

ESP locations have grown 30% compared to last year in Hangzhou alone in China. Currently, there are many ESPs in Hangzhou alone that need help differentiating themselves from the rest of the market. Only a few companies have been able to successfully differentiate themselves and expand into international markets. We have identified key aspects as to why these companies we have interviewed have had success in the competitive markets of Hangzhou.

Our sponsor Youth is a relatively small ESP in Hangzhou that is native to Hangzhou. Like every business, they are looking to develop a unique feature that is marketable. The Chinese government is looking to provide support for internationalization and Youth is looking for ways to benefit from these policies.

Companies like Tusstar are located in Hangzhou too but have expanded to other provinces within China and other countries. All of the companies we have interviewed have some unique features developed before they expanded internationally. Liuheqiao works very closely with the companies they incubate and accelerate and focus on investments as their main revenue stream. We interviewed ESPs in Hangzhou that are small, medium, and large in respects to the number of locations they operate. Some insight given to us through the interview involves two different approaches to ESPs in Hangzhou presently. ESPs that make a profit off of rent are not true to the nature of ESPs, which is to give back to the community and encourage and fuel innovation. Government subsidies and rent cannot produce enough profits to fund new services, new locations, or more mentors as easily compare to the other approach. The ESPs that are not focused on rent and government subsidies have developed a profitable service that can fund for the heavy expenses from incubators. That is not to say these ESPs do not take rent, but they do not focus on rent. Some have not raised the rent in years and others are willing to waive rent entirely for these startups.

Internationalization is a difficult goal to reach as an ESP, as it is with any kind of company. Before any business can internationalize they must have a strong brand. The brand is how an ESP is known by its customers and other members of the entrepreneurial ecosystem. Customer service is notable aspect of any brand and can make or break any company no matter how big or small they are. ESPs in Hangzhou need to offer good customer service because they depend on their customers for referrals, rather than targeted marketing campaigns. Internationalization should only come after a company has developed its brand image and a unique way of doing business that can be replicated in different environments. Foreign countries will have different government systems, different policies, different cultures, and different opinions on foreigners.