

## Transcription details:

Date: 19-Apr-2015  
Input sound file: Moxie Session podcast 25

## Transcription results:

S1 00:00 [music] Hello and welcome to another episode of the Moxie podcast. This is episode 25 recorded on Thursday April 9th, 2015. This is the companion web show to the Moxie Sessions, which is an internet economy discussion group held monthly in Auckland and Wellington, New Zealand. The aim is to bring together a group of interesting people from across the economy to talk about how New Zealand can take advantage of the internet to improve its economic performance.

S1 00:38 A special thanks to Alcatel-Lucent and its ng Connect program whose sponsorship helps to make this podcast possible. Check out the program at [ngconnect.org](http://ngconnect.org).

S1 00:49 Well, I'm Glenn Williams with you here in London. Now, the topic of the last session was all about internationalizing New Zealand, and how to get New Zealand businesses to go global. Let's bring on my guests, and I'm afraid we are one down this morning. Marie-Claire Andrews, CEO of ShowGizmo, sends her apologies - stuck in traffic. Just shows you don't have to go to LA or Central London to really experience the best the world has to offer. You get massive traffic jams there in Wellington as well, apparently.

S1 01:21 First up, let's bring on Phil Veal, CEO of Rangatira Investments. Hello to you, Phil.

S2 01:27 Good morning, or good evening, Glenn.

S1 01:28 Yes, and I understand Rangatira Investments won't just be the only thing you're up to. What else are you up to these days?

- S2 01:34 I also have a Board role at Kea. In fact, I'm the Global Chair of Kea, which is New Zealand's global business network, and what we're trying to do at Kea is build a borderless nation of five-and-a-half, six million Kiwis or more around the world and connect them for the greater economic good of the country.
- S1 01:53 Certainly is an exciting organization. I've been along to a couple of Kea events here in London. Ralph Highnam, who is the CEO of Volpara Solutions, welcome to you.
- S3 02:02 Yes, thank you, Glenn.
- S1 02:03 You're there in Wellington as well?
- S3 02:04 I am, indeed, on the 12th floor of a building with a stunning outlook over the harbor.
- S1 02:09 Very nice.
- S3 02:10 And, Mount Victoria. I'm happy to say that Wellington affords many people a nice walk to work, rather than getting stuck in traffic, which is one of the reasons I, and actually the company, are based in Wellington.
- S1 02:25 Right, and actually that's almost a nexus of what we're going to be talking about - how to create these businesses - these global businesses - from New Zealand. How to make them go global. Let's get cracking into it. Back to you Phil. You've spent a lot of time overseas, so I guess you're coming from an outside almost looking in sort of perspective, as well. Can you give us a brief rundown of what you talked about at the session?

- S2 02:49      Yeah. I spoke as somebody who's very recently - in fact, just in February - landed in New Zealand after 20-plus years offshore, the last 15 of those in New York City. My perspective was, essentially, we need to get out more and we need to be more ambitious. What I talked about in the session was how do we go about doing that. It's always a real challenge when you're at the end of the longest supply chain in the world, and you're a small little country like New Zealand - it's how do we go about doing that. I talked about, and we explored in the sessions and in the discussion, what can individual leaders and businesses in New Zealand do to better internationalize.
- S1 03:40      Ralph, are you getting out more, as Phil says?
- S3 03:44      Certainly, Glenn, and you probably recognize from my accent, I was actually born around 50 miles north of where you're sitting in London, in an excellent place called Luton, which has the best soccer team in the world. Then, I spend most of my time, or last 10 years or so, in Oxford, which is about 50 miles west of where you're sitting, before coming over to Wellington in around 2003, where I've been here now for 12 years or so. I'm well versed in the ways of the world. I've enjoyed bringing some of that knowledge and experience in to New Zealand, and then with the start of this company, which was very much born global from the very beginnings as we attempt to reduce the toll from breast cancer deaths around the world, that I've really enjoyed taking out this technology from New Zealand to all the various markets around the world.
- S1 04:46      Tell us a little bit about Volpara - what it does, but also how it started.
- S3 04:51      Yes. I did a PhD in breast imaging in 1990 at the University of Oxford with a Professor Sir Mike Brady. We worked for many years on the technology which no-one really believed would ever work, and after about five or six years we'd become convinced it was going to work, and we tried to commercialize it from Oxford. But, at that point, the whole breast imaging market was very much film based, and it was too difficult to commercialize our breast imaging technology. We switched tack at that point to doing some brain imaging, and we ended up building a company in Oxford in the UK, and then selling that to Siemens in 2003, at which point I moved to always sunny New Zealand and started consulting from Wellington to all the top world's medical imaging companies. Then, in 2009, in Chicago at a big trade show, I met up with a Professor Sir Mike Brady and two of the other top physicists in the world, and we decided that the technology that we worked on back in the 1990s it was now time for the market, the market was ready for it. We set about setting up a company. At that point, we could have set it up pretty much anywhere in the world. We were pretty fluid, but my wife is a Kiwi and she was quite keen to stay here and finish off her medical degree, so we

did that in Wellington. I think it's been an excellent choice. The government has been incredibly supportive of us down here, and we've had lots of excellent advice from various organizations and we're now engaging a lot with NZTE, for example. They've been truly magnificent in taking us in and teaching us about markets around the world. Again, the key technology then - xrays come in, xrays are done on a woman when she turns up for her annual breast cancer screening. Our software analyses those xrays, and then tells the radiologist and the woman what her risk of developing cancer is, and what the risk is of her cancer being missed on those xrays, if there was a cancer present.

S1 07:10 I don't suppose it matters to the patient that it's a New Zealand piece of made software. But, I guess, they'd be very surprised that it does come out of New Zealand.

S3 07:19 Yeah. I expect nowadays, touching on one of Phil's points, it is a global world and the company started with founders in Nijmegen in Holland, Oxford in the UK, Toronto in Canada, and Wellington. The technology's always been truly global and one of my jobs now is to scour the world for the top science to seek to license it, and to then develop the products here in Wellington before taking them back out to the market. I think, just in general in breast imaging, people don't tend to look for where the technology comes from. I think they are surprised when they learn that we are from New Zealand, but, I think most people recognize the names involved in the company and the scientists, and just recognize that they truly are world-class as scientists.

S1 08:12 I guess they're just concerned that it actually works. I just wonder if that's an extraordinary situation, where a New Zealand company starts global, rather than starting in New Zealand, and then looking to push global. Would you see that Ralph's situation is not the norm, Phil?

S2 08:28 I guess I don't know. The interesting thing is what Ralph is doing is he's building a global business from the get-go, and that's a thing that's relatively easy to do in this age of jet travel, and skype and other technologies. My challenge to New Zealand businesses, particularly the ones that are operating what we call the weightless economy, is for more of them to do what Ralph is doing. I first came across Ralph's company when I was introduced to them by Sir John Hood in New York, and Ralph spends a lot of time on the road, as it were, understanding what his customers need, and what the cost-benefit equation is for them. Ralph starts, when he comes back to New Zealand to develop the products, he starts from a position of deep understanding of what the customer's situation and customer's needs are.

S2 09:34

I think one of the big points that came out of the Moxie Session discussion was that, in order to be an international business, you need to put in the hard yards, as it were. You need to be prepared to travel, and learn your markets, and understand your customers. You create a customer - you create a business. All too often, I think New Zealanders are wonderful travelers. In fact, I'd say we're the world's best travelers. There's a Kiwi everywhere you go. But, we're the world's best travelers, and yet we're not the world's best traders. In fact, we're probably among the worst traders, and that's something we really need to do - when we travel - we need to understand how we create customers in those markets. Something that Ralph and Volpara are doing very well is they're doing that. For companies that are prepared to invest the time and energy to do that, I think there's ample opportunities to create hundreds of companies operating with similar models to Volpara and what Ralph's doing.

S1 10:41

I guess Ralph's business, Volpara, that also touches on something that is, essentially, global. Every health system needs this kind of solution to pick up these terrible cancers. It's a global, human need for a service like this. But, would it be fair to say that's not the case with every business? Every business doesn't fill every single market's requirement though, do they?

S2 11:11

It depends then which field you're operating, but one of the things - and, again, I'm not an investor in Volpara and I don't want to be accused of saying too many good things about Ralph, he's a wonderful guy - what Ralph is doing well, in addition to the basic science and the product, if you like, is that Ralph is innovating at the business model level. He's finding ways to create customers by understanding how, for example, insurance companies in the United States like to pay for services, and how they evaluate the efficacy of certain treatments. It's only by having that understanding and creating a business model that suits that customer, that Ralph's taking a wonderful technology and the product he's developed here and selling it. I think too often, historically what we've done in New Zealand is we've had a terrific idea. We'd build a product, but we haven't figured out how do we wrap a business model around that that lets us make money off it.

S1 12:17

How does a New Zealand business person get that deep understanding in the markets they're interested in, and perhaps also crossing some of those cultural differences as well, how do they even go about getting that knowledge?

S3 12:29

Glenn, I think, for us that came about because, again, right at the very start we were born global and we'd got these experts sitting in each area of the world with this very, very deep knowledge. That combination of starting off with these experts, traveling

around talking to people, using NZTE's networks, using the Kea network, and so on. New Zealand business will find there's a whole pile of people out there ready and willing to help them understand the various markets which they're trying to get in to. Just listen. We listen to the market, we listen to the customers, we read everything that's going on that we can. Again, a lot of that you can do over the internet, but every now and then you do need to get on the plane, go and visit sites. If you want to be cost-effective, you go to a trade show and then you get 15 to 100 people come and talk to you in a short spell, and you get a real quick overtake of the whole market area.

S1 13:39

What do you need from the New Zealand Government in order to go global? What sort of help is, indeed, helpful from them that they can provide?

S3 13:49

Certainly, right from the very start, we had access to excellent intellectual property advisers here in Wellington via the New Zealand Government. There's not a lot of quality system people in New Zealand and, again, the New Zealand Government really helped us right at the very start by bringing expertise to help us set up quality systems that you need for medical devices. Then, more recently, they've been providing innovation funding and part of that is about bringing in experts from various fields around the world. I think, going forward for us now, there's two areas we look at now which is I'd love it to get to a point where the internet is a lot faster. On the whole, the internet's good, but, as we learned about 10 minutes ago, now and then it cuts out. The other side of that is I'd love to make it incredibly easy and cheap to jump on a plane and get to America. I think NZTE, in particular, is now moving towards a situation where they are trying to encourage you more to travel by making some of those fares cheaper.

S1 15:03

Phil, you mentioned at the session that New Zealand is a nation of wholesalers and we need to be nation of retailers instead. Can you elaborate on that and explain what you mean?

S2 15:11

Sure. What that means is when you go down to the Port of Auckland or the Port of Napier you see large areas of bare logs for export. We export a lot of milk that's been turned into milk powder. We're missing a lot of the value add in these products. I see huge opportunities for New Zealand to move away from those wholesale models, where we're selling primary products, or unfinished products, and move much more to where we're selling sophisticated solutions. What we're seeing in the economy in recent years is economic powers moving to the parties that control those consumer solutions, rather than a primary resources - the iron ore, the milk, the petrol and those sorts of things. The question for me is what can we do accelerate our move

from wholesale to retail? When we look at it from a Kea perspective, what's really interesting is that we have a lot of these capabilities in the network and, again, Kea as a borderless nation is, at present, about 600,000 strong folks in New Zealand and folks offshore. But, what we see is amazing levels of talent in that network. If you think about moving from wholesale to retail, it's about how do you understanding consumers and how do you create and package products that meet their needs. We have those capabilities as part of our borderless nation today. What we've got to get better at is connecting those dots in order to move closer to the consumer, move our models more towards a consumer solution business model and, in doing so, get more of the margin - get more of a margin.

S1 17:14

It's funny you use the example of the bare logs down at the port because, in another life, I started a career that I didn't go on with in forestry - it was doing a commerce degree in forestry - and I remember the academics at the time saying, "This is what we've got to do in the next few years. We've got to do something with these bare products and value add, and create finished products that we can sell at a higher price to consumers." That was almost 20 years ago, goodness me. It seems like nothing's changed. We must have been talking about this for a very, very long time, but nothing's changed, Phil.

S2 17:48

It's starting to change. It's changing too slowly because, I think, often we focus on the wrong things. But, for every log that you see on the port exported, you can go down to Haldon Station in the South Island and see the merino sheep that Jeremy Moon and Rob Fyfe are using an icebreaker to turn into outdoor apparel in China that they then sell in Malaysia and the United States and Spain. There are companies out there emerging that are understanding how do you move more to the solutions end of the spectrum. Ralph's business is another great example. It's happening. My challenge to businesses here is let's try and find ways to accelerate that, and part of that comes back to my early point about ambition - we're just not ambitious enough in how we attack these global markets. We're just not ambitious enough in what we demand of our capital. We're very happy to get a modest return on our capital, typically New Zealand investors. That needs to change. We need to start demanding as much of our assets, including our capital, our people, our time and energy as off shore investors do.

S1 19:12

Ralph, I want to just address a day-to-day, or a week-to-week, business concern. Running a business out of New Zealand that is global, we've got these things called exchange rates, and they've been steady for a reasonable length of time at the moment. What happens when they become volatile? With the New Zealand against the US, or the Pound, or whatever, does that effect business in a big way?

S3 19:38

Yeah, it does. I remember at the Moxie Session, Glenn, aside, I think Obama a few years ago talked about the US exchange rate and he made the point that he's not too concerned about it because he wants to develop businesses which are robust to exchange rates, and where the margins are high enough that they can deal with high exchange rates. I think one of the things that we do, now I think about it in the context, is we effectively import science, and we develop these high margin products which we then sell back offshore. Yeah, the exchange rates have not so far really hit us. At the start of the company, the exchange rate was around 2.5, I think to the Pound, for example. That made New Zealand employees fairly cheap compared to the UK. As it is now, it's around 2 to 1, and, at least, employees here in Wellington are about the same now as the ones in the UK - possibly a high quality, which is always good. But, increasingly now, with our US sales team in particular, your New Zealand/US exchange rates tend to balance out. The revenues go up, but then the costs go up. We're fairly robust to that, at this point.

S2 21:11

Ralph's operating with business models that are more math than meat, and, by that, I mean that as Ralph sells more of his solutions, he doesn't necessarily need to add a person to fulfill that. He has the scalable power of software and technology to do that. That's a useful point as well. When you talk about foreign exchange, it's interesting where we are in the current business cycle. Essentially, the US Dollar is on a little bit of a tear. The New Zealand Dollar and, I think for the next several years, will be under continued pressure. That actually means if you're creating and manufacturing real products in New Zealand, that they're essentially going to be cheaper over the short to medium term. That plays in our favor. The other point is that we tend to be too obsessed in New Zealand, I think, with export. Stephen Joyce made the point to me some time ago that with the arable land and the resources that we have in New Zealand, we could feed a population of 40 million. He was saying, in terms of New Zealand's population being four-and-a-half million, 40 million is actually a pretty big number. But, I just thought, in the context of the global population, and particularly our big markets in Asia, 40 million's just a tiny number.

S2 22:49

My challenge to New Zealand businesses is really to try and move beyond this export mindset. I mean, if you think about what's the next stage in developing businesses, it's really moving from export to multinational. We should be acquiring assets in Australia, or in Indonesia or Malaysia that we can use to develop our products that we can sell in other markets. We're not necessarily dependent on what we make - logs, milk powder, et cetera, in our own backyard. We can invest our capital offshore to generate returns for New Zealand investors back here at home. We don't do enough of that.

S1 23:36

There are examples of primary industry companies doing that. Fonterra they own farms overseas and some of the forestry companies own forests as well, don't they?



- S2 23:46 Yes, wholesale assets offshore. It would be better for New Zealand investors if they own retail assets in my terminology. But, you're absolutely right. We have an extraordinarily low level of outward investment - investment offshore. I think it runs about 12% of GDP and I think OECD averages are closer to 30. That's why we are an export nation, rather than a multinational nation. But, wouldn't it be great if we could build a food company that was a Fonterra size, but more diversified and consumer brands, and leveraged assets and production facilities offshore to make consumer products offshore, and then the return on that investment flowed back to New Zealand investors. We can invest capital offshore. It doesn't need to be just invested in New Zealand.
- S1 24:46 Is that why New Zealanders get up in arms, or are afraid of foreign investment in New Zealand, and company takeovers and that sort of thing, because they don't see enough New Zealand companies, or New Zealand success stories doing the same overseas and it working both ways?
- S2 25:02 I think that's right, Glenn. I don't think we've woken up to the fact that we're playing in a global economy and just as other people are coming to play in our backyard, we can go and play in their backyard, and often we're very timid and, again, we don't have sufficient ambition to go do that.
- S1 25:22 Is it a level playing field, in your opinion?
- S2 25:25 I think the global markets are what they are. They each have their particular idiosyncrasies. I think New Zealand is extraordinarily open and fair, and sometimes that plays against us. But, it's a competitive old world out there. For Ralph to sell a solution to an insurer or a medical center in the US, there's an incredible amount of competition for that, and it's not enough just to have the best product. We've got to be a bit more competitive. I would love New Zealand companies, as a whole, to be as competitive in the sport of business as we are when we run out onto a rugby field in London, or a netball court in Kingston, Jamaica. I would just love us to be that competitive in the sport of business.

- S1 26:15 Before we go, I'll just get you to explain what you're up to, or where people can follow your progress, perhaps online or a Twitter account, or a website or something along those lines. Phil, where can people catch up with you?
- S2 26:26 Sure. I'd direct people, if they have enough time on their hands, to add me to their Twitter field. I'm at pjveal - p j V-E-A-L. And, also to look at Kea, which is keanewzealand.com, and you can log on there to our Facebook, Twitter feeds and see what's going around our borderless nation of amazing folks around the world.
- S1 26:50 Yeah, sign up to those. They're always packed full of all interesting things happening around the place. Ralph, what about you?
- S3 26:55 You can read about how we're revolutionizing breast cancer screening around the world at Volparasolutions.com, and on there there's various Twitter feeds, Facebook and so on.
- S1 27:10 Wonderful and, of course, you can catch up with all the Moxie Sessions at the themoxiesessions.co.nz - the transcripts, also the links to the NBR articles and all the other podcasts as well. Thank you very much Phil and Ralph. Thanks so much for your time.
- S2 27:26 Thanks, Glenn.
- S3 27:27 Thanks, Glenn.
- S1 27:28 And, I'm Glenn Williams here for the Moxie Sessions. Until next time. See you [music].