



DUKE Heights BIA's Pharmaceutical Strategy

Strategic Planning Document



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DUKE Heights BIA Pharmaceutical Sector Strategy

Executive Summary

The DUKE Heights BIA (DHBIA) commissioned this document to develop a strategy to encourage business activity in the pharmaceutical sector of the BIA. It is the continuation of a series of recommendations made by a consultancy report (the DUKE Heights Economic Development Study) commissioned by the City of Toronto and the BIA in 2016 completed by the IBI Group which identified 5 sectors that the BIA should focus on and encourage.¹

During the development of the DUKE Pharmaceutical strategy, the following observations about the pharmaceutical industry in the BIA were made:

- There are approximately 350 pharmaceutical manufacturing jobs in the BIA
- DUKE's pharmaceutical industry jobs constitute approximately 1 in 25 pharmaceutical manufacturing jobs in Toronto.
- DUKE Heights is one of the only places in Toronto where the zoning allows for pharmaceutical manufacturing because of its “core employment” zone status
- Exports are important to the industry in Canada generally, and more than half of Canada's production is exported²
- The DHBIA pharmaceutical manufacturing industry brings in approximately \$90 million a year in revenue

This document makes a series of recommendations for the pharmaceutical sector initiative. These are divided into Branding, Institutional Collaboration, Internationalization and Export Promotion. Additionally, the report provides a summary of funding opportunities for the initiative, an implementation strategy for the initiative, and a proposed evaluation strategy.

The report's branding strategy constitutes the use of a sub-branding strategy placing DUKE's pharmaceutical sector under the greater DUKE brand as DUKE Pharmaceutical. It outlines a sector branding strategy known as “geographical positioning,” which emphasizes the DUKE pharmaceutical sector's locational assets, including its proximity to Sanofi Pasteur, its zoning status and its proximity to research institutions.

The institutional collaboration strategy suggested by the report emphasizes working with educational institutions, especially York University's Faculty of Health, and Osgoode Hall Law and Schulich Business Schools. These partnerships will encourage increased activity, productivity and perhaps most importantly, employment in the sector. This includes collaboration on the acquiring of better management practices by firms, internationalization strategies, and legal advice.

The export promotion and internationalization effort emphasizes using existing institutional resources to promote both DUKE pharmaceutical products to consumers and the area itself to prospective manufacturers. It also suggests using DUKE's existing connections with Osgoode and Schulich to aid

¹ IBI Group. DUKE Heights Economic Development Study, 2016

<http://www.dukeheights.ca/wp-content/uploads/DUKE-Heights-Economic-Development-Study-and-Executive-Summary-FINAL-2016....pdf>

² https://www.ic.gc.ca/eic/site/lsg-pdsv.nsf/eng/h_hn01703.html

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DUKE Pharmaceutical firms in internationalizing their businesses, both from a strategic and legal perspective.

The report ends by suggesting a stage based implementation plan and an evaluation strategy combining quantitative and qualitative methods to ensure the viability and effectiveness of the sector strategy.

Snapshot of sector

Pharmaceutical manufacturing is a significant sector in the DUKE BIA. Out of approximately 22,000 pharmaceutical jobs in Canada, approximately 11,700 are in Ontario, 9,000 in Toronto, and 350 are in the BIA. This means that approximately 1 in 30 of Ontario's pharmaceutical jobs are in the BIA.

Canada has a domestic pharmaceutical market of about \$ \$24.6 billion; it imports \$ 17.3 billion worth of pharmaceuticals and exports \$ 10.1 billion. This is a relatively export-oriented sector, with more than half of Canadian pharmaceutical sales deriving from exports. The proportion of the BIA's pharmaceutical sales which are derived from exports is not available, but it is likely that the export orientation of the sector in the BIA is similar to the larger Canadian industry.

The sector in the BIA is dominated by a few large players in terms of employment, with nearly all of sector jobs belonging to the 3 largest companies. This is likely due to the fact that the pharmaceutical industry has significant barriers to entry and a company requires heavy investment over a long period of time to see profit over a product.

The revenue data available for this sector in the DHBIA is low, with only some information available. However, it can be safely assumed that the DHBIA pharmaceutical manufacturing industry brings in approximately \$ 90 million in annual revenue.

DUKE's pharmaceutical sector is therefore relatively large and attractive to businesses. However, DUKE's pharmaceutical sector has not received the attention it deserves. Its size and importance to Canada's pharmaceutical industry are not well-known within the industry, policy circles, concerned institutions, or even among DUKE Pharmaceutical firms themselves. This lack of awareness prevents the pharmaceutical sector from: receiving public investment, gaining reputational benefits for its firms, coordinating within the different firms in the BIA for mutual benefit, and attracting private investment in the sector for growth. The DHBIA therefore has an opportunity to facilitate certain initiatives in the pharmaceutical sector to assure that the available resources in the sector (including the institutions in the surrounding areas) are efficiently and effectively used for the mutual benefit of the firms in the sector and for the BIA generally.

Branding Strategy

In order for Duke Heights' pharmaceutical sector strategy to be successful, it needs to effectively brand its pharmaceutical sector in a way which encourages greater growth and competitiveness of the sector. The following brand strategy is backed by research and best practices in sector initiative branding. It will describe how the DUKE Heights BIA will use a *sub-brand strategy* to brand the pharmaceutical sector as DUKE Pharma.

Objectives

- To allow the DUKE Heights BIA to effectively brand its pharmaceutical sector both to its stakeholders, prospective workers, and to relevant consumers domestically and abroad
- Highlight the unique strengths of the BIA: particularly, its locational and zoning assets
- To add value for all the firms in the pharmaceutical sector of the BIA by allowing them to benefit from the brand and reputation of the BIA's pharmaceutical sector
- To attract consumers, skilled workers, businesses, and investment into the BIA through effective and realistic branding of the pharmaceutical sector
- To establish the DUKE Pharma as a premier pharmaceutical centre in Ontario

Branding Platform

The DUKE Pharmaceutical branding platform will take advantage of the work done on the DUKE brand – industrious, tough, hardworking, enterprising; new engine of growth between Dufferin and Keele; most connected BIA.

Brand values: industrious, tough, hardworking, enterprising.

Brand positioning: Due to DUKE's zoning assets, its geographical location by the emerging Finch West subway station at Keele and Finch, Seneca College and York University of the pharmaceutical sector in the BIA, DUKE Pharma will employ a "*geographical positioning*" strategy – emphasizing the sector's zoning, proximity to services, educational institutions, and infrastructure as its greatest asset: "DUKE Pharmaceutical is Canada's largest and best-connected pharmaceutical hub. Consumers, businesses, and skilled workers in the pharmaceutical business should look at DUKE Pharmaceutical as their first choice."

Brand promise: "DUKE Pharma is the best-connected pharmaceutical manufacturing hub in the GTA. Located by subways, Seneca college, and York University: consumers, businesses, and skilled workers in the pharmaceutical manufacturing business should look at DUKE Pharma as their first choice."

The following statistics and figures should be emphasized to demonstrate the DUKE Pharmaceutical's locational assets and relative size:

- DUKE Pharma is one of the only areas in the GTA whose zoning allows for pharmaceutical manufacturing
- DUKE is located by premier educational institutions and sources of skilled labour such as York and Seneca
- DUKE Pharma is exceptionally well-served by infrastructure; it is served by three 400 series highways, CN Rail, and a brand-new subway (opening in December), allowing for easy movement of workers, materials, and products
- The Finch LRT, expected completion 2019, will further connect DUKE Pharma
- DUKE Pharma brings in \$90 million in annual revenue
- 1 in 25 Toronto pharmaceutical jobs are in DUKE

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- DUKE Pharma is located by Sanofi Pasteur’s largest R&D center in Canada
- Toronto offers a series of tax and other incentives for businesses who expand, build, or renovate properties, like the Imagination, Manufacturing, Innovation and Technology (IMIT) Program, which shields businesses from the increased property taxes of their developments.³

Brand Architecture

A sub-brand architecture will be used, presenting DUKE Pharmaceutical under the greater DUKE brand. This allows the pharmaceutical sector to take advantage of the work that has been done on the DUKE brand, which includes DUKE Perks, DUKE News, DUKE Talks:

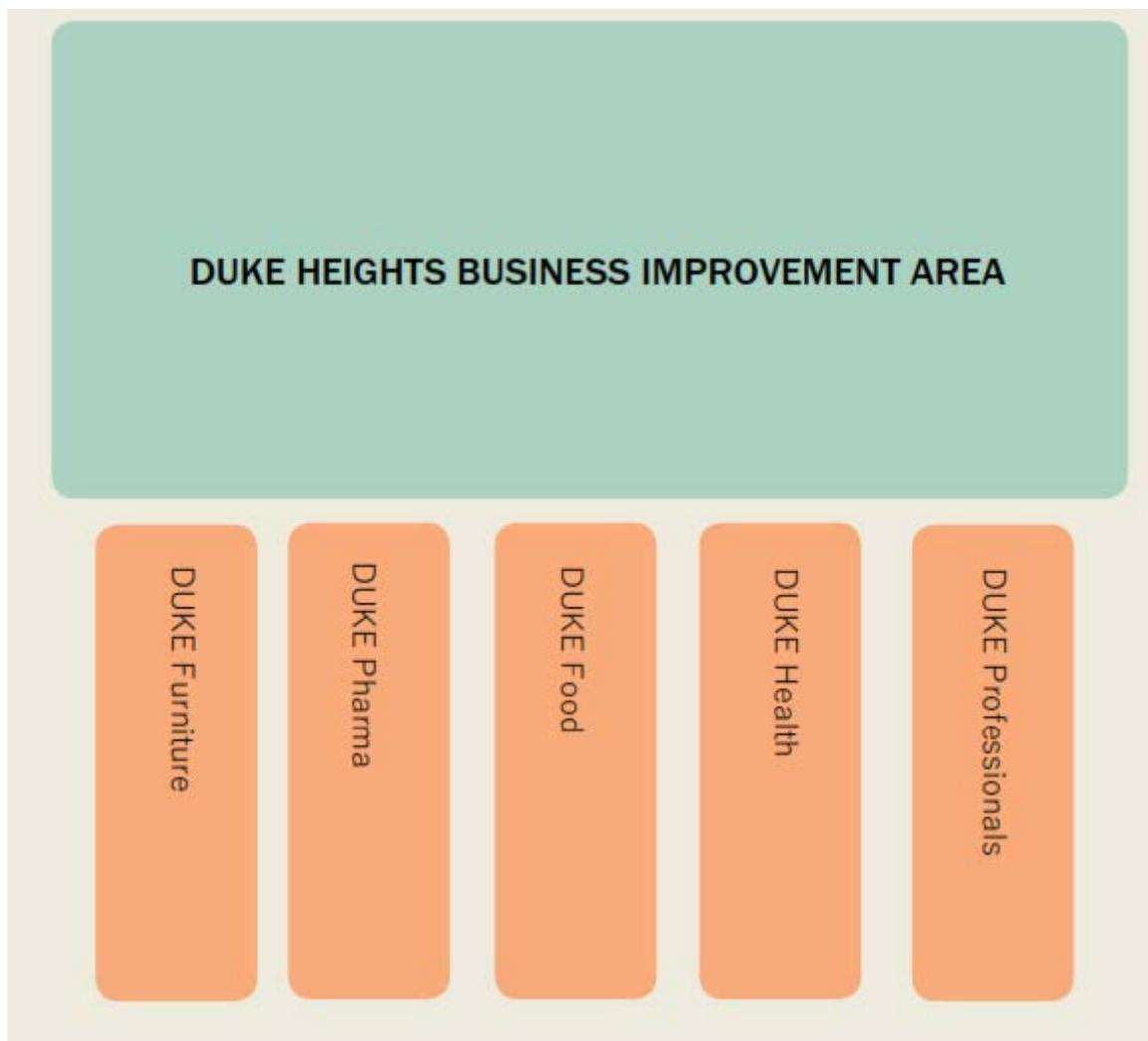


Figure 1. DUKE Sub-Brand Architecture

The advantages of a sub-brand architecture are that it allows the DUKE Pharma brand to benefit from the reputation that DUKE has already gained and allows the greater DUKE brand to gain greater reputation from association with the DUKE Pharma brand in the future.

³ <https://web.toronto.ca/business-economy/business-operation-growth/business-incentives/>

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Marketing Communication Strategy

One part of the communication strategy would consist of internal communication which would inform the BIA's pharmaceutical firms of the DUKE Pharma initiative, allowing them to support and further publicize the initiative within their own networks. The value of the initiative will be presented to these stakeholders (refer below). DUKE Pharma will be incorporated into DUKE's website and networks, and aesthetic branding incorporating the DUKE logo will be added. Newsletters, community papers, social media, and media coverage, methods with which DUKE is already familiar and experienced, will all be used as mediums for communicating the establishment of DUKE Pharma.

The DUKE Ambassadors Program will be used as part of the communication strategy to inform individuals and businesses in the industry of DUKE Pharma. These industry leaders will publicize the sector during their business travels and attendance at conferences, thus allowing DUKE to publicize itself within the industry with minimal cost. This will be addressed again in the export promotion section.

It is essential that the sector initiative and BIA invest in communicating the brand that has been outlined in the above section as part of its marketing communication strategy. The research shows that branding is an integral part of sector initiatives. However, this brand needs to be communicated with target markets, both businesses and consumers. The DUKE BIA will only gain results from the branding that is required from a sector initiative if it successfully and significantly invests in advertising and communicating that brand.

A more specific PR strategy will be created by the BIA to market DUKE Pharmaceutical to the pharmaceutical industry outside of the BIA, including attendance at trade fairs, targeted advertising, and other communications methods.

Institutional Collaboration Strategy

Sector initiatives offer considerable opportunities for educational and research institutions. Sector initiatives can allow educational institutions to harmonize their curriculums and programs with the industries in which their students desire to work upon graduation. This enhances the appeal of the institutions in question to prospective students and delivers better value to their existing students. Educational collaboration is something which DUKE has already been involved with, launching a collaboration with Seneca college and the DUKE food industry in 2017. The Seneca initiative can be used as a model for collaboration with educational institutions.

York University is an institution with which the DUKE BIA has experience and an established working relationship. York is a premier educational and research institution with a variety of leading schools in management (Schulich), engineering (Lassonde), and law (Osgoode), among others. These schools each offer a path for collaboration in the pharmaceutical industry, described below.

YEDI – the York Entrepreneurship Development Institute is dedicated to encouraging disruptive and innovative businesses and entrepreneurs by giving them access to world-class business education and

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access to funding. YEDI has expressed an interest in developing a furniture incubator with DUKE and is going to conduct a feasibility study in the Fall of 2017. DUKE can work with YEDI to explore the possibility of a pharmaceutical incubator. Furthermore, such an incubator can collaborate with the Lassonde school of Engineering to introduce innovative products and facilitate the introduction and commercialization of new technologies and materials into the pharmaceutical industry.

Osgoode – The Osgoode Hall Law School has demonstrated continued willingness to work with the DUKE BIA as part of their initiative to establish connections with the local community. Osgoode has already expressed interest in developing a program with local lawyers in DUKE to provide consultation and advice to businesses in the area.

The school could also help develop business law workshops geared to the pharmaceutical industry. One specific type of workshop relates to the export promotion initiative (discussed below). Internationalizing one's firm involves a variety of legal jurisdictions and complex legalities are in place, complexities which may comprise a considerable barrier for firms who may be considering entering export markets. In this way, Osgoode can help firms in DUKE take the next step in their business and open new markets and sources of revenue and employment (more below).

Schulich– The Schulich business school can also facilitate sector-based workshops for the pharmaceutical industry with the aim of giving advice to pharmaceutical firms in DUKE. These would include giving specialized advice and information on the challenges and opportunities facing the pharmaceutical industry in DUKE. In this way, Schulich students and faculty can provide DUKE Pharma firms with knowledge and practices with which they would not have been familiar otherwise, encouraging success and greater competitiveness. These workshops can include best practices in management, and strategies for internationalization/export competitiveness.

Schulich can work with the sector in other ways as well, described in other sections below under the internationalization and export promotion heading.

Employment Ontario Service Providers – DUKE has 3 employment agencies within the BIA, in addition to those outside of the BIA but in close proximity. DUKE can work with these service providers to connect them with the pharmaceutical industry and create a mutually beneficial relationship where employment agencies can focus on recruiting pharmaceutical industry workers to fill short and long-term positions. Ideally, this would focus on creating long term career pathways into the pharmaceutical industry in DUKE, connecting the surrounding environment of marginalized community members to an important and highly competitive industry next door.

Internationalization and Export Promotion Strategy

Export promotion is fundamental for a sector like pharmaceutical in the DUKE BIA. As mentioned above, more than half of Canadian firms' pharmaceutical sales are a result of exports. Though information on the export orientation of DUKE Pharma firms is not currently available, we can assume that it is similarly oriented as the rest of the industry in Canada. Additionally, there is evidence that

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many companies who should be exporting are not; one study of Canadian companies found that only 5% of companies who are able to export are in fact exporting⁴.

However, the act of exporting to foreign countries is one laced with logistical, strategic, and legal complications and barriers. There are ways in which the DUKE BIA can help businesses overcome these barriers. These methods differ based on the needs of these businesses and can be divided into internationalization and export promotion.

Internationalization

Businesses who are beginning to explore the possibility of exporting or have begun to serve foreign markets need both legal and strategic advice. In this respect, the BIA can help by mobilizing the legal and business knowledge that exists in its institutional partners, namely Osgoode Hall Law School and the Schulich Business School.

The DUKE BIA is already in partnership with Osgoode to create a business legal consultation and advice program. This program would involve allowing small and medium size businesses to get legal consultation and advice services, with the former being free of charge and the latter being offered by lawyers in the BIA. There would also be a database of frequently asked questions (FAQs), where general advice on common business questions would be answered on an online medium. The BIA could use this program to help firms internationalize by adding an internationalization aspect to both the advice and database aspects of the program. The database would allow businesses in the BIA who are exploring the possibility internationalizing to have a low cost and low commitment resource to get a sense of what that would entail, while the advice and consultation aspects would assure that internationalizing firms have a reliable source of legal information for internationalization. Osgoode also has a specialization in international business law, and so could possibly incorporate this effort into that program.

The second barrier to internationalization for many firms is the difficulty of entering a new and foreign market and the different strategic thinking required to attain success. One study has found that 1/4th of Canadian companies interested in exporting do not know where to begin⁵. Here, the DUKE BIA can utilize the considerable expertise at the Schulich business school to aid businesses in the planning stage of their internationalization process. Schulich has a strong international orientation, with campuses in India (Hyderabad) and China (Beijing) and programs in international business. Schulich's MBA and BBA programs both have international business specializations that are ripe for collaboration. This could include using students in these programs to help businesses develop internationalization strategies, the creation of basic internationalization strategy content for distribution to businesses, and the conducting of workshops on internationalization (the latter may require heavier faculty involvement). Specifically, the MBA program has a 6-8-month field study requirement, where students must complete a consulting report on a company of their choice in order to graduate. Pharmaceutical firms in the BIA who are looking at internationalization offer a very interesting opportunity for these students.

⁴ https://www.aimia.com/content/dam/aimiawebsite/landing_pages/100-Global-Champions/Aimia-Report-100-Global-Champions.PDF

⁵ https://www.aimia.com/content/dam/aimiawebsite/landing_pages/100-Global-Champions/Aimia-Report-100-Global-Champions.PDF

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Export promotion

Related to the branding effort, the BIA should help pharmaceutical firms in DUKE to build brand awareness overseas and help them connect with foreign markets. There are numerous available strategies to accomplish this goal.

Firstly, a program which the BIA is already using to promote exports can be the first step in this effort. The DUKE Ambassadors program was started in early 2017 as a low resource yet effective way to create awareness of the BIA in international markets. The program recruited entrepreneurs and businesspeople from the BIA as DUKE ambassadors who are responsible for creating awareness about the BIA in foreign countries during their regular business travels. The Ambassadors distribute BIA material in international conferences, establishing links with Canadian embassies in foreign countries to attract foreign investor class immigrants to DUKE, and creating connections with foreign retailers and suppliers. This initiative could be expanded to include an Ambassador program specifically for DUKE Pharmaceutical, with promotional material developed which advertises the sector's advantages in line with the marketing strategy outlined above. These Ambassadors would attend pharmaceutical and medical industry conferences and advertise DUKE Pharma, identify and create links with foreign pharmaceutical retailers, and encourage foreign pharmaceutical manufacturers to consider expanding operations to the DUKE area.

A second type of program is a formal DUKE Pharma presence at industry events in overseas markets. This kind of program would be aimed at small and medium sized businesses who do not necessarily have the resources, either in terms of manpower or monetary resources, to organize for a presence at an industry event. DUKE Pharmaceutical could gather resources from the sector's businesses, or use existing ones from grants and other sources, for a presence at these industry events. DUKE Pharmaceutical's presence would be to promote the brand of DUKE both for employers and for consumers of pharmaceutical products.

DUKE could also try to grow the reputation of DUKE Pharma by attracting write-ups in international industry magazines and other publications. This could include the writing of op-eds by DUKE staff or the communication with publication writers to create content about DUKE Pharmaceutical. This should be relatively easy since DUKE's pharmaceutical industry is likely the biggest pharmaceutical hub in Canada, while this fact is not known in the industry.

Funding

The Government of Canada and the Provincial government have programs to encourage cluster (i.e. sector) development in regions. As such, there are funds and grants that the BIA can apply for:

- Cluster Development Seed Fund and the newly introduced Innovation Superclusters Initiative (ISI)

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- Funding for the initiative should be discussed and gathered, with a view that government funding such as the *Cluster Development Seed Fund*⁶ exist (up to \$100,000 funding as a 1:1 initiative with private businesses)

Once the DUKE Pharmaceutical initiative has been launched and displayed success, a need for greater funding will arise to continue and build upon this success. These funds could be pooled and used to launch larger projects than those outlined here, which require greater resources.

What are the Benefits of a Sector Initiative?

Geographical clusters of sectors have been shown to be fundamental to employment, growth, and innovation. The concept of clusters as integral to economic development and collective regional and national competitiveness was first introduced in 1990 by Michael Porter. Since then, scores of initiatives have been introduced worldwide which have attempted to leverage existing sectors in defined local and regional areas to increase employment and competitiveness. These initiatives are the model for this sector initiative strategy. These are initiatives which have shown that they have numerous benefits for firms (small and large firms), institutions, governments, and employees.

A sector's reputation is often one of the most important benefits that a sector can offer to its target businesses. SMEs (Small and Medium Enterprises) in an area with a strong sector reputation can attract consumers, investors, and workers who would otherwise be unlikely to consider these SMEs. On the consumer side, a smaller firm can use its sector's reputation to gain market share without the costly marketing campaigns that smaller firms can rarely afford, especially in regard to foreign markets. Smaller firms in a sector with a good reputation can also attract workers who would usually consider working for a smaller firm too risky by allowing these workers to take comfort in the fact that other businesses in the sector offer employment opportunities in case the smaller firm closes. Large corporations often use sector clusters and sector reputations to demonstrate corporate responsibility and communicate with policy makers. By showing that they are working with the local community, large corporations can show that they are responsible citizens in the community and country at large. Equally importantly, corporations often use sector initiatives to communicate effectively with policymakers, advocating for greater public investments in industries that benefit not only themselves, but the rest of the sector as well.

Implementation Plan

Stages and Timeline

Above, individual projects of the DUKE Pharma sector initiative were outlined and opportunities for using the considerable resources of the BIA were described. Below, a proposed timeline and stages for the establishment and monitoring of the success of the BIA will be detailed. The planning stages emphasize consultation with the BIA's constituents.

⁶<http://www.occ.ca/programs/cluster-development-seed-fund/>

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Consultation should be undertaken before the initiative is implemented both in order to get ideas from the constituent businesses and to begin building a awareness within the pharmaceutical industry of both the initiative and the cluster itself. More is given on consultation processes below.

Networking/lecture events should be held while a short consultation period is being completed and perhaps in the same venues and events. This will allow the pharmaceutical industry to build connections between its actors and to encourage organic cooperation and knowledge sharing. It will also create awareness in the pharmaceutical industry of the size and importance of the sector within firms themselves. More information is given on the proposed networking events below.

Implementation of the initiative itself will consist mostly of concomitant programs. Specifically, the branding strategy should begin as soon as possible, communicating the existence and importance of DUKE's pharmaceutical industry to both stakeholders and consumers. The other programs largely require close cooperation with institutional partners, especially those in York University. Below is a Gantt chart outlining a proposed plan of the timelines of these projects and how they should work together in view of the general initiative.

Consultation

Before the initiative is officially launched, the BIA will conduct a series of interviews and tests regarding the state of the sector in the area and, especially, the perceived needs of the firms in the sector, to ensure that the initiative's objectives are in line with the needs of the firms in question. This would entail the creation of an advisory group for the sector. This group would provide feedback and guidance for the sector initiative and assure that both participation and effectiveness of the initiative is maximized.

The BIA already has experience with the creation of these advisory groups and has created a Food sector advisory group. This group can provide the model for the Pharma advisory group and the lessons learned from that effort can be transferred to the Pharma effort.

This consultation process should take care to communicate the importance and goals of the sector initiative to the members of the sector to maximize participation and cooperation. The initiative should determine and make clear its overall objectives and vision: *growth* and *investment* are objectives connected with growth, and *export promotion* and *innovation and R&D* are connected to increased competitiveness⁷, and so these objectives should be a part of the initiative's objectives and should be communicated with initiative participants and in the branding effort.

Networking

In addition, a series of networking events should be held, to create/strengthen connections between the players in the sector and create awareness of the existence and strength of the pharmaceutical sector in the area. These networking events should be ongoing (i.e. past the research stage) and as frequent as demand allows, since networking and the facilitation of the sharing of information ("knowledge spillover") is a crucial part of a successful sector strategy according to the available statistical data.

⁷ The Cluster Initiative Greenbook 2.0, 2013:

<http://www.czechinvest.org/data/files/the-cluster-initiative-greenbook-3916-cz.pdf>

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Lectures and talks by industry figures and professors of management/business (here, Schulich can be approached) can be used as a draw to attract individuals in the pharmaceutical industry to attend. The BIA already has similar networking/lecture events called DUKE Talks, which can be used and expanded to include a Talk for the pharmaceutical industry.

Efforts should be made to invite relevant research and education institutions to these networking events, to create connections with a view to further collaboration – some of these were expanded upon in the institutional collaboration strategy section, but further research into feasibility and interest is needed. Especially invested or interested businesses should be identified for possible inclusion into a sector initiative advisory committee, as recommended in the 2016 IBI Group report.⁸

Evaluation

Evaluations of the cluster's success should be planned to be undertaken yearly; these include quantitative methods such as job growth in the sector, revenue growth for the sector as a whole, and number of new businesses opened in the sector, and qualitative methods such as satisfaction of a sample of firms in the sector and their perception of the success of the initiative. The purpose of evaluation is to assure that the sector initiative is sensitive to the unforeseen realities and changes on the ground and to the desires and needs of the members as the initiative proceeds.

On the quantitative side, the BIA can use the business database to which it is already subscribed to track the expansion of employment, number of firms, and revenue. The D&B Hoovers database is a sales based database which is regularly updated that includes information on number of employees, revenues, and NAICS data. This information can be used, with appropriate statistical methods to assure quality of data and the inferences that derive from them, to determine the success of the sector initiative.

Qualitative evaluation techniques should also be used to determine the views of the sector businesses on the initiative, especially where they feel the initiative is most effective and/or needed. In this way, the BIA can determine where to pay more attention and how to achieve greatest success and value for its businesses.⁹

⁸ IBI Group. DUKE Heights Economic Development Study, 2016
<http://www.dukeheights.ca/wp-content/uploads/DUKE-Heights-Economic-Development-Study-and-Executive-Summary-FINAL-2016....pdf>

⁹ IBI Group. DUKE Heights Economic Development Study, 2016
<http://www.dukeheights.ca/wp-content/uploads/DUKE-Heights-Economic-Development-Study-and-Executive-Summary-FINAL-2016....pdf>