

# TECHNOLOGY SECTOR INSIGHTS



Growth aspirations, including international growth, are high in the technology sector but constrained by access to capital. Can an independent adviser help owners commercialise their ideas and source funding?

## HOW ANZ SUPPORTS THE TECHNOLOGY SECTOR

ANZ understands the life-cycle of the typical tech sector company from start-up phase through to a mature and fully commercialised operation. In the early stages, our Business Banking specialists have packages and advice to assist these companies on their way. As companies grow into multiple international markets, our Commercial Relationship Managers can bring ANZ's full range of funding options and banking services to support these activities. For example, dedicated foreign exchange and trade specialists, a range of transactional banking solutions and the largest international footprint of any New Zealand bank, through our parent company, Australia and New Zealand Banking Group Limited.

## ABOUT THE ANZ BAROMETER

The ANZ Privately-Owned Business Barometer is an annual survey of New Zealand business owners. In 2012, we received 4,011 responses from non-agribusiness owners including 215 responses from businesses who identified IT/technology as their main sector.

This included developers, consultants and technology sales companies. Two thirds are turning over less than \$500,000 and 30 percent have been operating for less than five years. One in four business owners are under 40 years of age.

The technology sector is important for New Zealand because it is a significant business enabler and underpins the competitive advantage of so many other sectors. The sector earns an estimated \$5billion in export receipts, making it second only to dairy in this regard. It's a sector where our size and location are less of an impediment and good ideas can be sold globally. However it has challenges.

The sector relies on innovative ideas and success is hard to achieve – some estimates are that only two of every ten tech businesses will succeed. This makes sourcing funding from conventional sources difficult and may explain why access to capital is one of the sector's major constraints.

## ASPIRATIONS ARE HIGH BUT CAN THEY BE ACHIEVED?

Growth aspirations among technology businesses are high. Three in four expect to grow by five percent or more in the next twelve months, with one in five looking to grow by more than 25 percent in the next twelve months.

Technology businesses know where their growth will come from. Almost 60 percent are looking at new products and services, 23 percent are looking at new regions or markets and a third are looking for international expansion. Being more internationally focused than other sectors, technology companies are less concerned about the domestic economy.

Technology businesses tend to “go international” very early on in their life-cycle, which brings unique challenges. Thirty eight percent say that the constraint to international expansion is insufficient financial resources and 31 percent are worried about cultural differences. This also has an impact on the type of advice that may be appropriate for growing technology companies.

## AN INDEPENDENT PERSPECTIVE

Technology businesses have one of the lowest rates of using independent advice of any sector. Of the ones that are getting advice, the rate of business owners using a formal or informal board is higher among the technology sector than any other sector. In this, as in other sectors, there is a strong link between the presence of a board, higher turnover and international operations.

Owners who have achieved rapid growth or international expansion (regardless of sector), consistently tell us about the importance of an independent perspective to achieve their growth aspirations. Yet in the technology sector three out of five businesses considering international expansion had no independent advice in the past 12 months.

The biggest barriers to seeking advice for technology business owners are cost and uncertainty if an adviser will add value to the business. The question to ask is what is the opportunity cost of not having an adviser?

Advisers can assist businesses to attract outside capital and can also be a direct source of capital, in cases where the advisory role comes with a stake in the business. Advisers can also bring important international experience and market connections which are valuable for small companies with big international aspirations. Is there an opportunity for business owners to solve more than one problem by bringing others onboard to help achieve their growth aspirations?

This document has been prepared by ANZ Bank New Zealand Limited ('ANZ'), for informational purposes only. It is a necessarily brief and general summary of the subjects covered and does not constitute advice. You should seek professional advice before acting on the basis of any opinions or information contained in it. The information contained in this document is given in good faith, has been derived from sources perceived by ANZ to be reliable and accurate and ANZ shall not be obliged to update any such information after the date of this document. Neither ANZ nor any other person involved in the preparation of this document accepts any liability for any opinions or information (including the accuracy or completeness thereof) contained in it, or for any consequences flowing from its use. In New Zealand, ANZ is ANZ Bank New Zealand Limited, elsewhere ANZ is Australia and New Zealand Banking Group Limited and its affiliates. 10/12 13143

## KEY RESULTS FOR THE TECHNOLOGY SECTOR

How the technology sector compares to general New Zealand businesses:

- > 21 percent expect growth of more than 25 percent in the next 12 months.
- > 58 percent see growth coming from new countries and 34 percent from international expansion.
- > 34 percent are operating internationally and 23 percent aspire to (total sample, 19 percent and 13 percent respectively).
- > 38 percent identify insufficient financial resources as a key constraint to growth.
- > 38 percent use an independent adviser, one of the lowest rates of use across all sectors.

To find out how ANZ can help your business, contact one of our Technology Sector specialists:

**Anne-Marie Avis**  
Senior Manager  
Ph: 09 252 3078  
Mobile: 027 432 6131  
Anne-Marie.Avis@anz.com

**Rosanne Sparling**  
Senior Manager - Auckland CBD  
Ph: 09 252 6077  
rosanne.sparling@anz.com