

Creating Export Clusters



Wellington Local
Government Support for
Cluster Development

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Wellington City's Cluster Programme



- What are we doing
- Why
- What do we expect from our involvement
- Evidence so far
- Future challenges

- Creative Capital Cluster - example

Wellington Profile



- Capital City of New Zealand
- Resident population 166,800
- Regional population 414,048
- Population growth 0.8% p.a.
- 5.3% unemployment in region
- 25% of labour force have a tertiary qualification
- Main industry by GDP - business and financial services
- Main industry by employment - business services and property
- Most internet connected region in NZ
- More computers per capita than Silicon Valley
- Greater fibre optic capacity for high speed data transmission than anywhere in world

Cluster Development Programme



- Initiated in 1997
- Funded by Wellington City Council
- Managed by Capital Development Agency (CDA) until superseded by Wellington Regional Economic Development Agency this year
- In partnership with Innovation & Systems - cluster strategists and facilitators

Reasons for Initiating Cluster Programme

- Major exodus of Corporate Head Office's and manufacturing to Auckland and Australia
- Downsizing of public sector during 1990's
- Asian economic crisis and NZ economic recession
- Leads to major restructuring of of city economy during 1990's
- Loss of employment opportunities and large-scale businesses

Wellington City Council's Response



- CDA contracts for profiling of strengths of local economy
- Profile identifies capabilities in ICT, design, creative content for digital media and a strong arts and culture sector
- Proliferation of small, smart, innovative companies
- Opportunity for clusters identified

Cluster Initiation



- Detailed 1-1 interviews with CEO's of ICT/Creative companies
- Presentation of profile of capabilities and opportunities to CEO's
- CEO's decide to form an IT cluster


- In 1998 IT cluster group reforms into 4 separate clusters: Creative Capital, e-business, software and mobile internet

Strategic Goals of Cluster Programme



- Help develop new export driver industries for the city - focus is on co--operating locally to compete internationally
- Create scale and export capability through collaboration
- Develop new specialisations for regional economy via deepening of value chain
- Act as a pull mechanism for the Wellington economy


Creative Capital - a case in point



■ Initiation

- formed in 1998 from IT group
- number of businesses had already worked collaboratively on interactive themed attractions at NZ's national museum
- initially 30 member companies with between 5-20 FTE's
- two Co-Chairs appointed
- CDA provides facilitation and administrative support

Creative Capital - Initiation cont.




- Detailed 1-1 interviews identifies capabilities in
 - multi-media production
 - interactive web-site development
 - immersive exhibitions (museums)
 - innovative educational products

Creative Capital Cluster - Incubation




- “Getting to Know You” through “Show ‘n Tell’s”
- Developed brand, membership database and web-site
- Lead company in consortium uses cluster to expand offering, wins international contract but doesn’t share out work to other cluster members
- Visit international trade-shows for small return
- Lengthy discussions on structure and process options and other rules of engagement
- *In danger of becoming another trade association*

Creative Capital - Implementation




- In early 2000 cluster decides to target niche export markets
- CDA provides additional facilitation resources
- Commissioned Trade NZ to provide targeted market research
- Singapore Museum opportunity identified
- Creative Capital quickly put on short list
- Considerable time and energy devoted to building international marketing know-how - the customer end of the value-chain

Creative Capital - Implementation cont.



- Come second to “best in world” consortium from New York
- Second prize is multi-million \$ contract to design interactive exhibitions for temporary Museum while new one is built, plus foothold into Asian market with strong possibility of future JV's with Singapore
- Immediacy of contract forces issue on longstanding debates about structure, shared contracting arrangements, etc

Creative Capital - results to date



- Cluster has secured international contract
- Well positioned for future international work
- International brand and profile established - Wellington's Creative Content for digital media capability established
- Creative Capital "industry" has grown by 12.6% over 1994-2000 period compared with 9.5% for rest of NZ
- Wellington has 20% of all NZ's activity units, and gained 24% of all jobs created in this sector - well above relative population weight - from 1994-2000

Critical success Factors



- Cluster built upon and leveraging off pre-existing capability
- Initial in-depth capability and opportunity assessment prior to formation
- Cluster development programme driven by members
- CDA pays for independent facilitation support and provides other administrative and funding support for market research. This support has sped up development process considerably

Future Challenges for Creative Capital Cluster



- Continue to extend market reach
- Growing the cluster to meet increased demand for services
- Delivering quality and INFOT
- Ensuring all cluster members benefit
- Retaining innovative/creative edge
- Maintaining dynamism of cluster
- Deepening cluster process and broadening strategic agenda with emergence of REDA