

Why New Zealand is punching above its weight in start-ups

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By [John McDuling](#)

New Zealand is a magical land of mountains, milk, sheep, rugby and fibre internet to most homes.

To this list we can now add: interesting technology companies.

In recent times, at least two genuine members of Silicon Valley royalty have poured money into start-ups born in the country.



How have Kiwi startups managed to catch the eye of powerful people with big chequebooks? *Photo: Hagen Hopkins*

Last week, *Fairfax Media* [revealed](#) that Sequoia Capital, which over the years has invested in the early stages of some of history's most successful technology companies – think Apple, Google and Oracle – led a \$10 million funding round for 90 Seconds, an Auckland based corporate-video marketplace.

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And Peter Thiel, a member of the so-called Pay Pal mafia (he co-founded the online payments business with Elon Musk) and a prominent angel investor who got in very early and made a killing on Facebook, has been a fan of the place for years, describing it [in an interview](#) a few years ago as his "utopia".

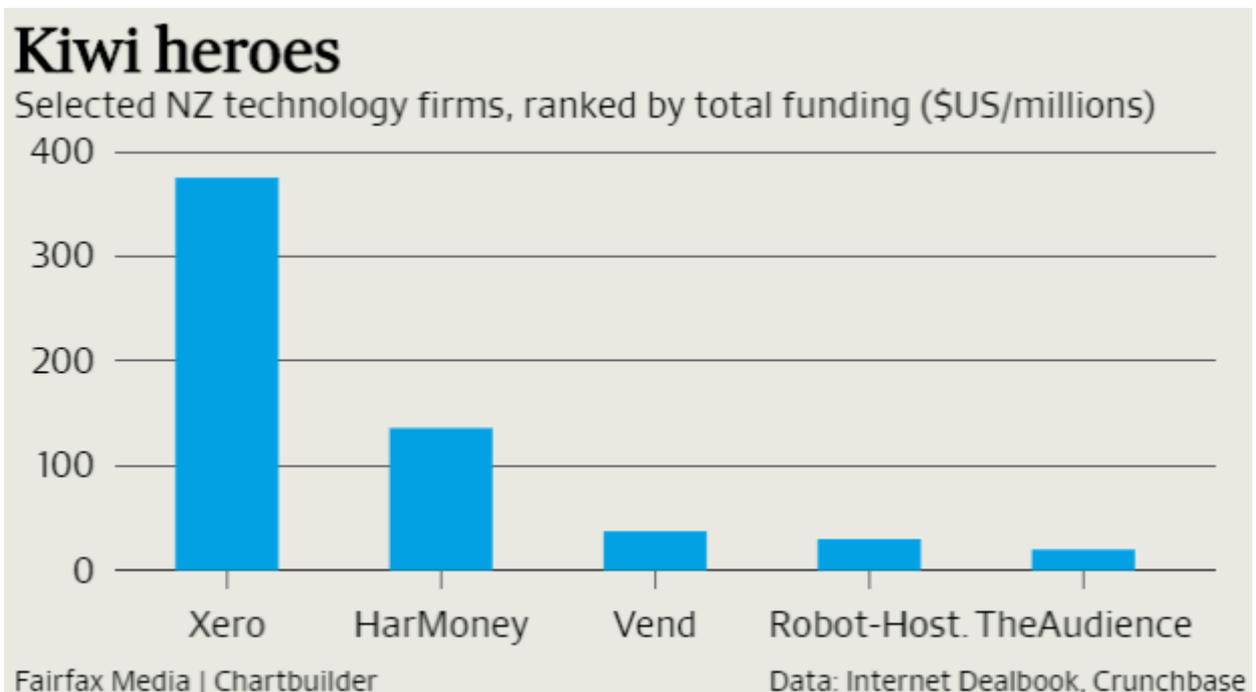
Thiel is a major investor in the country's biggest tech success story to date, the cloud accounting software company Xero, which is pursuing a US stockmarket listing after graduating to the ASX and NZX in 2013, where it is valued at \$2.1 billion.



Tim Norton, founder and CEO of 90 Seconds.

One of his many investment vehicles, Valar Ventures, has secured funding from NZ's government-owned venture capital fund, NZVIF, and has invested in at least one other Kiwi start-up, Vend, a retail point of sale software company.

Let's not get carried away here. Sequoia is known to have one of the world's most extensive scout networks that invests tiny amounts in hundreds of start-ups around the planet, and if we really want to be picky, the 90 Seconds investment was made by its Indian office, not its California head office. Also, Sequoia and Thiel have invested in Australian start-ups over the years too.



'A lot of Kiwi startups are global from day one. More than they are in Australia.'

Lessons for Australia

But it still raises some interesting questions. How have Kiwi start-ups managed to catch the eye of powerful people with big chequebooks, and is there anything we on this side of the Tasman can learn from their entrepreneurs?

"I think what makes New Zealand a bit different is that the domestic market size is so small, so with very few exceptions you can't really do a domestic market play," Chintaka Ranatunga, a partner at local VC outfit Sparkbox Ventures, which just launched a new early stage fund (Global from Day One Fund II), tells *Fairfax Media*.



New Zealand startups are scaling new peaks. Photo: Johan Lolos

"So a lot of Kiwi start-ups are global from day one. More than they are in Australia." That's a similar dynamic (albeit on a much smaller scale) to what has played out in Israel, which has produced a string of world-class technology firms.

Anyway, it is important to note: the rise of the Kiwi start-up scene is not bad news for Australia. Having a vibrant ecosystem close by can only be a good thing for everyone who works in or invests in technology in this part of the world.

It's already tangibly benefiting our own venture-capital industry.

Local VCs have often talked about establishing strong relationships with their elite counterparts in Silicon Valley, acting as a concierge for their portfolio companies when they seek to raise later stage funds in the US. And in a sense, that was at play here.

Sequoia was joined on its investment in 90 Seconds by Sydney-based Airtree Ventures, the latter of which described the deal as a "coming of age" for the Aussie VC community.

Read more: <http://www.smh.com.au/business/world-business/why-new-zealand-is-punching-above-its-weight-in-startups-20160415-go7jnj.html#ixzz46sgQHMHQ>

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