



# BRINGING KNIVES TO A GUNFIGHT?

Improving the sales efficiency of New Zealand technology companies.

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# Welcome

Welcome to our continued journey to identify what approaches to sales and marketing are most likely to help Kiwi tech companies grow.

Over seven years Market Measures has built a strong body of knowledge, confirmed some assumptions, and disproved others. In this report we focus on a consistently recurring theme throughout the seven years of this study – how we can arm ourselves to sell more effectively against the world's best tech companies.

Visit <http://www.concentrate.co.nz/resources/market-measures/> for access to further resources.

## About Market Measures

Market Measures was founded in 2009 by Concentrate Limited as a national study that benchmarks the sales and marketing activity of New Zealand's technology companies. The aim of this survey is to give Kiwi technology companies useful information for planning their sales and marketing strategies. Since 2011 Swaytech has supported Concentrate in producing Market Measures.

In 2015 the principal sponsors of Market Measures are:



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## Supporters

This year's survey has also received support from New Zealand Trade and Enterprise, New Zealand Software Association, Callaghan Innovation, the New Zealand Hi-Tech Trust, the New Zealand Technology Industry Association, Priority One (Tauranga), New Zealand Health IT, the Canterbury Software Cluster, Auckland Tourism, Events and Economic Development, Grow Wellington and Canterbury Development Corporation.

[www.marketmeasures.co.nz](http://www.marketmeasures.co.nz)

## Executive summary

- The 2015 Market Measures survey shows New Zealand technology firms continue to grow strongly at an average 44% over their current financial year, similar to the 2014 growth figure of 36%.
- They are investing in sales and marketing at a good rate on average 20% of turnover, and remain bullish about investing more in marketing capability (67% indicate they will increase their investment in marketing over the next 12 months).
- The biggest opportunity for New Zealand's technology exporters is for the sales process to become increasingly 'digital', i.e. buyers of all stripes are researching their options, finding, evaluating and even buying technology solutions online. It's an enormous opportunity, but also a significant challenge, for our remote nation.
- New Zealand tech firms are 'digitising' their selling process at a faster rate, but still turn up in markets like the USA poorly armed for the battle. They are still a long way off USA benchmarks, bringing the equivalent of a knife to this intense online gunfight of attracting and nurturing sales leads.
- The primary source of leads for 80% of USA companies is typically indirect marketing activities such as email, advertising and social media. Only 35% of Kiwi companies utilise this more scalable, cost-effective source.
- The "lone wolf" model identified in the 2014 Market Measures study, where talented sales people take on most of the sales and marketing effort for the company, continues to predominate in the average New Zealand tech entity.
- Key to indirect marketing effectiveness is taking a 'digital' approach, using useful information to attract and convert leads, mainly online. While Kiwis are adopting this marketing weapon quickly, they are still ill-equipped in comparison to their USA counterparts.

- From the results of Market Measures, there are four key recommendations for better equipping technology entrepreneurs to compete:
  1. **CHOOSE YOUR WEAPON:** companies need to arm themselves with a greater diversity of content, and broaden the range of channels used to attract prospective customers to it.
  2. **TAKE CAREFUL AIM:** shifting the content produced from information mainly focussed on satisfying existing customers, to content that is aimed at attracting and converting leads.
  3. **FIRE, FIRE, FIRE:** we need to increase the pace and intensity of our marketing activity, and find ways to make the process more efficient and cost-effective.
  4. **CHECK THE TARGET'S BEEN HIT:** measurement is our weakest discipline when it comes to generating leads, which will need to change as the shift to online marketing continues.

*New Zealand's technology landscape is a remarkable picture of innovation and entrepreneurial courage, producing world leading technology solutions across a range of industries and applications. To maximise this we need to arm ourselves more effectively in the digital battle for leads, where we lag behind best practice.*

## Year on year benchmarks

Average turnover growth is similar for the 323 companies participating in Market Measures, to the 2014 sample, and sits at an impressive average of 44%.

### Key Market Measures benchmarks

Benchmark	2010	2011	2012	2013	2014	2015
ANNUAL TURNOVER GROWTH	40%	48%	53%	39%	38%	<b>44%</b>
COMPANIES EXPORTING	77%	85%	69%	77%	77%	<b>68%</b>
USING CHANNEL PARTNER IN EXPORT MARKETS			38%	31%	33%	<b>35%</b>
SALES & MARKETING EXPENDITURE <sup>1</sup>	40%	30%	28%	29%	27%	<b>20%</b>

*"Be very clear about your target market, value proposition and the "pain" or business problems your products or services address."*

2015 PARTICIPANT

Our tech firms also continue to invest in sales and marketing at a rate similar to international benchmarks.

### Sales and marketing expenditure (as % of turnover) by company growth stage<sup>2</sup>

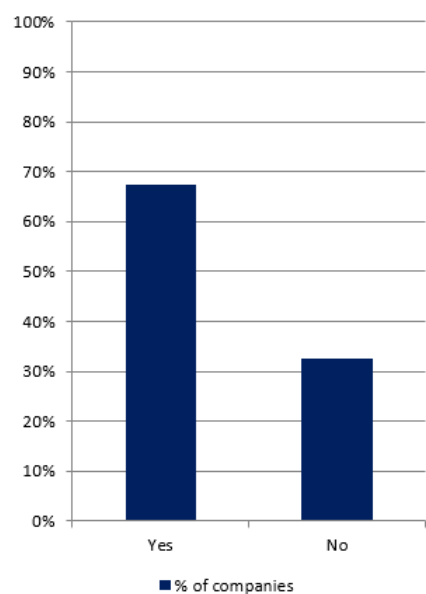
Expense	Start-up companies	Early growth companies	Established companies	All companies
Expenditure on employed or contracted sales staff	13.3%	14.8%	7.7%	10.6%
Expenditure on employed or contracted marketing staff	4.3%	7.7%	4.9%	5.6%
Expenditure on non-staff related sales & marketing activity	7.3%	5.1%	2.7%	4.2%
Total expenditure on sales and marketing	24.9%	27.7%	15.2%	20.3%

<sup>1</sup> Sales and marketing spend includes sales and marketing staff expense, and non-staff marketing expense (e.g. promotion).

<sup>2</sup> Companies were asked to self-classify their growth stage.

New to the study for 2015, is a gauge of tech companies’ confidence in investing in sales and marketing over the coming year.

*Intending to increase marketing capability over the next 12 months<sup>3</sup> (% of companies)*



<sup>3</sup> Intend to employ marketing staff or purchase external marketing resources over the next twelve months.



# THE GROWTH INSIGHT:

## When it comes to generating leads we're bringing knives to a gunfight

*"Focus on the lead-to-revenue process within your business. Develop a series of engagements with prospects, nurture them into qualified leads. Set targets and measure results. Repeat."*

*2015 Participant*

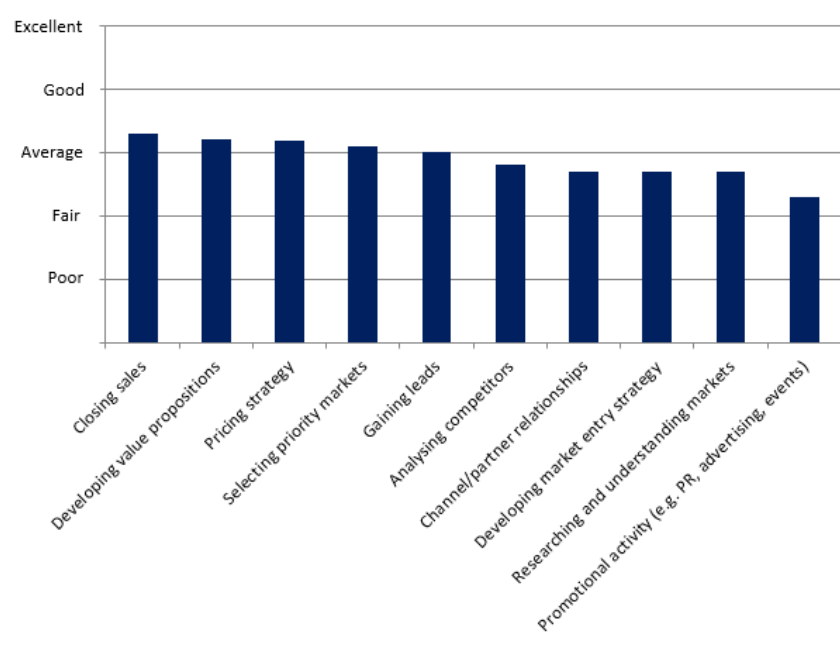
### Introduction

*For each of the seven years of Market Measures surveys we have asked firms how they rate themselves on core sales and marketing activities and every year the result is the same*

In terms of the art and practice of the sale itself they rate themselves highest. And that's backed by our observations of the typical Kiwi tech firm: get face-to-face with a prospect and Kiwi sales people are usually superb. They typically have the people skills, technical knowledge and business nous to get opportunities across the line.

The challenge is before the sales transaction, i.e. the broader strategic activities required to locate and nurture markets in an efficient way. An approach that delivers qualified leads to a skilled sales force to convert. For seven years tech firms have self-identified this area of weakness.

*Self-rating of a company's execution of sales and marketing activities (rating from poor to excellent)*



## USA Benchmarks

To try and understand this more we have benchmarked the activity of Kiwi tech firms against technology firms in the USA selling business-to-business (B2B)<sup>4</sup>, a similar profile to the vast majority of Kiwi tech companies.

Why the USA? Because it is the biggest and best technology industry on any measure you choose<sup>5</sup>. To succeed in this hyper-competitive environment successful firms have had to develop very robust approaches to their sales and marketing.

<sup>4</sup> B2B Technology Content Marketing, 2015 Benchmarks, Budgets and Trends – North America. Content Marketing Institute.

<sup>5</sup> The United States accounts for more than 55 percent of global ICT research and development, and the USA tech industry had a payroll of \$654 billion in 2014, accounting for over 11 percent of the U.S. private sector. Source: <http://selectusa.commerce.gov> and <https://www.comptia.org/>.

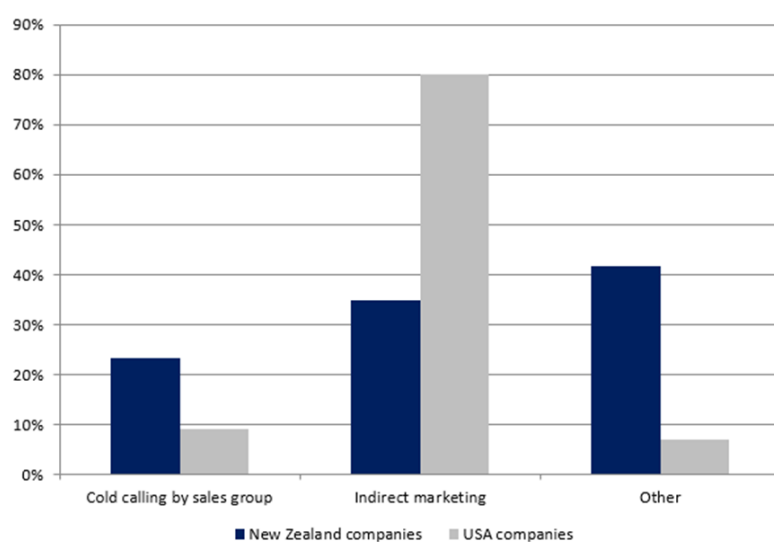
*Given that 52% of tech companies in our survey are exporting to the USA, including over 57% of start-ups, the prerogative for Kiwi firms is to develop the same weaponry to make their selling more efficient*

## **An inefficient approach to selling**

For the second year in a row we asked tech firms how they generated leads for their sales force. While it is improving, a typical Kiwi firm is a lot less efficient than their USA counterparts. 80% of firms from the USA typically generate their leads from a high volume, cost-effective approach of using indirect marketing. In 2014 the figure for Kiwi firms was 23%, this year it has increased to 35%. Improving but still a yawning gap.

Our tech firms tend to rely on more direct activities such as cold calling by the sales team, or referrals. Both are valid tactical approaches, but don't deliver the scale of planned and sustained indirect lead generation campaigns, especially those conducted online.

*Primary source of marketing leads (% of companies in NZ vs USA)<sup>67</sup>*



## The lone wolf reigns

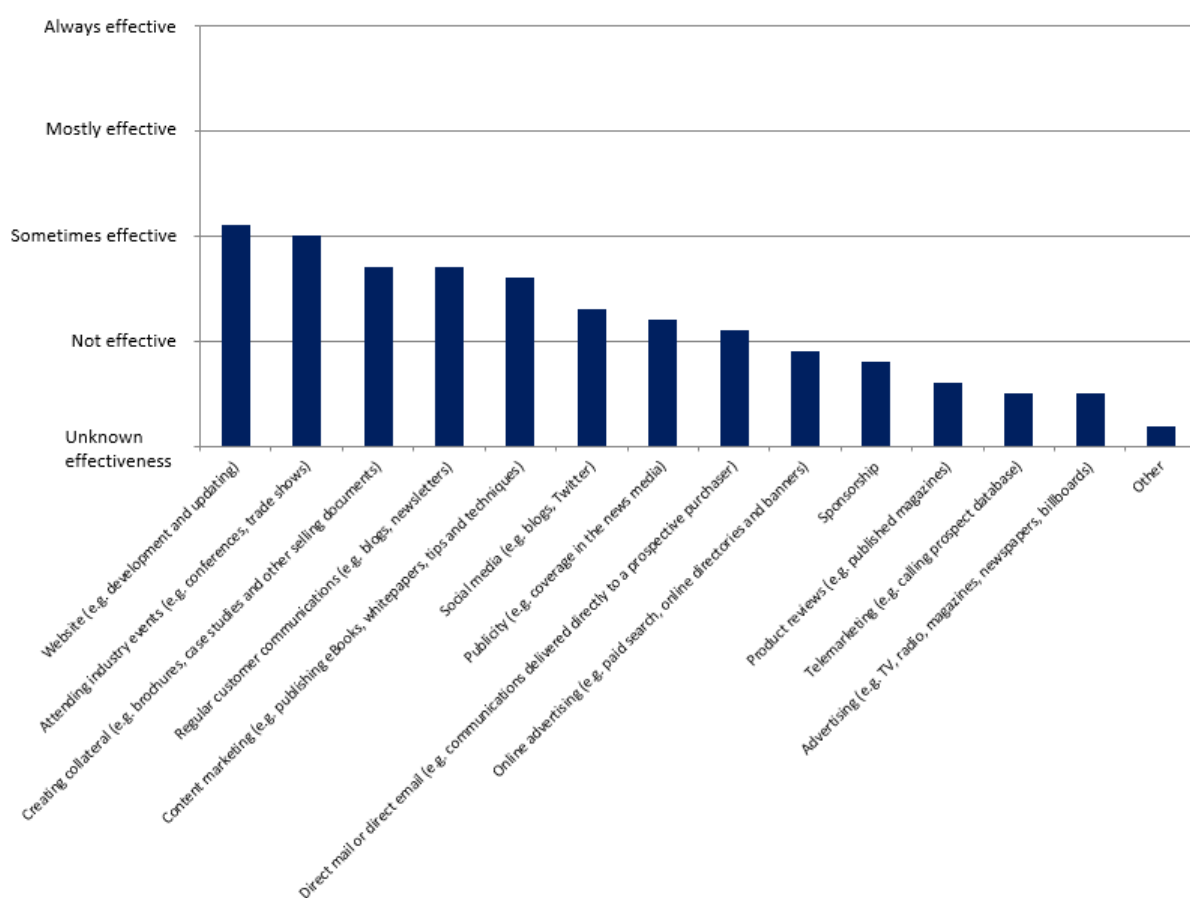
In our 2014 report we identified the “lone wolf” phenomenon in New Zealand tech marketing. This is the typical approach of arming a talented sales force with resources and sending them out to sell, with little or no support in terms of qualifying and nurturing sales leads. It’s simply their job to get out and ‘hunt and kill’ for the company.

The Lone Wolf remains alive and well in 2015. While digital marketing has grown in relevance, the predominant tactics are those that support a lone wolf model, rather than a more efficient approach of using indirect tactics to generate qualified opportunities for sales teams to close.

<sup>6</sup> A marketing lead is defined as ‘a contact or company that has expressed interest in your company’s products or services, but has not been qualified’.

<sup>7</sup> Source for USA statistics: The Softletter Lead Generation, Management and Conversion to Sales Report for Software Companies. [www.softletter.com](http://www.softletter.com)

*Level of effectiveness of promotional activities (rating from unknown effectiveness to always effective)*



## The battle we face

We may have some of the smartest technologists in the world, and a growing community of courageous and inventive entrepreneurs, but as a technology nation we are still battling with huge, incredibly well funded competitors, especially in the USA.

In a marketing sense we are not doing enough to prepare for the battle, we are going in with lead generation kitchen knives when our opponents are often equipped with high-powered semi-automatic weapons. While we can't often compete with the size of our budgets, we can be smarter about how we arm ourselves to compete.

## How can Kiwi companies better compete in USA markets?

*The study revealed four factors that need to be addressed to enable our tech companies to better compete offshore.*

## Recommendation

### 1. Choose your weapon

*Kiwi tech firms need to expand their armoury to generate leads more efficiently.*

The biggest new weapon in the armoury of a marketer is using 'content' to drive digital marketing activity. The typical Kiwi tech firm is engaging with this concept, but not choosing their content 'weapons' carefully enough.

What is content? It is any sort of information that helps a customer with the process of meeting a need, from early research through to a detailed evaluation of products. Typically it is provided online through a company's website and promoted through various direct, social and offline channels.

As potential customers go through their buying journey they consume different types of content – e.g. blog articles are good for creating awareness, but before a decision to engage a vendor is made, buyers may want to attend a more in-depth webinar.

#### *Lagging on the secret weapon*

The explosion of online marketing channels has put huge power in the hands of the buyer, and a requirement on marketers to provide useful content (typically online) to their target audience instead of simply promoting features and benefits.

### Results

Over 70% of USA companies are producing additional content like whitepapers, videos, webinars, online presentations, and infographics<sup>8</sup>. Kiwi firms are too narrow in the content 'weapons' they select and are not deploying enough variety.

93% of benchmarked USA firms say they use content marketing, against 54% of Kiwi firms in our survey. In a USA context, content marketing has become as accepted a part of marketing activity as having a website.

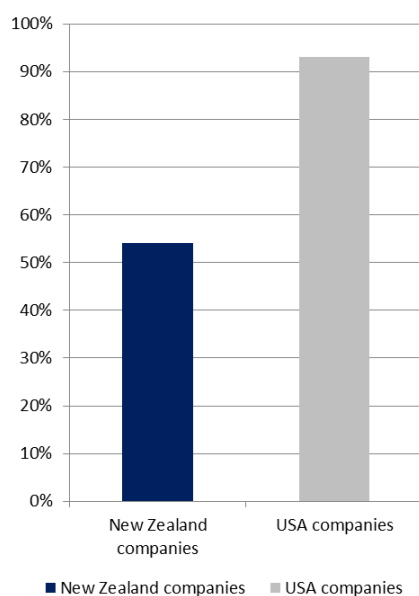
<sup>8</sup> B2B Technology Content Marketing, 2015 Benchmarks, Budgets and Trends – North America. Content Marketing Institute.

*"Leverage the internet. Use digital marketing tools and create content to get found."*

2015 Participant

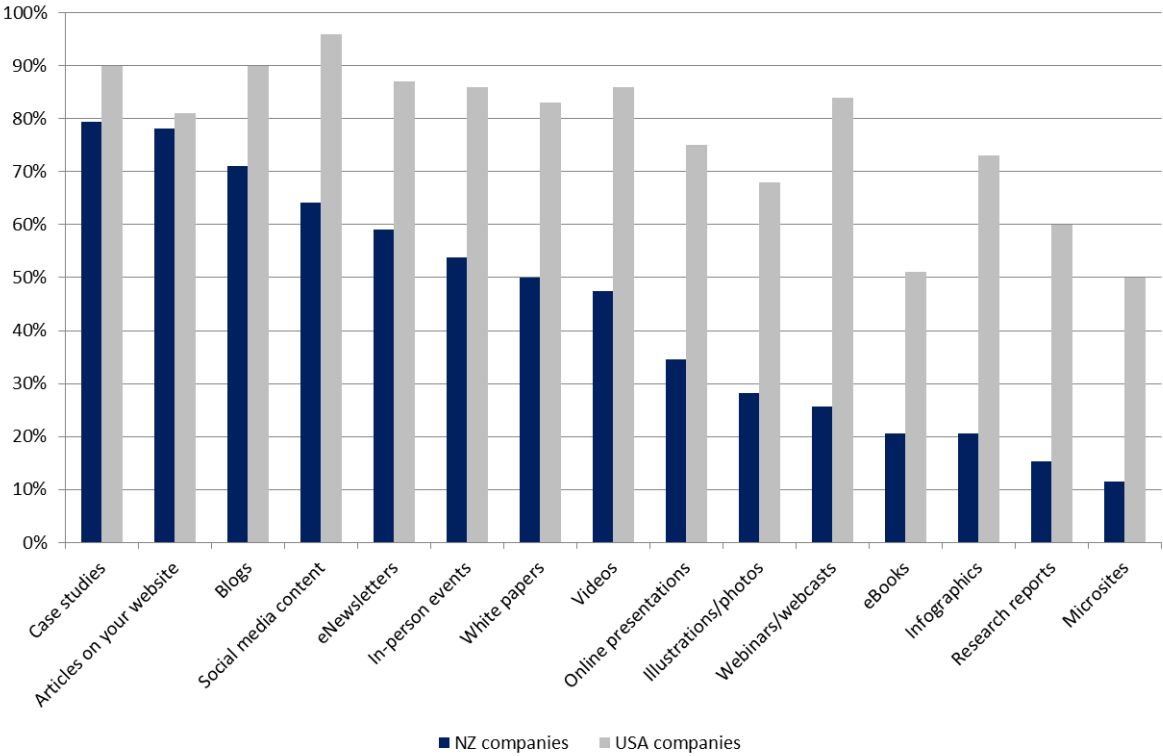
*In a USA context content marketing has become as accepted a part of marketing activity as having a website.*

*Use of content marketing (% of companies in NZ vs USA)*



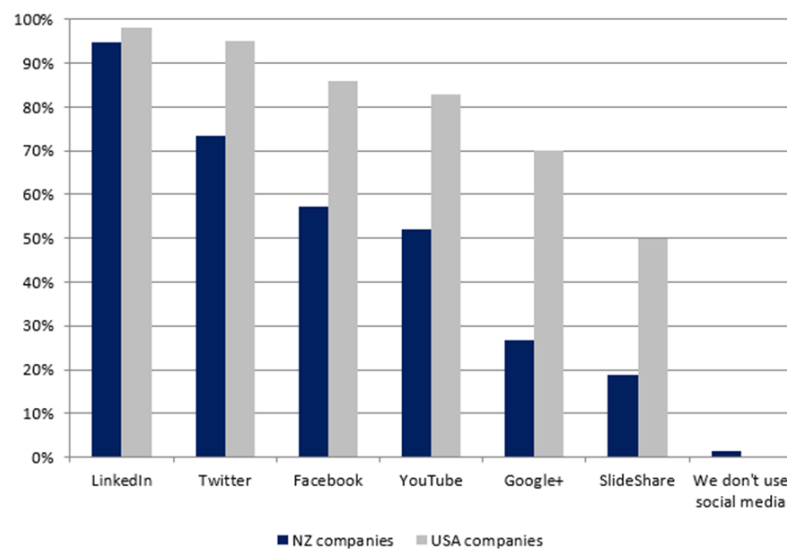


Content marketing tactics used (% of companies in NZ vs USA)



Not only is our content ‘quiver’ often too sparse, we are vague in the way we drive potential leads to that useful information. We tend to focus on using albeit good channels like Twitter and LinkedIn, as opposed to the typical American firm which is using a much broader mix of communication weapons.

*Use of social media platforms to distribute content (% of companies in NZ vs USA)*



## Recommendations

Here are some practical steps you can take to better arm yourself to use content marketing:

- A. Understand the personas (key audience types) you are targeting and their decision-making drivers (emotional, financial and functional).
- B. Map the decision-making process for each of these personas (from awareness to acquisition).
- C. Develop content to support potential customers through their buying process.
- D. Start trialling a wider array of social media channels in promoting your content, and measure the effect of each.

# Recommendation

## 2. Take aim

*Deploy content marketing to generate leads, not just retain customers*

*"Establishing yourself as experts/thought leaders in your space. In the B2B space we find potential customers hear about us and look to the website to qualify us."*

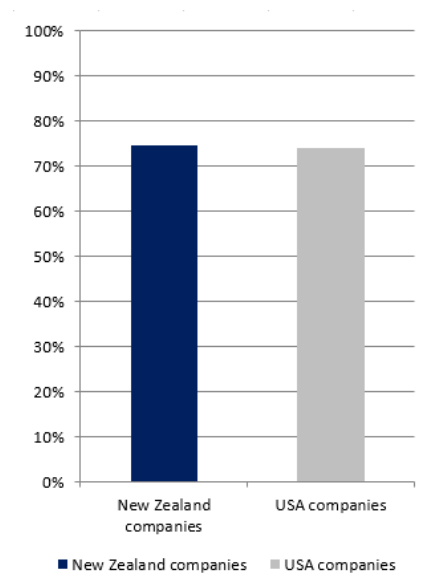
2015 Participant

When it comes to deploying this online marketing weapon, the challenge is "aiming" in the right manner. Kiwi firms tend to produce content that aims at attracting people into a website, rather than converting and nurturing them once there.

We are lagging behind in our marketing approach but we are catching up fast. 75% of firms said they were producing more "content" than the previous year, as against 74% for USA companies<sup>9</sup>.

### Results

*Companies creating more or significantly more content compared to a year ago (% of companies in NZ vs USA)*

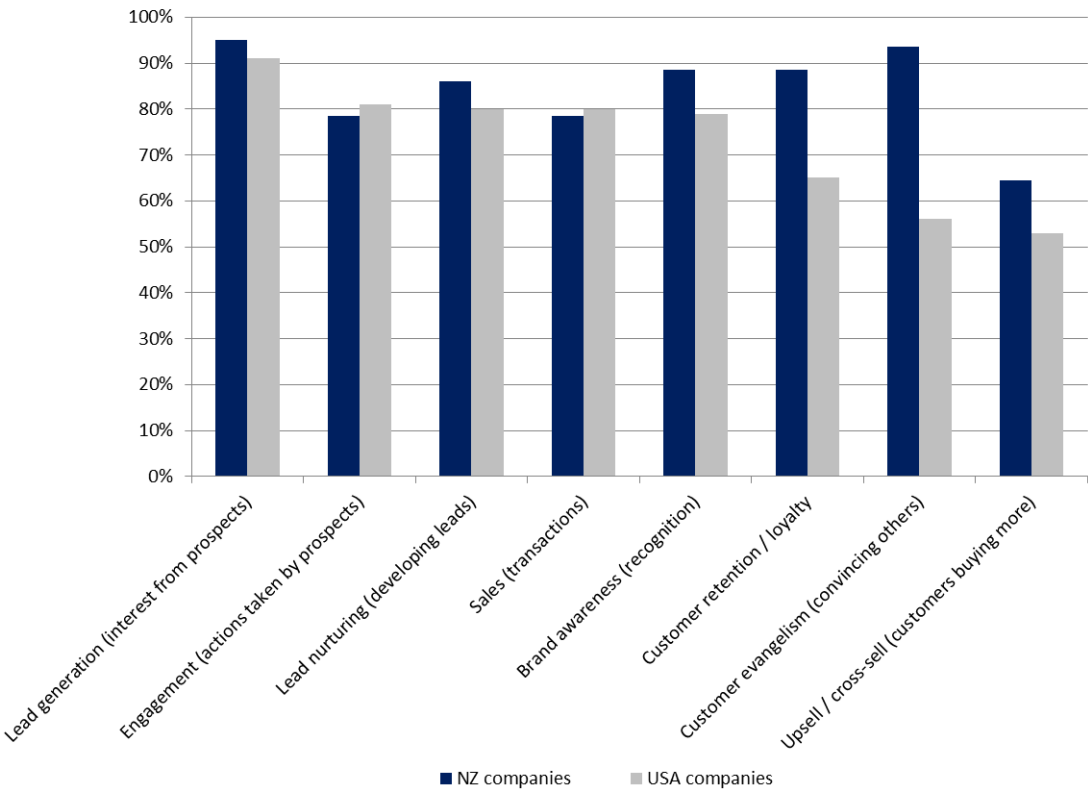


<sup>9</sup> B2B Technology Content Marketing, 2015 Benchmarks, Budgets and Trends – North America. Content Marketing Institute.

The issue for Kiwi tech marketers is that the priority for our content marketing is existing customers rather than attracting new ones. USA companies are firmly focussed on using content mainly as a tool for generating and nurturing leads.

While there is value in increasing customer satisfaction with useful information, attracting and converting new customers is a far more effective marketing ‘weapon’.

*Importance of content marketing goals (% of companies in NZ vs USA)*



## Recommendations

Aiming your digital marketing at the right spot is crucial. Key steps are:

- 
- A. Audit your existing content (i.e. every piece of online and offline information you have relevant to helping a potential customer with their buying decision).
- 
- B. Use your personas and the map of their buying process to identify what kinds of content would be useful at each stage. Particularly focus on what content might help attract a prospect into your sales funnel, and then compare your solution to their alternatives.
- 
- C. Ensure your metrics record how many of each persona you have at each stage of the sales funnel.
-

## Recommendation

### 3. Fire! Fire! Fire!

*Cadence is everything when it comes to generating leads.*

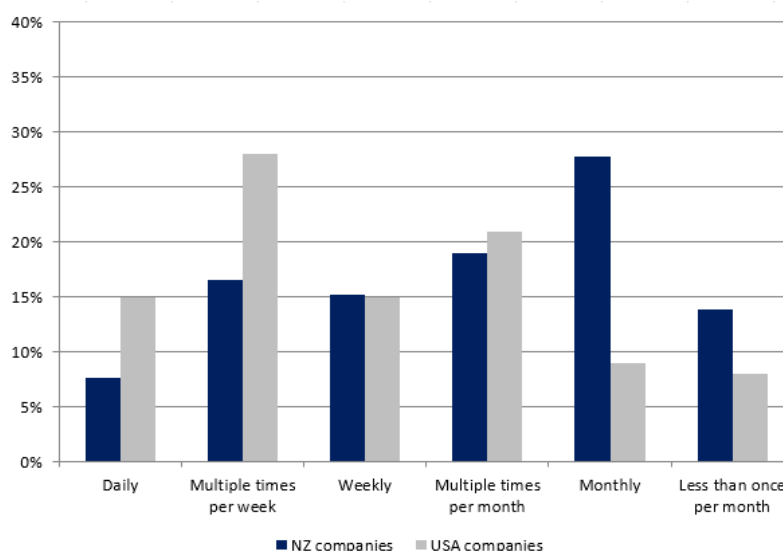
The average number of touches before a prospect engages with a vendor is 8-12 times<sup>10</sup>. It is easy to underestimate the challenge of connecting with your prospects. Faced with thousands of commercial messages a day, marketers have to be relentless to break through.

Assuming you are providing the right sort of information to the right kind of person at the right time, the other consideration is the cadence of your activity. You just need to fire, again and again.

Kiwi firms in the Market Measures survey are off the pace of their USA counterparts. We need to be more aggressive to compete.

#### Results

*Frequency of content publication to support a content marketing programme (% of companies in NZ vs USA)*



<sup>10</sup> Imagine Business Development, Severna Park, USA.

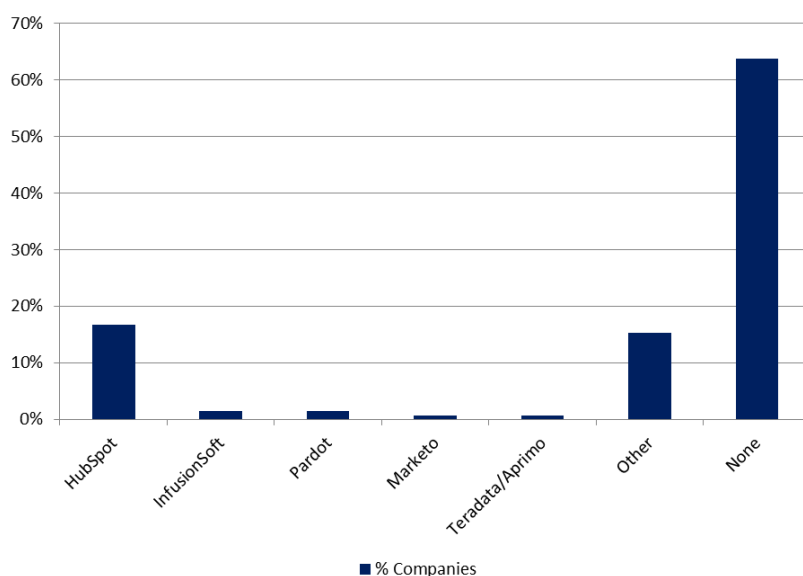
*"Just do it. Don't get caught up with getting your message perfect from the beginning you'll waste too much time let it come organically."*

2015 Participant

Enabling firms to increase the pace of their marketing is finding ways to automate their lead generation activity. The more you can use technology tools to ease the process of promoting content (through email, social media, online advertising), converting it (on landing pages) and then nurturing it (through automated email workflows), the more intense your marketing programme can become.

***New Zealand firms are increasingly adopting solutions like Marketing Automation Software (36%, up from 3.8% in 2013), but still remain a long way behind the typical USA technology company.***

*Marketing Automation software platforms (% of companies)*



## Recommendations

Recommended steps to increasing the intensity of your online lead generation:

- 
- A. Develop a content plan, identifying a six month schedule of how you are going to generate and promote useful information to your prospects
- 
- B. Identify what internal (and possibly external) resources you have available to cost-effectively deliver that content to the requisite quality (you shouldn't compromise the value of your content for speed).
- 
- C. Evaluate the mix of tools you use to deliver the component of a lead generation system, from promotion to nurturing to measurement. Determine if there is a case for adopting an integrated marketing automation tool.
-



## Recommendation

### 4. Check that it hit the target

*Measurement is a huge blind spot for New Zealand technology marketers.*

No-one knows what works for your specific company, market, and situation. The way to build a successful marketing programme is to get on with it, try something and measure everything! Review frequently and tune.

*“Establish a clear understanding of your customer personas and adjust your outreach plan according to how they like to consume content and the type of relationship they expect.”*

2015 Participant

***An online marketing programme should be 100% visible.***

Many firms are simply not measuring the effect of their marketing activity. While it is sometimes difficult to cleanly measure the effect of an offline tactic like print advertising, or document brand awareness across multiple export markets, with online activity almost everything is transparent and measurable. As marketers we should be drowning in numbers, not struggling to gather any data.

*Level of metrics and marketing measures in place (rating from none to significant)*

Activity	None	Minimal	Some	A lot	Significant
Website activity (e.g. visits, page views)			●		
Sales funnel activity (e.g. contacts, leads, prospects)			●		
Lead generation (e.g. number, source, quality etc.)			●		
Social media activity (e.g. LinkedIn updates, Tweets)			●		
Customer satisfaction index		●			
Offline promotional activity (e.g. tradeshow leads, direct mail responses)		●			
Brand awareness		●			
Online promotional activity (e.g. Google AdWords clicks)		●			

## Recommendations

We manage what we measure, and marketing effectiveness is hard to gauge without some solid numbers:

- 
- A. Review what data sources you have available now (website analytics, email marketing tools, social media monitoring, marketing automation platforms).
- 
- B. See if you can assign data points to each stage of your sales process.
- 
- C. Track on a monthly basis and revise as you understand what numbers give you valuable, decision-making information.
-

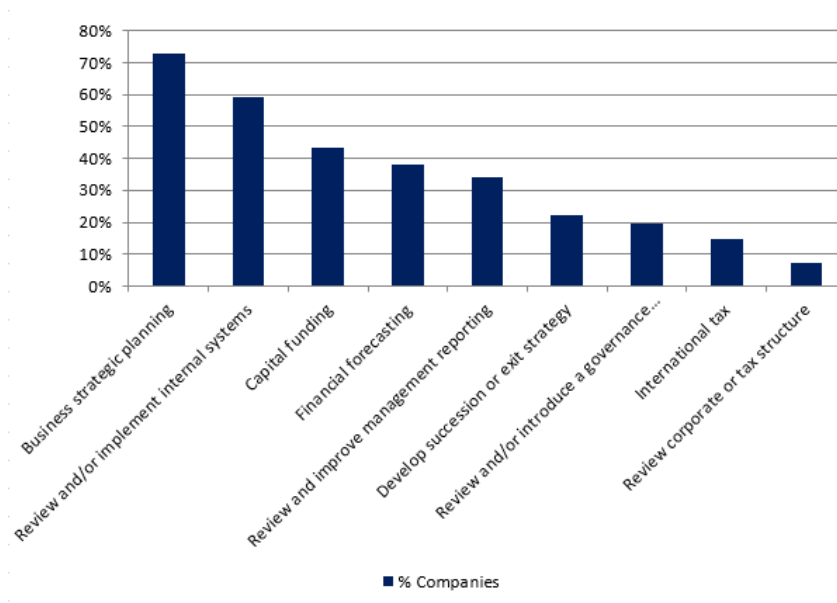
## Performance indicators

*"Be very targeted with your approach. A broad approach doesn't work."*

2015 Participant

**Broader business issues underpin an effective sales and marketing strategy. We've asked tech firms to rank what their other business growth components were.**

*Activities required to support business growth in the next 12 month (% of companies)*



### Comment from Deloitte Private

***The responses mirror our own data from Fast 50 companies.***

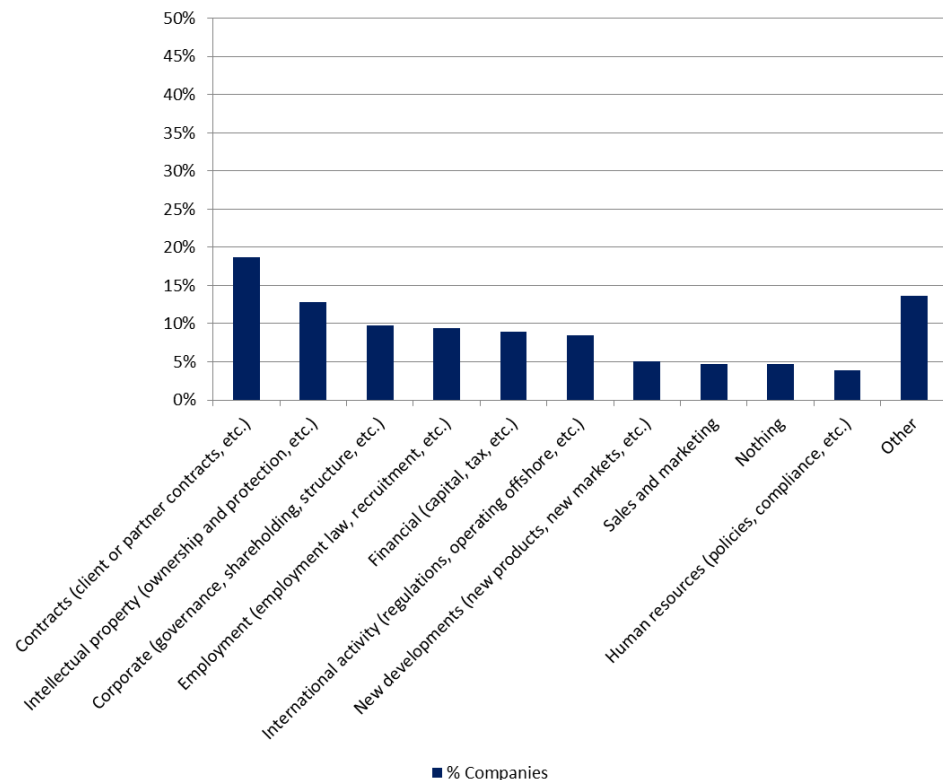
*The responses mirror our own data from Fast 50 companies. The top three activities to support growth are identified as business strategic planning (73%), review or implement internal systems (59%) and capital funding (43%). This is unsurprising as strategic planning should be business as usual for any company, let alone one that is in growth mode.*

*As a company grows the need for more robust internal systems also grows. And growing companies have an insatiable appetite for cash, hence the need for capital funding.*

*Governance is the one area that seems to be often overlooked. The checks and balances and support that good governance provides the business owner and management become much more important as a company grows. The fact that less than 20% plan to review or introduce a governance structure in the next year is potentially worrisome.*

*The Market Measures report identifies the tendency for Kiwi tech companies to go “lone wolf” when undertaking sales and marketing activities. Perhaps this lone wolf mentality is also what is behind the low numbers who are prioritising their governance structures for their business?*

### Most challenging legal issues this year (% of companies)



### Comment from Hudson Gavin Martin

*The majority of respondents indicated that Contracting, Corporate and IP would be the key legal issues faced in the next 12 months. Contracting and Corporate are not surprising key legal issues although the nature of the associated comments would indicate that many businesses are now finding that a new level of sophistication is being required in carrying on business particularly as the potential market for businesses shifts with the use of technology from being a NZ or local market to a world market.*

*The less obvious (but unsurprising) issue was IP. Again this reflects current trends we are seeing in business that the value placed on IP as an asset is increasing. Again the challenges of creating, owning, protecting and enforcing IP are seen as increasingly difficult in a more virtual and world market.*

## Who participated?

***323 New Zealand technology companies participated in the 2015 Market Measures study.***

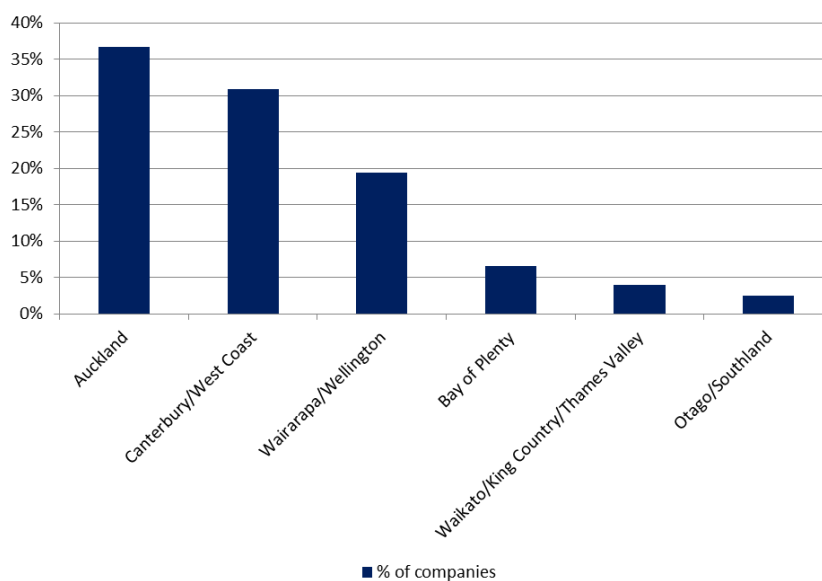
The Market Measures study was conducted as an online survey during August 2015. Invitations to participate in the survey were sent to all of the major hi-tech sectors' industry bodies, most of which forwarded to their members.

New Zealand technology firms are a diverse bunch in terms of size, application focus and export markets, but based on the Market Measures study the archetypal company is:

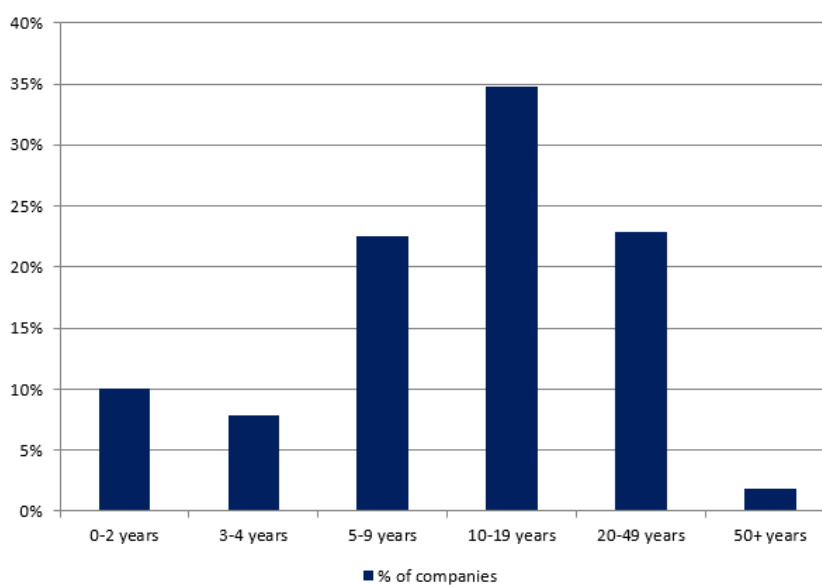
- ***Based in Auckland.***
- ***Has been operating for 10-19 years.***
- ***Turns over between \$1m - \$5m.***
- ***Is an established business.***
- ***Sells software as its core product or service.***
- ***Exports their products to other businesses, primarily in the manufacturing, financial and insurance or utilities sectors.***
- ***Takes just under six months to close a typical sale.***
- ***Uses their own direct sales team, and focusses primarily on Australia, the USA and the UK.***
- ***Have four sales people and two marketers.***

## Company demographics and business focus

### *Company location (% of companies)*

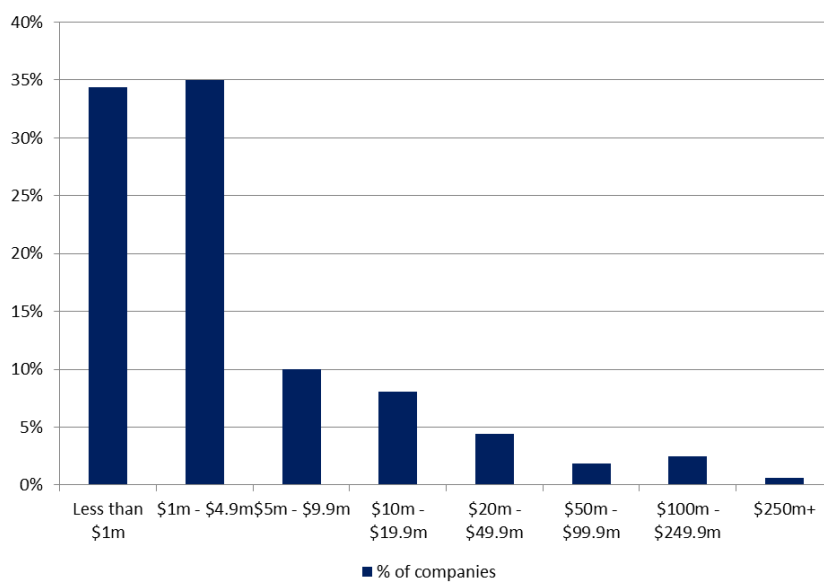


### *Company age (% of companies)*



*Company turnover at the end of financial year (% of companies)<sup>11</sup>*

**69% of companies have a turnover of \$5 million or less.**

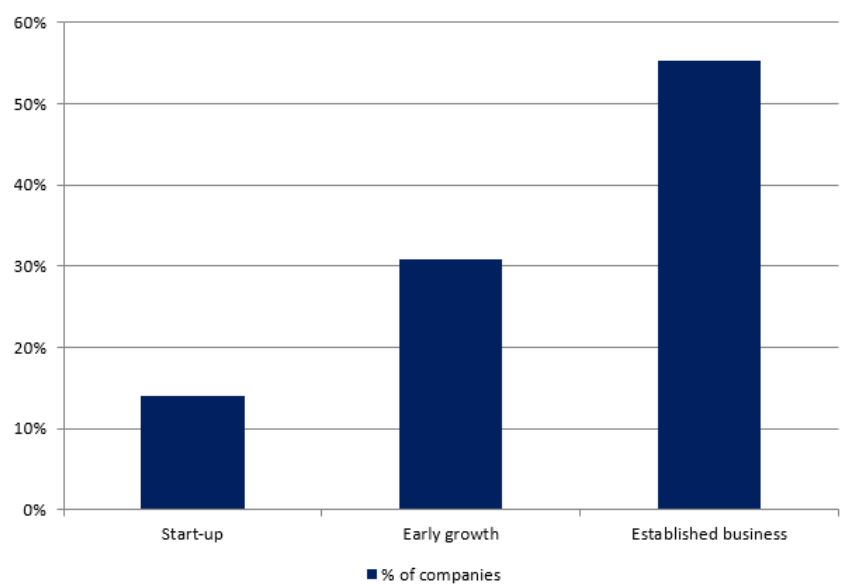


<sup>11</sup> Gross annual income figure, excluding GST.



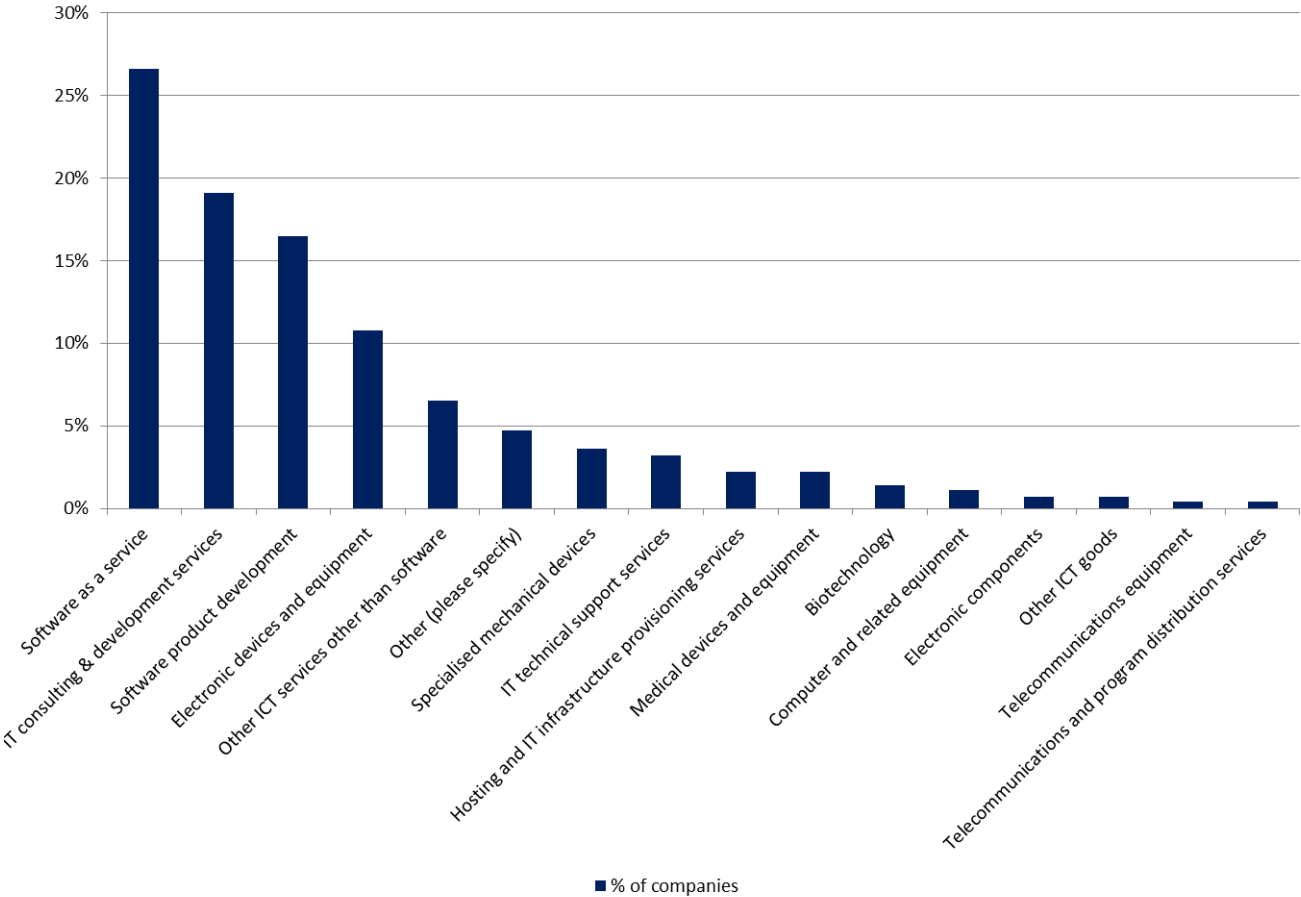
Stage in the growth cycle (% of companies)<sup>12</sup>

**55% of participants described their company as a business that has matured into a thriving company with a place in the market and loyal customers.**



<sup>12</sup> Growth stage definitions: Start-up (i.e. products and services are in the market and you have some early customers). Early growth (i.e. revenues and customers are increasing with many new opportunities and issues). Established business (i.e. business has matured into a thriving company with a place in the market and loyal customers).

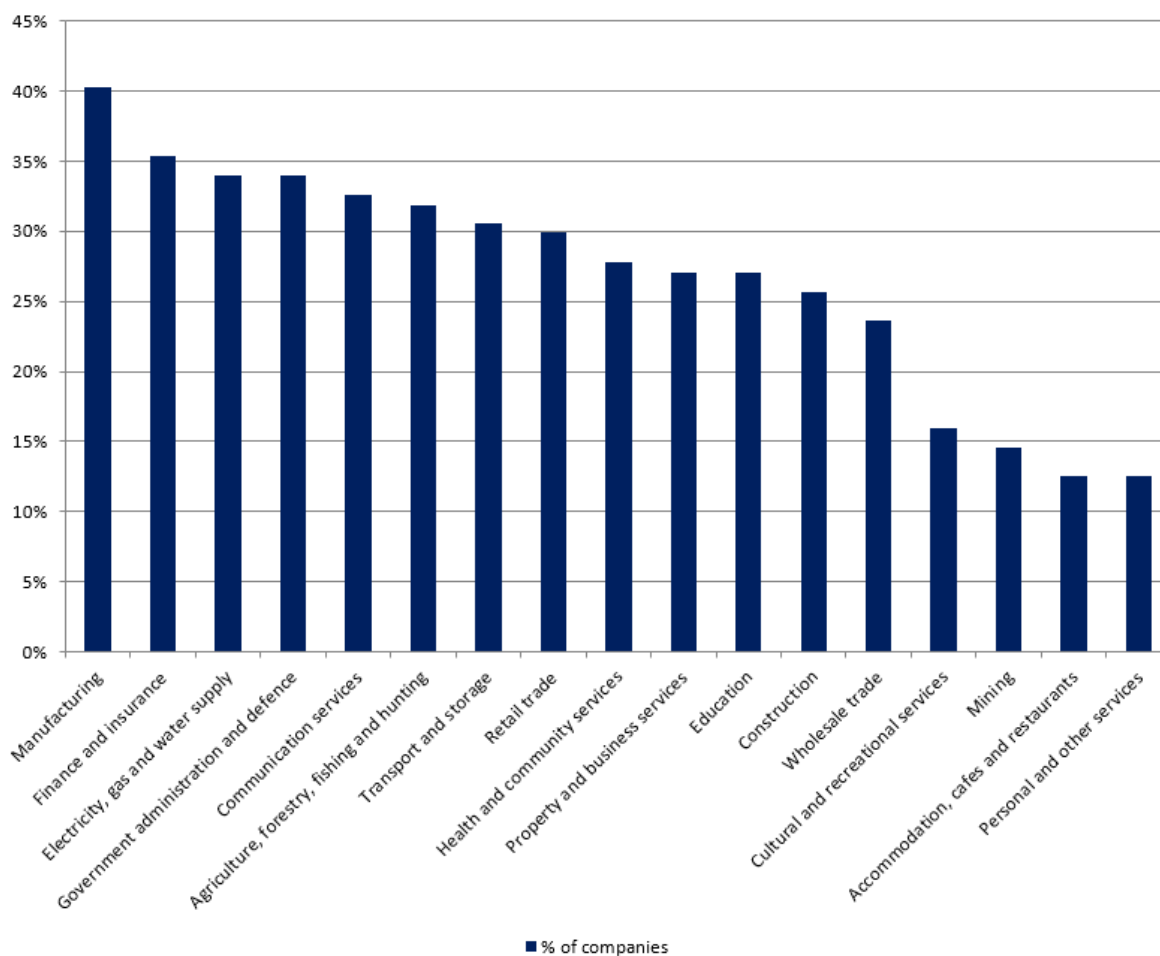
Core business output (% of companies)



## Key domestic and international markets

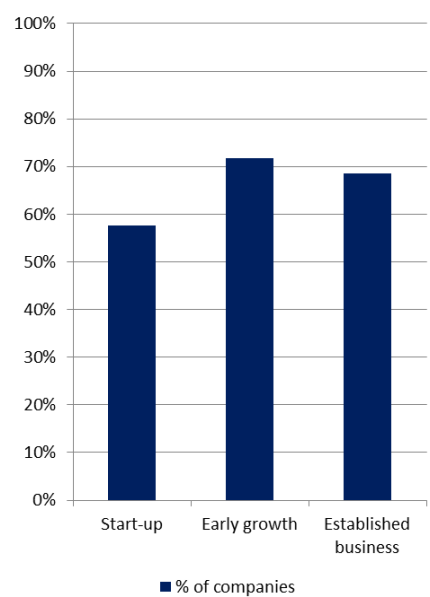
*The primary market type for 89% of companies is other businesses (B2B), for 7% it is government (B2G) and 4% consumers (B2C).*

*Industries where core products and services are sold (% of companies)*



*The average sales lead time is 5.9 months<sup>13</sup>.*

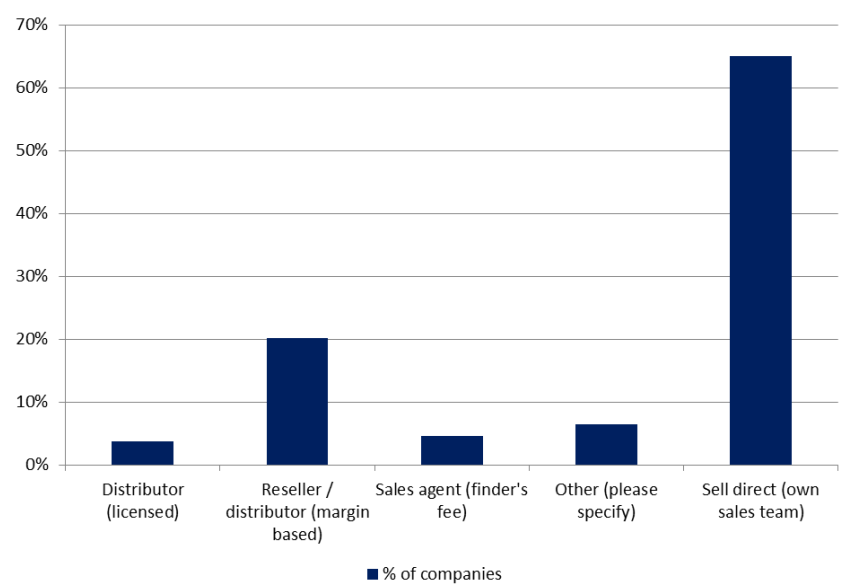
*Companies exporting products or services (% of companies)*



*67% of companies are exporting.*

<sup>13</sup> Time interval between the initial contact and the completion of the sale.

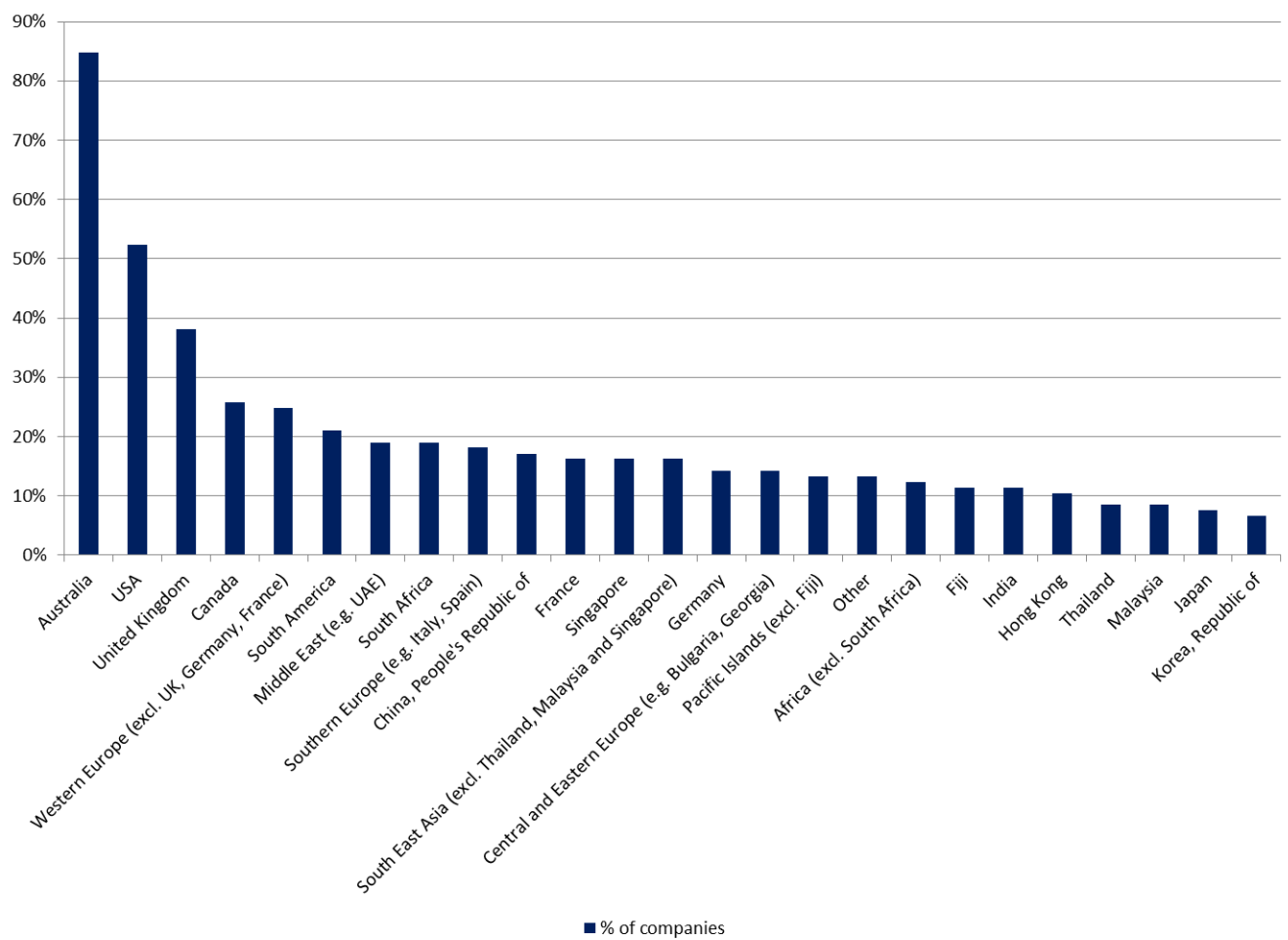
Main distribution model for export markets (% of companies)



**65% of companies are using their own sales team to sell in offshore markets.**

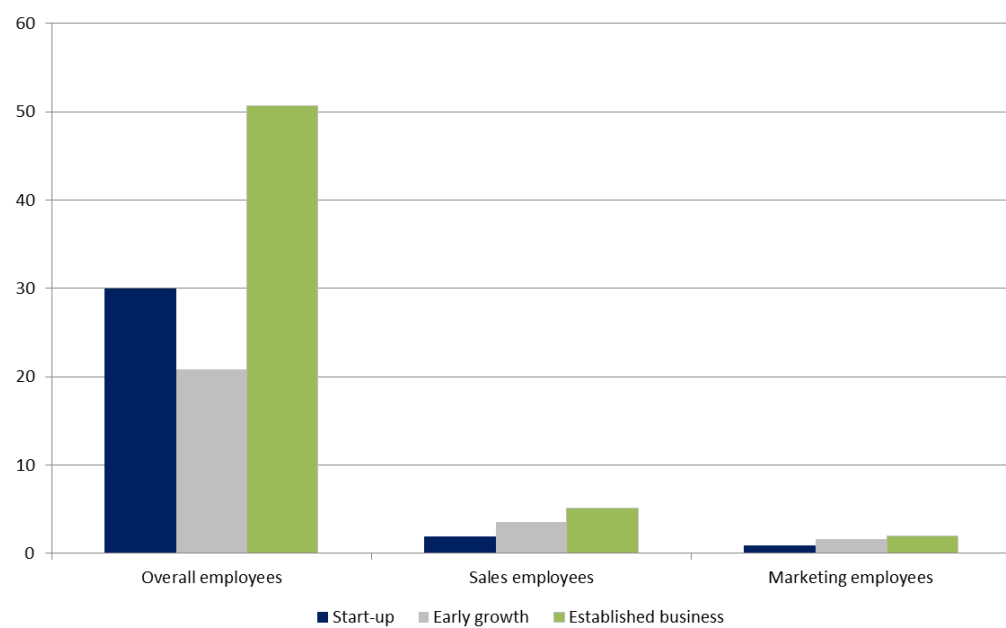
### Export markets (% of companies)

**Over 50% of companies are operating in the USA market.**



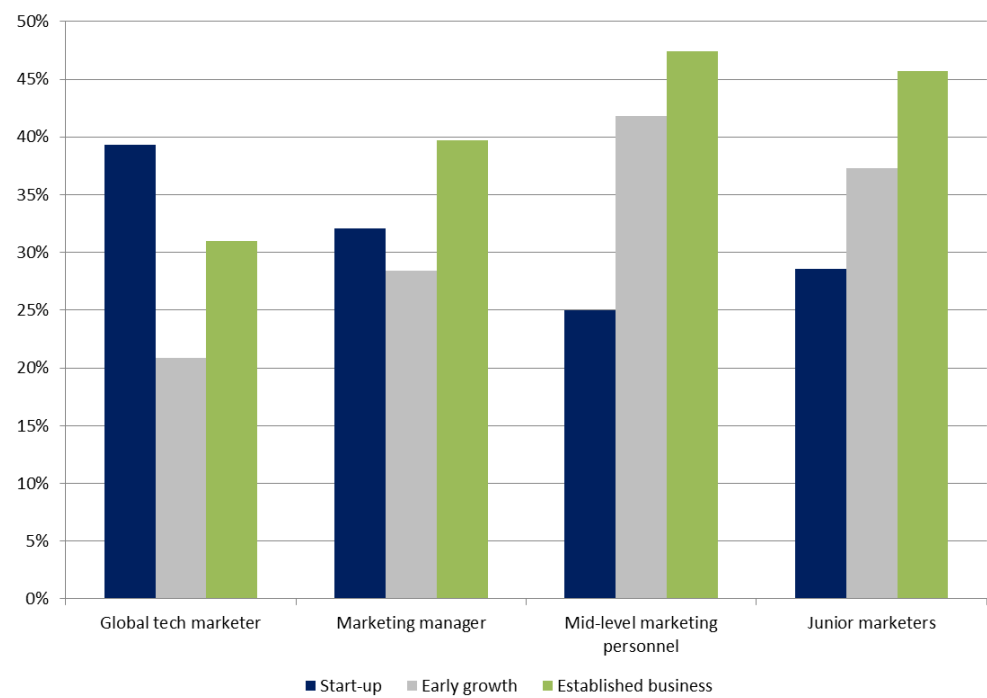
## Sales and marketing capability

*Average number of employees (% of companies)<sup>14</sup>*



<sup>14</sup> Full time (or equivalent) employees and/or contractors.

Marketing team capability (% of companies with each capability)<sup>15</sup>



<sup>15</sup> The number of full-time (or equivalent) employees and/or contractors primarily involved in marketing. Global tech marketer (i.e. seasoned internationally experienced tech marketer), Marketing manager (e.g. 10+ years marketing experience in the local market), Mid-level marketing personnel (e.g. product managers, market researchers, public relations, creative services, communications, 5+ years marketing experience, etc.) and Junior marketers (e.g. less than 5 years marketing experience).



## About Concentrate



Concentrate is a marketing consultancy that helps Kiwi technology companies develop strategies for finding and penetrating profitable market opportunities.

Using our industry experience and a set of proven tools we deliver market clarity for technology companies – practical, actionable insights into their marketing challenges.

[www.concentrate.co.nz](http://www.concentrate.co.nz)

## About Swaytech



Swaytech is a marketing and communications practice dedicated to unlocking the innovation and growth potential of B2B focussed companies.

It offers a full range of services from public relations and communications, marketing strategy and execution, to print design and full web design and development.

[www.swaytech.co.nz](http://www.swaytech.co.nz)

## Disclaimer

This report is intended as a guide only. Readers are advised that before acting on any matter arising from this document, they should consult a Concentrate or Swaytech Advisor.