff McGregor: We go a long way

to the nearest dealership during the buy-
genius. He’s aware that

In a smooth way.

McGREGOR: All that need

to be done. That’s

happening across the industry

– Jeff McGregor

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Education and how not to undersell

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then we can only walk for so much. Maybe it’s not worth as much as we

think it is. If we spent billions on the project, well it’d be worth billions

– Jeff McGregor

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When The Radiology Group (TRG) first approached Web Works they enquired about SEO. What really needed was data analysis.

Before we were able to uncover the information that lead to a higher value acquisition, we first needed to configure their Google Analytics account to global best practice.

Once this was achieved, we were able to mine and analyse their data to uncover valuable insights around their customer demographics, behaviour and quality lead generation. These insights enabled us to identify their most profitable demographic. TRG are now able to take this information and retarget their advertising to increase traffic for the more profitable demographic.
Education and how not to undersell

From P21

he would. He represents a university. But Dr Jones sees education as much more than developing an individual. It’s about changing the wider business culture.

“One of New Zealand’s central obstacles is bringing our ideas to market faster. It will be important to create an environment in the commercial space where looking for new ideas and being willing to test those ideas becomes part New Zealand’s DNA.”

“The wider business community needs educating about what the rewards of these approaches can be. And they need to know the risks. It’s not a straight line of sight between an idea and commercialisation,” Dr Jones says.

Not every idea will make it into the marketplace, he says, and while most people are aware of this there remains a deep sense in New Zealand that failure isn’t a useful part of innovation. Dr Jones says the concept of failure is embraced in the US and Europe as a probable outcome but it rarely dissuades those entrepreneurs from starting.

“I think we sell our ideas a bit short, so it’s not just a monetary aspect. We can sell ourselves short about the solutions we have. Part of our difficulty is access to venture capital and really understanding what our ideas are worth. We suffer from that as a country,” Dr Jones says.

Mr McGregor was told by an R&D adviser early in his career that he “thinks like an American.” His sales approach was aggressive and he didn’t hold back.

“But that means the general person he meets day to day is not like that. Even though I knew I had the right idea and the self-belief, it is very difficult to convince someone of that.

“Now having gone through the wringer a few times, my attitude of having a special product and not wanting to undervalue it is heightened.”

And it truly is a reality that undervaluing a product can be destructive. Movio chief executive Will Palmer says when he first pitched his film and theatre idea to US executives, he valued it at what he considered an “affordable price”.

Only after Mr Palmer was laughed out of many rooms did he realise the executives assumed his cheap price reflected the cheapness of the service. When he finally built up the courage to double the price of his company’s service, and then doubled that price again, he had sale after sale.

“The wider New Zealand economy does suffer from a more egalitarian approach, we want people to share in what we do and there’s a prevailing commentary about inequality,” says Mr McGregor.

“That attitude of No 8 wire leads to thinking that since we created it cheaply, then we can only ask for so much. Maybe it’s not worth as much as we think it is. If we’d spent billions on the project, well then it’d be worth billions.

“I just don’t think that’s the case. If the company has created the product cheaply, then that’s excellent. People need to ask themselves how much the product is worth to the market. Just because you’ve done it on the cheap doesn’t always mean that the value is also cheap,” Mr McGregor says.