NZ Tech Alliance COVID-19 Survey

Analysing the Impact on the Tech Ecosystem

Creating a prosperous New Zealand underpinned by technology

About NZTech

Our purpose is to help create a prosperous New Zealand underpinned by technology. We **CONNECT**, **PROMOTE** and **ADVANCE** to help tech ecosystems and the economy grow.

NZTech drives the national strategy for the **TECH ALLIANCE**.

Helping members work together effectively, making connections, sharing insights, collaborating and enhancing New Zealand's ability to benefit from technology.

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Tech Alliance

23 Tech Associations

1,543 Paying Members

1,088 Member Organisations

10% of New Zealand's Workforce

AFFILIATES

Survey Methodology

BACKGORUND A member survey was run by NZTech, AgriTechNZ, BioTechNZ, FinTechNZ, Digital Identity NZ, LocationTechNZ, the AI Forum and the IoT Alliance through April and May 2020. The sample included Startup, SME, Corporate & other members to gather insights into the impact of COVID-19 on the tech ecosystem.

COMMON CORE SURVEY A set of standard questions were distributed to the associations within the Tech Alliance which have been integrated into their own member surveys. This data is captured in Surveymonkey as separate surveys, then extracted, aggregated and anonymised.

The survey includes a combination of open and closed questions.

TELEPHONE INTERVIEWS Most of the associations are using telephone calls to collect the data. Voluntary Executive Council members called a selection of their members to check in with them. Then other members were called via the NZTech member relations team. Our phone based account management team are continuing these calls and we plan to update the survey results again at end of May or earlier if required (subject to response rates).

ONLINE SURVEY AgriTechNZ and BioTechNZ also deployed the survey beyond their members as an online Surveymonkey survey.

DATA ANALYSIS The quantitative data is presented as simple charts. The qualitative open responses have been provided as anonymised responses and analysed for themes which are presented as 'wordclouds'.
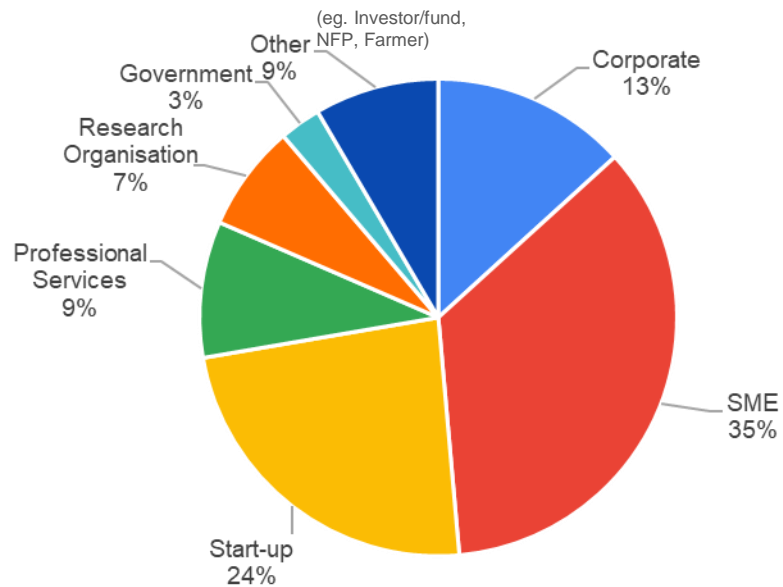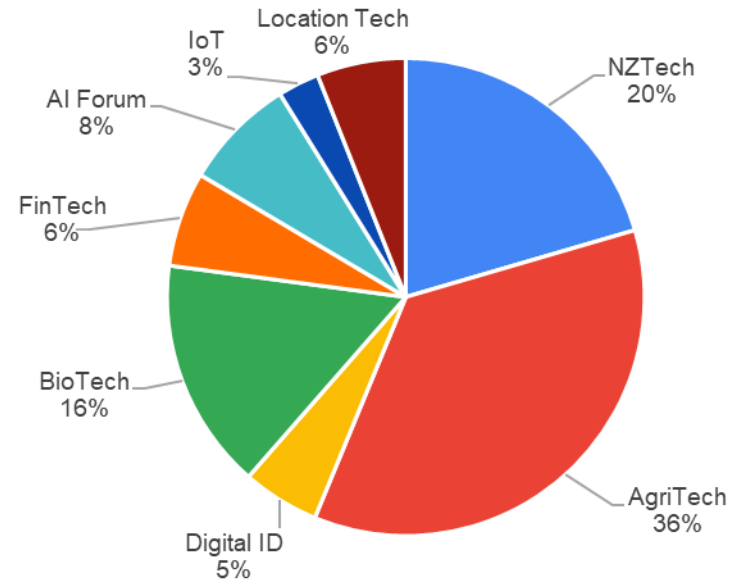
Demographics

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As at 27 May 2020:

Respondents (telephone + online) by organisation type:

Corporate 13%
SME 35%
Start-up 24%
Professional Services 9%
Research Organisation 7%
Government 3%
Other 9% (eg. Investor/fund, NFP, Farmer)

n = 249

Respondents (telephone + online) by association type:

NZTech 20%
AgriTech 36%
Digital ID 5%
BioTech 16%
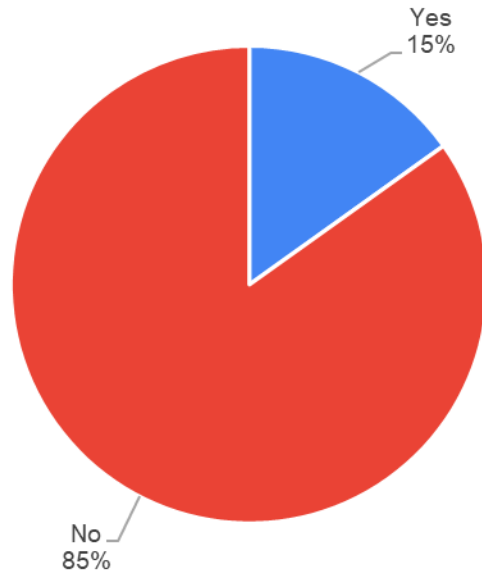FinTech 6%
AI Forum 8%
IoT 3%
Location Tech 6%

n = 249

Impact on Staffing

Has the impact of COVID-19 caused you to have to reduce your staff already?

Yes
15%

No
85%

n = 152

COMMENTS

- We have long term projects which are still running, giving us a long runway.

- We have had to slow down and ensure we comply with the stringent rules put in place. This has meant a reduction in staff and productivity.

- We have all taken hour cuts and pay cuts.

- We are 'hanging on' to staff as long as possible in the hope that we'll be able to pivot to operate successfully in a global 'new normal'.

- We are aiming to pull through without redundancies.

- We have stopped recruiting. *(6 similar responses)*

- We have split the production team into two teams, working alternate weeks.

- We have dropped to 80% salary across all staff.

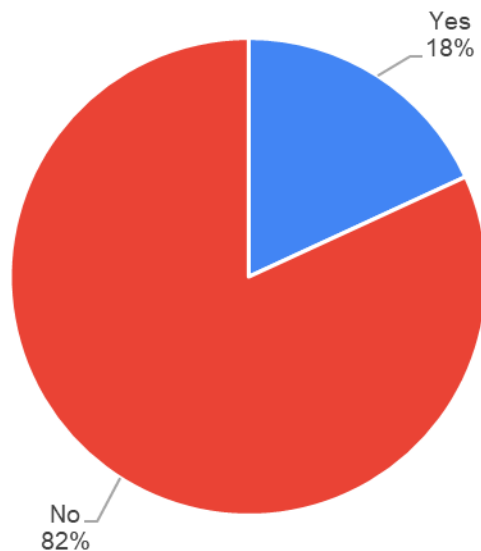- We have had to cut 60% of our staff.

Impact on Staffing

Are you expecting to have to reduce staff in the future as a result of responses to COVID-19?

Yes 18%

No 82%

n = 149

COMMENTS

- Unsure, it's possible. *(6 similar responses)*

- We are hiring. *(2 similar responses)*

- We have stopped recruiting. *(4 similar responses)*

- We are hoping not too. We really value all their staff and their expertise and really do not want to lose any but depending on how long crisis goes on, there may be staff losses.

- We are hopeful to retain all.

- Not currently. We will do what we can to retain all of our staff.

- Maybe, we are not sure if our clients will keep engaging us at the same level.

- We have enforced mandatory use of leave.

- Depends on govt funding our services.

Biggest Impacts

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ALL

What are the biggest risks to your current business activity?

Access to customers — 68%
Access to funding — 43%
Access to your supply chain — 26%
Access to staff — 19%
Other (See Comments pg 11-12) — 47%
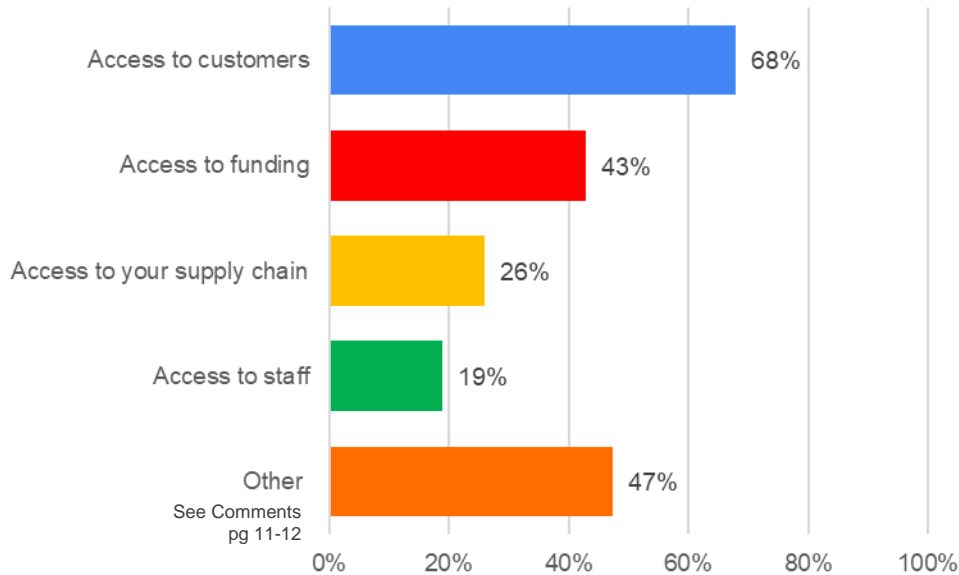
n = 196

Start-ups

What are the biggest risks to your current business activity?
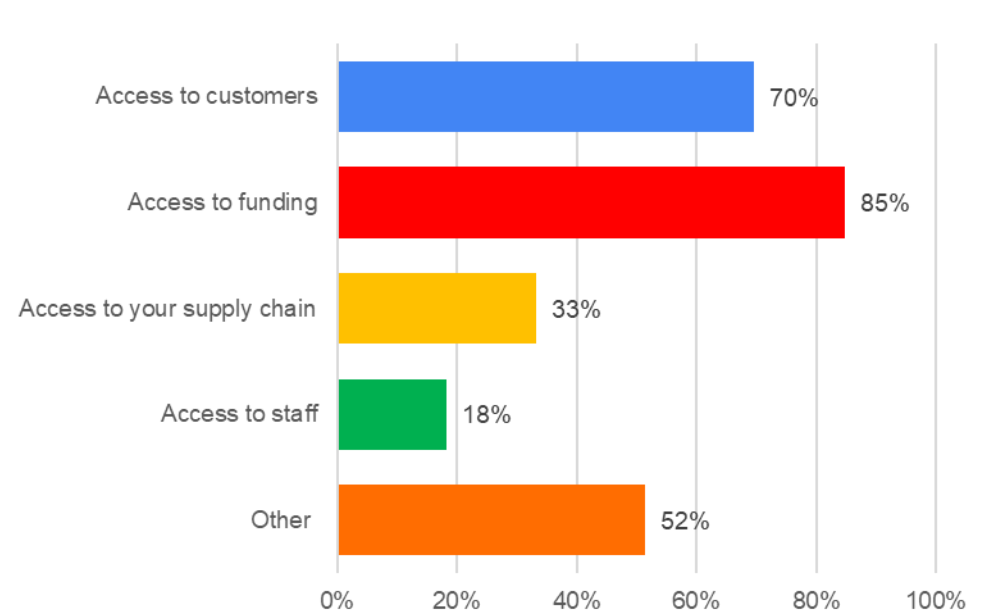
Access to customers — 70%
Access to funding — 85%
Access to your supply chain — 33%
Access to staff — 18%
Other — 52%

n = 59

Biggest Impacts

SME's

What are the biggest risks to your current business activity?

Risk	%
Access to customers	33%
Access to funding	15%
Access to your supply chain	18%
Access to staff	9%
Other	28%
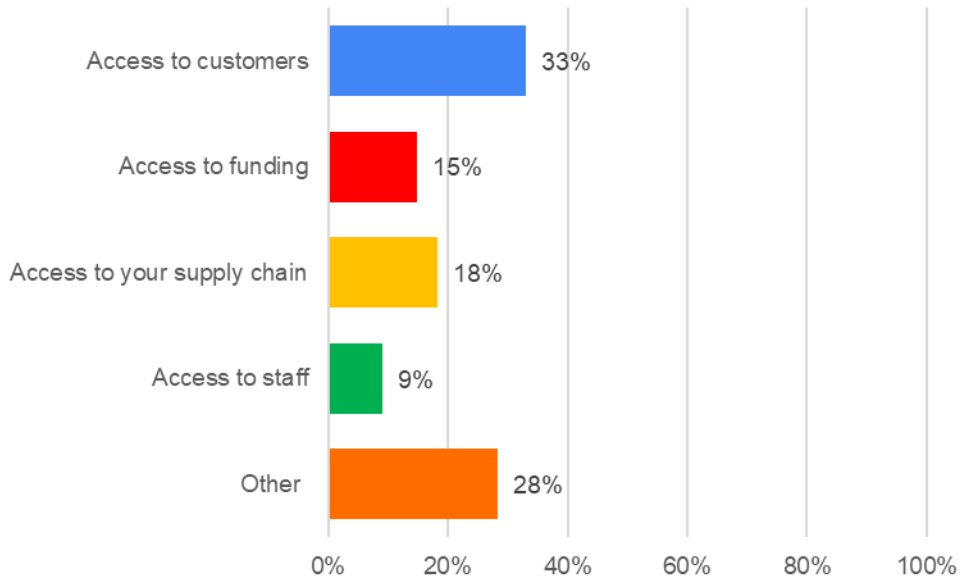
n = 88

Corporates

What are the biggest risks to your current business activity?

Risk	%
Access to customers	55%
Access to funding	12%
Access to your supply chain	21%
Access to staff	12%
Other	48%
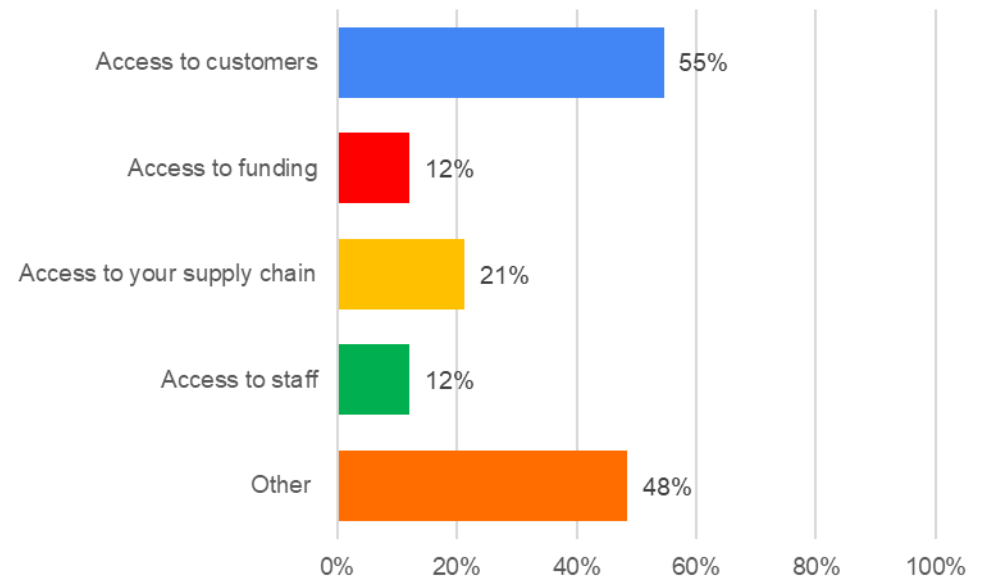
n = 33

Biggest Impacts

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BIGGEST IMPACTS – THEME SUMMARY

n = 196

Biggest Impacts

BIGGEST IMPACTS – COMMENTS

Anonymised comments extracted from the Biggest Impacts section:

- 40% of income international, projects will be delayed if we cannot be in-market.

- Access both to funding and people (industry people, manufacturers and growers).

- Access to service.

- Access to clients and prospects, lack of face to face demonstrations biting into business already.

- Already seeing some customers dropping down subscription levels, expect potential flattening off of new customer growth.

- Biggest risk is general health of NZ economy.

- Cashflow issues expected.

- Cashflow main risk.

- Client access, sales pipeline and finding gone.

- Cashflow issues coming already from Government delaying decision-making

- Staff have taken a pay cut across the board but the flow on effect from customers having to close their businesses will impact cash flow.

- Clients not paying their bills and using COVID as an excuse.

- Clients suffering from economic downturn.

- Customer payments are an issue.

- Customer delaying work.

- Customers ability to pay - cancellations and cash flow.

- Customers are putting projects on hold because of uncertainty.

- Customers stopping projects due to Covid-19.

- Funding has been verbally confirmed but contracts not yet finalised.

Biggest Impacts

BIGGEST IMPACTS – COMMENTS (continued)

- Issues with access to funding.
- Customers stopping investment in tech projects.
- Losing customers as impacted by lockdown.
- All projects on hold and some already cancelled.
- In the process of pre-revenue approval funding which was knocked on the head as soon as the lockdown was announced. We fall through the cracks in terms of wage subsidies and government assistance.
- Not being able to onboard clients or install our solution.

- Our clients inability to 'weather the storm' to survive.
- Our customer's inability to pay their bills.
- Parts from China could restrict manufacturing.
- Priorities continuing to shift decisions being delayed.
- Projects are being slowed down with existing clients and some clients will be lost due the clients suffering.
- Projects are being put on hold or cancelled.
- Projects being slowed by government.
- Supply chain partners are at risk.
- The inability of clients to pay.

Supply Chain Impacts

If your business relies on external suppliers or manufacturers, have you been impacted by the lockdown?

Yes
42%

No
58%

n = 236

COMMENTS

- Actively trying to confirm agreements with other clients for future work.

- Airfreight a problem for some goods. Short term issue as can likely sea freight and hold higher inventory.

- Have many large shipments waiting with FEDEX and other courier firms but as these are not deemed essential goods they are stuck there.

- We build industrial equipment and a reduced access to engineering suppliers impacts our progress a lot. We can mitigate this for a while by focusing on design and modelling work but this will only be possible for 6 weeks or so.

- Local suppliers are responding to our needs.

- Major impact from China.

- We will need to source from alternative (perhaps local) suppliers now.

Travel Impacts

Has the restriction on international travel impacted your business?

No
47%

Yes
53%

n = 232

COMMENTS

- Impact on accessing international staff.

- Preventing us conducting business development.

- International business development gone.

- All new staff halted due to travel restrictions.

- Impacting the export of our products.

- Can't get to our offshore offices.

- Huge impact, we are a global company and there is a lot of international travel.

- Negative impact on big deal in Asia and can't get over there to finish it.

- NZ staff locked down in China and can't get home.

- Unable to connect with offshore customers having massive impact on current and future business.

- Unable to deliver our genetics products to international customers.

- Business development gone.

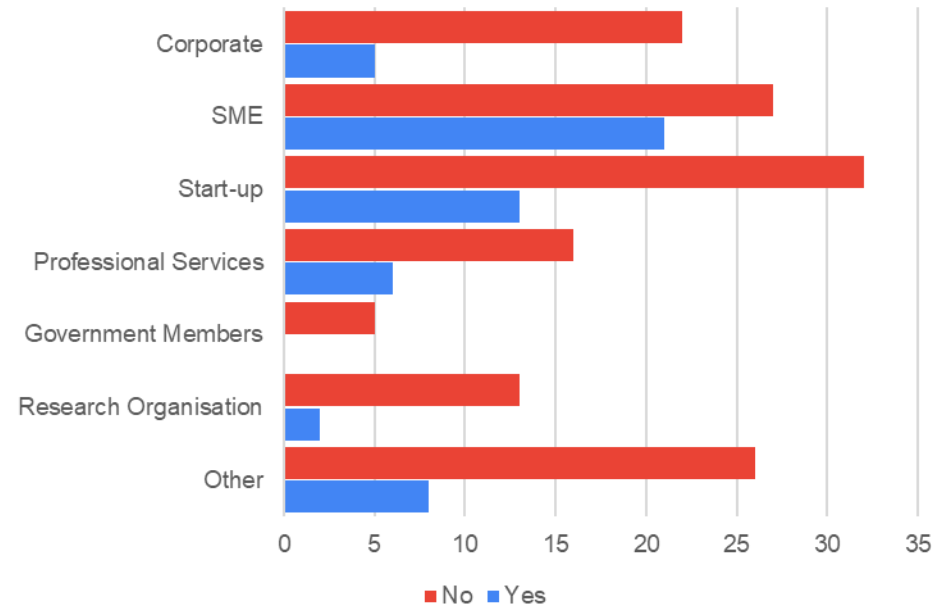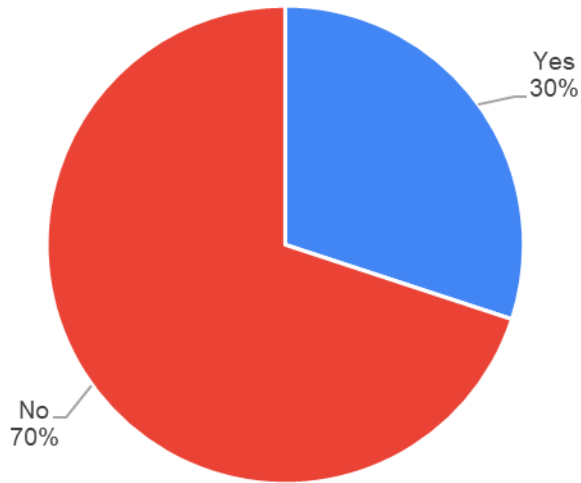# Govt Support

Have you or your business taken advantage of the Government's Economic Response Package?

n = 249

Govt Support

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ADDITIONAL SUPPORT MEASURES FROM GOVERNMENT THAT WOULD HELP – THEME SUMMARY

Are there any additional measures that you think the Government should put in place that might assist your business through this challenging period?

n = 168

Govt Support

WHAT ADDITIONAL SUPPORT MEASURES FROM GOVERNMENT WOULD HELP NOW – COMMENTS

Anonymised comments extracted from the Additional Support Measures section:

- Active promoting of tech that supports greater automation.

- Any initiatives that are started as a result of Covid-19 ought to be maintained, rather than mothballed when the infection rate begins to subside.

- As a R&D focused start-up, increased grants and support to get through the funding crunch would be the key measure.

- As a start up we have been working towards funding our development over past 3 years with out pay. We were on the verge of receiving our funding but now on hold. Government assistance needed to avoid crash.

- Help with cashflow Contracts with NZ businesses. Grant's to support new business ideas.

- Allow logistics associated with biotech research to continue, i.e. importing medical research supplies.

- Continue to fund incubators and make sure Callaghan grants are still available and still funded.

- Create transparency of mapping in the city of where areas of risk are.

- Critical that government recognises its role in connecting people around the world to NZ - they will in many cases be the only NZ organisation with an in-market footprint for the next 12 to 18 months.

- Encourage NZ to innovate to take advantage of our awesome almost COVID free position. Govt might think-tank how we could innovate our international advantage.

- Big capital projects will have a positive flow on effect for NZ so now might be a good time to spend on digital identity infrastructure for example.

- May need further funding for staff after the 12 weeks period due to cashflow ripple effects.

Govt Support

ADDITIONAL SUPPORT MEASURES FROM GOVERNMENT – COMMENTS (continued)

- Funding for community led innovation.

- Government should be more supportive of start-ups, the UK government have just announced a 1.5 billion GBP rescue fund for start-ups.

- Release more tax credits; also to keep the tender procurement process flowing as this has stopped especially in the health care sector.

- Funding for startups and incubators is of paramount importance at this time.

- Help accelerate the adoption of new technologies to further enhance the security and resilience of our food supply chain.

- Increase funding (Angel funding, Grants & Impact Funding) in the digital healthcare sector.

- International targeted awareness campaigns prompting the NZ as the place to do business.

- Tax flexibility.

- Policies to support SMEs will support us.

- Pump funding into R&D so businesses can keep people employed in NZ whilst coming up with innovative products and solution for the future.

- Push all government departments to continue with projects and pull more IT projects forward.

- Government needs to sign off on purchasing decisions asap especially for small businesses.

- Government support for small businesses to help keep cash flow flowing.

- Stimulating market with IT projects

- Support infrastructure and support small local business.

- Technology solutions and the tech industry will be key to growing GDP without tourism and we need to pivot and focus on supporting this industry ASAP.

- Government need to open up infrastructure projects on a local basis ASAP,

Govt Support

WHAT CAN GOVERNMENT DO TO HELP TECH SECTOR GROW POST COVID – THEME SUMMARY

Tax refunds for digitech

Incentives for farmers to adop

Government as customer

Encourage digital adoption

Tax breaks

Tech based green economy

National AI strategy

More tax relief

Invest in tech education

Biotech opportunities

Invest in MedTech/BioTech star

Retrain & upskills workers

Review early stage funding

Allow genetic engineering

More Govt IT projects

Promote NZ agtech

Tech hubs

Tax benefits for startups

Ensure Govt invests in IT

Support startups

Startup funding

Incent digital tech uptake

Promote NZ tech globally

Support innovation

Encourage buy local

Digital transformation of sect

Focus on tech exports

MedTech/HealthTech

Invest in digital identity

Better open data

Govt lending support

Govt use local IT firms

Open the borders fast

Digital transformation

n = 168

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Govt Support

WHAT CAN GOVERNMENT DO POST COVID-19 TO HELP TECH SECTOR GROW & CREATE JOBS – COMMENTS

Anonymised comments extracted from the Post COVID growth section:

- 100% funding for R&D projects. 100% funding for export support strategies tax breaks for next 12 months (minimum).

- A challenge for hardware startups in the growth stage is accessing lending for manufacturing. If access to seed capital is reduced, govt support in stock secured lending could help some businesses to scale.

- A closer relationship and direction from the government about areas where it wants some of the direction to go - where the government thinks tech can add the most value and where the industry can assist government goals.

- A focus on tech hubs and high added value solutions would be great.

- Accelerate digital investment to reduce reliance on service, tourism industries as generators of GDP and employment and reduce interoperability and market dominance barriers to increase innovation.

- Remember the significance of medium enterprise - experienced, staffed, capable, (historically) well funded firms with 10-50 staff, serving regional communities. Include support for MEs.

- Consider tax refunds and or cuts for investments in digital technologies.

- Keep helping and funding companies that were small and were producing new and innovated ideas. Ensure industry body (NZTech) also gets adequate funding to support and help these companies as they know and understood the tech sector better than government.

- Be open to identifying and investing in more efficient and transparent supply chain methods than the restrictive historical incumbents.

- Become a big customer.

Govt Support

- Become a tech based green economy.

- Better PR in NZ on the ag/food sector - our strength in this space (especially in dairy, which has gotten a lot of bad PR in past years) will help see NZ through the tough times ahead. Tax benefits for starting new business (e.g. increase GST threshold from 60k to 150k revenue, no corporate tax on businesses earning a net profit under 100k per annum) Better utilise NZ's global reputation (and our exemplary response to the pandemic) to benefit us in the food sector Minimise time in lock down. Get back to our previous state as fast as possible.

- Breed better local products, use local resources for agproducts such as fertilisers, and improvement of local practices. Finance start-up projects with real validated business plans, new processes for new products to use local production.

- Business support in all facets including financial.

- Co-invest in our R&D to commercialisation projects.

- Commit to Digital Identity as a core enabler and framework for govt, business, and citizens for citizen centric identity and data. Encourage development of citizen centric ID and data platforms and applications, through smart government adoption and procurement.

- Invest in and promote NZ as a high-class tech country.

- Need for more Callaghan loans or grants, more tertiary interns options and also change the fact that interns need to be onsite to remote options.

- Develop a national AI strategy.

- Development capital is the single biggest challenge we face and Callaghan has not proven to be a useful source because of the nature of the projects we undertake. We believe that a review of the early-stage investment systems and framework is necessary to better meet the needs of interdisciplinary projects such as the ones we undertake.

- Direct investment in ambitious projects.

- Increase investment into R&D.

Govt Support

- Enable digital adoption to speed up the supply chain.
- Recognition of healthtech and biotech sector role in recovery.
- Encourage solutions for real world problems at an affordable cost.
- Endorse the Digital Identity Trust Framework and provide funding to encourage collaboration between industry sectors.
- Ensure that SME's are able to access the markets and funding to create growth opportunities for wider NZ supply chains.
- Expedite the work on the Digital ID trust framework with DIA so that we can establish momentum in an interoperable identity ecosystem.
- Focus on innovation, make genetic engineering legal.
- Focus on tech for whole-economy resilience. Each part of the economy must be able to tolerate significant blows to labour and supply chain.

- Food security will be in the international spotlight. Support agritech companies who can support countries all over the world secure their own food value chains...a government starter pack for collaboration here would be great.
- For companies that in our stage (I.e. about to go for the next round of funding and now in jeopardy) it would be very helpful to have the ability to access bridging funds of $20-50K for the next few months.
- Fund a systematic and deliberate transition to digital health and big data approaches in healthcare.
- Ensure government IT projects are reinitiated and encourage more government IT infrastructure investments.
- Greater investment into medtech/biotech startups, access to resources such as regulatory advice, QMS training, linkages to overseas innovation hubs.
- Growth and start-up funds, further support to innovate and create companies and jobs.

Govt Support

- Growth capital is going to be hard to access for the foreseeable future. Government can put in place incentives (tax or otherwise) to encourage investors (both individual, fund and kiwisaver) to invest local.

- The NZ government should be much more involved with showcasing NZ tech start ups.

- Support the NZ Tech sector by choosing NZ companies for technology solutions rather than going overseas.

- Keep the flow of workers (international staff) coming into the country. This is so important for the tech industry. Quarantine maybe used for a time but it should stop these people entering the country.

- Plan that we will predominately be a digital workforce going forward and the government should support and plan for this new world

- Tax relief on capital IT spend.

- Help us setup learning courses to upskill displaced people into tech jobs.

- Help with more funding and help for start-ups.

- There will need to be additional business funding as companies re-establish offshore markets.

- Open the borders and allow international travel.

- Improve access to funding to engage IP advice and services.

- Incentives for Farmer adoption of technology.

- Increase Research & Development funding.

- Initiate quicker access to grant funding for better use of digital technology in all sectors.

- Instant or enhanced asset tax write off schemes such as that used in Australia (instant 100% depreciation on items up to $150K) might be useful to stimulate early spending in the Ag sector.

- Invest heavily in fintech / tech sector as a viable growth area for the NZ economy and promote our offerings overseas - this will be critical if traditional physical borders are still closed.

Govt Support

- Invest in new approaches to business and manufacturing value chains.

- It's essential that we look at how change impacts the economy. Climate and environmental impacts will have a greater effect than CV-19 and now is a good time to plan for their effects.

- Keep out of the way.

- Keep out of our way!

- Keep tax and costs to NZ tech business low. Be pragmatic eg avoid increasing regulations unless absolutely necessary. Ensure overseas companies pay their fair share of NZ tax.

- Loosen some of the regulatory constraints that are adversely affecting the primary sector.

- Maintaining the wage subsidy for a period post COVID-19 to give companies time to get their operations back to full capacity.

- Make it easier to tap into early-stage R&D investment.

- Make more identification data available.

- The NZ Govt should be promoting the NZ tech sector offshore.

- Invest in tech education in sales and coding etc so more people could enter this industry more easily.

- No playbook for working with fintech / insurtech advising what insurances/policies you need or key things to consider and what is possible, plus what additional requirements they need to consider. Know they don't want to do a sandbox, but organising events like the plug and play (sandbox express) or similar get together for incumbents and fintechs work offshore.

- More policies that help and support start ups, such as access to funding, easier access to R&D grants etc

- Access to good talent is vital for companies in the tech sector. Open the borders for talent.

- Potential task force to explore how data driven technologies can be utilized at each ministry.

Govt Support

- Present employment package is good, facilitate meetings looking at how the world has changed, what are the new priorities. How can New Zealand companies assist and support each other.

- Primarily invest! Focus on tech as a NZ export market. Create opportunity to connect and drive international opportunity.

- Put together dedicated chartered sea freight to china and US for NZ export business.

- R&D funding support would be the most helpful. We have an opportunity to increase outputs in this space, which are currently limited by R&D funding.

- R&D support with reduced red tape, flexible immigration and employment settings.

- Recognise that international trade has peaked and is likely to never fully recover from this event. Start a move to regenerative agriculture and domestic food production with a full ecosystem care approach.

- Invest fast in retraining for digital skills.

- Reduce tax, access to more funding for startups doing R&D and avoid giving R&D credits to already established, well funded cash rich companies.

- Refocus on the regulations and expectations to improve water quality and climate change goals.

- Retraining of people made redundant in other sectors, so that they are suitably qualified to work in tech

- Encourage government procurement to share projects with smaller companies.

- We need to develop new industries and promote the tech sector but to do this we need to develop our own tech talent pool especially software coding etc.

- Invest heavily in funding pathways for digital healthcare to support and augment many of the existing analogue healthcare providers.

- Government needs to allow exposure to some risk and invest in or support more innovation.

- Work with businesses and sectors to design new systems – transform sectors and create jobs.

Govt Support

- Capital investment to seed fund an independent body to build the infrastructure for digital ID.

- Reward and help the funding of companies that innovate during the recovery phase.

- Make it mandatory that a certain percentage of government purchases should go to smaller NZ businesses to help boost local economy.

- Similar to Construction after the CHC earthquake, investment into SmartCities (infrastructure and applications) would help.

- Stronger penalties on polluters and exploiters of our natural resources.

- Supply chain challenges today will should allow for the reorganization of supply chains that might have been preferred previously. Cost out, value up and shortening of supply chains will be a commercial and national requirement to drive economic growth and commodity return improvement. Government should be leading this.

- Support an open data sharing platform for NZ farmers to use that can interface with all systems or technologies, processors, or marketers to accelerate premiums via traceability, FAP, FEP compliance, data analytics, etc

- Support and buy from local IT firms first.

- Support recovery of SMEs in NZ and put in place incentives for them to continue to uptake tech.

- Invest in upskilling people from other sectors (eg hospitality) into other/online approach to selling things. Help people understand how to engage their customers online.

- Tax breaks and ongoing investments in start-up companies

- Tech hubs, expansion of Callaghan grant categories, start up funding and investment are all areas they government could focus on and get actual financial returns from in the long run.

- Help companies adopt digital technologies.

Govt Support

- There needs to be planning around educating businesses to be more digital proof ie online payments and more of a virtual environment and this should be funded or at least part funded by government an example he used was educating on online payment systems as this has been an issue for a lot of companies even essential services.

- Keep investing in infrastructure in general but especially in technology for health.

- Stimulate the economy in the right areas just as they boosted tourism with massive marketing in the past they now need to market NZ as a savvy Tech Nation with innovated products and services.

- Utilise the mapping of families ethnic groups for connecting resources and services.

- Within NZ we need a clear regulatory environment for the agricultural sector.

Next Steps

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1. **CONTINUE TO COLLECT INSIGHTS FROM ACROSS TECH ECOSYSTEM**

   • While this survey is closed, the NZTech member support team will continue to contact members over the coming months to check in on their recovery.

2. **COLLABORATE WITH GOVERNMENT TO SUPPORT IINITIATIVES TO ADDRESS KEY THEMES**

   • Such as Business uptake of tech, restart government IT projects, promotion of NZ as hi-tech nation, support startups and R&D.

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27 July - 2 August

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