



Marketing strategies

Cluster marketing & blue chip lead generation

27th Jan. 2006, Marseille – France

Philippe Parfait
Invest in France Agency



ANIMA

Réseau Euroméditerranéen d'Agences de Promotion des Investissements
Euro-Mediterranean Network of Investment Promotion Agencies



- ◆ **Why are multinationals so important to IPAs?**
- ◆ **Role of clusters in location decision making**
- ◆ **Role of clusters in FDI attraction: how to market clusters**
- ◆ **Conclusions**



ANIMA

Why are multinationals so important to IPAs?

- ◆ Image/communication
ex: Toyota
- ◆ Subcontracting and supplier network
ex: MCC Swatch
- ◆ Re-investment
ex: Tembec
- ◆ HQ attraction
ex: ALCAN
- ◆ Aftercare: constant restructuring and strategy re-assessment
ex: IBM



ANIMA

Why are multinationals so important to IPAs?

- ◆ Image/communication
ex: Toyota
- ◆ Subcontracting and supplier network
ex: MCC Swatch
- ◆ Re-investment
ex: Tembec
- ◆ HQ attraction
ex: ALCAN
- ◆ Aftercare: constant restructuring and strategy re-assessment
ex: IBM



ANIMA

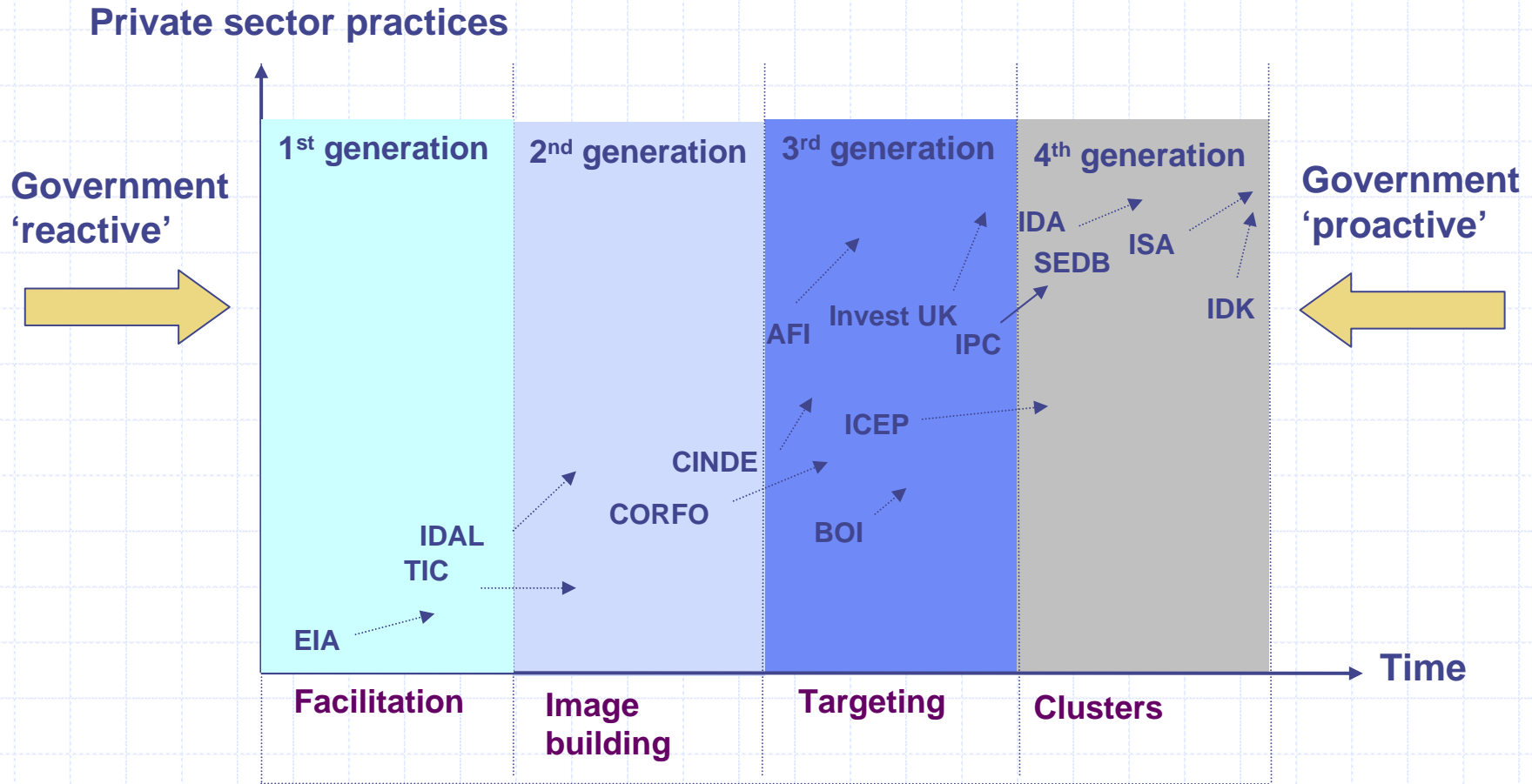
Why are multinationals so important to IPAs?

- ◆ Image/communication
ex: Toyota
- ◆ Subcontracting and supplier network
ex: MCC Swatch
- ◆ Re-investment
ex: Tembec
- ◆ HQ attraction
ex: ALCAN
- ◆ Aftercare: constant restructuring and strategy re-assessment
ex: IBM



ANIMA

IPA development framework



Source: OCO Consulting



ANIMA

Investment attraction: main functions



Source: Loewendahl, 'A Framework for Investment Promotion' TNCs, UNCTAD (April 2001)



Why firms move

Strategic opportunities

- Expansion
- Consolidation
- Restructuring
- Company ambitions

'Push' factors

- ◆ Home base costs
- ◆ Taxation
- ◆ Labour market constraints
- ◆ Exchange rate status and stability
- ◆ Mergers and acquisitions
- ◆ Customer driven locations

'Pull' factors

- ◆ New markets
- ◆ Competitive advantages/profitability
- ◆ Cost factors
- ◆ Technology access
- ◆ Trade barriers
- ◆ Access to customers & suppliers
- ◆ Contracts



ANIMA

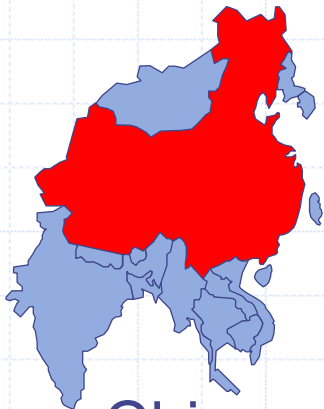
Why firms move

➤ Market Seeking Motives

➤ Resource Seeking Motives

➤ Efficiency Seeking Motives

➤ Asset seeking motives



China



Horticulture



Medical devices



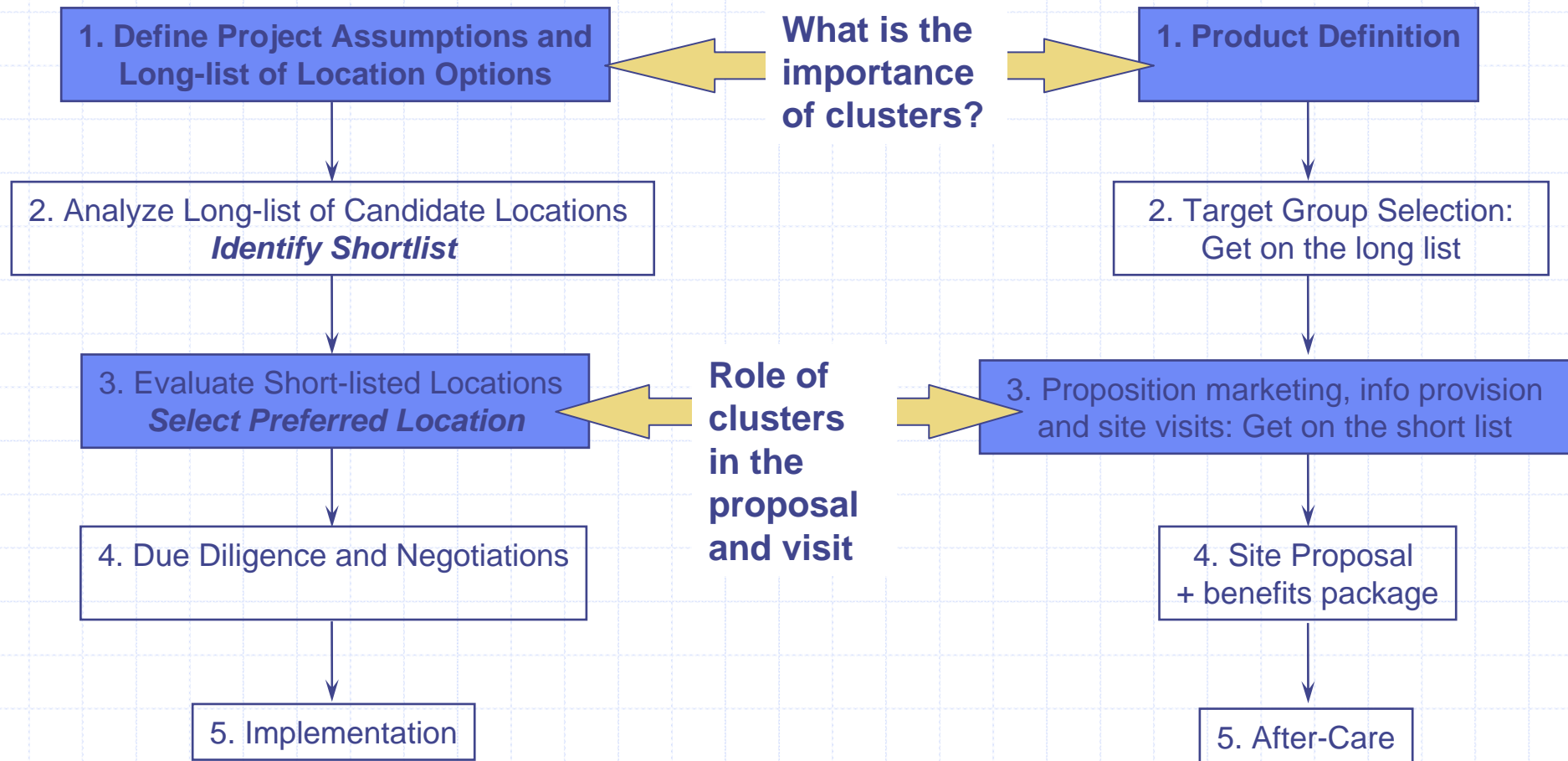
Genetics

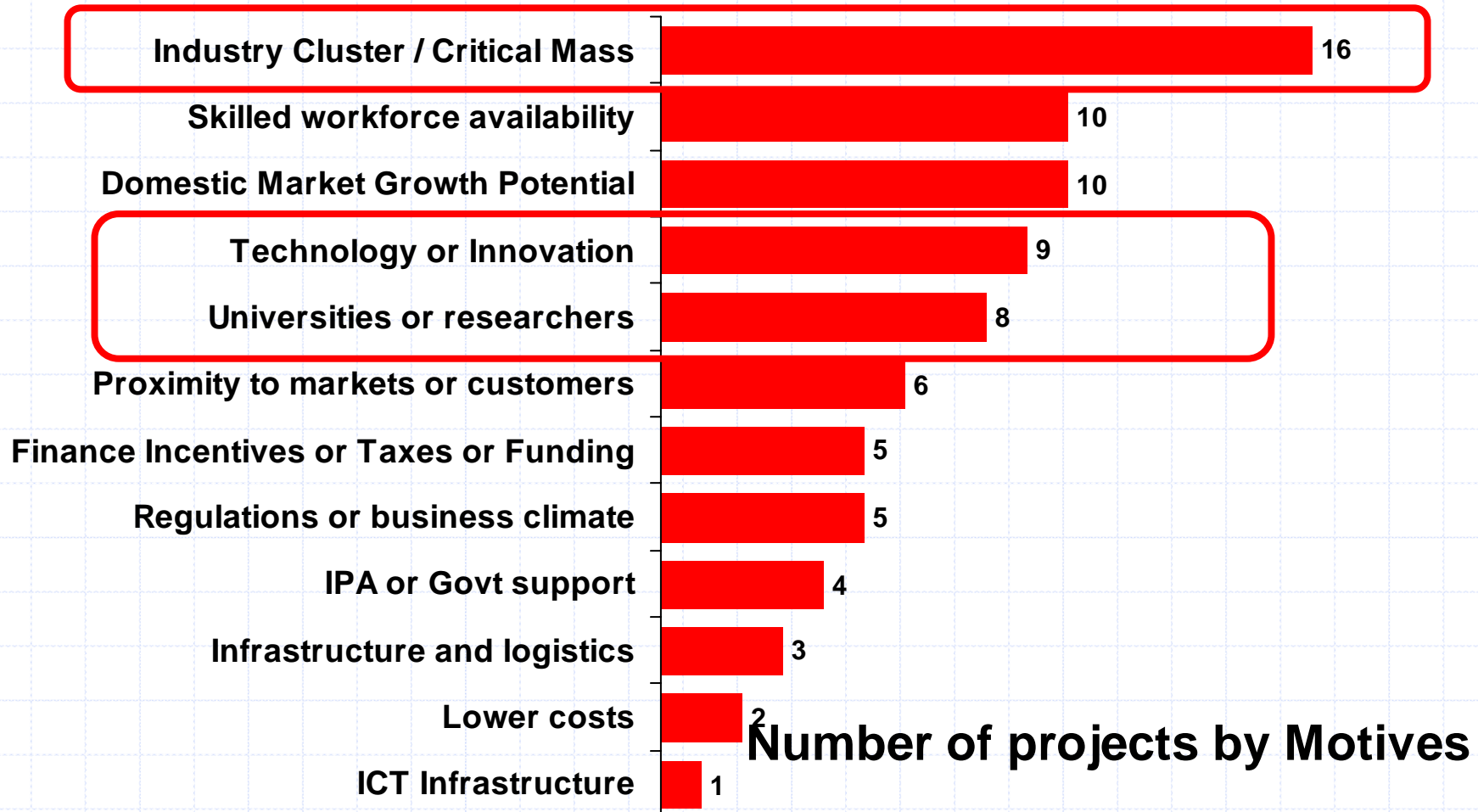


Clusters & location choice

Corporate location decision process

IPA marketing process





Number of projects by Motives

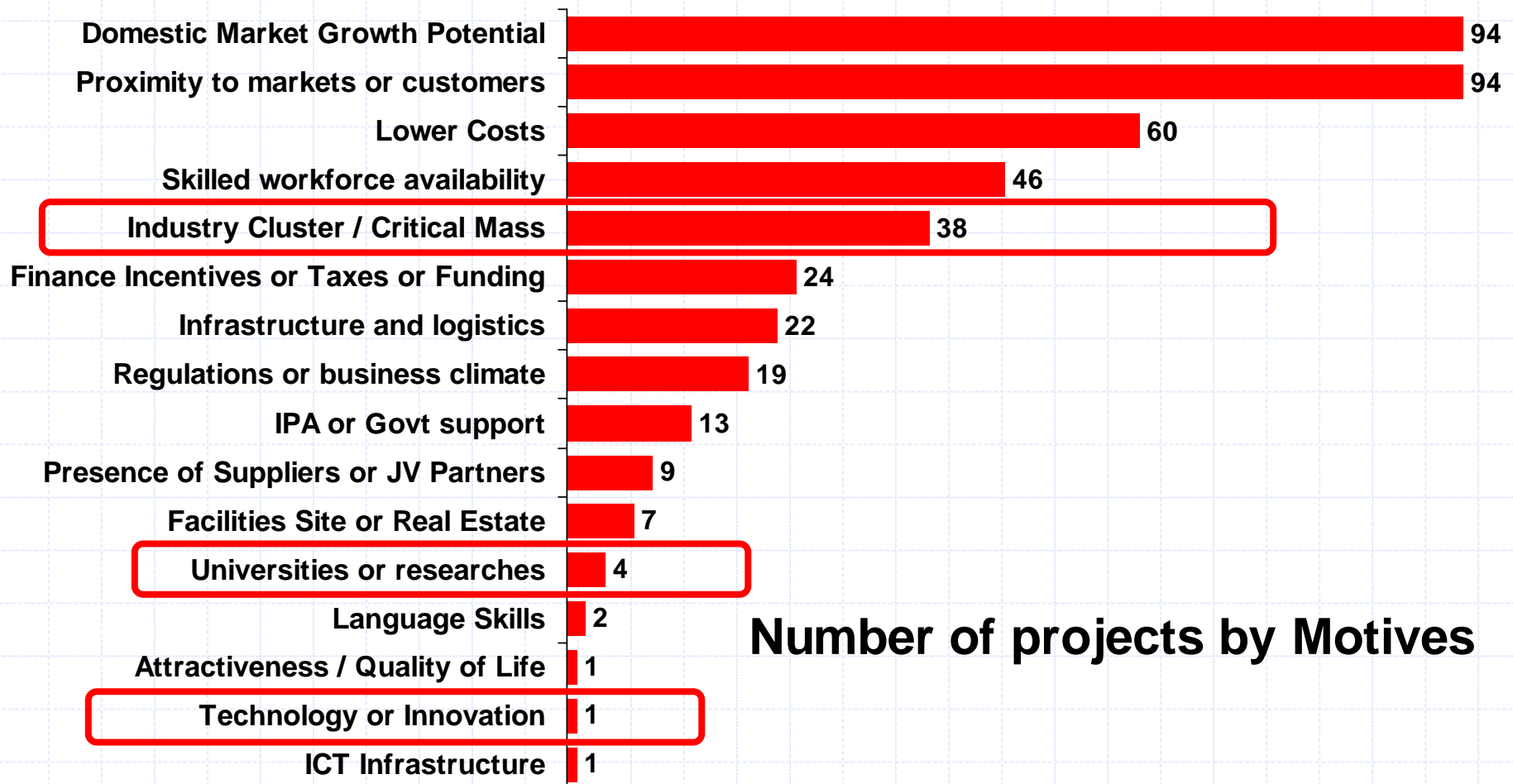
Based on 42 FDI projects

Source: OCO Consulting, LOCOmonitor



ANIMA

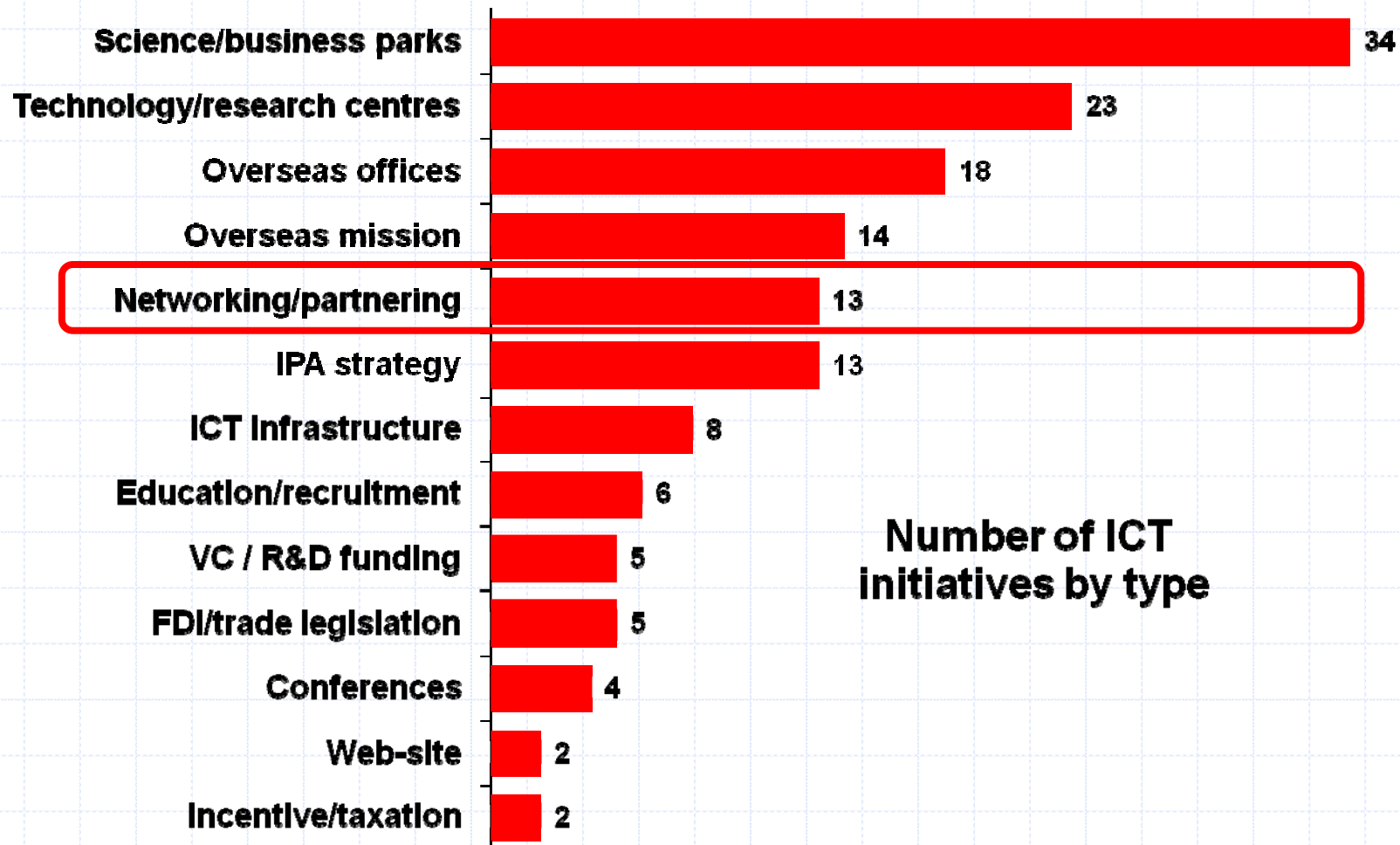
Manufacturing (Transport Equipment)



Based on 292 FDI projects

Number of projects by Motives

Source: OCO Consulting, LOCOmonitor



Number of ICT initiatives by type

Source: OCO Consulting, LOCOmonitor

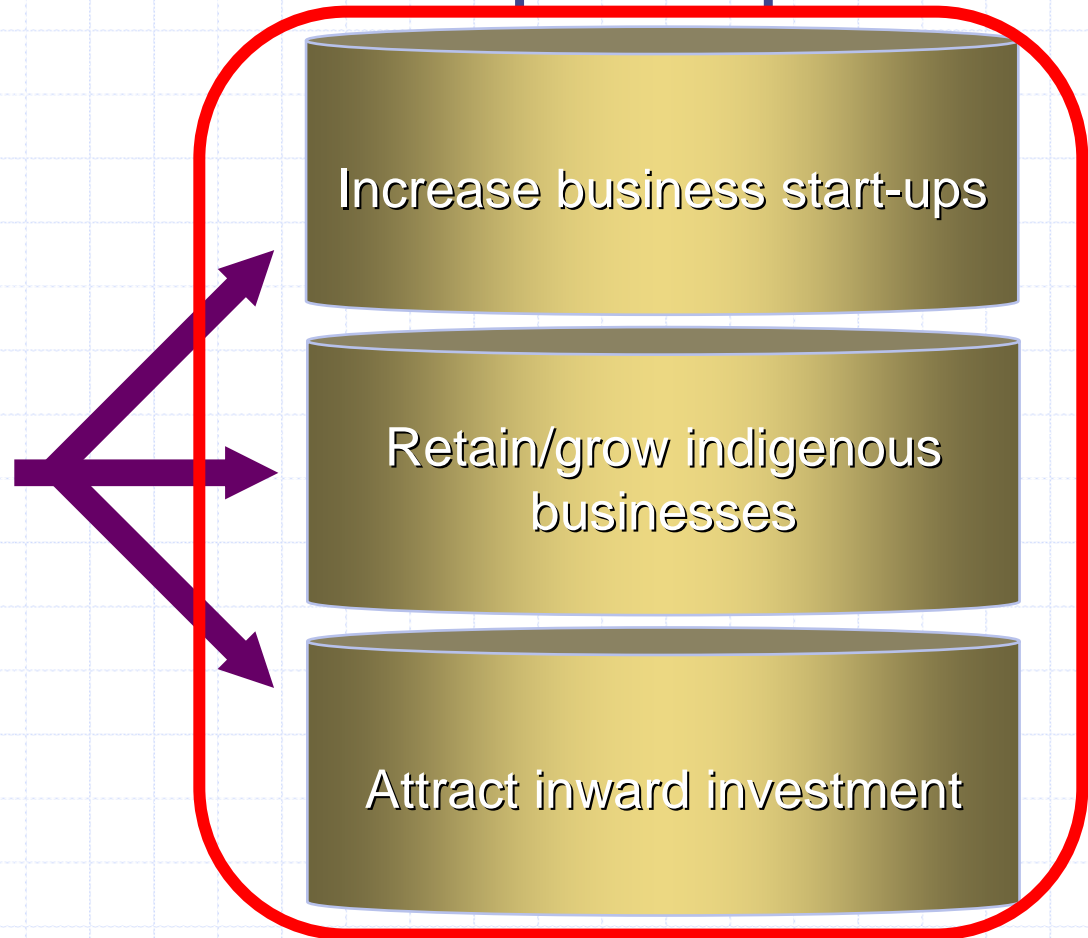


Why do we want clusters?

Development objectives



Development options





Identifying target markets

Identifying target markets

- Where are the biggest companies located?
- Where are high growth companies in target sectors located?
- Where are companies located which align with your cluster opportunities?
- Where are their overseas operations?
- Competitor countries
- Trading partners
- Countries similar to your location in industrial structure

Identifying contacts

- Company web-sites to understand decision making structure – identify who responsible for projects – PR, IR, division/product head, informant/mole, business development manager, finance manager
- Contact these people, give relevant and interesting information, if interested build relationship – drip feed information, further information etc, follow-up and try and arrange visits, appropriate subjects, offer services, organise events related to the investors
- Attend trade shows to meet sales people who can sign-post you to the right contacts



ANIMA

Competitive positioning / benchmarking

Why benchmark your location?

◆ **Know the competition:**

- **Who are they?**
- **What are their weak points?**
- **How to match their strong points?**
- **How do strengths & weaknesses relate to targeted sectors?**

◆ **Compare incentives and benefits to ensure you are competitive**

◆ **Develop Marketing Themes (Unique Selling Points - USP)**

◆ **Present a comparative business cases to investors**

◆ **Provide valuable input into 'product development' options**



ANIMA

Competitive positioning / benchmarking

The benchmarking matrix is based on:

- **Based on quantitative and qualitative location factors**
- **Comparative data is collected on each factor, using respected sources**
- **Uses a weighting system to compare factors according to their importance in the investment decision (this depends on project type e.g. a food processing plant vs call centre)**

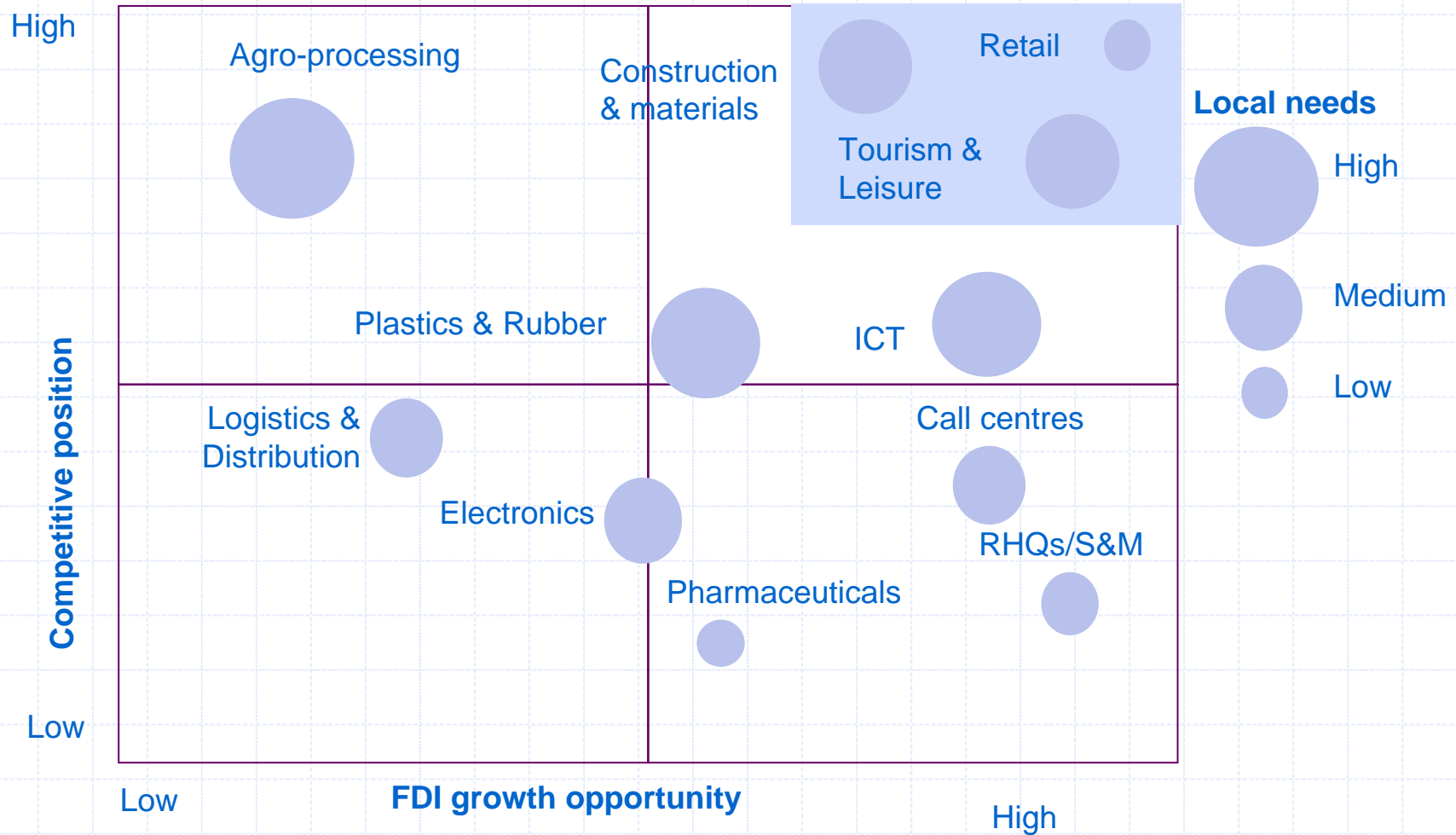
The benchmarking matrix is:

- **Not a tool for depression but a tool to develop policies and to position the country**
- **Involves judgment and needs to be done by a group to avoid distortion**



ANIMA

Competitive positioning / benchmarking





Differentiation of location

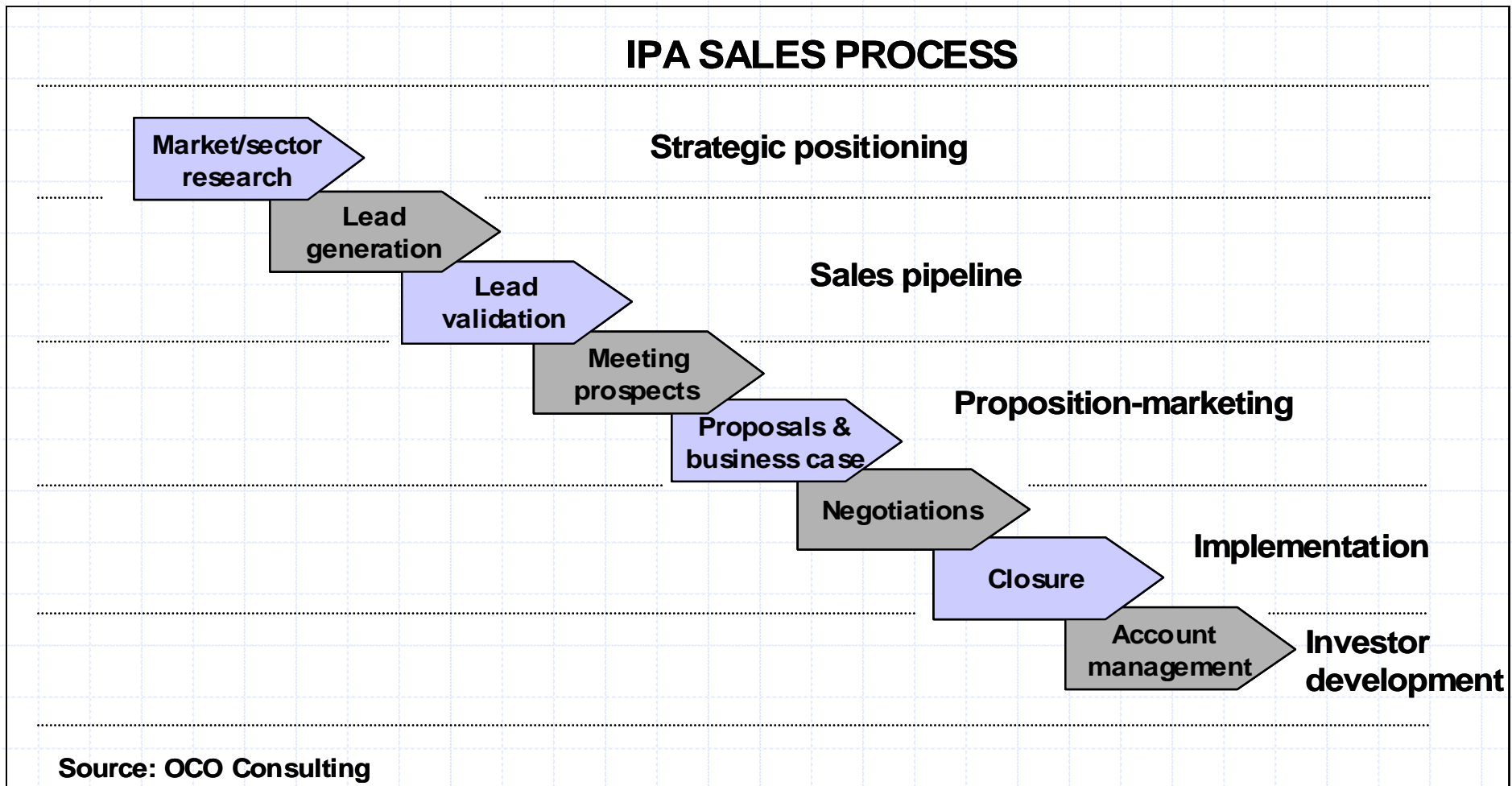
Offer definition

- ◆ Cost or quality
- ◆ Generic (e.g. HR) or specialist (e.g. technology)



Differentiating factors

- ◆ Strengths and weaknesses
- ◆ Key products (clusters)
- ◆ Package offer (property, incentives etc)
- ◆ Pro-investor policies and facilitation
- ◆ Marketing techniques





Roundtable discussion

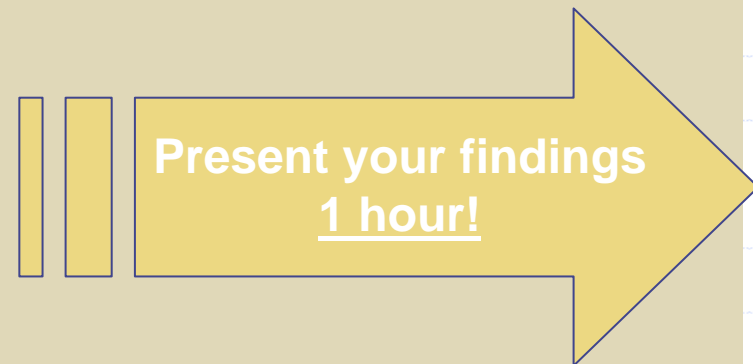
- ◆ What marketing tools are needed to sell clusters?
- ◆ Who is involved in selling clusters?
- ◆ Who buys clusters?
- ◆ Is the location sales process different for clusters?



Group exercise: target markets

Exercise 4: Target markets

1. Justify the selection of your selected clusters and identify niche opportunities
2. Identify target markets for your clusters with justification
3. Identify target companies that offer the best prospects
 - Use LOCOMonitor quick filter function and company targeting tool/profiler to assist





ANIMA

Case study: UK Midlands software *Who is involved*

- ◆ Local government
- ◆ Chambers of commerce
- ◆ Regional development agency
- ◆ National investment promotion agency
- ◆ Local companies and multinationals
- ◆ Two Universities
- ◆ Science parks and innovation centres
- ◆ Consultancy companies



ANIMA



Case study: UK Midlands software *Why should they participate?*

- ◆ Coordinated approach to:
 - Investment promotion
 - Enterprise development
 - Innovation development
- ◆ Formation of networks
- ◆ Product development
 - HR, skills, training
 - Property etc
- ◆ Several actors are key parts of the product offer:
 - University Warwick
 - University Warwick Science Park (UWSP)
 - Warwick Innovation Centre etc



ANIMA

Case study: UK Midlands software *What are the objectives?*

- ◆ FDI attraction
- ◆ Trade development
- ◆ Globalisation of enterprise base
- ◆ Commercialise university research
- ◆ Create inter-organisation networks
- ◆ Image and brand building
- ◆ Profile and track cluster development
- ◆ Identification of obstacles to development
- ◆ Coordination of public and private sectors
- ◆ Implementation of action plans for cluster development





ANIMA



Case study: UK Midlands software *How can local SMEs benefit?*

- ◆ Attracting new customers (investors)
- ◆ Increasing linkages between organisations
- ◆ Identification of potential partners
- ◆ Joint firm-firm activities (training, exports etc)
- ◆ Tailored enterprise support services
- ◆ Raising profile of the area
- ◆ Participation in industry-specific networks
- ◆ Influence on policy decisions



Case study: UK Midlands software *What is the USP?*

- ◆ CSW has 1300 ICT & Software companies in its region, which is a higher concentration than most other successful ICT regions, with 40,000 employees. Nearly 70% of companies have been established since 1996. Demonstrates a large and growing cluster.
- ◆ Many of the world's leading ICT & Software companies are located in the CSW region. Oracle, IBM, Marconi, Fujitsu, Sun Microsystems, Unisys, etc. Shows track record.
- ◆ Half of ICT & Software companies in the region have R&D and HQ functions. One quarter of ICT & Software companies in CSW spend over 20% of revenues on R&D. Shows key differentiation specialisms in the region.
- ◆ CSW has an excellent record of new start-ups. Warwick University is achieving 15 spin-outs per year, far above most other universities in the UK and Europe and only 5 less than Cambridge University. A quality proposition.
- ◆ Companies locating in the CSW region benefit from the presence a world-class university, science parks and innovation centres. Key products.
- ◆ The West Midlands is the leading region for inward investment in the UK, in both manufacturing and service activities. It is up to 40% lower cost than South East of England.



ANIMA

Case study: UK Midlands software *How to communicate?*

- ◆ Launch conference for the cluster
- ◆ Internal marketing to key country stakeholders
- ◆ Involvement of key “products” in marketing (e.g. UWSP)
- ◆ Development of marketing collateral, including online content
- ◆ Using existing investors in the marketing efforts
- ◆ Ensuring that local stakeholders understand the product offer





ANIMA

Case study: Costa Rica medical devices

Manufacturing →

Research links →

- Pfizer
- Amgen
- Bayer
- Biochemie
- Bristol-Myers Squibb
- British Technology Group (BTG)
- DAIICHI
- Glaxo Smithkline
- INDENA
- Inspire
- Isis
- Janssen
- Kyowa
- Eli Lilly
- Merck
- NIH
- Ortho-McNeill
- Personal Products
- PPD Pharmaco
- Roche
- RWJRP Johnson & Johnson
- Schering
- Searle
- University of Strathclyde
- Upjohn
- Wyeth





ANIMA

Costa Rica medical devices

The investors perspective

MDM investor decision making is:*

- ◆ Traditional, conservative mind-set
- ◆ Need to demonstrate cluster advantages (customers/suppliers)
- ◆ Emphasis on stable business environment
- ◆ Long term investments
- ◆ Increasingly cost driven
- ◆ Globalisation
- ◆ Follow-the-leader
- ◆ High profile branded locations

*based on 20 site visits to Medical Device Manufacturers and LOCOmonitor

Key location factors are:*

- **Skilled labour availability with stability, commitment, motivation**
- **Close to customers / growing markets**
- **Strategic location to serve regional markets**
- **Presence of universities**
- **Excellent business environment and tax regime**
- **Government support for medical device FDI**
- **Low costs**
- **Presence of an existing medical device cluster**
- **Infrastructure**
- **Land/business parks**
- **Quality of life**



ANIMA

Costa Rica medical devices

Proposition-based mktg

◆ Core messages:

- Positioning of Costa Rica as a value proposition serving the North American market
 - ◆ Lower costs than all major MDM centres and at the same time offering high quality levels
- Key facts to remember
 - ◆ on average labour and real estate costs are 50% lower than Ireland, Baja California and Puerto Rico
 - ◆ availability of educated labour – turnover rates less than 2% in MDM and labour supply for educated workers same as Ireland and Puerto Rico
 - ◆ Already 5,000 employed in MDM in Costa Rica
 - ◆ Key players are in Costa Rica such as Baxter, Abbott, Pfizer and De Royal – provide customers to potential suppliers and demonstrate emerging critical mass



ANIMA

Costa Rica medical devices

Proposition-based mktg

◆ Competitive sales arguments:

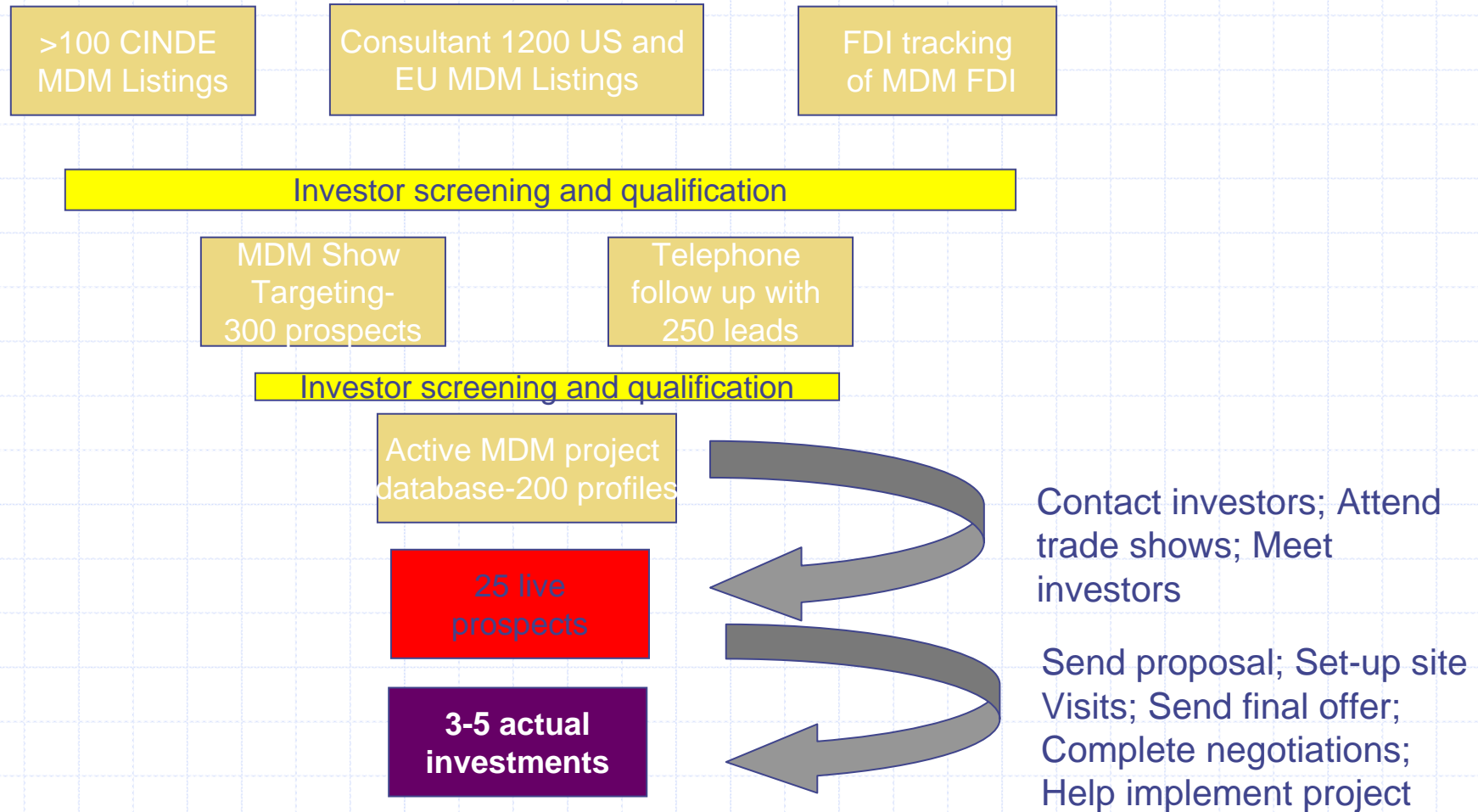
- Skilled labour availability
- Competitive operating costs
- Low operating risks
- Access to major markets
 - ◆ Daily flights to major US cities
 - ◆ Access to all Latin American locations through Miami hub
- Presence of leading companies
- Free zones in fully-serviced business parks
- Fast-track project implementation
- Hassle free customs



ANIMA

Costa Rica medical devices

Investor targeting





ANIMA

Best practice in cluster marketing

- ◆ Be responsive to the changes in the market and keep up to date with sector and FDI trends
- ◆ Be sector focused in your marketing not generic 'industry'
- ◆ Create a brand and clear positioning- eg Meditech, Transport Technologies, Food Science Park etc
- ◆ Differentiate with service and specialisation not price- efficiency seeking projects are heading for China
- ◆ Demonstrate the market and business opportunity- not just the tax and real estate one!
- ◆ Target marketing, PR and company prospecting is far more cost effective than advertising or big events
- ◆ Speed to market is critical for investors - so an integrated and cohesive approach with IPA and other partners is critical.
- ◆ Ensure that you are on the investors radar- through IPA, brokers, consultants and direct marketing



- ◆ Clusters are not a quick fix for attracting FDI
 - Take time & long term vision + need to be part of wider economic strategy
- ◆ Building clusters require concerted cross departmental & political lobby
 - Education, tax, economy, regulation and information support
- ◆ Clusters need champions & management
 - Terms of reference, budget and steering group that unite the various interest groups
- ◆ Investors(FDI) are increasingly seeking business solutions/opportunities rather than locations
 - Clusters respond well to this.
- ◆ Cluster marketing strategy may have a more immediate effect on enterprise and innovation than FDI
 - Investors will want evidence of a working cluster not a conceptual one
- ◆ Sustainable clusters are internationally competitive
 - They cannot be protected or artificially subsidised
- ◆ Euromed has a unique opportunity to develop clusters
 - It will take time + need to take a co-ordinated and investor-led approach