

# [GLOBAL STARTUP]

## Where *to Grow*

Erin Burrell & Jackie Young







# Starting up in New Zealand

New Zealand, with 4.9million people, may have a relatively small economy and a limited market, but it is the perfect ecosystem for creating and evaluating a company before looking to global markets for growth.

According to the OECD, New Zealand is one of the easiest countries in the world to start a business, because brands have the chance to test, learn and grow in a low risk environment.

A question faced by most startups looking to grow, is whether to grow in New Zealand, or go immediately to global markets. This case study resulted from a panel of startup experts from business, government and academia that discussed and addressed this question in real-time with a New Zealand startup, the student marketing firm Niesh.

## SCALE FASTER AND SMARTER

Growing a startup requires a mix of passion, know how, and the right strategy for growth. Scaling a business for expansion requires a deep understanding of customer needs in order to create appropriate automated processes. By starting in New Zealand, founders have an opportunity to learn through customer engagement as they grow nationwide.

However, because of its small size, deciding if the country is big enough to sustain the evolution from startup to fully-fledged enterprise requires consideration and will vary for each business. Niesh was seeking to decide whether it was better to grow its business in New Zealand then go global, or to immediately start plans to expand in the global market.

"We thought spending more time would solve most of the big issues. I was wrong. I admit it. Spending more time is not always the right approach."

Jae Yoo *Founder Niesh*

#### THE WORKSHOP MODEL

Startups face difficult challenges, but founders often attempt to address these challenges by simply spending more hours in the business. While resources are working hard, it is not always in ways that assist the company to scale. Deciding which items are most crucial to focus on can become overwhelming for many small business owners.

Niesh took advantage of a workshop with some of New Zealand's smartest entrepreneurs, founders, academics, and government experts to validate their business model, better understand their stakeholders, and to identify where they should be spending their attention for a growth strategy. This provided Niesh the opportunity to scale faster, smarter and strategically.

#### MEET NIESH

Niesh is seeking to expand its operations beyond the pilot market in Auckland, New Zealand. Niesh, founded in 2015, appeals to the student market in a variety of ways. Its app, designed to meet the challenges of the modern university student, offers a suite of services for brands to connect with the youth market to make every student's life easier.

Initially piloting free printing services where brands gain exposure to customers with every study guide and essay, the team has enhanced its offering to include engaging students with events, food and service discounts, and is trialling job-hunting services for graduates.

#### x The challenge

Niesh currently engages with a student customer base of more than 33,000 active app users. Primary customer acquisition tactics occur during the critical four-week university orientation period, to set up a successful season.

The team at Niesh grew organically from relationships at university. While utilising talents in sales, marketing, and technology, it was missing critical elements of finance and human resources to support ongoing growth. A strategy for growth requires businesses to consider the fundamental elements of location, revenue, customer needs, market, processes, product, and administration.

Niesh also lacked documented processes and ways of working that would allow them to maximise limited resources and to scale beyond its existing employee base. Increased pressure existed for the team as every team member from the founder to student ambassadors were involved in every aspect of on-boarding customers.

# Workshop on Growth

## WHAT DO YOUR FINANCIALS LOOK LIKE?

Cashflow is the determining factor for startup growth capacity. Forecasting cash flow and validating that the market can handle pricing structures are the basics of creating a supportable business model.

“Creating a sustainable revenue model needs to be one of the first things a startup focuses on.”

Brian Keegan

Niesh currently has a pay-per-service standard with partners, a change from its original pricing model. While this allows it to maintain free services for students, the transition means, revenue and cash flows have been erratic.

It is critical for startups to have financial resources to invest in new markets, including maintenance of legal and tax compliance. With an erratic cashflow, Niesh had to both transition its pricing model and give careful thought to ensure that its upside revenue of growth was large enough to sustain the increased costs of expansion into new markets.

## WHAT DOES YOUR CUSTOMER WANT?

While the extensive growth that Niesh has already experienced is something to celebrate, it still had to tap into its target market - New Zealand's 416,000 tertiary students. By sizing the market, Niesh realised that it was engaged with a tiny percentage of students - less than 10% of its target market.

Upon review, Niesh found it had more user types than anticipated. Through the workshop, it started to identify multiple stakeholders - including students, as well as

partners, service providers and their internal team. It quickly became clear that helping the students do more just meant increasing the manual tasks for everyone else.

The workshop also identified that growth wasn't sustainable without placing some focus on creating workflows for their internal resources that would save them time and allow the business to scale.

Reducing tasks and labour meant that Niesh could focus on brand growth, rather than on efforts that lacked value.

## HOW ARE YOU GETTING THINGS DONE?

Throughout the workshop Niesh discovered that many team members were investing too much time on the same manual tasks. By discussing workload and task assignments, the idea of automation and simplified processes became a way to reduce non-value adding tasks. Niesh was able to recognise the processes that were of most value to the stakeholders, and its leadership team could better focus on growth and care of their customers.

Realisations like these can come by just spending time as a team together. It had been months since everyone in Niesh's management team had spent an entire day working on the business. By taking a step back with the experts, Niesh was able to refocus their attentions and reconnect with their vision.

Once they knew what they wanted to work on, Niesh had to assign priorities to each task. As a technology company, their initial approach had been to focus on releasing new features to their customer base, but it became clear that better understanding their customer journey and revenue model needed to take priority.

Niesh also realised that they weren't taking advantage of all of the support services available to New Zealand technology companies. By interacting with government experts, they learned that they had access to growth grants that would assist them in improving their product offering even further.

“Overseas expansion has a great upside, but before going there the business must understand the costs involved & have a robust capital plan.” Chip Dawson

#### WHERE TO GROW NEXT?

Ensuring your startup has a good handle on administrative tasks from cost and revenue reporting, to writing job descriptions can be critical to long term success. After working with the experts, the team at

Niesh decided there was a significant upside to retain a local growth focus and take advantage of their home base to really learn and grow their product and service offering. This was despite the obvious potential for bigger business growth overseas.

#### ARE YOU READY TO GROW GLOBAL?

##### Revenue Model

*If you have been bootstrapping or received an early injection of seed funding, pricing products and services for profit might have fallen down the priority list. Ensuring your revenue model is designed to support your growth is critical to long term success.*

- ☐ Do you have a cash flow projection that can support the increased costs of expansion?
- ☐ Do you have a budget for navigating labour and regulation from your target company?
- ☐ Can you handle the increased costs associated with a distributed team?
- ☐ Do you have a revenue model that can support your growth targets?

##### Customer & Market

*Keeping your focus on delivering the best product possible supports growth no matter what your postcode might be.*

- ☐ Have you mapped your customer journey?
- ☐ Do you know where your customer might find friction?
- ☐ Have you sized your market?
- ☐ Are you talking to your target consumers?
- ☐ Are you collecting and acting on customer feedback?

##### Process Mapping

*By getting items written down teams can more easily discover where automation and staffing can help drive growth targets. They also make it easier to expand into new markets because they form the basis for training new team members and monitoring performance.*

- ☐ Have you documented your repeated tasks and processes?
- ☐ Do you know where your team spends the most time?
- ☐ Can you automate any of the tasks your team are doing?

##### Product Road Map

*Road maps aren't just for technology. Knowing where your assortment of products or services is going is of equal importance to every business and can help to target the best markets and customers.*

- ☐ Do you know how your product mix will change over the coming months?
- ☐ Are your feature releases timed to meet customer demands and seasonality?

##### Administration

*Beyond process, additional efforts are required to navigate international business. From management and organisational structure to how to pay teams and vendors. Having administrative systems and processes in place can be a life saver for startups.*

- ☐ Can you handle the administration?
- ☐ Do you have structures for navigating taxes and laws in more than one region?

# About ecentre

ecentre is a startup focused incubator and accelerator in New Zealand. Working in partnership with Massey University, ecentre is the hub for your startup journey. It leverages the power of academic theory, industry expertise, and government to assist companies to grow. Taking advantage of an ever-growing base of experts, partners, and alumni, ecentre seeks to deliver innovative services and collaborative workspaces, and to connect entrepreneurs to the local community and to the global market.

To date ecentre has worked with hundreds of startups and businesses and supported their transformation from rough ideas into successful enterprises. ecentre is able to offer its founder incubator services thanks to the support of Callaghan Innovation, Massey University and Auckland Tourism, Events and Economic Development.



## GOING GLOBAL

With a limited market in New Zealand, most high growth companies look to global markets to scale their businesses. They need to be positioned to attract and engage with talent, speak to a new market and customer base, and manage distributed resources.

Once startups have strong operational skills and business processes, they can expand to navigate global requirements to increase revenue and customer bases.

By eliminating national borders, a brand can focus on acquiring the best talent on the planet, attracting skills that may not be available domestically.

Location variety can also level out revenue spikes as navigating across hemispheres offers brands a chance to take advantage of endless summers, winters, and school years. This allows them to utilise teams and partnerships for maximum output with minimum effort.

Global expansion isn't always about chasing revenue and profit targets; the ability to learn about new markets can enhance

product development and innovation. Consumers have varied needs across regions and expanding into an alternate market can help to ensure your product and service menu is flexible enough to evolve with varied customer needs.

Covering the cost of growth requires thoughtful planning and often involves raising capital. Ensuring your team has the tools, market awareness and financial planning capability is critical to the success of any global expansion as is a pool of external investors, experts and partners.

But growing globally isn't all upside. There are risks to be factored into any decision process (see table below). From ensuring your team has the local skills to navigate cultural variances, to dealing with a distributed team in a different time zone, startups need great operational processes, and detailed understanding of their target markets. Niesh realised that even before going offshore they would need to change their business model and the underlying technology to ensure they could adapt at low cost to the needs of new regions.

## OPPORTUNITIES

- Exponential revenue opportunity
- Increased customer base
- Trade in multiple currencies
- Exploit multiple time zones
- Using seasonal shifts to stabilise income
- Access top talent

## RISKS AND CONSIDERATIONS

- Currency fluctuation can impact profits
- Business models may require adaption to different cultural contexts
- Legal compliance and policy impact
- Navigating taxes and accounting across borders
- Working with distributed employees
- Political climates can vary



## GROWING LOCAL

New Zealand is one of the world's best places to grow a business. With friendly government processes that help businesses scale their products and services and a relatively compact geography, a small footprint in New Zealand can create impact.

Provided the local market isn't saturated, local growth can help startups focus on perfecting processes and optimising the team. Local expansion can offer the opportunity to drive revenue and enhance product and customer experiences without complex overseas tax, labour laws, and policies.

### Local doesn't mean small

It's easy to feel like New Zealand isn't going to offer enough opportunity to meet your needs, but as a relatively closed ecosystem, the local market offers some unique elements to grow.

Creating a loyal customer network requires focus and familiarity with local needs and a strong desire to deliver a best in class experience. Keeping regional reach small can allow startups to place their energy on high quality products and services, further expanding brand reputation and ensuring a strong value proposition.

While driving local can seem like being a big fish in a small pond, it allows startups to overtake competitors quickly at a lower cost. This limited competition can help startups to focus on customers and partners that will support growth, increase engagement and target the needs of a customer. There are very few brands that can introduce a single product to a global market without needing to adapt, so getting to know your customer in one location at a time allows room to develop and scale.

## Making an impact

Businesses can really make an impact on their community when they deeply understand a specific geography. Corporate Social Responsibility and community engagement is becoming increasingly important for businesses as values shift with younger generations taking ownership of the consumer experience. In-country strategies allow brands to learn their customer within a single time zone.

Utilising a deep understanding of a specific market can also be a gateway to larger ventures. Global expansion asks businesses to have a firm grasp on operational and customer efforts if they hope to succeed. Doing a great job one market at a time can allow processes and services to scale based on real demands, not just because it sounds good to be international.

There are risks to being solely focused on the New Zealand market (see Table). Therefore, the decision of when to go offshore is a critical one and not one to be taken lightly or with insufficient research and preparation.

### OPPORTUNITIES

Regional customer needs vary  
Growing partnerships for profit  
(Government and Commercial)  
Increasing market through  
word of mouth  
Working in a single time zone  
Government support for growth

### RISKS AND CONSIDERATIONS

Small population  
Single currency can limit growth if  
that market suffers adversity  
Distributed rural population  
Dependant on single economy

"We have been, and continue to, act on the advice of the experts. We have already seen an increase in our speed and growth."

William Kim General Manager Niesh

# Contributors

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## THE PANEL

### Dr Dirk Michael Boehe

Dirk is a Professor of International Business at Massey University. With a wide base of expertise across the globe, Dirk is passionate about international expansion strategy. In addition to teaching and academic research, Dirk consults in areas such as foreign trade and market research.

### Erin Burrell

Enthusiastic about the intersection of theory and practice, Erin is a consultant and academic researcher. With two decades of global expertise, this Canadian expat is focussed on helping New Zealand SME's and startups grow. She loves designing programs and projects that allow for cross functional synergies and leveraging her global expertise in technology and strategy to deliver data driven decisions.

### Dr Jason Cordier

Jason has a PhD in strategic management, is an associate fellow of the Higher Education Academy, and consults, lectures and researches within the fields of integrative management, strategic management and knowledge management. Jason has extensive European, Asian, Middle Eastern and North American experience in the fields of Governmental Organizational Development, Islamic Finance, Agri-business, Oil & Gas, Asset Management and Diversified Conglomerates.

### Chip Dawson

Innovator, entrepreneur, investor in New Zealand businesses and people; 35 years experience with global reach; Chairman, Director, CEO experience in three continents. Focus on business governance, sales, marketing, and finance in the tech space, manufacturing, and innovation.

### Carol Brown

Engaging consumers and business with technology drives Carol to utilise her skills across sales and marketing sectors to pay forward her luck to both small business and education sectors. Leveraging a gift for building relationships, Carol can be found facilitating connections across internal and external business units at Microsoft.

### Brien Keegan

New Zealand based, Brien has spent a number of years working overseas in Asia, North America and Australia in the recruitment industry. He most recently founded Sprout ([www.sproutnz.com](http://www.sproutnz.com)), an organisation that helps mid-size growth business in making better people decisions. Sprout's purpose is to help create a more prosperous, productive and happy New Zealand.

### Nimeesha Odedra

With extensive generalist experience in Human Resource Management, currently a final year PhD doctoral researcher specializing in understanding the career experiences of skilled migrant workers coming to New Zealand. Nimeesha's work focuses on finding the alignments between talent management and the opportunities to support the New Zealand workforce.

### Tony Vujnovich

As the Business & Innovation Advisor for ATEED, Tony supports companies in their journey towards R&D grants, programs and other services from Callaghan Innovation. His expertise spans general management, finance, contract and legal guidance as well as property and title issues.

### Ralf Wittgen

Ralf is an industry veteran with 15+ years of managing professional services teams in Germany, USA and New Zealand. He was one of the early adopters of the Customer Success methodology and on his return from Silicon Valley he founded CS-Inspire ([cs-inspire.com](http://cs-inspire.com)), with the ambition to support New Zealand businesses to implement Customer Success initiatives.

### Jackie Young

Jackie is the Chief Executive of New Zealand's ecentre. She is passionate about connecting startups to opportunities and does this by connecting them to industry, academics, and government. Jackie uses her skills at relationship building to bring together resources from across the globe to help grow the New Zealand business landscape.





# The Entrepreneurs

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## **Eddie Chae** *Product Manager*

Eddie is the Product Manager at Niesh. He loves to innovate to create unforgettable user experience for students and businesses. As a master of multi-tasking, he also develops the iOS version of the Niesh app.

## **Michael Chen** *Marketing and Sales*

Michael is the marketing executive and head of sales at Niesh. He is a creative at heart with a passion in photography. He uses his creative strengths to grow and develop Niesh's brand.

## **Will Kim** *General Manager*

Will is the General Manager at Niesh. He is a generalist with a passion in fixing anything and everything. With a knack for unconventional problem solving, he brings a wide arrange of knowledge to supplement all areas of the business.

## **James Koo** *CEO*

James is the face and voice of Niesh. He works with every department to decipher the best direction for the company and ensures it is understood both by the team and the public.

## **Jin Lee** *CTO*

Jin is the Chief Technology Officer of Niesh. He revels in the furtive beauty of technology and wants to empower humans in any way possible via computational means. He'd like to make New Zealand great again.

## **Jae Yoo** *Founder*

Jae is the original founder of Niesh. He started Niesh with the humble desire to save students money and now serves as the executive manager, working on high level strategies in the business.

