

BARMAN

The following presentation was originally developed by
Todd Barman
 while with the National Main Street Center

It is redelivered for this Virginia Main Street Essentials Workshop with permission



The slide features a collage of three images on the left: a street scene with historic buildings, a group of people participating in a community activity, and a large crowd of people. On the right, the text reads: "National Main Street Center" with a logo, and "Main Street Incubators".

Today's audience

- Your incubator experience: Is there an...
 - ✓Incubator in your community?
 - ✓Incubator in your traditional commercial district?
 - ✓Incubator with tenants that aren't manufacturing or technology businesses?
 - ✓Incubator run by the organization you represent?



Today's audience

If you are planning a new incubator for your traditional commercial district, how far along are you :

- ✓ Already have a building in mind?
- ✓ Already have a building?
- ✓ Already have a focus in mind?



My desired outcome



For you to think critically about whether an incubator is the right strategy for what you are trying to accomplish



My desired outcome



- Critical thinking does not equal negative thinking



Disclaimer

- I do not plan to give you detailed instructions on how to start up and run an incubator



Your desired outcome?

- Increase the survival rate of new businesses in general?
 - or more specifically retail?
- Seed and grow specific business types?
 - to fill a niche, diversify the economy
- Increase economic activity within your district?
 - to create new jobs, increase local tax base
- Increase foot traffic within your district?
- Provide economic opportunity for a disadvantaged population?
- Market products and technology?
- Fill vacancies in general?
 - or fill a specific vacancy?



Caution

- “Incubator’s are not buildings in search of a use”
 - Doug Thurlow, Wisconsin Department of Commerce.



Caution



- Your ultimate goal should not be to create an asset to market, or something for your portfolio.
- Starting an incubator should not be driven by frustration with independent property owners.

What is an incubator

National Business Incubator Association www.nbia.org



- “A business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services.”

What is an incubator

National Business Incubator Association www.nbia.org

- NBIA members in Virginia
 - Batten Institute at the Darden School - Charlottesville
 - BizWorks Enterprise Center - Richmond
 - Charlottesville Technology Incubator - Charlottesville
 - EagleWorks - Fredericksburg
 - Franklin Business Incubator - Franklin
 - Hampton University Small Business Incubator - Hampton
 - Mason Enterprise Center at George Mason University - Fairfax
 - Mason Enterprise Center at Prince William Campus - Manassas
 - Nottoway County Small Business Incubator - Blackstone
 - Peninsula Technology Incubator - Hampton
 - Riverstone Energy Center - South Boston
 - Southwest Regional Enterprise Center - Galax
 - Virginia Highlands Small Business Incubator - Abingdon
 - VT KnowledgeWorks - Blacksburg
 - West Piedmont Business Development Center - Martinsville



What is an incubator

National Business Incubator Association www.nbia.org



- “A business incubator’s main goal is to produce successful firms that will leave the program financially viable and freestanding.”



Some dispute over graduation

- Not every “incubator” has the goal of graduation
 - Is it still an incubator?
- “...only 2.9% of tenants of business incubators are ever weaned off the assistance and subsidies offered by business incubators.”
 - Amezcuca, Alejandro S., "Boon or Boondoggle? Business Incubation as Entrepreneurship Policy" (2010)
- Southeast Community College Entrepreneurship Center
 - 90% of all incubated businesses learn the value of having the connections within the community and will continue to access resources when and where they are needed
 - 90% success rate for sustained businesses beyond incubation



What is an incubator

National Business Incubator Association www.nbia.org

- Services
 - access to appropriate rental space and flexible leases
 - shared basic business services and equipment
 - technology support services
 - assistance in obtaining the financing necessary for company growth



What is an incubator

Incubators: Nurturing Small Business Growth (MSN)



- “The service package must be designed to match the tenant composition, the financial circumstances of the sponsor, expected returns, and the overall goals of the facility”



Effective business incubation

National Business Incubator Association www.nbia.org

- Two principles characterize:
 - The incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies.
 - The incubator itself is a dynamic model of a sustainable, efficient business operation.



Effective retail business incubation



- Running a successful retail incubator would need to include all the ingredients to running a successful retail development
- Incubation is not an inexpensive venture (SCC)
 - incubation management
 - business services
 - reduced rental rates



Seven Components to a Successful Business Incubator

- Clear and Well Communicated Goals
- Incubator Manager
- Business Services
- Shared Resources
- Physical Space
- Financing
- Application and Acceptance Process

•Source: Let's Talk Business, UW Extension
www.uwex.edu/CES/cced/downtowns/ltb/lets/LTB0706.pdf



Selling points

- More than 80% of small businesses fail within their first five years – through lack of money or skills or both (SBA)
- Nearly 87% of incubator **graduates** remain in business (1997 U.S. Department of Commerce study)
 - What about incubator startups?
 - Skewed by mixed-use and technology?



Caution

- Can an incubator be successful without it being a successful historic commercial district revitalization strategy?
 - Criteria for judging success should be based on reaching your goal



Types of Incubators

National Business Incubator Association www.nbia.org

- Mixed-use incubators - combination of light industrial, technology and service firms (54% in '12 and '06)
- Technology (37% in '12 down from 39% in '06)
- Manufacturing (3% in '12 and '06) (*light industrial*)
- Service/other (6% in 2012 up from 5% in 2006) (*office, retail*)

Source: 2012 State of the Business Incubation Industry



Who sponsors business incubators?

National Business Incubator Association www.nbia.org

- Academic institutions (32%)
- Economic development organizations (25%)
- Government entities (16%)
- Other types of organizations (4%)
- "Hybrids" with more than one sponsor (4%)
- For-profit entities (4%)
- No sponsor or host organization (15%)

Source: 2012 State of the Business Incubation Industry



New Incubator models

Acceleration
Virtual incubators



Are these incubators?

- Community kitchens
- Coworking space
- Kiosks/pushcarts
- Arts cooperatives
- Farmers/craft markets
- Antique malls



Yes and no

- It depends
 - on how loosely you define an incubator
 - on how they are managed



A loose definition of an incubator?



- “A facility designed to encourage entrepreneurship, particularly for high technology firms, by housing a number of fledgling enterprises that share an array of services.”
 - cityofchicago.org –
 - Glossary of Terms



A loose definition of an incubator?



- If businesses within your local mall or shopping center start sharing an array of services to encourage entrepreneurship does it become an incubator?



Caution

- At what point does your retail incubator become a mall or shopping center?
 - A retail incubator in Topeka Kansas was actually called Hi-Crest Mini Mall (appears to be closed)



Is that a bad thing?



- If it is a collection of undercapitalized, part time retail businesses all in one location?
- If you are subsidizing a new retail business to compete with existing retail business (subsidizing competition)?
- If it doesn't get you closer to historic commercial district revitalization?



Traditional incubator

mixed use, technology, or manufacturing businesses

- Is this a viable strategy for historic commercial district revitalization?
- What makes a good location?
- Is it necessary to graduate entrepreneurs into sustainable businesses within the district to be judged a success?



Retail incubator

Are your answers the same?

- Is this a viable strategy for historic commercial district revitalization?
- What makes a good location?
- Is it necessary to graduate entrepreneurs into sustainable businesses within the district to be judged a success?



The concept of a retail incubator may be flawed

- Remember your desired outcome: To increase the survival rate of new retail businesses?
 - Many approaches to retail incubation often don't incubate retail skills



The concept of a retail incubator may be flawed

- Besides subsidy, does your proposed retail incubator truly provide the best start up location/situation?



How would you approach a multi-business retail development?

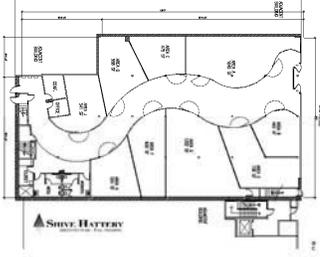


How would you approach a multi-business retail development?



The Nucleus Business Incubator

Downtown Cedar Rapids



SHINE HATTERY



Western, White Street Center
2010 Park Ave. SE
Cedar Rapids, IA 52403

The Nucleus Business Incubator

Downtown Cedar Rapids



Western, White Street Center
2010 Park Ave. SE
Cedar Rapids, IA 52403

Waterfront Trading Co.

Branson, Mo



Western, White Street Center
2010 Park Ave. SE
Cedar Rapids, IA 52403

Community kitchens

Retail incubator, manufacturing incubator, or neither?



- Allow entrepreneurs to explore food production without having to build their own fully licensed and certified kitchen



Community kitchens keys to success:

Kaelyn Stiles & Steve Stevenson interviewed 17 kitchen organizers nationally

- Clear goals/objectives
 - philosophical, economic, and social
- Committed leadership
- Solid plans for long-term profitability
 - Long-term supporting grants or aggressive marketing plans
- Committed management
- Technical assistance in food production, business management and marketing
- Networking opportunities
 - Shared services, purchasing, marketing and distribution



Community kitchens

Kitchen Incubators Get Food Businesses Cooking, Business Week, December 17, 2007

- The Association for Enterprise Opportunity (AEO) estimates 20 in 2001, ~150 in 2007.
- Success story?
 - Cash flow is a problem
 - Finding a qualified kitchen manager is difficult
 - Inspections eat up precious time
 - Gauging demand is difficult



Kiosks/pushcarts

Incubators?



- “Malls often use the kiosks as business incubators to produce permanent in-line tenants”
 - Beth Mattson, Retail Traffic



Kiosks/pushcarts

Incubators?

- “At first the malls thought the kiosks would be like an incubator-that today’s pushcart would grow into tomorrow’s store tenant...More common is the kiosk entrepreneur who expands numerically, growing from one cart to several (in separate malls) to many”
 - Paco Underhill, Call of the Mall



Kiosks/pushcarts

So what if they aren't incubators?

- Some merchandise sells better off pushcarts and kiosks than in an in-line location
 - demo-friendly products
- Add fun, surprise, spice, theater...
 - something for men and boys
 - They are especially popular among women twenty-five to thirty-four



Kiosks/pushcarts

So what if they don't graduate to a storefront?



- Ease of entry
 - small size = low cost/overhead
 - Can start selling immediately
- Adaptability
 - Sell seasonal merchandise, test-market new products, capitalize on fads while their hot
 - Tend (at least in the beginning) to be locally owned and operated
- Incubation of retail skills



City of Portland Releases Food Cart Study



Kiosks/pushcarts

Incubators?

- Nuestra Comunidad Development Corporation pushcart program
 - "first-time business experience and entrepreneurial training to 24 low-income community residents" www.nuestracdc.org

www.nw.org/network/comstrat/commEcoDev/documents/Pushcarts.pdf



Arts cooperatives/incubators

- How many of you are interested in arts cooperatives/incubators?
- What does it mean to “incubate” artists?
 - Accelerate their artistic development?
 - Mold the artist into a savvy business owner?
 - Provide artist work and gallery space?
 - Find a market for art?



Arts cooperatives/incubators

www.pendletonartcenter.com/rising_sun_in.html



Farmers/craft markets

- How many of you have farmers/craft markets?
- Have you ever had a market vendor “graduate” into a storefront?



Farmers/craft markets



- What can we do to increase the number of graduates?



Antique Malls



- Most do not fulfill the definition of an incubator



“Passive” incubator

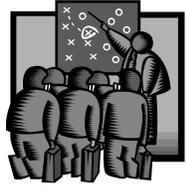


- Not sponsored by any sort of organization or operated as an incubator per se
- Charlottesville, VA example courtesy of Kennedy Smith



My desired outcome

- For you to think critically about whether an incubator is the right strategy for what you are trying to accomplish



What next?

- Determine your desired outcome
 - Participatory process
- Brainstorm potential strategies to achieve that desired outcome
 - Incubators could be on the list
- If incubators then...
 - Learn from the experiences of other incubators (use the Main Street Network)
 - Consider hiring an outside consultant
 - Be an informed consumer



Your desired outcome?

- Is that outcome more easily achieved by simply developing a strong business retention and/or entrepreneurial support program?
 - Incubator-without-walls



Incubators-without-walls



- Down East Business Alliance (ME) Incubator Without Walls
- Ridgefield (CT)'s Incubator Without Walls
- El Pájaro (CA) CDC Incubator Without Walls Entrepreneurship Program
- Incubator without Walls at Lyndon State College



Incubators-without-walls



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Entrepreneurial success



- Entrepreneurs need:
 - Creativity
 - Innovation
 - Motivation
 - Capacity
 - Willingness to take calculated risk
- Entrepreneurs also need:
 - An environment supportive of risk taking
 - Business savvy
 - Financing
 - Connections



Economic Restructuring roles

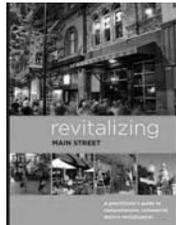


- Planting the seed for entrepreneurship and growing entrepreneurial spirit/culture
- Growing entrepreneurial ventures (Phase 1)
- Attracting entrepreneurs to the Main Street district and fielding entrepreneur inquiries
- Continuing to grow entrepreneurial ventures (Phase 2)
- Proactively recruiting entrepreneurs



Resources from National Main Street Center

- National Conferences
 - Main Street: Detroit, MI, May 18-21, 2014
- Online Tools:
 - www.preservationnation.org/main-street
 - www.mainstreet.org
 - MS list serve
- Publications:
 - Revitalizing Main Street
 - Main Street Now
 - Archive of Main Street News
- NMSC On-Site Services
 - Consulting & Technical Assistance
 - Training & workshops



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Development Strategies, LLC

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