



REVERA LIMITED

Revera is an IT services business specialising in providing small to medium-sized enterprises (SMEs) with “high integrity” computer infrastructure and services. Revera sells IT infrastructure as a utility, keeping their customers’ IT running and ensuring business data is safe and easily accessible.

Revera was established after the New Zealand management team bought out the local Hitachi Data Systems operation. It has become a trusted business partner to many SMEs.

The Australian market is an integral part of Revera’s future growth strategy to become a New Zealand-owned \$NZ100 million business. It adopted a staged approach to moving across the Tasman and will continue to build its Australian presence as financial resources allow.

Why Australia?

Revera’s decision to enter Australia was driven by the following factors:

<p>Identified Market Need</p>	<p>Revera’s competitors are much larger multinationals whose cost structures prevent them delivering cost effective service to the SME market in New Zealand or Australia.</p> <p>Revera’s product directly addresses the New Zealand and Australian markets’ issues of a shortage of IT skills and cash constraints. Outsourcing IT services means these skills do not have to be employed, and sharing infrastructure reduces the costs per client.</p> <p>Revera’s product offering in Australia is unique in providing complete outsourcing of IT infrastructure, targeted at SMEs.</p>
<p>Market Opportunity</p>	<p>Revera was presented with an opportunity to acquire and build from an established business that would provide a stronger Australasian service offering.</p>
<p>Proximity to Customers</p>	<p>Revera was able to leverage its New Zealand operation to service the Australian market, but it was important to invest in local networks and relationships “on the ground”.</p> <p>The business had to build a presence in order to demonstrate its ability to provide the support its customers expected, and to show its commitment to the Australian market was long-term.</p>

DOING BUSINESS ACROSS THE DITCH

How did Revera invest in Australia?

Following the buy-out of the New Zealand operation, Revera's managing director was approached by Hitachi Data Systems International to work with the Australian office to improve its performance. If this could not be achieved, the office was to be closed.

The managing director spent nine months in Australia engaging with customers, and developed an understanding of the market. The structure of Hitachi Data Systems International in Australia was not profitable and Revera's managing director agreed it was the right move to shut it down. This included exiting two large contracts.

Revera decided to buy the Australian operation as it was a good fit with its own growth aspirations. Management recognised their structure would be able to provide a service different to that of Hitachi.

It was a risky investment strategy to take over a loss-making business and seek to turn it around. Revera's management team was very aware that the company was entering the Australian market earlier than it would have liked. However, some very strong relationships had been established over the previous nine months and their view was that this was a rare opportunity not to be missed.

Acquiring the Australian operation allowed Revera to inherit knowledge of the local business environment, and streamlined the establishment of its Australian presence. This included how to manage hidden taxes, payroll compliance, and compulsory superannuation.

Revera made bids for the two large contracts previously held by Hitachi Data Systems International. Revera was surprised by the manner in which the Australian parties managed the business engagements and lost both bids. This was despite the fact both customers had told Revera it had won the contract, shook hands, and even celebrated with champagne. Revera learnt that in Australia, it all comes down to the contract.

Although both deals were lost, Revera decided to maintain a presence in Melbourne. Through the bids they had established a market

presence and felt it was valuable to maintain this in order to demonstrate commitment to the Australian market. A contractor was retained to sustain the operation.

Around that time, one of their key clients in New Zealand began undertaking a lot of work in Australia. One of the concerns of the client (and its customers) was that having a trans-Tasman data centre would cause problems. To provide the required services for the client, Revera invested \$NZ500,000 in an Australian data centre. The equipment is housed in Melbourne, but the data centre is serviced from New Zealand. It now serves 15 Australian customers.

Following this investment, Revera decided to set up a sales office. Queensland was chosen on the basis that a key New Zealand employee wished to relocate there, and it was perceived as a relatively easy market to enter. This proved to be a mistake. First, Queensland was not close to their customers. Second, as the employee had moved from New Zealand and worked alone, he had neither industry knowledge nor the Australian networks that were crucial in building market share.

Revera's response was to move its office to Melbourne where it already had a base. An Australian with established networks was hired. This enabled Revera to sustain a local presence, build relationships and gain a good understanding of the Australian market.

The company took the time to understand how its New Zealand model could apply in Australia. Australian SMEs are generally larger than their New Zealand counterparts - understanding this has enabled Revera to be more specific about the companies it is targeting. Revera also tested its view on likely customers in the Australian market: in New Zealand it was end-users, but in Australia end-users already had strong relationships with IT service suppliers. Without the necessary financial resources or need to establish a brand, Revera focused on selling to IT suppliers, taking an indirect route to market. This enabled Revera to build a market presence complementing other IT businesses, rather than being a threat.

What has Revera learnt from Australia?

Revera has learnt a number of lessons from investing in Australia:

- **Have a focused strategy:** This involved taking an indirect route to market and zeroing in on customers not targeted by larger competitors. Revera has clearly defined what it can do, and will not over-extend to undertake work in non-core areas.
- **A physical presence is essential:** A presence in Australia demonstrated substance and a commitment to servicing Australian clients. It has been important in sustaining Revera's network and maintaining relationships.
- **Have sufficient financial resources:** Revera estimated a financial buffer of around \$NZ1 million was essential to be successful in Australia, in part to enable a presence to be maintained during business downturns. Revera has been able to pay for its Australian operations by leveraging its New Zealand customer relationships into Australia.
- **Hire an Australian:** Revera found that having Australians working for the firm is very important. It has delivered access to networks, established trust with customers, and increased market knowledge. Given the different business practices in New Zealand and Australia, hiring a local eased the way into Australia. Revera found that Australians have a harder edge, are more vocal and very focused on contracts. However, if these characteristics are embraced and service levels met, Australians are very loyal business partners.
- **Management resources are limited:** When the managing director went to Australia for nine months, the New Zealand operation suffered from a lack of operational oversight. Operations are currently managed from New Zealand. Further investment in Australia will only occur when Revera is able to deploy a senior manager to run the offshore operation, resulting in minimal impact on its New Zealand operation.

How has the investment been a success?

Revera's investment in Australia is being built over time. This will ensure it is done properly and that it has adequate financial resources in place to manage its risk. The strategy has meant it has attracted potential new business, and also turned opportunities down to ensure the Australian operation grows in a controlled way.

The trans-Tasman relationship has worked both ways. Creating an Australasian business has strengthened its overall service offering, while servicing New Zealand customers in Australia has led to increased business in New Zealand.



Summary

To be successful in Australia, a New Zealand business needs to be able to provide robust answers to the following questions. In Revera's case:

Does the business know what success looks like?	<p>Revera has a clear strategy around its aspirations for the Australian market. It has developed a stronger understanding of how it fits in the market and is achieving goals at a pace the business allows.</p> <p>Revera also sees an Australasian base as a key precursor to take on Asia.</p>
Does the business have the time and the money to break into the market?	<p>Revera was able to access an opportunity, but has resisted the temptation to engage in a more aggressive entry into the Australian market because of resource constraints.</p> <p>It is able to sustain its current presence and will continue to grow when sufficient resources are available.</p>
Does the business understand the Australian market?	<p>Revera has built up an excellent understanding of the Australian market through senior personnel spending time there, hiring local employees, and building relationships/networks over a long period of time.</p>
Does the business understand how its product will be differentiated in the Australian market?	<p>Revera understands how its product is differentiated from its competitors, the market segments it will focus on, and how this contrasts with its targets in the New Zealand market.</p>
Does the business have a clear path to market?	<p>Revera was able to gain valuable knowledge and relationships in the local business environment by acquiring the operations of Hitachi.</p> <p>To grow the business further, Revera has identified a route to market by engaging with suppliers rather than end-users. After learning about the market it realised the indirect route is far more achievable and less resource constraining than going direct.</p>

What Next?

Revera will continue to strengthen its New Zealand operations and accumulate the required financial reserves before expanding their operation in Australia.

More Information

For more information on how your business can access opportunities across the ditch, please contact your Client Manager or our Business Services Team on 0800 555 888.