



**INCUBATORS**  
NEW ZEALAND

**“Kiwis can fly”**

**Incubation in New Zealand**

13<sup>th</sup> AABI International Conference

Kevin Ha – Incubator Business Manager, AUT Tech Park



Any of several flightless birds of the genus *Apteryx* native to New Zealand, having vestigial wings and a long slender bill. Also called *apteryx*.

A woody Chinese vine (*Actinidia chinensis*) having brown fuzzy edible fruit with a green sweet pulp. The fruit of this plant. Also called *Chinese gooseberry*.

*Informal* – A New Zealander.

# New Zealand business landscape

- ◆ NZ is a country of SMEs (Small & Medium-sized Enterprises)
  - Defined by the Ministry of Economic Development as enterprises with fewer than 19 employees
  - 96.4% of enterprises employed 19 or fewer people
  - 86.8% of enterprises employed 5 or fewer people
  - 63.6% of enterprises had no employees

Sector	Export \$	%
04 Dairy	610,247,535	22.01%
02 Meat	423,290,433	15.27%
44 Wood	179,750,100	6.48%
84 Machinery	138,797,882	5.01%
76 Aluminium & Articles	131,334,057	4.74%
35 Starch	107,824,877	3.89%
03 Fish	96,153,133	3.47%
98 New Zealand Misc. Provisions (1)	85,233,134	3.07%
85 Electrical Machinery	75,488,599	2.72%
22 Beverages, Liquor	71,524,776	2.58%

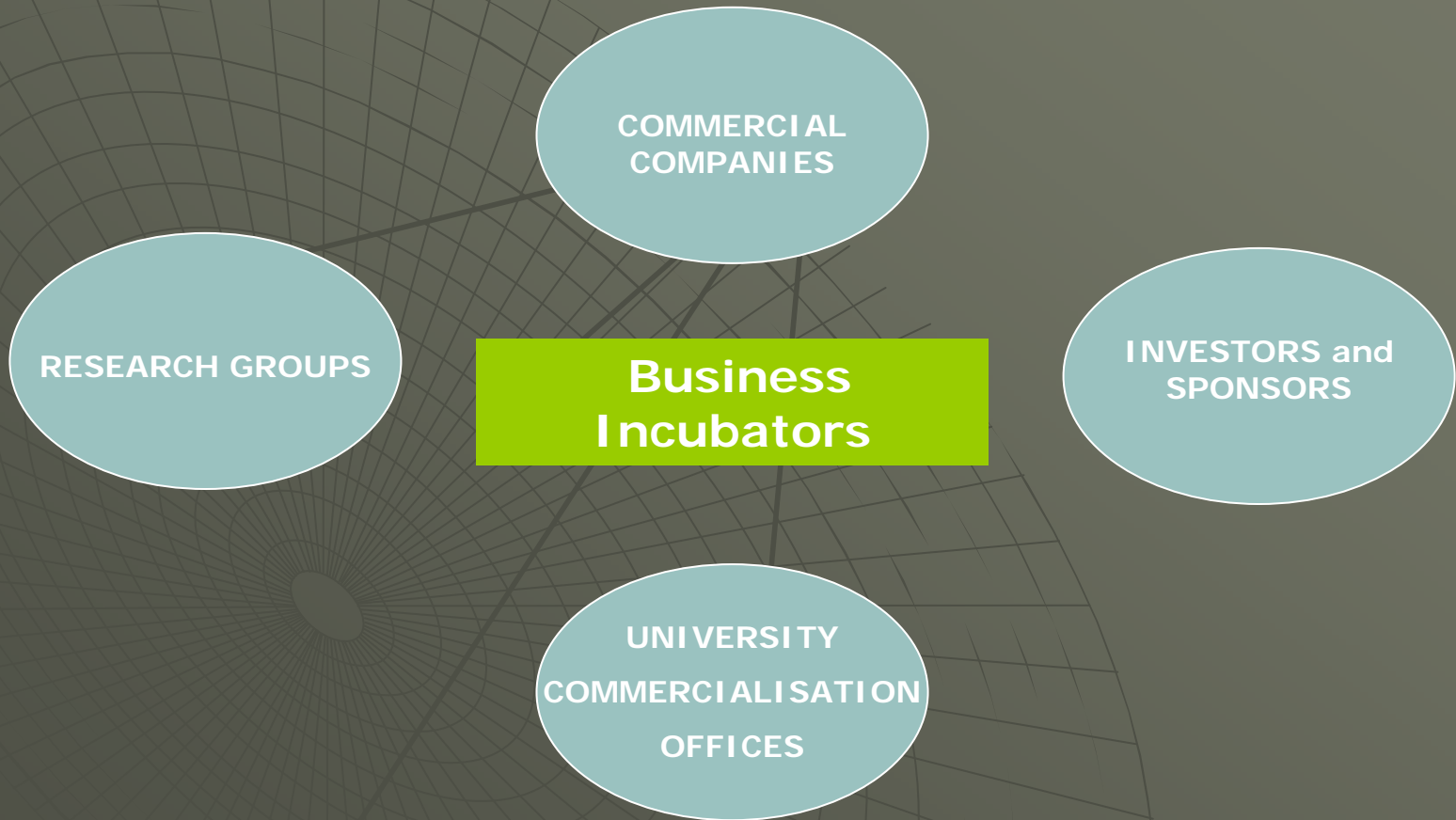
**(Month end December 2006, NZTE)**

# Incubation in New Zealand

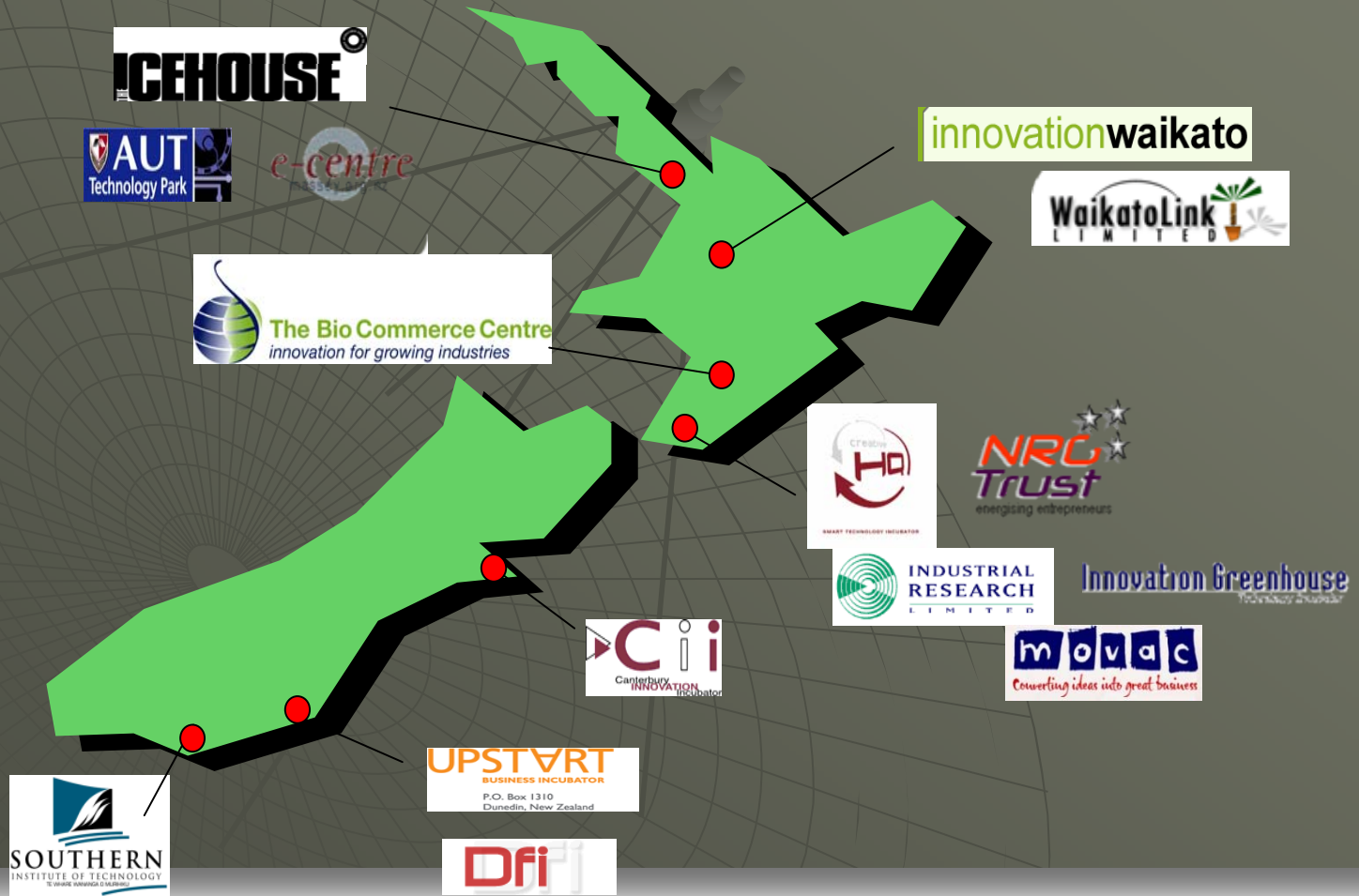
Focus on 3 core industries:

- ◆ ICT (Information Communications Technology)  
eg. – software, hardware
- ◆ Creative  
eg. – fashion, art, film, music, culture
- ◆ Bio-Tech  
eg. – medicine, health, bio-fuel

# Incubation in New Zealand



# New Zealand Incubators



# What type of company?

- ◆ Innovative
- ◆ Unique
- ◆ Intellectual property
- ◆ Export/global potential
- ◆ Evidence of huge growth potential
- ◆ Addresses a problem or need by a person – market validation
- ◆ Good management team

## Government criteria for “high growth” companies:

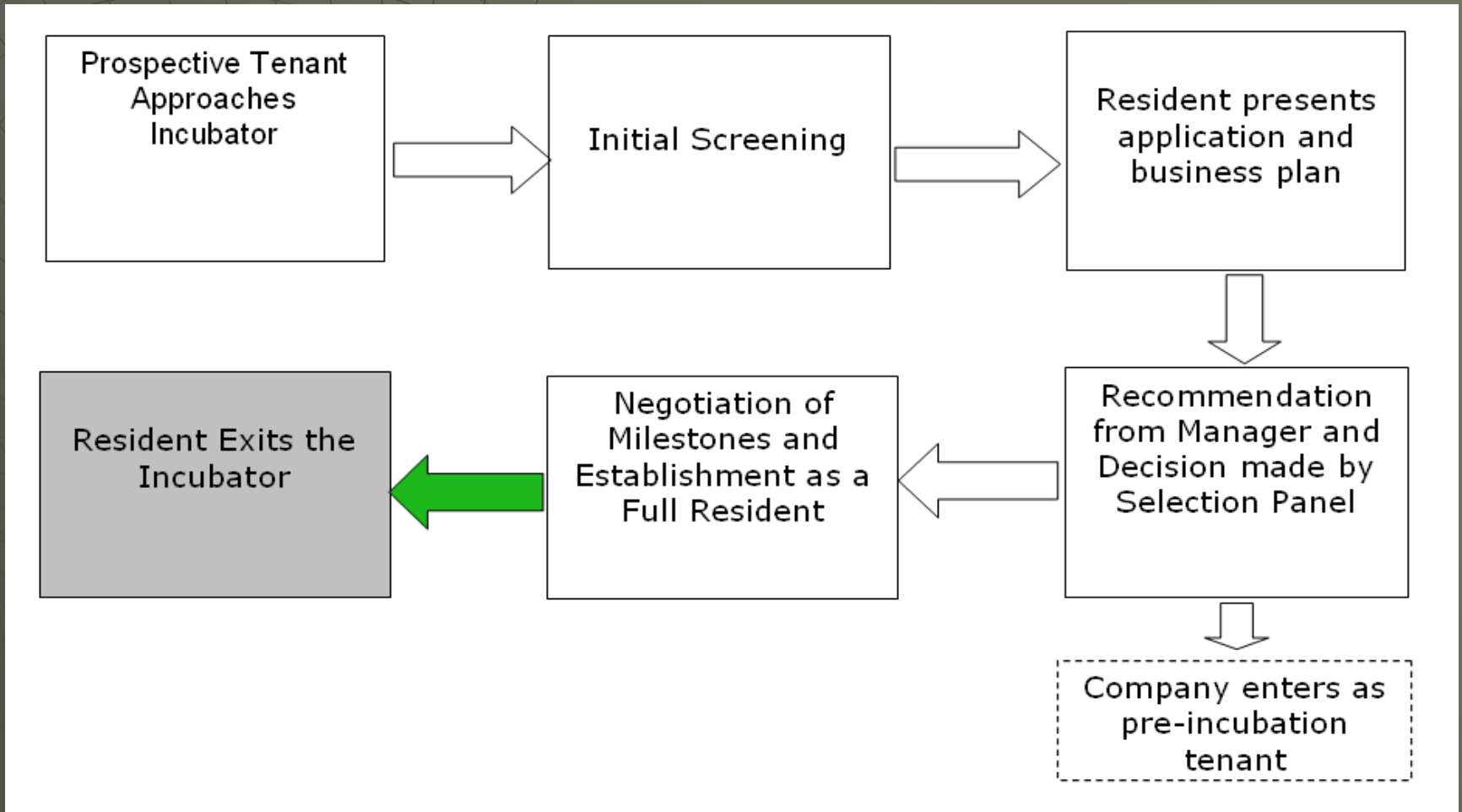
- ◆ Double the number of FTE during incubation
- ◆ Revenue of at least \$500k within 2 years of incubation
- ◆ External capital raising of at least \$500k during incubation
- ◆ Revenue of at least \$5m within 3 years of exit



# High Growth?

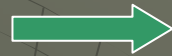
- ◆ Growth which when combined with others has the power to transform economies
- ◆ The window of opportunity for new technologies to get to market is small, anything less than rapid growth will result in company failure
- ◆ Aim high and achieve high, aim low and achieve nothing – no one runs a race aiming for second place
- ◆ Usual measures are:
  - ◆ Capital raised
  - ◆ Jobs created
  - ◆ Revenues

# Process



# Process

Pre-incubation



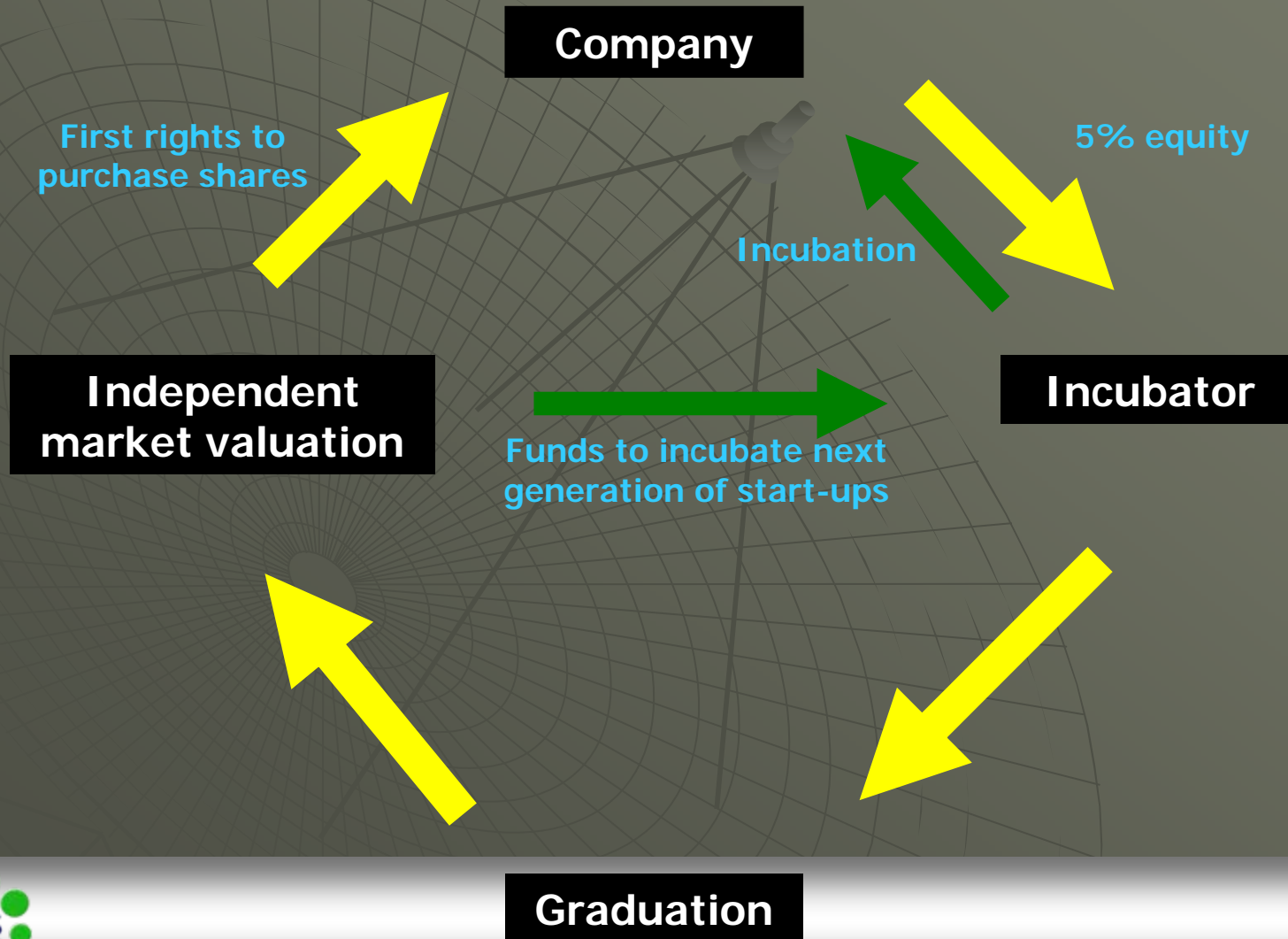
Incubation



Graduation

<b>Market validation</b> <ul style="list-style-type: none"><li>•MBA student</li><li>•Research</li><li>•Identification of "low hanging fruit"</li></ul>	<b>Funds/grants</b> <ul style="list-style-type: none"><li>•Angels/dragons</li><li>•NZTE/FRST/TechNZ</li><li>•Early commercial product</li></ul>	
<b>Securing of IP</b> <ul style="list-style-type: none"><li>•Unique</li><li>•Novelty</li><li>•Can be commercialised</li></ul>	<b>Product/service</b> <ul style="list-style-type: none"><li>•Proof of concept</li><li>•Prototype</li><li>•Marketing channels</li><li>•Business model</li></ul>	<ul style="list-style-type: none"><li>•Second stage funding/investment</li><li>•Commercialisation of IP</li></ul>
<b>Company structure</b> <ul style="list-style-type: none"><li>•IP holding company</li><li>•R&amp;D company</li><li>•Marketing company</li><li>•Sustainable</li></ul>	<b>Collaboration</b> <ul style="list-style-type: none"><li>•Potential customer</li><li>•Pilot sites</li><li>•JVs</li><li>•AUT Enterprises</li></ul>	

# Looking towards sustainability



# Adding / Creating Value

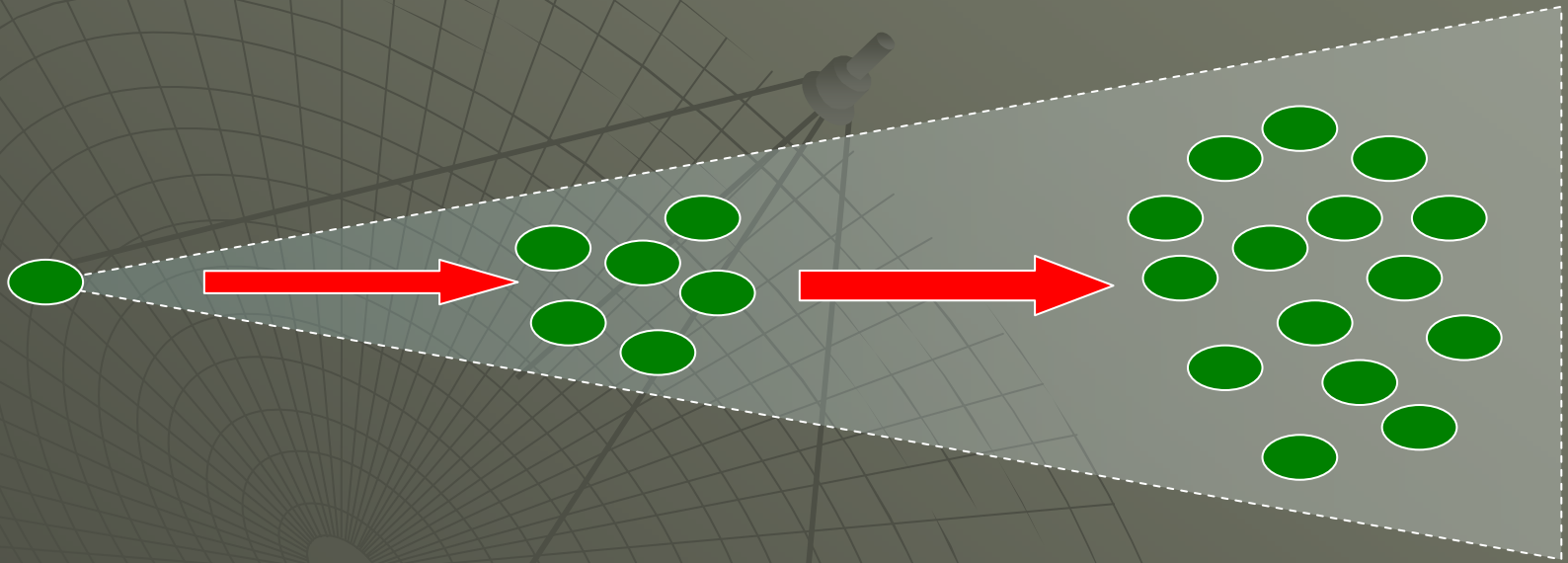
- ◆ Incubator Management requires highly skilled people
- ◆ Incubators that do not have staff capable of providing high value added assistance to entrepreneurs and who offer primarily real estate and networking cannot claim any significant role in client company success (Ref. "Technology Business Incubation" - Mr Rustam Lalkaka).
- ◆ Cheap office space, amenities and networking are invariably the least important of the value added services that a good quality incubator provides.
- ◆ Hands on business expertise to help entrepreneurs to raise capital, produce product, find customers and broker deals is the key to quality incubation.

# Unique features of NZ incubation

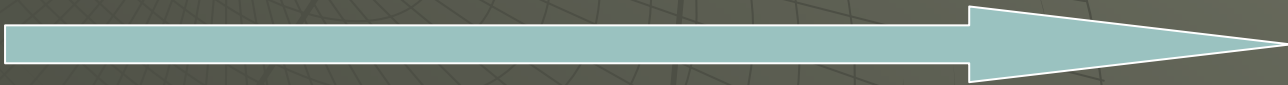
# Export

- ◆ New Zealand is a small country – location wise we're quite far from the major trading centres of the world.
- ◆ Not uncommon for an incubator to seek relationships abroad.  
eg. – Singapore, India
- ◆ Strong linkages with New Zealand Trade and Enterprise offshore offices.  
eg. – Beach heads programme: South East Asia, USA, Middle East and UK
- ◆ Strategic trade missions with start-up companies to target markets abroad.
- ◆ Change in behaviour – it is becoming common practice for a start-up to launch overseas rather than in the domestic market.

# Export



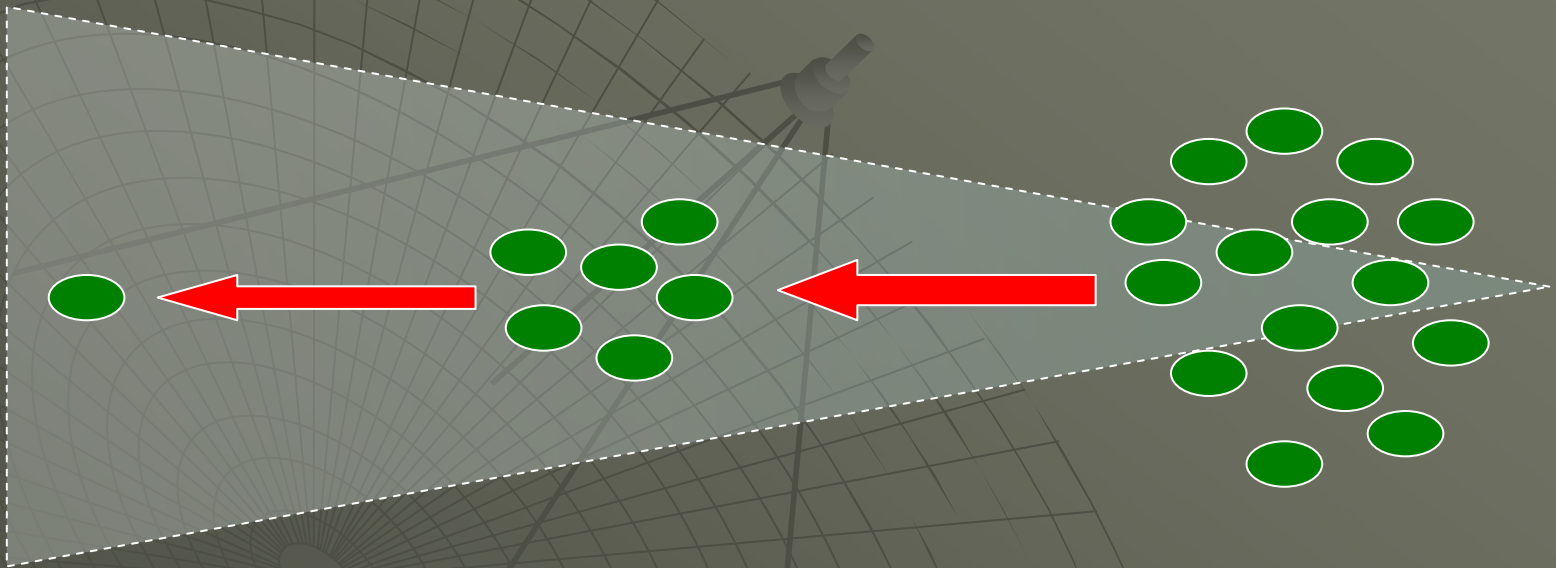
Domestic



International



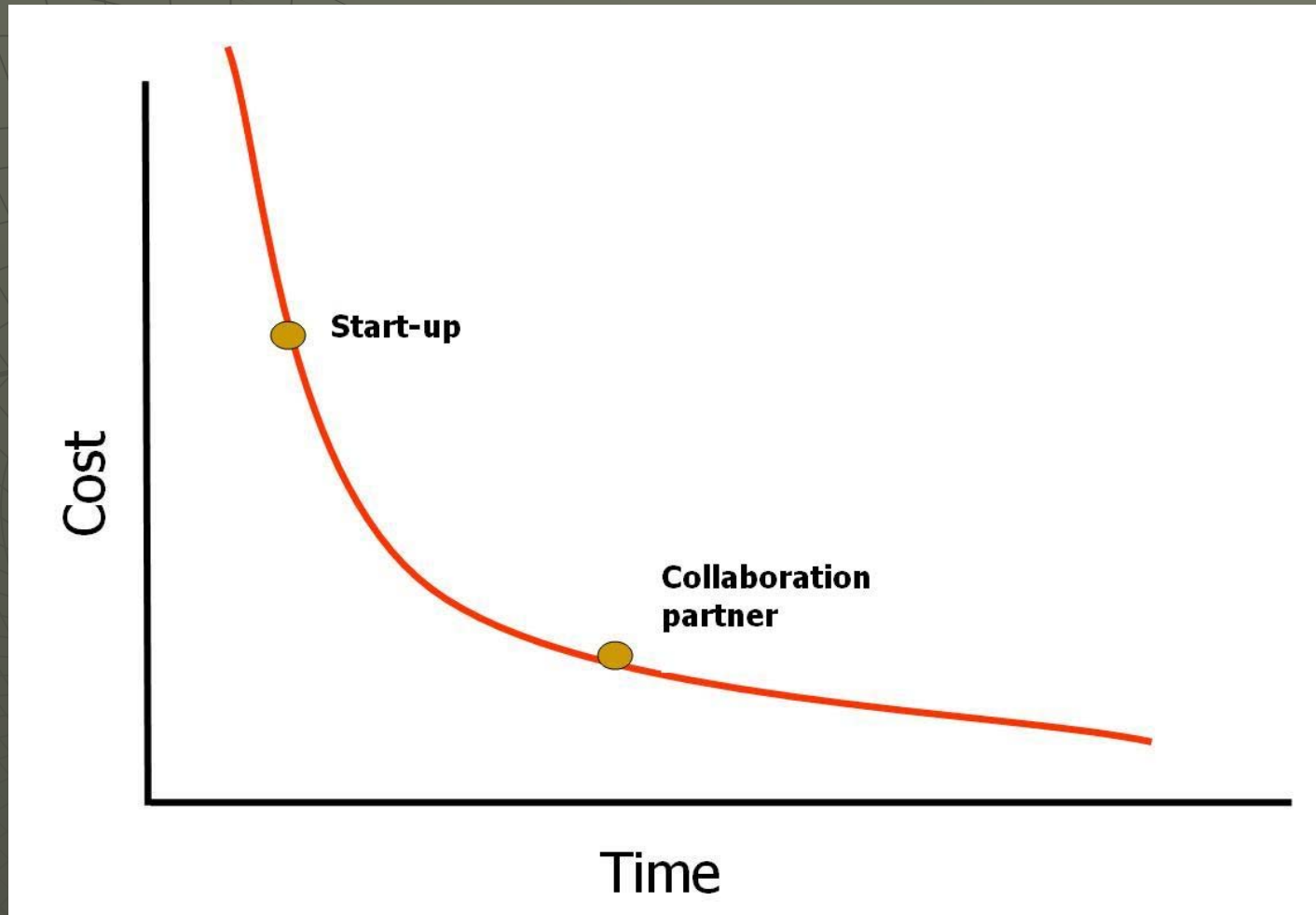
# Export



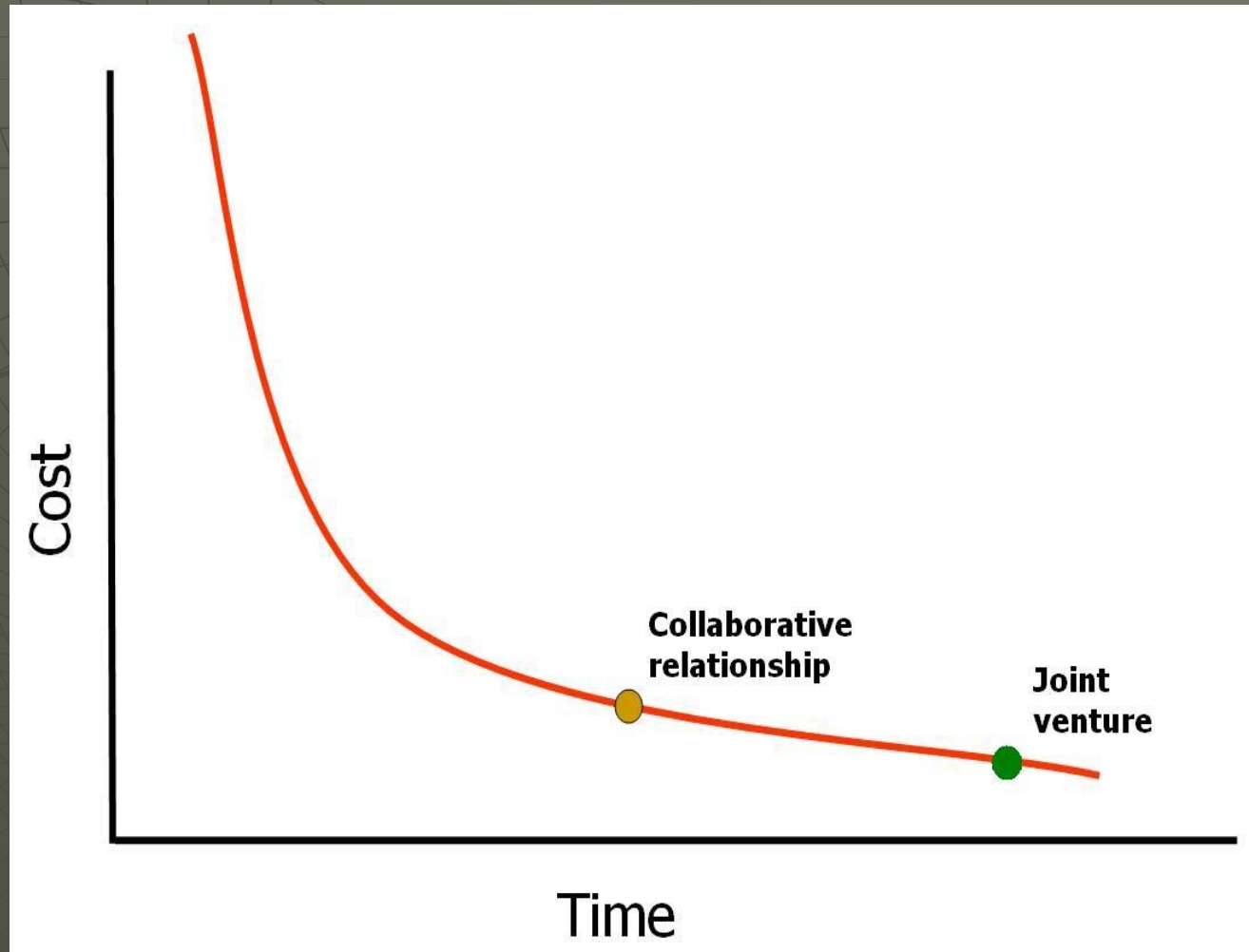
Domestic

International

# Collaboration – “Experience curve”



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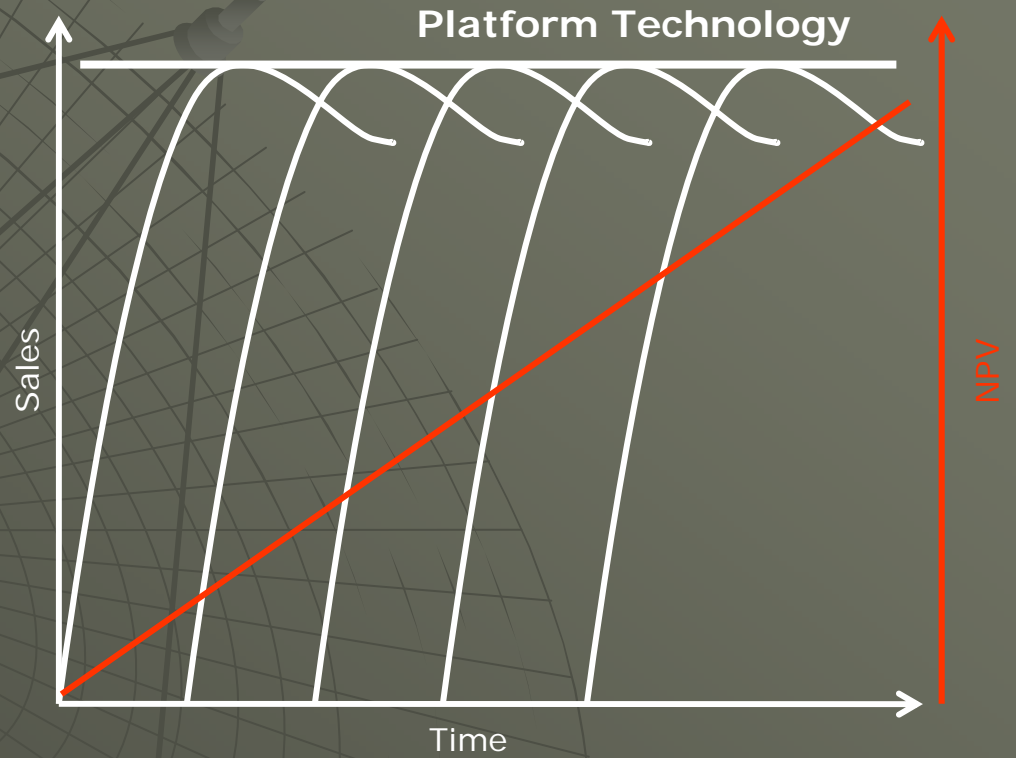
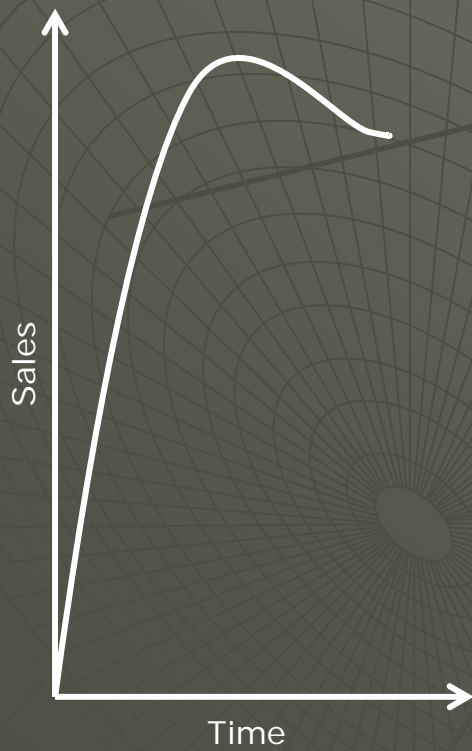
# Sponsors/Partners



# Taking Start-ups offshore



# Commercialisation



# 2007 Scorecard

- ◆ 614 Enquiries
- ◆ 518 interviewed
- ◆ 32 new incubatees
- ◆ 18 new pre-incubatees
- ◆ 8.1% conversion rate
- ◆ 116 companies in incubation
- ◆ 150 companies in pre-incubation

# 2007 Scorecard

- ◆ Total Capital raised 25.3m
- ◆ Private 20.5m – 81%
- ◆ Government grants 3.0m – 12%
- ◆ Debt 1.8m – 7.0%
- ◆ Company exits:
  - ◆ 14 Unsuccessful
  - ◆ 29 Successful
  - ◆ 22 High Growth



# Summary



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Process		
Pre-incubator	Incubator	Co-incubator
<ul style="list-style-type: none"> <li>Market validation</li> <li>Business plan</li> <li>Market research</li> <li>Financials</li> <li>Legal</li> </ul>	<ul style="list-style-type: none"> <li>Market validation</li> <li>Business plan</li> <li>Market research</li> <li>Financials</li> <li>Legal</li> </ul>	<ul style="list-style-type: none"> <li>Market validation</li> <li>Business plan</li> <li>Market research</li> <li>Financials</li> <li>Legal</li> </ul>
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Growing knowledge economy

Failure rate < Success rate

Successful global companies



<https://www.incubators.org.nz>