Latin America
Centre of
Asia-Pacific Excellence

Seequent:
Stepping into Latin America

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CASE HIGHLIGHTS:

- Advantages and disadvantages of working with distributors in Latin America.
- Why a local presence matters – and how to plan and fund it.
- Building a local network for advice, access to talent and support.
- Acquiring language and cultural competence.

THE COMPANY

Seequent is a world leader in the development of geoscience analysis, modelling, and collaborative technologies. Formerly known as Aranz Geo, it was founded in 2004 and today, under the leadership of Chief Executive Shaun Maloney, Seequent's Leapfrog® 3D geological modelling and Geosoft solutions are widely applied in more than 85 countries and across various industries such as mining and exploration, geothermal energy and the environmental industries. Shaun Maloney, Chief Executive of Seequent, says: 'We wanted to bring the Leapfrog and Geosoft solutions together to provide our collective customers with subsurface technology that works seamlessly across the life cycle of their projects. Our goal is to better equip our global customers as they work to address some of the world's biggest earth, environment, civil, mining and energy challenges.'

Seequent received recognition at the 2013 and 2018 New Zealand International Business Awards and was named 'Export Innovator of the Year' at the New Zealand Innovation Awards 2017. The company's growth led to acquisitions and partnerships with companies such as QG, Bloy, 3Point Science, and IMDEX in recent years to add substantial new capability and options to enter new market sectors. Shaun Maloney, CEO, says, 'We're contributing to a wider variety of projects that target some of the major global environment and energy challenges we face. This is a shift from our origins as a mining-centric business and will increase our reach and depth to open up a new world of opportunity.'

Headquartered in Christchurch, Seequent's network of offices have extended to countries around the globe, including Australia, Canada, America, United Kingdom, Denmark, Russia and South Africa. The company's continued growth led the opening of offices in South America in 2013 and 2014, to improve and support geological understanding towards management of some of the earth's most significant environmental and climate change challenges. Ignacio Torresi, Leapfrog Manager in Chile, said at the time that the company's decision to open offices in Brazil, Chile and Peru and to provide support for Mexico and Colombia, 'marks our continued commitment to the region' where there is rapid Leapfrog growth. 'We have chosen to invest in ensuring our high quality Leapfrog support and training, known around the world, is available in Chile and Peru.'

In 2013 Seequent – then ARANZGeo – was a small company, with around 40 employees mostly working in its Christchurch headquarters. It had one overseas office in Perth. Its sales revenue was always '99% international' says Nick Fogarty, now General Manager for Mining and Minerals, who notes that 'from day one we were pulled into regions where our major customers had operations or projects.' In the early stages of the company's entry into Latin American markets it was primarily focused on its software suite for the mining industry, for which the minerals-rich countries in the region presented a natural market.

THE CHALLENGES

Reliance on distributors

When it began operating in international markets, Seequent's global sales across North America, South America, Africa, Europe and Africa were initially handled through a distributor network in each region. The advantages of working through locallybased distributors in each country or region were clear, especially for a small company with a limited financing base. At that time the company at the time was managing to self-fund growth out of revenue while remaining profitable. Given constraints of size and financing, relying on distributors abroad was the most easily workable mode of making sales across the globe. As summed up by Fogarty, 'the benefit of the distributor is that they have an in-market network; they understand how to operate in the region and the actual cost associated with doing so is less than establishing your own direct presence. You end up paying commission on sales that are made in the region, but you don't have the capital expense of setting up an office in the region.'

On the other hand, as the company grew,

reliance on distributors became sub-optimal. Fogarty, who at the time had responsibility for operations in Latin America, recalls that 'as we started to grow and as our customer base grew, we started to find that some of the drivers for us as a business didn't necessarily match the drivers of our distributors.' One reason this divergence could arise was when Seequent's clients were active in multiple regional markets, creating grounds for a mutually beneficial global agreement with the customer, perhaps extending several years into the future. For a regional distributor, however, the geographic focus would be necessarily restricted to a particular market, and the time horizon typically shorter.

Owning the brand and customer relationships

A second challenge, also related to reliance on distributors, was the company felt it was increasingly important to have full ownership of their brand and their customer relationships. As noted by Fogarty, with a distributor, 'the first base relationship sits with the distributor.' Without a direct connection to the client, it was difficult to develop and manage the relationship. For a company like Seequent, the client relationship is not just about making sales in purely price-based transactions. According to Maloney in 2014, 'Our growth will be built up around customer engagement. Under that model people buy from people they like and it's not just about having the leading software, they're buying into the company. The only way to do that is to get in front of them.' Because of the ongoing nature of the relationship and need for after-sales support, clients adopting Seequent's software were essentially being asked to make an investment in the company. Without a dedicated in-country presence, where was Seequent's investment in the relationship?

Regulatory obstacles

A third challenge was market-specific. Brazil was huge potential market for the company's mining-related technology, and leading companies were eager to do business with them. The problem, however, was that Seequent's business model at the time meant they were operating essentially as an exporter of software and services. If a country like Brazil wished to impose import taxes, sales made from New Zealand would attract additional taxes, raising the price for clients in Brazil. Despite strong demand for Seequent's products from major Brazilian companies, 'they frankly just couldn't afford to work with us.'

STRATEGY

Investing in a local presence

Seequent took the plunge and invested in offices on the ground, in Brazil, Chile and Peru over 2013-2014. Given the challenges around building direct relationships with customers that they had been facing, their first focus was on hiring the right people. Fogarty notes that, given their initial focus on the mining minerals business in Latin America, their first hires were largely geologists. Experienced geologists who also understood the firm's software could build rapport with customers as professional peers. 'They will spend a lot of time with those customers in their offices, understanding their challenges and then supporting them to upskill themselves with our software. Our goal is not to be consultants - our goal is to educate the users so they can then run with our software and drive value themselves. Then we work in the background providing them with the support they need.' When you directly employ people, 'you can influence the training and the culture and the way they operate, which wasn't quite as easy with distributors.'

The company's strategy is to avoid sending out people from New Zealand as expatriates into Latin American markets. Fogarty says, 'We don't believe that works. What we have learned is that people want to deal with local people. So, in Brazil, we have Brazilian geologists; in Chile, we have Chilean geologists. In Peru, we have Peruvian geologists.' It is important to realise, he says, that the region may look like one big continent but it is made up of 'very, very distinct countries with quite strong political differences and national history.' Whether Peru, Bolivia or Brazil, each country requires a distinct way of operating, something that 'took some time to really understand and make sure that while we saw it as a region, we also treated the individual countries within that region with the focus and respect they deserved.'

Planning and funding international expansion

An on the ground presence made sense, but also involved significant up-front costs. Those in the firm who proposed making the investment did their homework carefully. 'We don't take risks,' says Fogarty, 'so we take these things very seriously.' In the case of their first entry into Brazil they worked with New Zealand Trade and Enterprise on an international growth fund grant. While Fogarty says it was good to have the investment, 'probably more beneficial was the rigorous process we had to go through to achieve that grant, and that is the model that we have then taken and used for every other office opening we have undertaken. We do very, very rigorous business plan projections to make sure that we aren't taking undue risk and we also do a lot of due diligence.' This included sending out teams to speak with customers in country to ensure that the perceived opportunity was solid. The process was somewhat easier with later regional offices in Latin America, due to their greater visibility in the market. But in Brazil where they were effectively starting from scratch they did 'a huge amount of work with business planning, forecasting and understanding the market, to make sure that there was the market there and that we could get a return on the investment.'

Seequent's business model helped mitigate the investment risk associated with developing a local presence in Latin American markets. Their software is largely sold on an annual cost basis, providing a stream of recurring revenue. Fogarty notes that this means that 'each year we have a very clear view of our likely revenue the following year, prior to securing new business. This gave them the confidence to know they could start to make investments in the following year.

Seequent's own internal processes were also an asset. They already had rigorous systems in place for decision-making around new products. 'Someone can't just suddenly come up with a genius idea today and have a resource to build tomorrow.' Seequent benefits from what Fogarty calls 'a gated process' that structures the way that they build software, launch products or run projects. 'And the same applies to a new region.' As he recalls, by the time they had gone through the process, built the business plan and made the business case, there 'weren't really the naysayers' when they had to take it to the board for approval.

A patient approach

Despite all the preparation, the company's successful growth in Latin America has not been a walk the park. Things that in New Zealand would happen fast and with little effort could take a long time, requiring a great deal of patience. Fogarty reflects that, 'one of the mistakes we probably made in the early days was we under-estimated the time it would take to get up and running and therefore over-estimated the return to the business in the first year or so.' It is a very common challenge for companies going into a new market, pointing to the need to build time for delays into projections of future costs and revenues. Entering a country in Latin America requires a commitment to being in for the long haul. One telling example offered by Fogarty is that it took them a year from first touching down to having a bank account open in Brazil. Learning how the tax system works was also important, as several Latin American companies have significant payroll taxes or equivalent charges, significantly raising the employment cost of each person on the company's books by as much as 70% above their salary.

Investing language and cultural competence

Seequent was able to draw on the prior international experience and language skills of key personnel. Fogarty himself is trilingual, fluent in both Spanish and Portuguese. This capacity is a significant asset. 'The reality is that you need to be able to engage locally with people.' Language fluency is critical to developing the relationships that carry business forward. 'There is so much more to a culture or working in a region than simply doing a deal. So much of it is relationship-driven and frankly, particularly in a region where a lot of the individuals won't speak English, it is very hard to break past the formality without being able to speak in the local tongue.' In places like South America where the culture is relationship-based more than transactional, enduring relationships mean taking the time to get to know employees and partners in order to build trust. As Fogarty points out, 'It is very, very hard to do that if you are both stuttering or having to convey yourself through another interpreter.' Making the effort to speak the local language also 'shows the customer that you guys are a little different because a lot of companies don't do that.'

Building their own organizational culture while also respecting local cultural traditions is something that Seequent has had to balance. They believe in building strong teams in each country that carry the company's brand and ethos. This means 'being able to again engage with them and operate with them in the way that they need to operate, culturally. So, the way that we operate in Russia is different to the way that we operate in Latin America or Australia.' On the other hand, Seequent was mindful maintaining its own organizational values and culture. The right local employees had to be able to fit in with Seequent, as well as engaging locally. For Seequent, this means operating as a meritocratic business with a relatively flat organizational structure, which needed to be explained to employees from cultures where respect for hierarchy is much more engrained.

Establishing the right relationships and networks

Finding the right local employees and advisers was critical. Seequent has applied a model in several countries that recognizes that the New Zealand team will never have the depth of local expertise as a well-placed national of that country. In Brazil, 'the first person we took on was a senior adviser, a retired senior executive from the mining industry who not only knew the Brazilian mining industry but knew how to operate in Brazil. He knew people, he knew how to run process and knew how to deal with legal matters.' Finding such a person happens by design and leveraging personal networks, to identify the person with the expertise and integrity to act as an ongoing source of advice and support.

With local hires, Seequent found it was also buying a network. A local employee might find themselves at industry events, running into former classmates from university and training courses. As they became more senior in their careers, their personal network also advanced, often including decision-makers inside client firms. 'Then when they leave, because people do leave from time to time, they often end up going out into the customers and they become great advocates.'

So far, says Fogarty, their approach to recruiting and managing local teams in Latin America has worked pretty well. While the turnover of personnel is healthy and can connect the company to clients and supporters in the country, they are also conscious of the need to work to engage and retain their best employees. We hope, says Fogarty, that they are 'getting something slightly unique from us that they wouldn't get either in the mining industry in that market or working for a national company in that region.'

RESOURCES:

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