7. Customize Your Model

Once you understand the market, you can then proceed to formulate a picture and model of what will be appropriate. In general, you should consider your incubator as a real-estate play, with the ability to survive as a landlord only. Then if that strategy is successful, you can then work out how to subsidize more incubator-like activities. This foundation allows you to be sustainable on your own terms in markets where public support or external financing cannot always be relied on.

If you can identify that there is a market opportunity and match it to a specific group of industries (high tech or service oriented) then you can develop a product that is differentiated in the marketplace and can be easily understood in the media. If you can associate an industry like software, or tourism, or agriculture, then that focus may enable you to attract further collaboration and investment from focused public institutions or universities.

In the event that a university, government or other donor is willing to provide you with substantial and guaranteed funding over a period of time, then you can consider more ‘germination’ like activities where you are taking aspiring entrepreneurs on board (those who are really just starting up with an idea, but are not operational). This is particularly relevant with high-tech companies and truly innovative industries. Locating close to that institution will be critical in this regard.

Without much public or strong institutional support, you move to the other end of the spectrum and create an accelerator model, where you focus on companies that are already able to pay for the services that you offer, and perhaps blend this with retail shopping services in the building that are directly related to the sector you are seeking to serve.

As stated before, all incubators will have a blended approach which allows them to stay flexible, and give them some independence over the program they seek to run. In some cases you may state that x percentage of the building is focused on full-fee paying tenants, and they are leveraged to subsidize the rentals and services offered in your incubation program. It’s critical that you find this blended approach and build flexibility into your model.