Marketing for dynamic incubators

Steven Giddings

Marketing is so basic that it cannot be considered a separate function. It is the whole business seen from the point of its final result, that is, from the customer’s point of view....Peter Drucker

1. Marketing – what is it really?

Marketing is about people. It is about identifying, understanding and ultimately meeting their needs and wants. As such, marketing is a fusion of social and managerial disciplines that spans a diverse, yet linked, range of areas such as the provision of products, services and/or the exploitation of ideas; the creation of value; the determination of costs and prices; the process of transactions; the attainment of satisfaction among customers; the development of relationships and networks and the understanding of, and access to, markets. As incubator managers, you may well be saying “hey, that describes my job!” and in fact it should, because incubation is also about people, the fusion of social and managerial disciplines, and the meeting of needs and wants - be they those of funders, clients or any other important stakeholder. Clearly, marketing must be seen as an integral and fundamental part of incubator management.

Yet, so often it isn’t – not in the establishment process nor in the operation of the incubator. Daily pressures often relegate marketing to the annual open day or the charge to attract new funding sources, and marketing is often seen as public relations or worse still, as selling. In the case of the latter, you may have come across incubator managers who describe how they “are out there selling the incubator day and night and yet they have to live day by day in the hope that their client pipeline grows and their funding holds”. In fact you may be in that position yourself, and if you are, then the following quote from Peter Drucker will help you understand why this chapter will begin to help you put your incubator on a different level:

“There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy.”

So the first step in understanding what role marketing should play in the life of an incubator, is to define what it is and what it is not. The first point, already made, but which needs further elaboration, is that many incubator managers (and other business professionals!) often confuse marketing with selling. Marketing is not selling. Selling is

---

1 Steven Giddings is the Regional Facilitator: Africa for infoDev. Email: sgiddings@ananzi.co.za
in fact just one component of marketing and marketing both precedes and follows the sales cycle.

Theodore Levitt, the well respected Harvard professor in his classic paper “Marketing Myopia” published in 1960 clearly differentiates the two by stating that selling focuses on the needs of the seller whereas marketing focuses on the needs of the buyer. I’m not sure who defined the difference between marketing and selling so simply and yet so descriptively, but the following statement is really the essence of what this chapter will focus on assisting incubator managers to do – “selling is getting rid of what you have got and marketing is getting what you can get rid of”.

This is worth remembering because it epitomises the dual role that incubator managers must play in first understanding what “buyers”, be they clients, governments or donors, want and need and then developing their incubator offerings to meet them (getting what you can get rid of). Once established, it should be much less difficult to sell this to them in exchange for their support (getting rid of what you have got). So marketing for an incubator begins even before the incubator opens its doors and it changes as the wants and needs of its “buyers” change.

The second step in understanding marketing in the incubator is to realise, and accept, that marketing is everyone’s task. Incubators often make the mistake of appointing a marketing manager or give that role to an existing manager as part of their portfolio. While there needs to be this “hub” of expertise and focus, all too often other managers and staff think they are now exempt from the marketing function. If marketing is about people and meeting their needs and wants, marketing can make a real difference in how clients (a major “buyer” of the incubator’s offerings) view the value of the incubator and incubator finance staff, for example, can influence how a funder (another “buyer” of the “products” of the incubator) views working with the incubator. An incubator, like any other business, needs these “buyers”…without which, it has no purpose, and so marketing is everyone’s business.

The third step in understanding marketing from an incubator’s perspective is to know that in addition to addressing “buyer” needs, there is a need to look at:

- which “buyers” to target in which markets
- the value proposition to those “buyers” (integrated across the incubator) and
- the sustainability of the incubator through the attainment of its goals

An incubator usually serves a number of different “markets” and it may be useful at this stage to define what we mean by “a market”. A market comprises all potential buyers that have a similar need or want and who may be willing to satisfy their need or want through an exchange. However, not everyone in a market can be served and so incubators need to further target who they will serve. By way of example, incubators will certainly serve a

---

market that includes potential clients and tenants in the form of entrepreneurs needing support to start or grow their business. This market is far too vast for an incubator to consider because it contains entrepreneurs that may be into anything from software development, machine design and construction, to chemical manufacture, home shopping and a thousand other categories. A mixed use incubator manager may say, “well that’s our market as we’ll incubate just such a mix of entrepreneurs!” but in reality there are other factors that limit their market such as the proximity of the entrepreneur to the incubator, the stage of development and its fit with the capacity of the incubator, the size of the entrepreneurial company and the financial status of the entrepreneur etc. Thus incubators must target “buyers” in the entrepreneur market that they can serve.

There are of course a range of other “markets” that the incubator must take into account and these include funders, government bodies and business organisations. They are all, as with clients and tenants, in some way “buyers” – clients may support the incubator because they see it as being their pathway to success while funders may “buy” into the incubator for monetary gain, social upliftment, economic regeneration or any other number of possible reasons. It is the identification of these reasons that is important and we’ll focus on this a little more in the next section.

It is worth highlighting the role of government as a market for the incubator given that so many incubators are supported in some way by governments. In fact, governments may be part of the funding market or they could be a market on their own and this will depend on their needs and the nature of their transactions. To explain this, assume that a government department sees incubation as meeting its needs to stimulate sustainable economic development. It may support the incubator financially and the incubator may see government as part of its funding market. Alternatively, the government may simply be a source of preferential procurement contracts for incubator clients and instead of interacting with the government for funding, the incubator builds relationships to ensure contracts for government related work are passed through to its clients.

No matter what market is being served, and which potential “buyers” are being targeted, there is one central focal and non-negotiable deliverable for the incubator – the delivery of a value proposition that meets the needs and values of that “buying” community. So an incubator targeting government procurement needs to convince the “buyer” (government) that it has a network of suitable, well managed, supported enterprises that can undertake government contracts and complete them on brief, on budget and on time. This requires that the functions within the incubator are integrated because it is no use for a staff member to build and manage a database of enterprises from which contractors can be selected if the mentors are not aligned to support delivery, and relationships with financiers are not used to assist the enterprise to obtain stock or bridging finance for a large contract.

Of course if these activities don’t support the continued existence of the incubator, it is all a little pointless.
Finally, the approach to marketing has evolved over time and it is important that the incubator manager understand this evolution because it characterises the environment in which incubators operate. Up to the 1980s marketing primarily addressed groups. Mass markets meant that little differentiation was needed and, using automobiles as an example, people who wanted cars came down to the dealer and bought one of maybe two or three models on the showroom floor – maybe you didn’t like the colour...tough...take it or leave it! This started to change in the 1980s as consumers became more educated, were able to access information more easily and began to understand their bargaining power. The importance of meeting individual needs became more focal and car models started to proliferate so that some had the option of air conditioners, electric windows, enhanced safety features and the like. Customers were encouraged to “build” their car from a selection of the combination of options. Today the co-creation of value with customers is of paramount importance and car manufacturers spend millions of dollars in developing cars with their customers in order to make cars that meet their needs and wants. This goes beyond design to address concerns about maintenance and so, most manufacturers now offer maintenance plans to give customers the security of knowing that they’ll not be asked to pay exorbitant amounts should a gearbox fail two months after purchase. All of this adds value to the transaction and creates value for both parties.

Co-creation of value is definitely a component of modern marketing and the days of “take it or leave it” are truly gone as competitors move to add more value and influence buying decisions. The incubator has to constantly think about “win:win” scenarios in developing its marketing approach. Maximising value to both incubator and the “buyers” of the incubator and its offerings is fundamental to success.

This chapter will look at marketing from the perspective of an incubator, its staff, clients and other stakeholders. It will outline in practical terms how an incubator should develop its marketing strategy and how it should manage its mix of marketing activities to meet the needs of its “buyers”. You will note that reference is constantly made to “buyers” and that this is accentuated with quotation marks. I could refer to “customers”, “stakeholders” or “clients” just as easily, but I think it should be etched in your minds by the end of this chapter that what you, as an incubator manager or staff member, are trying to do is to ensure that your incubator is “bought” by whatever customers, clients or stakeholders you are targeting. It is an active, as opposed to a passive term, and it calls for action – that is where you come in!

2. Marketing – the story of three “C’s” and seven “P’s”

Marketing has both a strategic and a tactical element. From a strategic perspective it focuses on identifying which “markets” or “market segments” offer the best opportunity, which of those to target and then how to best position the company and its offerings in that target market. The assessment of the attractiveness of each market segment and the development of positioning strategies are complex processes that will only be described here in very broad terms.
The tactical, or management component, sets out the ways in which the strategic objectives can be reached. It is here that the combination of marketing activities, commonly referred to as the marketing mix, such as the nature of the product, its pricing and where it is made available etc, is constructed. Defining what must be done at the tactical level is no less important than the strategic component, because, after all, having a great understanding of what is needed without the ability to put it into action, is of little use.

### 2.1. Strategic marketing

Defining the incubator’s marketing strategy cannot be done in a vacuum and the competency and capability of the organisation, its competitors and the characteristics of those who may buy its offerings, intertwine to ultimately direct the strategy. These core areas are referred to as the “3 C’s of strategic marketing or Company, Competitors and Customers respectively. Each presents an area that the incubator management team must focus on if there is to be growth and/or greater sustainability in the incubator. Yet while being discrete areas, they should be viewed as being integrated and connected. For example, an incubator that focuses on assisting entrepreneurs (its Customers) in developing new electronic applications should have access to technical coaches (the Company competency and capability) that can provide practical guidance in this area. If the local skills base in electronics is limited and more attracted to lecturing at the university because fees are higher (the Competition), then the pool of technical expertise will be insufficient and the resultant outputs may be poor.

The example introduces the fact that there are direct linkages between the three core pillars of strategic marketing as well as external influencers such as the social and economic environment (e.g. a shortage of skilled people). Technology, regulatory and political influence will also affect how the linkages form and act in directing the strategy. The incubator management team needs to constantly monitor this because the external environment operates from an “outside-in” perspective and, for example, the sooner a change in political persuasion is noted/perceived, the more ready the incubator will be with its strategy to either mitigate or take advantage of this. This is a pertinent example because most incubators are funded in some way from state resources and changes in policy or people can have profound consequences on the life of an incubator.

This relationship is depicted in Figure 1 below:
Thus it is clear that in designing the marketing strategy, the incubator must take cognisance of all three “C’s” and the influencing environment and to examine this in more detail we’ll look at each in turn.

**Company (or incubator)**

Understanding the incubator and its abilities is a very strategic activity and one that is central to marketing theory. An incubator that does not have what the market demands will fail and if we return to the marketing definition “getting what you can get rid of”, we see the importance of understanding the incubator as an entity – what it does and how it does it. From a marketing management perspective, this presents itself in the marketing mix – how an incubator prices its product(s) will depend on, among other things, how it is structured, how and where it acquires the input resources and what processes it uses for creating the output.

For incubator management teams, this assessment will be inextricably linked to the business model which would be set up to ensure the needs of its “buyers” are met. If the incubator is built on a “for-profit” model, the attraction of entrepreneurs and the selection procedure would focus far more on the capacity of the prospective client to

---

generate above average returns, than in a government funded incubator where say the aim was job creation and social development.

Customers

Incubators rarely serve one type of customer – usually seen as the incubatee. For example, unless they are self funded, they need to serve the needs of their funders, and this can extend to shareholders, governments, and even communities.

It is therefore very important for the incubator to first assess who the “customers” are and then to keep current on what their needs are at any given point in time. Needs change and the incubator that cannot adapt will find itself without “customers” and as we all know, a business without customers holds no long term prospects!

In the sense that incubators don’t overtly sell anything as other businesses do, the term “customer” is probably not the most appropriate one and not often used in incubators. “Stakeholder” could replace customer because it more readily encompasses the various parties that the incubator has to address.

If marketing is about “getting what you can get rid of” then understanding what the stakeholder community wants from the incubator is a good place to start. Referred to as a “stakeholder assessment”, this exercise maps what it is that will make each stakeholder group really want to support the incubator.

Funding stakeholders, for example, “pay” for the “return on investment value” of the incubator and so the value that they seek needs to be carefully assessed. The point here is that what may seem apparent could have deeper underlying meaning. For example, in the case of government funded incubators, this “value” is often assumed to be job creation or business growth leading to an increase in income and company taxes. However, in developing countries the government may be more interested in deriving “social” benefits where more people are supported to earn enough to keep them above the poverty line and to reduce their impact on other state assets (e.g. hospitals as a result of poverty related diseases). This is very clearly demonstrated by a case in South Africa where an incubator was established to develop new information and communication and electronics technologies. The innovation centre required a number of years to identify entrepreneurs with novel, patentable technologies and to assist them to not only develop these technologies (which were really no more than early stage R&D concepts) and then to support the development of sound businesses. This required time.

In addition, as these ideas and resulting businesses were mainly in the hands of a single person who had conceived the idea, none of the resulting businesses were large. The incubator had its mandate and proceeded accordingly until the day that the funding was stopped. The reason: the South African government, facing pressures of unemployment and poverty, could see no value in spending US$1million per annum on the incubator when that same money could be used to build 20 houses or keep 100
people employed in a public works programme for three years. This case is a pertinent one on which to end the section on customers and to begin the discussion on competition because it introduces the concept that competition for an incubator needs to be seen in a far broader context than many incubators acknowledge.

Competitors

Competitors in the case of incubators may be other incubators, but competition, as just explained, is far more likely to come from other competing causes. In addition, competition must be viewed in two dimensions. The first is depth and the second is breadth. The depth of competition describes the nature of competitors within a particular area such as competitors for government funding and the breadth of competition describes the different areas of competition that an incubator faces. For example, in defining the breadth of competition one could include competition for the government funding described above, the presence of other business support organisations, the internet as a tremendous knowledge repository and communication tool and even a thriving job market which may attract would-be entrepreneurs into formal employment. All of these would impact on the incubator and influence its success.

Thus to view competition too narrowly is risky. In fact, many strategic marketers refer to a product or service’s “share of wallet” when describing how well it competes against other offerings. One example of this more liberal view on competition has been the well noted decline in grocery spending in locations near to new casino developments when the slot machines compete for the same dollar that used to buy tinned tuna.

Defining competitors too broadly is also of little value and the strategic intent of an incubator and its business model must be taken into account when looking at competitors and how they are defined. For example, should a local government funded incubator look on business advisory service providers in the area as competitors?

Another point to note about competition is that it is dynamic. As such, some of the competing causes of today may not be there tomorrow but what presents more danger are the competitors that suddenly emerge and significantly change the way the market is structured. In the business world, the emergence of digital photography has greatly affected companies who had built their empire around celluloid film and the same is true for record companies who have seen digital music rapidly erode physical product (e.g. CDs) sales and ultimately, profitability.

Incubators are no different. Changing government policy, economic climates and shifts in funder focus, are all examples of the dynamic environment in which incubators operate. Competing causes can rapidly redirect funding and as we will discuss later, the incubator manager needs to understand these in order to mitigate or actively fend off their consequences with the marketing mix. For example, the need to
increase government spending on poverty relief programmes may present real competition for government funding to incubators unless incubators are able to promote the benefits of incubation that beat simple measures like food handouts, provision of blankets, basic education etc. In this case the incubator management team should be stressing the role of incubation in, for example, sustainable job creation; creating multiplier effects; building capacity; and encouraging forward thinking. The same dollar that is spent on a food parcel could be spent creating more sustainable livelihoods for a number of people.

2.2. Doing the doing – the marketing mix

Marketing management takes the strategic marketing elements and constructs a mix of marketing actions that will result in the meeting of company objectives. Marketing management has been referred to as “demand management” as the composition and approach to the marketing mix can influence the demand for products and services.

Taken from the perspective of a typical incubator, the marketing mix can be viewed as:

- offering the right **product and service** offering
- at the right **price**
- in the right **place**
- by informing the right people through sound **promotion** and
- involving the right **people** in the delivery of
- the right **processes**
- that have all elements of **physical evidence** supporting the brand

It is important to note that this description flows in a coherent and integrated manner – that is the essence of constructing a successful marketing mix! Looking at this from an incubator management perspective:

**Product and service offering**

This is the offering made to the target markets and it should be clear after the preceding sections, that the “product” will be multi-faceted – that is, that the incubator product offered to a government funder (e.g. economic growth) will differ from the underlying service offered to an entrepreneur in the incubator (e.g. financial training).

Defining the incubator’s products and services is therefore often more complex than imagined, but once the “3 Cs” are understood, it becomes easier. It will still require thought around the combinations of services/facilities the incubator should provide; the specificity required and how these need to be packaged; and the incubation processes adopted (e.g. selection to exit). Ultimately, like all marketing components, the mix of offerings in the form of products and services, must meet target market needs in the context of the operating environment. We’ll discuss this in more practical terms in the next section.
Price

What is the right price for the product and service offerings? This is a challenge that businesses face daily. High prices relative to the underlying costs may mean more profit or they may result in fewer sales. It’s also a difficult decision for many incubators, but it need not be if the “3 Cs” are well understood and the business model is developed accordingly. The important issue to note is that “the price” is really an expression of a number of underlying assumptions on the part of both the buyer and seller and if we understand these correctly (from our understanding of the “3 Cs” and our operating environment), we can price optimally.

By way of example, if an incubator is being established to serve start-up enterprises in a poor rural area, it is unlikely that a “for-profit” business model will be selected as it will require prices that exceed the costs of incubation and this will not attract many clients. On the other hand, venture capital backed entrepreneurs will not only be in a better position to pay for services, but the need for high quality services (e.g. intellectual property consulting) will often require that higher prices be charged.

Covering costs while making the offerings affordable are often prime considerations in incubator pricing. Yet, too often insufficient consideration is given to other more subtle price-influencing assumptions such as:

- what we have to offer is necessary and the entrepreneur will pay for it and
- the entrepreneur sees sufficient value in the offering to pay the price we ask

So in reality, the price an entrepreneur will pay depends not only on their financial circumstances, but also on their perception of the necessity of making the purchase and the value they’ll receive. These are not three independent decisions as we all know when we buy something we really can’t afford – yet we do so because our perception of need is greater than our worry about how to pay for it!

Perceived value is important in the pricing decision because high prices in themselves are often not the issue. Take cars for example. If a mother believes that it is absolutely critical that she transport her children in a safe car, and that an expensive Volvo is the safest car, she may sacrifice other purchases to ensure she can afford to buy the Volvo – even if it is more expensive than another car that has performed just as well in crash testing.

The incubator management team must therefore not only price in such a way as to meet their operating requirements but by positioning their offerings as being appropriate to the needs of the entrepreneurs and by convincing them of their value – they are then far more likely to secure the sale.
The relationship between business model and the pricing strategy is further displayed in the decision as to what form the payment is made. An incubator to be established in a poor rural area could conceivably operate as a “for-profit” model and charge prices that exceed costs if it does not insist on cash payments. Instead it could choose to price its offerings at market rates and payment could be reflected in:

- Loans
- Royalty payments
- Equity positions
- Some combination of the above

Of course, if the incubator does not have access to sufficient cash flow (e.g. government grants) during the period it will take to receive payment, which should be well understood in the business plan, it could not survive for long. Secondly, if the businesses it supports are unable to earn sufficient income to repay loans or attract investors, it will also fail to sustain itself.

**Place**

The location of the incubator and its appearance must again be determined by market considerations. This sounds simple enough but in reality, incubators don’t often find themselves in the fortunate position of being located where they’d like to be or have the facilities and appearance that would best match their target market. The trade-offs are often complex and can only be determined once the “3 Cs” are understood. For instance, incubators that seek slightly out of town locations may view the lower rentals as savings that will allow them to employ more qualified staff, but if the client base predominantly relies on public transport, this may seriously limit tenancy.

The incubation facility and its appearance also need to match its purpose. Placing a high tech software development incubator in a disused downtown building may have financial advantages, but will it attract the companies that seek promotional benefits from their premises?

Incubator managers should also note that as information and communication technologies proliferate they have an increasing opportunity to become virtual. The incubation “place” is becoming less physical as clients are able to source anything from information in on-line repositories to “face-to-face” mentoring through webcams mounted on desktop computers. The choice and depth of offerings to distribute virtually is another decision that requires a solid understanding of current and potential clients and the ability of the incubator to provide offerings that will both meet their needs and the resources of the incubator.
Promotion

All incubators, be they facilitators of agricultural co-operative development or second round venture capital raising, should promote themselves and their clients. While promotion is often the most popular focus for incubator management when they think of “marketing”, the fit between promotion and the 3 “Cs” and the other 6 “Ps” is often overlooked. This can have dramatic consequences if their “message” fails to integrate with the essence of their incubator.

For example, an expensive stakeholder dinner will do little to persuade donors to contribute to an incubator that supports entrepreneurs in poverty stricken rural areas. Similarly, an incubator that focuses on clients requiring huge venture capital investments should consider whether a flashy brochure or the development of relationships with venture capitalists would be the better way to promote the incubator.

Although promotion can be broken down into five broad categories - advertising, sales promotion, sales force, marketing public relations and direct marketing - the two most applicable to incubators are:

- **Marketing public relations**
  A very useful acronym that describes what marketing public relations focuses on, is PENCIL^5:

  - P= publications
  - E= events
  - N= news
  - C=community involvement
  - I= identity media such as letterheads, logos etc
  - L= lobbying activity

Most incubators promote themselves through the public relations category and the reasons are the advantages of cost and focus. In the case of the latter, lobbying, for example, can target key funding decision makers, while incubator events can target, and attract entrepreneurs with specific needs that the incubator can assist in meeting.

- **Advertising**
  This includes print ads, booklets, display signs, videotapes, DVDs etc. The advantage of advertising is that it has tremendous reach. A print ad may be seen by thousands of people, but the disadvantages are both cost and the fact that it often does not specifically target the individuals that the incubator wants to target.

---

Finally, in deciding on how to best promote the incubator, the incubator management should also think about what should be promoted and where it should be promoted. Integrating these three key questions into the understanding gained from the “3Cs” analysis and the business plan will certainly simplify the decisions.

People

Just as location, location and location are the three most important requirements for successful property speculation, people, people and people are the three most important requirements for successful businesses. Incubators are no different and in fact this may be more important to an incubator given that not only are internal staff selected on their merits, but in effect, so are its clients. So important is the latter to a for-profit incubator in South Africa (Raizcorp) that prospective clients are asked to undertake a psychological assessment and acceptance has less to do with the business proposition than the character and entrepreneurial drive of the prospective client. This incubator has been in existence for over five years, has been totally self funding since inception and boasts an 87% success rate.

The selection of staff for an incubator needs to be integrally linked to its mandate, the clients it serves and their needs. This may be glaringly obvious, but as an illustration, how many university based incubators have staff with entrepreneurial business experience? Secondly, the level of expertise is often not matched correctly with the client need and experienced patent lawyers spend time explaining the basics of patenting or worse yet, an inexperienced staff member helps the developer of a complex technology to define the patent descriptors. Thirdly, do incubator staff have the leadership, empathy and soft skills to interface meaningfully with entrepreneurs who may be young, inexperienced or difficult to manage? Finally, is there real commitment to working with entrepreneurs who may require odd hours and flexibility?

Finding staff with all of these qualities may well be difficult but from a marketing perspective, where giving clients what they need is all important, this will have tremendous advantages and ultimately, success. Conversely, an incubator that does not have the staff that will meet the needs of its clients will find that either those clients disappear or opt not to use the service offerings that add no value. Either way, the output of the incubator will be sub-standard.

The other interesting aspect of incubators is their need to select their clients! Once again, people issues are really important here. A great business plan with a poorly motivated person is probably worse than a mediocre business idea with a real champion. Incubators must determine how they will evaluate not only the idea, but the person as well. Entrepreneurship is a tough discipline and ultimately it is the person involved who makes the difference. Just think about the restaurants in your city – there are likely to be a fair number – so what makes one more successful than the other? Sure, a sound understanding of the “3Cs” (as with all
business!) but that in itself is only useful if a person can put it all together in the best way possible.

Processes

We often overlook processes from a marketing perspective because they are perceived to be internal activities and while many are, the fact is that some have external consequences.

Take the incubator client selection procedure. A request is received by email for tenancy and this is routed internally to the receptionist who monitors the application@incubator.org mailbox. Problem is she is so busy that this gets done once a week when the thought to check on it arises. It then gets printed and placed in the inbox of the business development manager who gets to it three days later and schedules it for discussion at the monthly management meeting in three weeks time. There is no feedback to the entrepreneur who has no idea why he’s not hearing back (usually perceived as a sign of rejection). Does this process inspire confidence that once he is accepted he won’t be waiting three weeks for every decision? Of course, a bright entrepreneur will simply find another option for support and a potential success is lost from the incubator.

Of course having clients inside your company is a novel aspect of incubation! The transparency of your processes to your clients is extreme and makes this aspect of marketing a very important component. For clients, incubators must ensure that business processes are client responsive, rapid, available when clients need them, include self-help procedures and automation where possible, and have approval pathways that are appropriate.

Physical evidence

The physical evidence component of marketing cuts across all other aspects of the marketing mix. It is the “face” of everything the incubator stands for and includes the appearance of the incubator and its clients through to the quality of reporting forms and progress reports to funders, brochures and even display materials at events.

It is sufficient to say that the incubator management team must continually monitor the physical evidence to ensure that it does not compromise the aims of the incubator. Ultimately the physical evidence should include graduating tenants and growing enterprises!

3. Making marketing count

Recall the first paragraph of this chapter where it was noted that marketing is about people and the processes of identifying, offering and, hopefully, meeting their needs. The
point to be stressed here, at the start of this section on practical marketing for incubator managers, is that this involves an exchange. You give me a carpet and I give you $100. An incubator is no different – “you give me job creation” says the government “and we’ll fund your incubator” or “help me grow my business and I’ll sign over a 3% royalty”.

So the first and fundamental step is to identify what the incubator stakeholders want and to evaluate this against your mandate. If your mandate isn’t meeting their needs you need to either review your mandate, ask them to review theirs or look for new stakeholders.

This understanding is usually gained during the feasibility stage where a stakeholder map is drawn up by asking questions like “who needs this incubator enough to support it?” and “what are the outputs that will meet their needs?” Governments, donors and even corporates are included in this process just as much as the potential client market.

The needs of each stakeholder may not overlap and so the incubator manager must focus on how the marketing mix is structured in relation to each cluster of stakeholder needs. How does an incubator structure its marketing mix to meet the needs of tenants and local government? The table below sets out what an incubator might include in its marketing mix to attract prospective tenants and a government funder:

<table>
<thead>
<tr>
<th>Mix attribute</th>
<th>Tenants</th>
<th>Government funder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Good infrastructure</td>
<td>Job creation</td>
</tr>
<tr>
<td></td>
<td>Highly skilled mentors</td>
<td>Company growth for taxes/rates</td>
</tr>
<tr>
<td></td>
<td>Access to finance</td>
<td>Hub for SME development</td>
</tr>
<tr>
<td>Price</td>
<td>Value for money</td>
<td>Investment in economic growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and people development</td>
</tr>
<tr>
<td>Promotion</td>
<td>Networking</td>
<td>Community involvement and</td>
</tr>
<tr>
<td></td>
<td>Advertising and publicity</td>
<td>success stories</td>
</tr>
<tr>
<td>Place</td>
<td>Well equipped and conveniently located premises</td>
<td>Disaffected area and low cost premises</td>
</tr>
<tr>
<td>People</td>
<td>Skilled and flexible staff</td>
<td>Skills development/multi-skilling</td>
</tr>
<tr>
<td>Processes</td>
<td>Highly efficient and rapid</td>
<td>Highly efficient and rapid</td>
</tr>
<tr>
<td>Physical evidence</td>
<td>Well managed incubator</td>
<td>Growing enterprises</td>
</tr>
</tbody>
</table>

It is clear that the approach will differ in each case as each “customer” has different needs. Failure to see these two “markets” as distinct in developing the marketing mix can lead to problems such as the “wrong message” or inappropriate activities that do not add value.

All of this implies that the incubator management team needs to formally develop a marketing plan that takes into account the “3 Cs” (which should already be well understood) and which uses the “7 Ps” to craft a marketing strategy. Key headings should include:

- The Executive Summary
A one page summary that references major implications, timescales, costs, risks, resources and required results.

- **Situation Analysis**
  Describe the current situation; conduct a Strengths, Weaknesses, Opportunities and Threats evaluation; identify the main issues facing the incubator including supply and demand conditions; develop an overview of the characteristics and needs of clients and other major stakeholders and finally, identify key assumptions about the future.

- **Main Objectives and Goals:**
  Identify the major objectives of the incubator and convert these into measurable goals that have both a magnitude and a target date.

- **Marketing strategy**
  Identify the target market(s) and describe how each of the 7 Ps can be best positioned to impact on the desired outcome. Ensure that all the components of the strategy are aligned.

- **Action Plan**
  Convert the marketing strategy into solid activities where timing and individuals are assigned to the activities. Internal communication of the plan is also critical to ensure actions are well understood.

The incubator should periodically (at least annually) review its marketing strategy and resultant marketing mix as part of its broader evaluation process as all too often the assessment focuses on “output” measures such as the number of jobs created. Output measures are often seen as being important from a marketing perspective and indeed they can be used to good purpose in promoting the incubator to stakeholders, but they are often relative and may not in fact offer value to all stakeholders. For example, to say that 50 new jobs were created by the tenant companies in the incubator sounds impressive and may be very impressive to the five companies being incubated but if the government funder has invested $5million in the incubator programme and each job cost $100 000 to create, will they feel that their job creation drive has been efficiently achieved by the incubator? That’s where a review of the marketing strategy and mix can help because it should identify what the government funder really needed, what it got and what it may do as a result.

A final practical consideration for the incubator management team is that while they need to manage their own marketing strategy, they also need to ensure that their clients adopt successful marketing strategies. After all, the success of an incubator depends on the success of its clients and there is a need for the incubator to be “client intimate”. The skill of its staff in building the depth of relationships that allow them to make inputs in client businesses is central to this, and again, alignment between various areas of the marketing mix will encourage this (e.g. the perception of those clients that there is value in the
pricing of incubator services; that the staff are skilled enough to really support their businesses to grow etc).

The greatest test will often come as clients leave the incubator and their relationships evolve in the post-incubation period. What marketing strategy will the incubator adopt? What post incubation offerings are needed? How will they be delivered and priced? These are certainly issues to be considered in the lead up to graduation and client preparation and commitment is just as important at this stage as it was in the initial stages of incubation. Remember that incubator stakeholders want to see successes and to lose track of graduates or see them flounder outside the incubator, is to erase part of the success story. This becomes even more important when loan repayments are due or royalty assessments need to be made.

5. Concluding comments

Marketing has more to offer the incubator manager than just its more commonly perceived role of promotion or selling. It is, in fact, the backbone of an incubator’s existence. Understanding who the clients and stakeholders are, and what they need, and then developing an incubator model that has the capabilities and competencies to meet or exceed these needs, is without doubt a central foundation of good business.

The marketing approach relies first on acquiring this strategic understanding and then on developing tactical responses to ensure optimal responsiveness. Like the environment in which an incubator finds itself, this approach needs to be dynamic with constant self assessment and changes to the approach.

It is a knowledge intensive process that constantly seeks to understand and to respond. While management support is absolutely non-negotiable, leadership is vital in driving processes that are often viewed as superfluous. The incubator manager performs a dual role in overseeing both the positioning the incubator with its client and other stakeholder base, and in supporting client companies to correctly position themselves in their own market. This is not an insignificant challenge given that these markets can be vastly different and that each may require a specific set of skills.

In the incubator manger’s favour is the fact that marketing is a fairly logical process that allows for the infusion of creativity. It is not rocket science, and by following the “3C and 7P” approach in developing a marketing plan that both guides and draws from the business model, an incubator should find itself in a more knowledgeable position. The same approach, applied to its clients, will see its investment in time and other resources, well rewarded.

To re-emphasize the role of marketing in incubators, Peter Drucker’s timeless quote (used in the first section of this chapter) can be restated as follows:
“The aim of marketing in the incubator environment is to know and understand the incubator stakeholder community, including its clients, so well that the incubator meets their needs and sells itself. Ideally, incubator marketing activities should result in stakeholders who are ready to actively support it.”

That should be the message that all of us take forward in creating great incubators!

---