

Transcription details:

Date: 07-Feb-2017
Input sound file: Moxie Podcast 46

Transcription results:

S1 00:11 [music] Hello, and welcome to another episode of the Moxie Podcast, the companion web show to the Moxie Sessions, an Internet economy discussion group held once a month in Auckland, New Zealand. This is Episode 46, recorded on the 2nd of February 2017, though the Moxie Session itself was held in October 2016. I'm Andrew Patterson with you here in Auckland. I'll introduce our panel shortly, but first, let me outline the topic that we'll be considering in this session. How does New Zealand rate as a place to start things up? Can we be a beta nation or an incubator for good ideas to the world? Joining me to discuss the topic are Rich Chetwynd, who's the founder and the CEO of ThisData, which develops clever ways to help providers of online services stop their users from getting hacked. He has a history in software and start-ups, including selling one of his creations, Litmos, to a listed American company in 2011. Kirsti Grant is co-founder and CEO of Populate, an HR tech start-up that helps teams and companies better plan their head count. Before that, she was a vice president of talent at Vend, a New Zealand-founded company providing cloud-based point of sale services for retailers. And finally, Mel Langlotz is the co-founder and CEO of Geo AR Games, which makes augmented reality outdoor games aimed at children, like Pokemon Go, but in public parks with dinosaurs. She has a history in the media business. Welcome to you all. Firstly, Rich Chetwynd, perhaps we could start with you. On the basic premise, how does New Zealand rate as a start-up of things? What assessment or what rating are giving us?

S2 02:02 I think in general, really, really good, high rating. We're really good at starting things. I think we have this mentality where we like to make things. And maybe that's driven from different reasons. Or maybe we're just a little bit cheap, and we don't to pay for somebody else's solution. Or maybe we just think we can do it a better way. I'm not sure what the driver is so much, but I think we're actually really a pretty creative group and we like to create companies. And so, in terms of starting up, I think we do pretty well.

S1 02:40 Kirsti.

S3 02:42 Yeah, I agree. I think we do pretty well when it comes to innovating products and services. I think we have a different way of thinking about things and approaching things. And maybe that comes with kind of a slight chip on our shoulder in a positive way, in that we are in the bottom of the world. We're always missed off maps. Most people think that we're attached to Australia. There's all of those things where we feel we have to prove ourselves. And so I think on the product side of things, we're amazing. I think where we fall short a little bit is on the rest of the running the business: the sales, the marketing, the customer support. And that's kind of where we probably-- there's the most opportunity for us to do better.

S1 03:24 Okay. Let's come back to that. And finally, Mel.

S4 03:26 Okay. My view on that is probably that we're a fantastic testing ground for digital products. And New Zealand is known for that. We have very conservative investors, which makes it very difficult to grow the company without going overseas. But what

I'm very fascinated with - and I'm going to give Venture Up a little plug because I'm mentoring them at the moment - I love how the government is pushing to get young kids in the school already into entrepreneurship through the Young Entrepreneurship Scheme or Venture Up or any of these other incubators. And I think that sets a really good undertone for the next generation to come.

S1 04:01

Just on this point about beyond start-up, so everybody's in agreement that we're good at the start-up phase. But what are the points that perhaps hold us back in terms of when you want to move beyond that point?

S3 04:19

I think the access to talent that's kind of done it before. We're now starting to see more people come through that have-- that maybe spent some time in Xero or that have spent some time at Trade Me or Vend, or a bunch of other, more established tech companies. And that's great, but there's still not that scale. We're not like we're in San Francisco and you have a growth of people in your company that come from Google and Facebook and Twitter and other companies like that [laughter]. We just don't have that yet. But I think it's coming.

S4 04:53

Yeah, Kirsti, I totally agree with you. We're having huge issues finding people who have got the level of augmented reality experience and programming experience that we're looking for, 100%.

S1 05:03

Does the situation in the US with Donald Trump potentially mean [laughter] we'll have more people beating a path to New Zealand's door?

S4 05:11

Hopefully.

S3 05:11

It's already happening. What was the number? There's like 1,300 people applied for a visa in the space of about 24 hours last week.

S1 05:19

So we could be a beneficiary of things at the moment. I wonder, Rich Chetwynd, if, though we have enough sense of urgency, one of the things which I noticed, perhaps as an outside observer of the start-up sector, is it does seem to be occupied by a lot of people who like the lifestyle and some of the aspects that go with calling yourself a start-up entrepreneur. But sometimes I wonder if they're kind of really committed to it [laughter]. Do we have enough sense of urgency, do you think?

S2 05:48

I think we work pretty hard, or we like to think we work pretty hard. But I think when you spend some time in a city like San Francisco, which is your kind of Hollywood of technology, they work around the clock all day, endless hours. And they're always talking about it. And you can feel overwhelmed just going to a pub or a bar and talking with people because they'll quiz you harder than maybe your investors did, or things like that. So I think there's maybe just that general intensity is not quite the same. But I think also a lot of these questions, you have to-- when we talk about start-ups, you might be a start-up that's focused on doing something for New Zealand or something in New Zealand, and so the rules are probably a little bit different, and the help, and the structure, and the intensity, and things that you need may be different from if you were trying to create a start-up that sells into the US market or is wanting to go global.

S1 06:52

Kirsti, any thoughts on sense of urgency and productivity?

S3 06:57

Yeah. I mean, I 100% agree with Rich on that. You only need to spend five minutes in a café in the middle of San Francisco to just see how-- it's just all-consuming. It just [laughter] takes over their entire world. And I think in New Zealand we have that work-life blend thing, where we like to have our life, and we like to head to the beach, and it's not all about work for us. I do think we're really productive. I think we have

morphed to be quite productive. Because we have challenges like time zones, you find that right from day dot, if you are selling globally, you have to be really efficient with your time and how you're operating. So I do actually see it as an advantage that we're able to start something from New Zealand and sell globally. In fact, that's something that we have over American companies, as an example, where they have a huge market on their doorstep. They can kind of get a little complacent.

- S1 07:51 Mel, does our approach, while it's seen by Americans often to be endearing, does it potentially hold us back a little bit?
- S4 07:59 Hold us back, I mean, before we jumped on the call, we were talking about Christmas, and how we're all taking this huge Christmas break, while business still carries on overseas. And yeah, man, I'm from Germany, and so sometimes that bugs me a little bit because I get impatient. I get impatient with people around me, and I go like, "Come on, guys. Let's move. I know there are things happening in London. I know there are things happening somewhere else. Let's get going." But at the same time, I have to admit, that taking a decent break and taking a step back from what you are so intensely working on sometimes creates the better ideas. So there is a good side to it as well, I reckon. Maybe it just kind of brings up creativity more or more of the innovative thinking. So there is definitely a benefit to it as well, taking a step away from it, because there's just nothing happening [laughter] here in the country during Christmas.
- S3 08:54 Yeah, I like having the space in my calendar, not having those back-to-back [laughter] meetings that you're running from all day. It's definitely a good time to think about what's next.
- S1 09:03 One other issue I wanted to raise is this idea of collaboration more. Everybody wants to start their own thing. You're right, Rich. You mentioned about it almost being embedded in our DNA. We love creating things. But I wonder if too many people are focused on too many ideas and we might get a bit further if we collaborate a little bit more. Thoughts on that?
- S2 09:28 Yeah. I think during previous conversations, I have mentioned maybe FinTech as an area where we could have a global kind of presence. And looking at countries like Israel, where they're really well-known for [inaudible] security and security in general. And it pretty much comes out of their mandatory military time, and they've got a lot of setup around that. Well, when I look at New Zealand, I think, for many years, we've led the way in banking, and IFPOS, and the way that money is transferred around. You don't really see a cheque in New Zealand anymore, but the US is still in that realm. I think they'll leapfrog a lot of the stuff that we've been doing. But we have had this massive industry in FinTech, Payment Express, DPS, Xero, Pushpay. It just continues to go on. And so maybe we should look at something like FinTech and really build incubators and accelerators around that to try and become a world dominant recognised player at FinTech software and things like that. And it could be a really big opportunity for us. And we have all of the--
- S3 10:42 And that's already kicked off, hasn't it?
- S2 10:43 --history. Yes.
- S4 10:44 Yeah, it has.
- S3 10:45 Yeah. There's like a creative HQ and collaboration with a few other organisations. And I know Xero's involved as well. So yeah, I think that's the obvious first part that New Zealand can really crack.

- S1 10:58 Because that was the second part of the proposition around this discussion is, can we be a beta nation or an incubator for good ideas to the world? And do we do that on an all-encompassing basis, or as Rich has proposed, should we narrow the field a little bit? What are your thoughts on that, Mel?
- S4 11:23 Yeah. I was just kind of thinking back when we're talking about incubators that when I look around the incubators in New Zealand, they all seem to be predominantly New Zealand teams. We were lucky in Lightning Lab XX. We had a Chinese team. And what that brings is just a different perspective. It brings different feedback to the product. And all of us start-ups are aiming to go global at some stage. That's expected of us, and it's the common sense thing to do. Now, I had the privilege to be invited by the Chilean government to go to S Factory of Start-Up Chile, and this is an international incubator. The benefits that you get from having other international start-ups around you is just incredible, and I think we need to look more to that because we don't necessarily, as a start-up, always have the money to go directly to a different country to experience the culture, to try and test whether our product is going to work. When you have different international start-ups with you in the incubator, the opportunity is there to get feedback immediately, right then and there, that can save you a lot of dollars. Yeah, jeez, it just really helps to understand the market so much better, so I think we should invite more international start-ups to come here and spend time in our incubators.
- S3 12:38 Yeah. I think that's a great idea. Because it gets really expensive having to keep going to the US, and doing research, and getting to know that market. I think it would be great if there were more people coming down here.
- S1 12:50 Well, let's talk about some of the barriers or some of the roadblocks, the things that get in the way for you as start-ups. What are some of the issues in that space that New Zealand could be focusing on more, I guess, to really create this platform that we're talking about, being a beta nation or an incubator for good ideas to the world?
- S3 13:16 Capital [laughter]. Money. There is lots of interest in organisations when they get to a series A stage, which is great and wonderful, but there needs to be more focus on helping companies get to that. I think there is lots of different ways that you can do this, but there's probably a lack of funds. I mean, Punakaiki Fund has invested in Populate and also ThisData. And they're great at going really, really early. But there isn't really a lot else out there that's good smart money, that gets what we're doing, and has that understanding of why we do things the way that we do things. And also operators that actually have done it before a couple of times [laughter].
- S4 14:07 Yeah. I think the other thing that we need is, we need good introductions. We need good introductions outside of the country to the right people. And quite often that is facilitated through other Kiwis that have gone overseas and that get what you're doing. But when you're over here, and as you said earlier on Kirsti, you only have limited capital to go overseas, and then you've got a limited amount of time to meet the right people, to get in front of the right people. Sometimes it may not be the right person, and you've got to start all over again, or they don't take you seriously, or whatever. It's just having the right introductions to do your overseas time effectively and efficiently.
- S1 14:44 Do you all feel that that doesn't exist sufficiently in the likes of New Zealand Trade and Enterprise, NZT&E, and those sort of organisations that are there effectively to create that role? Or do you think there needs to be a separate organisation focusing at the start-up level?

- S3 15:05 We get quite a lot of value out of NZTE, whether it's through their New Zealand base, US, or Australia. So far, those are the different offices that we've interacted with. It's like anything. You can't expect them to just magically know what you need. You actually really do need to work with them, and engage with them, and be talking to them about the problems that you're facing, and where you want to head, and who you want to talk to. But in every instance, every single interaction that I've had with them, I've been able to get really good quality introductions. And even from an access to capital thing as well, they're really, really good quality people.
- S1 15:44 Rich, how have you approached that area, in terms of engaging agencies to support you in the areas that you are particularly wanting to develop?
- S2 15:56 I've had small amounts of interaction with the NZTE. We've done a project with Callaghan, which has been really great. They were really supportive with helping us, co-funding a machine learning project. So that was great. I think in general, capital for us in the early days has not been too difficult to get. But getting that series A is certainly harder. Series A level of funding is driven almost absolutely by revenue or some other huge metric, but typically revenue. And so for me, I think in New Zealand, one of the challenges is actually the access to local customers. Not a lot of-- and I found this with both this company, ThisData, and also Litmos. A lot of local businesses are really hard to convince to get to take a chance on using a start-up product. It seems to be less difficult in the US, even as a New Zealand company, to get a company to take a chance on a start-up at solving the problem that they have. Whereas the New Zealand companies, typically, will put you through your paces a lot more, and so it's harder to get a start, I think. It's just that that pool of potential customers is smaller, which means you can't get that early revenue from your home base. And so you've got to go abroad, even just to get to that first kind of stage. And I think that's a bit of a challenge of being remote or having a small population of potential companies to work with locally.
- S1 17:40 Let's focus on the area of advice. There was one point that came out of the discussion. I see where it says, "Don't listen to investors because they are wrong [laughter]." What have been your experiences about the advice you've been given, and what you have found works, and what doesn't work, and and where those, perhaps, pain points might be, in terms of the advice realm?
- S4 18:10 Yeah. I think I'm just going to share a little bit about my experience. I mean, when we pitched to a number of angel investor groups here around the country in New Zealand, pretty much-- I mean, the majority of those investors are baby boomers. Let's face it, right? And so they were looking at us and was like, "Who in their right mind will run around outside with a phone in front of their face?" And that was three weeks before Pokemon Go came out.
- S1 18:36 So you picked the trend [laughter].
- S4 18:39 And so then Pokemon Go came out, and they rang us up and was like, "All right. Tell us we were wrong." And it's like, "Look. You're just not listening enough to the young start-ups coming up and that they have picked up on a trend. And just because you don't understand that this is an upcoming trend, you can't ditch them and just say, or diss them and say, 'You're wrong.'" I mean, I've seen another pitch from a very, very cool start-up company that was pitching car sharing. And they were just told in the room, "Who on earth would not want to own their own car?" Well, the next generation. So if they don't get the trend and if they don't understand that not everybody thinks like them and the world is moving on, then, yes, you do have a problem within the investor space. At the same time, we had investors who were very

much at the beginning against our idea, and who became our biggest champions, who we converted and who are now rooting for us and who just absolutely love us and give us the best advice.

- S1 19:36 And Kirsti, best ways to overcome objections?
- S3 19:41 Persistence [laughter]. I mean, I think we've kind of taken quite a narrow approach, particularly around raising money and customers. And we haven't done the big like, "Wow, we're here and we want to be with [inaudible]." We're still really early, and so we're being really focused about who we're bringing on board as customers, and then also who we're getting as investors. We, to be honest, haven't dealt a lot with New Zealand investors. The main purpose of-- there haven't really been too many that have kind of jumped out at us as being a good fit for us. That said, yeah, there are some people out there that we would like, but it's just kind of having a relationship there, and having proven yourself before. I was going to say before, with Rich, I think-- do you think it was easier for you to raise money this time around because of Litmos, and the fact that you'd had a really successful exit, and you've been through that loop before? Whereas, when you're early like us, it's kind of like you've got a lot to prove?
- S2 20:54 I would say almost-- absolutely [laughter]. Definitely, I think people buy into that. That, I mean, really I don't-- my actual thoughts on it are if you've had-- the chance of succeeding in a start-up are what? 95% of them fail, or something like that? And it goes up when you raise money. So chances of killing it twice in a row are probably actually lower. So it's kind of weird logic to beg people that have had previous success, but then on the same token there's a lot of war stories and just perseverance that maybe that we've shown in the past, which has helped us in raising money for the future, which maybe helps.
- S3 21:41 I think that the objections that you do get along the way, I get a bit of satisfaction out of going out and kind of proving people wrong [laughter]. And so that's hard to do if there's a lot of objections. And fortunately, we haven't had any because we haven't opened ourselves up too much, but yeah, I think that is definitely something that will come with time.
- S4 22:02 I'll add something to that. This is our big challenge at the moment with investors that you've just made me aware of, Kirsti, somehow, is that we are trying to build an ethical, successful business, and that seems to be an oxymoron for a lot of investors. They say, "You can't just be black and white. You've got to go grey. You've got to kind of go in with the bad boys, otherwise you're not going to be successful." And we're trying to prove them wrong and say, "No. We are dealing with kids. We want to do it right. We don't want to compromise." Why do we have to work with companies that we don't believe in and we actually believe are wrong for the kids, just to kind of get into the masses. There's got to be another way to build a sustainable business and be ethical.
- S3 22:46 Yeah [laughter]. You just reminded me of a story of one particular conversation that I had with an investor here. Without knowing our market, without knowing us, without really knowing anything, he said after that, "You have to move to Silicon Valley. You have to go." And immediately, we just tuned out of everything else that he was saying and were no longer interested in working with him, because of that really closed-minded attitude of-- he was under the impression that's absolutely what you have to do, and it's just not. And I think there are great companies here that have done a huge amount at various different stages as well, from New Zealand, and they're proving that you can do it. I mean, I think Timely is an awesome example of-- they're

down in Dunedin, which I think is even more of an advantage than just being from New Zealand. They have built a global company from New Zealand, and they have just been sitting down there in Dunedin working really, really, really hard.

S4 23:45 We heard that too.

S3 23:47 Yeah.

S1 23:49 All right. Final thoughts. We're just about out of time. So it seems that you all agree that New Zealand isn't a bad place to start things, but there are perhaps issues around capital as you've identified, and perhaps advice that you receive and close-minded attitudes. But just some final thoughts on each of you about how you think we improve on becoming an incubator for good ideas to the world. If you were able to solve a particular problem or a particular pain point, what would you focus on? Rich Chetwynd, let's start with you.

S2 24:29 I had to go first, didn't I [laughter]. A big pain point to solve to help us sort of go global more, I think there's great communities now which are building up and there's huge increase in the number of people travelling overseas to learn more. Getting more people, sharing those stories when they're back here, and more meet-ups and groups has always been a good way for people to share. And so I just think continuing to do that, and when new start-ups are starting up and coming through, getting them out and talking about what they're doing.

S2 25:12 And maybe some of these meet-ups that we have and different networking groups, we actually start getting people up in front of a crowd and just saying, "Hey, I'm working on this. It's super early but it's what we're doing." And getting more of the business community in around some of these events so you can know what sorts of start-ups are in your neighbourhood. Because for the most part, even being in the community, you still have really no idea what other sorts of companies are right around the corner. And so the more we can share our stories locally and share our experiences from overseas locally, the better we're going to do at telling our stories when we go overseas.

S1 25:47 Yeah, good point. And I think it also sort of builds on that sort of collaboration point and try to improve on that, that I mentioned earlier. Kirsti Grant.

S3 25:55 Yeah, mine's kind of twofold. So the first part is similar to Rich's, and that it's although focusing on talking about the stuff that's not working, I get way more value out of being in a group of people who are talking about their failures and the mess-ups that they made, and the things that they learned the hard way. So I think as New Zealanders and as people that we can bring into the country to talk about what they're doing, actually making a point of setting aside time to talk about their mistakes. The other part is around talent which should come as no surprise given that's my world. I think, in New Zealand, there's this negative attitude about people moving around from start-up to start-up, and there are some founders that can get really, really [precious?] about people moving on. I think that that needs to change, and I think we need to be okay with our people moving around at various different stages. I think if you're part of an early-stage company, and you see it grow, you just naturally want to go back to earlier game, and to be able to put into play all of those lessons that you learned in the last experience. So I think finding ways for us to be moving around in this ecosystem will be really cool, really valuable. And then ways to find-- to get more people in from overseas as well who have done it all before, yeah, can help us.

S1 27:24 Thanks for that. And finally, Mel Langlotz.

S4 27:27

Yeah. I think I'm going to go back to what I said earlier on. So fostering the international community. Trying to make it easy for people to move around, to go overseas. So make anyone in a start-up scene aware of incubator opportunities. Because one of the things that I've also learned from having been in two incubators is that you get so much support out of that. You are made aware of competitions, of talks, of people put your name forward in media and whatever. It's been such a support and such a lot of goodwill and introductions and what have you. And I think a lot of people who do a start-up but are not necessarily part of the incubator scene are having it much, much harder. So if we can foster that more, if you can invite other more international people, if we can make it easier for everybody to go overseas and get an overseas experience with other start-ups or incubators, or whatever, I think that will help.

S1 28:24

Thank you all for joining us and for your contributions. I've been speaking to Rich Chetwynd, founder and CEO of ThisData, Kirsti Grant, co-founder and CEO of Populate, and Mel Langlotz, co-founder and CEO of Geo AR Games. I'm Andrew Patterson. Thanks for joining us for this Moxie Session. [music] We hope you'll join us again in the future.