

100107 DCB travel policy proposal



digitalcity business

## **DCB travel proposal**

Prepared by Mark Elliott for Sandra Cartlidge; January 2010;

### **Introduction**

In the new ERDF / SP bid currently in process with One NorthEast, and scheduled for approval in March 2010, DCB will be charged with an ambitious and aggressive role in the development of the overall DigitalCity Innovation Connector [or *supercluster*].

This will include a significant amount of travel nationally and internationally, in line both with DigitalCity's objectives and requirements in the ERDF Innovation Connector concept: national and international activities are required under DCB's strategic plan in order to open up markets for the cluster and the businesses within it, and to attract outside trade and investment; they are requirements in the Innovation Connector guidelines forming the basis of the DCB bid; and they are requirements in the EEC Lisbon Agenda which forms the basis of ERDF funding arrangements.

DCB's national and international activities have been carefully planned and costed. In doing this we have taken into account all appropriate factors, and have referenced the Council's standing orders, protocols and policies. But it has become apparent in some areas compliance with Council thresholds may be difficult. Compliance with the principles of best value are however fully enshrined in these proposals.

If DCB is to execute its strategy to bring economic development to the town and the Tees Valley, these issues need to be resolved/clarified.

To fully understand the issues it is important to understand what DCB does, and in what environment it does these things.

## DCB activities

DigitalCity is charged with creating a vibrant, successful and self-sustaining digital media, digital technology and creative 'supercluster' in the Tees Valley [throughout this document these sectors will be grouped and referred to as 'digital', unless specific reference to one or other is required].

DigitalCity Business is charged with developing the commercial end of this supercluster, and its activities include –

- *Cluster Development* activities -
  - *Specialised digital business support* focussed on start-up businesses; including DCB's successful Business Growth Workshop System [BGWS]; plus a fully comprehensive online BGWS, maximising its reach across the sector
  - *Specialised digital business support* focussed on high-growth potential and accelerating businesses
  - *Network development initiatives* to foster a well-integrated and collaborative sector in the Tees Valley and the North East
- *Business Development* activities for the cluster, including –
  - *National and international digital business development*: developing marketing, strategic partnerships, joint ventures, trade and investment for the cluster as a whole and individual businesses within it, nationally and internationally;
  - *Inward Investment*: activities include bound and outward bound trade missions, events and trips
  - *The Cluster of Clusters initiative*: developing a group of complimentary clusters around the world, with DC at its heart

External to the new ERDF / SP bid, but also fundamental to DCB's activities is development of *the Boho Zone*: this also involves considerable promotion and marketing on national and international levels.

All of these activities necessitate DigitalCity Business working with the digital and creative industries, and the *Business Development* activities mean DCB must also work with digital and economic development agencies representing cities, city regions, regions and nations.

## National and international digital business development strategy

DCB has developed a national and international digital business development strategy that is best suited to get real results for the Tees Valley. It has been based on DCB's own experience in this field over the past five years, ONE's experience, and in particular the background and knowledge of our Head of Business Development, who has ONE's best performing inward investment executive for four years [before joining DCB], and the person who holds the RDA's all-time inward investment record. He has brought to DCB a deep understanding of what makes national and international business development work, and perhaps just as importantly, *what doesn't work*.

## What doesn't work

What doesn't work in national and international business development work is a series of vague initiatives based on a soft 'nice-to-have if we can get it' approach, or 'where we think it would be nice to go', or a passive approach that relies on RDA and UKTI organised trips, or an approach that does not have clear, tangible and real benefits.

The 'nice-to-have if we can get it' approach will not work because business development is hard and we need to be focussed on our outcomes. Going 'where we think it would be nice to go to' would be nice but pointless<sup>1</sup>. A passive approach relying on trips organised by others will not work because they tend to be generic, while digital is a specialised discipline and DigitalCity's offering even more so, and we have no wish to disappear in the mass of offers on those trips [though we will use such trips when politically smart to do so, or to lever economies whenever possible]. And an approach that does not have clear, tangible and real benefits will deliver exactly that – no clear, tangible and real benefits.

## What does work: the relationship to money-flow pipeline

What does work is a pipeline of activity that starts with relationships and goes through to money-flow. The pipeline works by -

- Establishing real and meaningful relationships with key organisations in the world's established digital economies, the world's emerging digital markets, and – when appropriate - in the countries that ONE has designated as prioritised. These key organisations may either be publicly or privately led  
These relationships give the cluster access to buying markets; they also give the cluster access to products, services and technologies that will be in advance of the UK market, and therefore commercially exploitable in the UK. In this way, a two-way flow of potential benefit is established
- Developing business relationships between appropriate, individual DigitalCity businesses and the appropriate counterpart in the overseas territory:

With careful management by DCB, both of the above will lead to a number of further activities –

- Trade: initially small scale then ramping up as a developing relationship and success breed confidence
- Exchange of IP, products and service products under commercial terms
- Joint ventures: as companies decide to join forces for common benefit

In many ways, the pipeline is actually circular, and with each cycle or iteration the trading, knowledge transfers and joint ventures get larger. It is at this point, and this point only, that meaningful, and embedded inward investment will take place.

## Target markets, locations and schedule of trips

The following markets and key locations are identified as –

---

<sup>1</sup> DCB was asked to visit Barbados [all expenses paid], but turned it down

## Established digital markets

- London
- USA New York, LA, Washington
- Japan Tokyo
- Europe, including –
  - Spain Barcelona
  - Germany Berlin
  - Holland Amsterdam
  - Sweden Stockholm
- Canada Toronto

## Emerging markets

- Turkey Istanbul / Ankara
- Brazil Sao Paulo
- UAE Dubai

## ONE prioritised

- China Shanghai
- India Mumbai

## Schedule of trips

In order to execute the international initiatives and develop the pipeline from relationship to money-flow, it is necessary to mount business trips to the targeted countries and cities. These trips need to be regular and well planned: you cannot develop a relationship, and you cannot build the pipeline, with just one trip.

A draft schedule of trips for April 2010 – March 2012 has been developed and appears at the end of this document.

While not intended to be absolutely hard and fast because circumstances and priorities may change, and new opportunities may well occur, we believe that it accurately reflects the level of activity DCB must engage in. The schedule includes single person trips, and multiple person trips. The latter are usually two person trips, and reflect the need to take both business and digital technical expertise, or extra business expertise as and when appropriate.

London trips are not included in this schedule, although there will be considerable interaction with the capital [the reasons for this, and the approach DCB can take are handled in a later section].

The schedules also include costs. Funding for these activities is included in the current DCB 2010-12 ERDF / SP funding bid.

## Costs and day rates

The costs in the schedule have been built from DCB's direct experience of international work, and where DCB has no direct first-hand experience of particular cities, internet research and reference to hotels used by ONE for its foreign trips. Hotel rates represent safe but very conservative amounts: the majority fall in the £90 - £130 per night range<sup>2</sup>. Subsistence costs are realistic and very conservative estimates, given DCB is operating in capital cities. Travel and transfer costs are also realistic.

The costs are further affected by other factors -

- Sterling has been adversely affected by the current economic situation, with the currency significantly down against all other major currencies: by 26% against the Euro in less than three years and by 22% by the Dollar in less than two and a half<sup>3</sup>.
- Most of the target cities are either capitals or regional capitals, and international hubs. These tend to be more expensive than other cities.
- 'On-the-day' events such as major events in the cities coinciding with the required trips: hotel costs will fluctuate as a result<sup>4</sup>
- Internal travel: while cities might be the main focus of activity, there is also a need to travel within countries

## Getting the right hotel

Cheaper hotels further away from the city centre are always considered. But for very good reasons this approach will often not work.

The trips DCB undertakes follow a well established pattern: they are intensive and packed. Typically it involves leaving the plane [however long the flight] and going straight into meetings; very long days of meetings and events; working lunches; meetings and events extended into the evening; working evening meals; and eventually back at the hotel, often one or two more hours of emails, catch up and calls. For this reason it's essential to get the right kind of hotel: a business hotel that has the facilities and back-up required for business trips.

But there are other reasons an appropriate business hotel is vital.

First, there is location: business hotels are always strategically positioned in terms of the city in question: central, easy to reach for both business travellers and the people they're meeting], and within easy reach of transit and transport routes. In a busy day, they allow you to stay at the heart of the action for as long as possible, and cut down on travel time. In Tokyo a lesser priced hotel outside the city centre will often be up to an hour away from where you're doing business - even via Tokyo's very efficient public transport – a situation which is repeated in all the major metropolises.

Second, business hotels act as 'magnets' for businesses and business people: this means there is real power in both the formal and informal networks the hotels allow

---

<sup>2</sup> Broadly similar to London rates

<sup>3</sup> Euro: from €1.52 [19/1/07] to €1.12 [13/1/10]

Dollar: \$2.08 [9/11/07] to \$1.6279 [13/1/10]

<sup>4</sup> We're not intending to go to the Cannes Film Festival but it's a good example: hotel rates often double. A week later, the advertising festival is even worse: in 'good' years, rates quadruple.

guests to tap into, driven by the critical mass of businesspeople who are staying. Many a deal has been forged through an opportune meeting in a hotel lobby – but it can only happen if you're there in the first place.

For the reasons above, appropriate business hotels are always used by organisations charged with trade and investment – for example, One NorthEast. It is important to note that these hotels are rarely hugely better in terms of quality than cheaper, less business oriented hotels. It is their business advantages, not any 'softer' attractiveness that increases the price.

Because of the advantages they undoubtedly offer these hotels are more expensive than others - but on balance, it's money well spent.

International trips: international cluster business development, inward investment, cluster of clusters

Costs calculator

							Single person trips				Multiple person trips						
		Airfare	Airport transfers	Hotel pp/per night	In territory travel / pp	Subsistence pp / per day	No trips per year	of per people	of	No days	of	No trips per year	of per people	of	No days	of	
Brazil	Sao Paulo	583	50	100	50	35	2	1	5		0	2	5				
China	Shanghai	507	50	100	50	20	2	1	5		1	2	5				
Germany	Berlin	182	50	90	50	35	3	1	3		0	2	3				
Holland	Amsterdam	145	50	90	50	35	2	1	3		1	2	3				
India	Mumbai	410	50	90	25	30	2	1	5		0	2	5				
Japan	Tokyo	651	50	125	50	35	2	1	5		1	2	5				
Spain	Barcelona	72	50	75	50	30	2	1	3		1	2	3				
Sweden	Stockholm / Istanbul	181	50	80	50	30	2	1	3		1	2	3				
Turkey	Ankara	198	50	75	30	25	2	1	3		1	2	3				
UAE	Dubai	690	50	75	50	30	2	1	5		1	2	5				
USA	LA	473	50	120	50	30	2	1	3		1	2	3				
USA	New York	377	50	120	50	30	2	1	3		1	2	2				
USA	Washington	560	50	85	50	30	2	1	3		1	2	2				
Canada	Toronto	454	50	85	50	30	2	1	3		1	2	2				
									49					47			
															96		

Total costs	Single person trips totals	Multiple person trips totals	Total cost per country
Brazil	2,866	-	2,866
China	2,564	2,764	5,328
Germany	1,971	-	1,971
Holland	1,290	1,390	2,680
India	2,245	-	2,245
Japan	3,252	3,452	6,704
Spain	1,024	1,124	2,148
Sweden	1,272	1,372	2,644
Turkey	1,186	1,226	2,412
UAE	2,780	2,980	5,760
USA - LA	2,096	2,196	4,292
USA - NY	1,904	1,604	3,508
USA - Washington	2,060	1,830	3,890
Canada	1,848	1,618	3,466
	28,358	21,556	
<hr/>			49,914