

New Zealand Trade and Enterprise Submission to the Commerce Select Committee

12 March 2015

Andrew Ferrier, Chair, New Zealand Trade and Enterprise

NZTE is the Government's international business development agency. Our purpose is clear. We help companies grow internationally, for the benefit of New Zealand.

We are one of the agencies charged with growing our economy, by helping New Zealand sell more to the world. Our board and NZTE's 550 staff are united behind the drive to connect and support businesses to deliver on global opportunities.

The more connected we are, the more we will grow.

And there is plenty of opportunity. As global economic growth and power shifts east, the often quoted 'distance to market' for New Zealand is being mitigated by surging demand from Asia.

This is complemented by the network of free trade agreements now in place, providing improved access to markets. With exports to countries with FTAs growing at a compound annual average rate of 10.4%, there has never been a better time for New Zealand.

Scale and experience in very competitive markets continues to remain an issue for us though, and we see three significant bottlenecks to further growth.

First, we don't have companies big enough to take advantage of the considerable market opportunities.

Second, the NZ market is not big enough to generate the tough competition that pushes companies to excel in all aspects of their business.

Third, we don't have investment propositions big enough to take advantage of global capital.

We are addressing these issues by working with companies, one-on-one and in go-to-market coalitions, providing services to support them to improve their competitiveness and scale up internationally.

We are also taking an active role in facilitating investment flows in and out of New Zealand, both into companies that need growth capital, and to regions / sectors to support economic growth.

An ongoing focus on boosting impact and working closely with NZ Inc underpins our work programme.

Peter Chrisp will now give you some insights into progress in the year to date.

Peter Chrisp, Chief Executive, New Zealand Trade and Enterprise

Kia ora tatou

As Andrew says, our New Zealand story is one of small companies in a big world... so our game plan is to help companies scale up to take advantage of an abundance of opportunity globally – and drive growth that benefits us all.

Today I'd like to share a brief story with you, to explain what NZTE actually does.

Building a global business from New Zealand is no easy task. But it can be done. In Los Angeles, Shanghai and Sydney, shoppers who have traditionally bought European beauty brands are now choosing natural health products and skincare from the Bay of Plenty.

From their regional base, Comvita have mixed the natural benefits of manuka honey with a clear strategy, market insights, well differentiated products, and a strong New Zealand story, to drive long run annual growth of around 15%.

It doesn't happen without a lot of hard work. Comvita understands its customers and tailors its channels accordingly – and we're alongside them as they do it.

In New Zealand, Comvita have used NZTE services to help them design, strategise and build capability. We have co-invested with them in a detailed go-to-market strategy. In market we have partnered on research, channel development and expansion – currently retail channels in Hong Kong, and home shopping channels in Japan.

Nor does it happen by chance. Our starting point is to deeply understand Comvita's goals and challenges, and then ensure our global team is wrapped around them to deliver a clear plan.

We have many customers like Comvita and four years ago we set out on a journey to improve our impact for New Zealand's internationalising businesses.

We put our customers at the heart of our strategy, and developed a 'Customer Way' methodology to help companies grow.

This is a way of working with companies and groups of companies who have potential and ambition to grow internationally. It is a systematic way of understanding their challenges, then using services – in NZ and internationally – to unlock constraints and help them grow.

We're confident this is the right approach. But growth is a painstaking business and there is no silver bullet. To stay relevant we need to be close to the customer, and to tailor our support to individual needs.

So, what are our results to date?

We have four main ways to track how we are making a difference and in the 2013/14 year, all these moved upwards.

- First, international revenue for customers in our high intensity portfolio was up by \$383 million, to a total of \$25.7 billion.
- Second, we helped generate \$794 million in new export deals.
- Third, 89% of our customers said we added value.
- Last, we helped deploy \$1.6 billion of capital.

So, where are we focusing?

We believe that New Zealand has an opportunity to develop market-facing, niche seeking, premium value-adding companies. This is the emerging business model in New Zealand.

There are around 4,000 customers working actively with us around New Zealand, with a high intensity focus on 700. We call this the Focus 700.

This intensively managed portfolio is currently made up of one-third value-added food and beverage companies, one-third specialised manufacturing, and one-third knowledge-intensive ICT and services companies.

We also work with 23 business-led coalitions (or groups of companies), who are banding together to chase specific market opportunities.

Following an additional \$69 million investment over four years announced in the 2014 Budget, we are increasing the number of businesses we work with intensively from 500 to 700. Specifically we are targeting digital, high value food and beverage, and Maori businesses.

We have also invested in our international network, with new resource in the Middle East, China and South America, where there is increased demand from customers.

In partnership with the Ministry of Foreign Affairs and Trade we have established a start-up venture to take New Zealand government skills, systems and know-how to market on a commercial basis. Early results are good. We have a pipeline of deals valued at \$7 million in the UAE. And, we're actively pursuing other opportunities both there and in Qatar and Indonesia.

As part of an NZ Inc club, we are also focused on telling a bigger, bolder story for New Zealand internationally.

We believe our strategy is the right one, and we have built the right tools. Like our most successful customers we now need to focus, and implement and embed the methodology that has been built. We believe that this is what will make the most difference for companies growing internationally, for the long term benefit of New Zealand.