Marketing of Research Parks

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Executive Summary

This paper examines the conversion of marketing principles into executable action items by one Research Park's approach to marketing.

Innovation Place is a research park located in Saskatoon, Saskatchewan, Canada, which has been operating since 1980. It also operates another research park in Regina, the capital city, and a sector specialty facility in Prince Albert. With 1.4 million square feet (138,000 sq m) of facilities in 25 buildings housing 175 clients who employ 3200 people, located in 3 cities, Innovation Place is one of the more successful research park systems in North America. Located at the northern edge of the great plains of North America, in a city of just over 200,000 people, Innovation Place grows at an average rate of approximately 40,000 square feet per year. Innovation Place has clients active in many sectors, including ag biotech, pharmaceuticals, forestry, information and computing technologies, petroleum, environmental sciences and health.

Marketing

It's said that marketing has four components: product, price, placement and promotion. Marketing is defined as the "process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives."[1] Converting these components into action items and then executing those items really is the essence of what marketing - and research park client attraction & retention -- is all about. The theory is captured in few words, but the reality, and the execution of that reality, is what park managers, in all forms, in every country have to deal with, each and every day.

The Product

Creating a facility product - a building - that will be used for research and development activities, which will manifest itself in the expenditure of millions of dollars to see it constructed, (and with that facility having a lifespan of at least 25 years if not longer), means that developers and managers of research parks need to clearly understand who the market is for a particular facility. Developing the product within a research park consists of dealing with a number of elements. It's critical that the product be differentiated from the market place. Repetition does not breed innovation, nor does it foster it. But cost concerns tend to foster simple repetition of building form - it's cheaper - so how does an astute manager of a research park "thread the needle" of unique, or at least different, facilities versus lower cost?

At the core of the research park is the intellectual property (IP) – the intelligence – of the organizations upon which the research park is trying to build. That intellectual property takes a variety of different forms and can be managed by a number of different organizations, but in many typical situations, certainly in the North American context, research parks are constructed to take best advantage of the IP contained within the nearest university, technical school or research institute. For a number of reasons, that intellectual property is transformed – commercialized – into a business proposition and that business proposition in turn converts the intellectual property into executable items – tangible products. These include people to mold, manage and promote those products, revenue from the sale of those products and some form of facilities in which the personnel of the company sit in order to accomplish the above. Research parks attempt to facilitate the continued repetition of the above model through the provision of facilities and services.

More recently research parks are not only providing facilities but also providing support services, funding, housing, recreational services, food services and every other potential or possible amenity in order to make the process of converting the intellectual property into a business proposition easier or in the alternative enhance the potential of that business proposition succeeding. So called third generation parks may have all of the above and also are active in supporting the technology transfer and commercialization process through direct intervention in that process. Others tend to be more hands off, leaving the process issues surrounding tech transfer and commercialization to be dealt with by others. The following table 1, from a recent AURP study[2], identifies not only the fact that technology commercialization is a significant issue for research parks to be concerned about, but also that it's only *one* of the issues that parks have to concern themselves with.

Table 1

	Number of Responses (per item)	**% of Responses**
Lack of University leadership support	17	24.3
Lack of State, local government/community support	17	24.3
Lack of Public funding for infrastructure development	24	34.3
Lack of Equity or debt financing for buildings	23	32.9
Lack of Comprehensive technology transfer program	16	22.9
Lack of Equity (venture, corporate or angel) funding for technology commercialization	29	41.4
Other (please specify):	25	35.7
Total responses	70	**100**

The type of facility required by a client is largely dependent on the sector in which they are active. Biotechnology companies may need laboratory buildings while Information and Computing Technology (ICT) companies may need something quite radically different. While it is tempting to build a facility that may attempt to meet the highest common denominator, it invariably fails in some component of its execution because of its inability to match facility with market.

In Saskatchewan, our initial approach was to examine the strengths of the province and look at which economic sectors the province has competed well in and those in which it wanted to become a player and in which it might be inclined to invest. Moving from an overview to a more manageable view, we then look at the intellectual property based institutions located near to the research parks, typically the university although technical institutes, colleges and other institutes also have a role to play and try to determine how their capabilities and strengths might mesh well with the research parks' aspirations. In other words build on known strengths but look for opportunities.

When we examine the strengths of the University with the goal of tying those strengths to the desires of the research park, we narrow our focus to specific areas of interest. As Saskatchewan is traditionally a resource based economy province, it made sense to attempt to build on those strengths. Indeed initial clients of the park were involved in mining either directly, in the case of one major client, or indirectly in the case of another client who constructed a resources oriented analytical laboratory. But very quickly, the park expanded its horizons, looking to other sectors of economy, specifically the information technology sector and soon thereafter the agricultural sector, as growth options. Let's be more specific.

The University of Saskatchewan was founded as an agricultural university and has great strengths in agricultural based research activities including several colleges, two major federal government institutions

and numerous related organizations. Much of this strength however was based upon crop improvement activities and much of that is focused on canola, a very malleable seed which produces oil competitive with soy and palm oil. Therefore it made sense for the research park to try to build on that strength, especially given that in the mid 1980s, opportunities in the agricultural biotechnology field – then a relatively unknown area of science - were not well known. There were several local champions who believed that this was an economically viable opportunity that could be pursued as the product (canola) was relatively high volume, was a hybrid (and therefore farmers had to purchase new seed each year), and was well known as scientifically valuable, all elements that lead to significant interest in the crop. As well the University has great strength in animal-based research including both production and health product research. Reduction of livestock losses, by any percentage, considering the investment made in a single animal, also presented opportunities. Other more traditional areas of strengths include the information and computing technology sector, the environmental sciences sector, and the pharmaceutical field. But if all of these sectors presented opportunities then how was the research park going to respond to each of them in meaningful way as each had significantly different facility needs as well as funding, promotion and labor market supply issues. Let's look more closely at one specific example – the agricultural biotechnology science sector.

The University of Saskatchewan has great strengths in information technology and agricultural based research activities. It would therefore be logical for Innovation Place to attempt to build on those strengths. But how then did the park convert the opportunity into, what is now a significant portion of, the tenant base? It became a matter of relationships between key players in the park administration and the governmental and University organizations active in the field. Four organizations came together to focus on the agbio sector. The municipal economic development authority had an energetic Executive Director who was willing to pursue opportunities outside the city, as he attended a number of conferences and promotional opportunities in order to promote the city's and parks capability and therefore supplied promotional capability and presence. Another organization, the province, supplied policy facilitation and leadership, as well as some funding for the visible champion (see below)while a third organization, the research park, proposed and received approval for the construction of facilities to support the sector. The fourth element was a pre-commitment from a federal agency that committed to lease of 50 percent of the space within a key building that became the visible symbol of commitment to the sector. The commitment came about because of direct marketing, through face to face conversation, by the research park to the federal agency. So there was an alignment of interests, capability and desires by four different organizations, all with a common objective – build upon Saskatoon's research strengths.

Complementing this activity was the initiative by the province to create an organization that became the visible champion of the ag biotechnology technology sector. The visible champion (now called AgWest Bio^3) was supported by provincial funding, but controlled by an arm's length Board of Directors, who set broad criteria by which to judge success. This organization promoted, facilitated, funded as well as educated the various stakeholders, as well as potential clients, about the ag biotechnology strengths and opportunities within the province, and particularly within the research park milieu.

Continuous conversations back and forth between the various players in the sector, facilitated by the champion, led to a comfortable and collegial environment in which the frank exchange of information and issues was discussed. Arising out of those discussions came a coordinated approach to promotion and the pursuit of opportunities.

Developing a product to suit the needs of the ag-bioscience sector meant examining a number of options to ensure the ability to flexibly respond to any one organizations needs. The research park had set its own goal of creating the best possible product, in all of its various built forms, when constructing any particular building. The variety, style, cost, and associated landscaping were sinuously juxtaposed so as to ensure that the building product was unique.

Creating a building program, the information that has to be given to the architect in order to prepare a preliminary set of working drawings, means that the developer must have some sense of who their clientele is going to be for that particular building, and the more specific, the better. One does not want to build a laboratory building for office style clients -- it's a waste of money. On the other hand pursuing a new sector of unknown clients means having to construct buildings speculatively, which can be a risky and expensive proposition. In the case of Innovation Place, we identify potential clients through a variety of means in order to try to narrow or reduce the speculative nature of the building and therefore construct a building for a known market. The example given above, relative to the agricultural biotechnology sector, has been successfully replicated in the information technology sector and to some extent in the environmental sciences sector. Efforts continue in other sectors.

Placement

Placement has two different meanings. First the actual physical location, or placement, of the building within the research park, which is primarily a technical issue within the context of the development of the research park, but which can dramatically affect how the market perceives the value of the building. Innovation Place has several different types and kinds of buildings, ranging from low-cost industrial style structures, through to higher cost, architecturally striking, office structures. But Innovation Place also has warehouse, heated and cold storage facilities, exterior compound and specialized use facilities, purpose built, or purposely acquired, for a particular market niche. While there is a unifying architectural finish to the buildings, the location of buildings has been purposely carried out in such manner so as to place significant exterior landscaping vistas around the higher priced buildings so as to "frame" the building “picture” appropriately. Lower price buildings, while still nicely landscaped, are not necessarily directly attached to architectural plazas or other common areas, but rather are more directly linked to roadways and parking areas. Higher priced buildings are located with higher grade exterior landscaping and/or scenic vistas, reflecting their relative importance.

The other placement factor is the desired rental rate per square foot relative to the local and regional market, which influences rental rates and the amount of capital expended to construct a building. Construction of a $20 per square foot rental rate building in a $5 per square foot rental market will present numerous challenges to the developer only one of which is that the clientele will need to be educated as to why they should spend the four times their current rental rate in order to occupy your buildings. Innovation Place carries out significant market pricing research prior to committing to construction of a facility to ensure that the final asking price is consistent with the anticipated user’s ability to pay. Continuous communication during the design process between potential users and Innovation Place personnel minimizes surprises to either party, upon occupancy. This communication process consists of face to face meetings with prospective users, with the goal of receiving their feed back, but also to start the process of getting commitment to lease space, facilitated by the interaction itself. An old residential real estate sales adage says that “when they start arranging the furniture, you know you have a sale”[4]. Similarly, when potential clients start the process of offering advice about design, it causes some commitment to the space itself.

Pricing

Pricing must be based on cost, but pricing also means understanding the market's needs relative to its ability to pay. Inflexible programmatic pricing (i.e. cost plus 10% profit equals price) may inhibit opportunities for growth, while subsidized pricing distorts the markets. Pricing must walk a fine line between cost recovery and market conditions, meaning managers need good information on which to base their decisions, but management must also choose when to charge “full price” and, maybe more importantly, when not to.

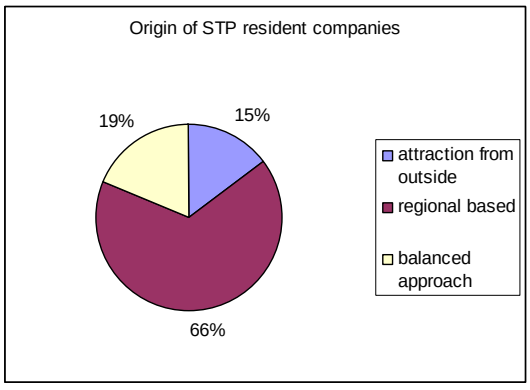
Innovation Place has, in three cities within the province, 175 clients, ranging in size from a single person to a 250 person company. The park has had a practice, since inception, of not focusing on price exclusively, but rather on the needs of the clients, and especially their ability to articulate their vision and potential growth capability, as it relates to the research park facilities being supplied. This articulation allows the research park managers to make decisions as to how much to charge the client and how to recover any difference between the cost and the price over time. While knowing the cost per square foot allows the managers to understand how much they may not be initially recovering, it is not the key decision point in entering into a lease agreement. The differential between the cost and the price may be recovered over time, as part of a stepped or milestone lease agreement or through taking equity in lieu of rent (used sparingly as it has an effect on cash flow), or by simply taking the risk that the client will expand sooner than later and that the research parks investment in the client will be recovered through expansionary activities.

Throughout the history of Innovation Place, this concept underlies the negotiation process between the client and park management. This is not to imply that park management does not attempt to fully recover costs, or indeed to recover more than costs, it merely suggests that park management avoids a dogmatic programmatic response to the challenges that small organizations have in trying to grow. Small organizations need flexibility and cash flow is a constant balancing act between revenue and expenses. A sympathetic landlord providing flexibility, when the organization needs it, becomes an ally rather than an adversary, and loyalty to the research park is developed. This loyalty becomes the basis of a longer-term relationship, and more importantly, becomes word-of-mouth promotion that is simply invaluable. This process is an example of relationship marketing and has been defined to "enhance the chances of repeat business through the development of formal interpersonal ties with the buyer."[5]

Promotion

Promotion takes many forms and is directly related to the audience that you wish to attract to the facility. As most research parks in North America are local or regional economic development activities, the local market is the immediate target for any promotional activities. This is born out by IASP statistics which reflect the same.[6] The following table 2 indicates this.

Table 2



Elements of the promotion of the park, and its facilities, includes community relations, stakeholder relations, image and brand management, sponsorship and donations, advertising, media relations, staff relations, quantitative and qualitative surveying and polling, all wrapped into an overarching corporate plan for the upcoming and near term years. But, if the market that you wish to attract is not located in the

immediate area, promotion takes on a whole new set of constraints and costs that may be significant in order for the developer to get "face time" in front of prospective lessees.

So then what means are used by a research park to either attract or develop clients? Recent AURP surveys (see table 3 below)[7] indicate that most of the larger parks use in reach or direct marketing as the basis for attracting new clients. But more interestingly those same parks use *all* forms of marketing, as a means to attract clients. (The study did not deal with the client development process, as it is much more difficult to define and quantify using quantitative survey mechanisms.)

Table 3

Marketing Approach	N	Average Rating of those who used it	Overall Average rating
% In-Reach/Direct marketing by Park(including marketing to affiliated university faculty and staff and companies connected to university through alumni, patenting and contracting)	50	39.5%	47.6%
% Strategic Alliances with public and private research, technology and marketing organizations	26	19.9%	8.2%
% Strategic Alliances with one or more public and private research institutions	35	18.1%	11.5%
% Local/National real estate brokers/developers	46	17.1%	14.0%
% Economic development agencies (local, regional or state)	65	14.9%	14.9%
% Other	4	13.8%	2.4%
% National location consultants	14	5.7%	1.3%

Many parks use local economic development agencies; many use strategic alliances as the basis for attracting clients. Some use location consultants and others use real estate brokers. But the vast majority use in reach and strategic alliances as the basis for client attraction and most feel in reach is the more effective means.

Strategic alliances would suggest the use of innovative relationships and positioning the park to meet larger goals arising out of the funding base or from the need to ensure that the various stakeholders are satisfied with the type of clientele being attracted to the park; the strategic alliance is also much more likely to be a local activity than a trans border activity, as it is much easier to enter into alliances when the parties are proximate to each other.

IASP statistics[8] (see table below) suggest that most parks spend less than 5% of their annual budget on marketing and promoting their park.

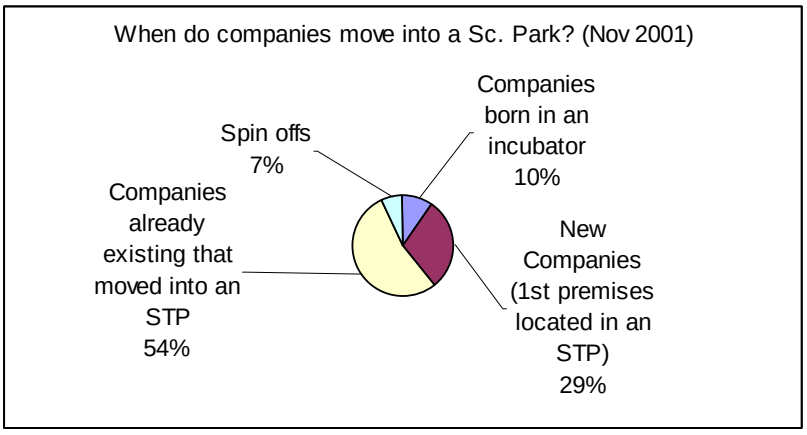
Table 4

% of total annual budget allocated for marketing and promoting for Park or Incubator?	
Less than 5%	58%
5%-10%	28%
11%-20%	8%
21%-30%	2%
More than 30%	4%

These studies do not deal with the strategy that creating the best product may be in and of itself a promotional strategy that underpins the entire approach that a park takes. After all, if the building, particularly a complex laboratory environment functions well and meets or exceeds all of it's design criteria, the tenants of that building inevitably will speak well of that to their colleagues. That "bench top to bench top" conversation amongst scientists and technicians is worth more than any other form of promotion. As an example, Innovation Place surveys all of the staff and CEO's of its clients each year, asking a very simple question: "Would you recommend Innovation Place to other potential tenants?" Results are typically above a 98% positive response rate[9], which if they actually do make that recommendation when asked by their colleagues means much as a marketing tool. Similarly, when the general population of Innovation Place are asked "Are you happy working at Innovation Place?" response rates are also above 96%[10]. This is interesting as many variables are in play in an employee's life at any point, including personal and work related aspects, over which Innovation Place has little influence.

IASP statistics[11] (see table 5) suggest that many research parks clients are not start ups, but rather the majority are existing companies suggesting there is some degree of sophistication of the clientele and that therefore they may research the choice of location before making a decision. That means that research parks need to differentiate their product from the product that the client previously occupied and from the rest of the marketplace. And that differentiation should be the core of their marketing program.

Table 5



Parks that go to the effort of repeatedly and consistently talking with existing and potential clients about a proposed facility stand a much better chance of constructing the correct facility for the market. Designing

facilities that are better, in one way or another than the competition, suggests that the clients of that building have a built in advantage over their competitors. For example using LEED[12] or Boma Go Green[13] approaches to construction and management suggests that the research park developer is proactive, and willing to apply technology to create or manage buildings for the benefit not only for the park but also for the clients. Whether that is in the form of reduced energy costs or in the form of more comfortable staff (or both), it still enhances the tenants ability to compete. And tenants welcome any form of competitive advantage.

In summary, this author believes that a strategic approach to marketing, based on good facility products that are uniquely different from the surrounding market place and which are developed based upon relationship marketing, while using promotion that is oriented to understanding and polling ensuring that the clients of the parks are as satisfied as they can be with the product and it's related amenities is the core of how to ensure continued growth of the park.

Endnotes

[1] Advertising & Promotion, an Integrated Marketing & Communications Perspective, Belch, Belch, & Guolla, McGraw Hill Ryerson, ©2003
[2] Assoc of University Research Parks Park Profile, to be published in June 2006. http://www.aurp.net/
[3] http://www.agwest.sk.ca/
[4] Anon
[5] Marketing Management, Strategies and Programs,.6th edition, Guiltinan, Paul, Madden, McGraw Hill. ©1997
[6] International Assoc of Science Parks web site http://www.iasp.ws/
[7] Assoc of University Research Parks Park Profile 2006, to be published in June 2006 http://www.aurp.net/
[8] International Assoc of Science Parks web site http://www.iasp.ws/
[9] Internal polling results from annual Innovation Place surveys.
[10] Internal polling results from annual Innovation Place surveys.
[11] International Assoc of Science Parks web site http://www.iasp.ws/ "International Assoc of Science Parks, Science & Technology Parks in the World, Statistics, facts and figures (July 2003), Luis Sanz, Director General and CEO, IASP."
[12] http://www.usgbc.org/DisplayPage.aspx?CategoryID=19
[13] http://www.bomagogreen.com/