

MASTER THESIS

WHY DO CREATIVE COMPANIES LOCATE IN CREATIVE CLUSTERS IN CHINA?

- A CASE OF 751 D PARK IN BEIJING



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The picture on the cover is 751 D Park in winter.

Source: provided by 751

ABSTRACT

Creative clusters have been drawing the attention of academia. The prevalence of creative clusters is closely linked to creative companies' willingness to locate in clusters. Researchers have been exploring the reasons behind from the perspective of locational factors. However, the debate between hard and soft factors has been going on. This paper attempts to reveal why creative companies locate in creative clusters in China, with the empirical case of 751 D Park from Beijing. By identifying four categories of locational factors as conventional, clustering, lifestyle and old industrial building factor, this factor framework is justified with tenant companies in 751 D Park. Also, the construction and management of this cluster is studied, to understand the background and the way they keep the appealing of the cluster. The results show that 751 work on both hard and soft factors to maintain the attractiveness, and on the tenants' side, four groups of factors are important drivers of locating in creative clusters to various extent. Clustering factors are still the most important attractions of creative clusters to creative companies, and old industrial building factor is of increasing importance.

Keywords:

Creative cluster, locational factor, old industrial buildings, China

Personal Motivation & Acknowledgment

My personal motivation of this research comes from the three aspects. Firstly, I am deeply connected to 751 D Park throughout my intern and work. So I am curious to gain more insights from different perspectives while it is growing. Secondly, I am passionate about the combination of business with arts and culture. In a way exploring the process of how creative companies analyze and choose a satisfactory location falls into a strategic decision of an enterprise. Lastly, creative clusters have become a heated practice around the globe, and China is one of the most dynamic contexts among them. In Beijing alone, there are 30 creative clusters recognized by the municipality, and many others grassroots artistic districts not well-known yet. Studying the recent topics is also fascinating to me.

Looking back on the master thesis journey, I am grateful for the support and help from generous, encouraging and intelligent individuals. Hereby I would like to thank Dr. Mariangela Lavanga for her consistently inspiring and motivating throughout the period. Also, I want to express my sincere gratitude towards my classmates and friends, who have always been supportive in my overseas study and living. Lastly, I desire to thank all the interviewees involved for their generous help in my research.

LIST OF ABBREVIATIONS & TERMS

751: Creative Office in Zhengdong Group
751 D Park: The creative cluster in Beijing
751 DPCD: 751 D Park Culture Development Ltd.
BIFT: Beijing Institute of Fashion and Technology
CAFA: China Academy of Fine Arts
CBD: Central Business District
CFDA: China Fashion Designer Association

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CHAPTER 1 INTRODUCTION

1.1 Creative clusters

Cultural and creative industries have been attracting the attention of academia in the recent years (Howkins, 2001; Florida, 2002). Not only developed countries but also more developing countries are making great efforts to foster these industries, which paves the foundation for academic research. Back in the beginning of 20th century, Marshall (1920) came up with the concept of industrial clusters, asserting that specialized firms can benefit from agglomeration and geographic proximity, in order to generate productivity and share knowledge and facilities. Then the concept of “creative industry clusters” was borrowed from “industrial clusters”, suggesting that the benefits of industrial clusters apply to creative clusters as well, and that cluster of creative organizations is likely to stimulate co-learning and collaboration (Scott, 2000).

Cultural or creative districts are a worldwide phenomenon (Santagata, 2011), despite they are established and managed in different ways and on various basis. There are mainly two approaches to develop creative clusters as top-down and bottom-up (Hitters & Richards, 2002; O’Connor & Gu, 2011; Zhao & Qi, 2012). While top-down refers to the policy makers from the city government play an important role by intervening in the formation and management of creative clusters whereas the latter is initiated by artists and creative talents and then gather geographically (Hitters & Richards, 2002).

Since the 1990s, the policy makers started to show interests in creating creative cities, whether to re-brand or re-develop urban areas into cultural districts, or create cultural or creative clusters (Scott, 2008), and urban regeneration and creative cluster have been combined, because creative clusters can boost economic outputs, and foster a wider ‘ecosystem’ or ‘creative milieu’ (O’Connor & Gu, 2011).

Derelict factories and warehouses, also known as brownfield sites, are favored by artists and policy makers as the potential places for cultural district or creative clusters in urban regeneration projects (see e.g. Healey et al. 1992; Marshall, 2001; Adams and Watkins, 2002, as cited in Andres and Gresillon, 2011). Still, the brownfield sites or old buildings are attractive not only to creative cluster organizers, but also creative class or creative organizations because of the low price and unique spaces (Trip and Romein, 2010; Hutton, 2006). Usually the property are owned or managed by for-profit companies in the pursuit of rent revenues, such as the case of Pink Lane and Ouseburn Warehouse in the UK. In that case, the creative cluster organizer is acting as the owner and developer of real estate. But, they do not contribute to the knowledge spillovers and creative innovation among tenant companies. As a result, property-led clusters can be criticized as a kind of unsuccessful clusters, because it is defined as a

certain geographic area of premises housing a certain proportion of creative industry business, usually through property lease (Zheng and Chan, 2013).

From the perspective of creative companies, some of them choose to locate in a creative cluster rather than a non-cluster. This to some extent, also supports the development of creative clusters around the world. However, the attractiveness of locating in creative clusters is complex. The research problem still remains, why are creative clusters attractive to creative companies? Or on the creative companies' side, why do they locate in creative clusters? In the western academia, the location decisions of creative companies have been studied extensively. However, whether soft factors outweigh hard factors in influencing the location decision of creative companies is still debatable.

As opposed to western countries, China is experiencing a rapid development in constructing creative clusters. More than one hundred new creative clusters emerge each year, and thousands of creative companies choose to locate in those creative clusters. Despite on the governments' side, cultural policy has been carried out to support creative cluster establishment, on a company level, creative companies are willing to move into creative clusters. The rationale and motivations behind the creative companies' behaviors of locating in creative clusters have never be researched into. Therefore it is time to combine the western research outcome with the context of China, in order to explain the location behavior of creative companies in creative clusters.

1.2 Research objectives and question

The focus of this research is the locational factors, which are making an impact on creative companies to locate in a creative cluster in China. According to my knowledge, very few empirical studies of location factors have been done on the perspectives of tenant companies in creative clusters of China. The studies carried out include: Keane (2009) researches the development of creative clusters in China, Zhao and Qi (2012) studies the condition, problems of creative cluster construction in the Beijing City, whereas Zheng and Chan (2013) focused on creative clusters in Shanghai from the point of network, and they turned to the impact studies of creative clusters in Shanghai (Zheng & Chan, 2014).

Meanwhile, the locational factors of creative companies have been studied for decades in western countries, and the development of creative clusters is more advanced. However, the term creative clusters was firstly adopted ten years ago in China, and the environment of creative clusters is more dynamic and changing. With the mature outcome of western countries, it is of help to understand the development and trend that China is going through. On the other hand, the study of China is likely to bring in more new insights to the western countries due to the fast changing environment and policies.

Therefore this research aims to fill in the empirical research gap particularly in the context of China, and to find out which factors are influencing creative organizations of China when they are making decisions to locate in a creative cluster. Thus the research question is formulated:

Why do creative companies locate in a creative cluster in China?

In order to answer the research question, a case of 751 D Park in Beijing is introduced in this research. 751 D Park is one of the 30 creative clusters in Beijing acknowledged and supported by the municipal government, and is one typical creative cluster built upon based on the old industrial factories. This study tries to go back to the locating decision of tenant companies in 751 D Park, among the factors discovered, which are more important aspects they were considering and whether 751 D Park provided the characteristics they were looking for.

Meanwhile, this study attempts to review the western literature on locational factors, which will be contextualized in 751 D Park. The factors are identified in the literature or previous studies, thus in this research, they will be contextualized in the case of 751 D Park.

1.3 Scientific, Societal, disseminating and policy relevance

This study attempts to bridge the empirical gap in the research of locational factors that influence the decision of creative companies in terms of Chinese context. To start with, it encourages the academic exchange in this field from China and overseas, by introducing a Chinese case into Western academia as well as arousing Chinese scholars' awareness of taking use of western academic outcomes. Next to that, the understanding of rapid-developing cultural and creative industry and clusters in China, will bring in new perspectives and findings beneficial to the existing literature, which is done either in developed countries or developing regions as of China. Last but not the least, it is of help to serve as a basis for future research of city or national comparison or generalization of contexts in China and beyond.

When it comes to practical and disseminating level, at least three groups can be beneficiaries of this research. First is creative companies. On the one hand, tenant companies involved in the study can rethink and retrospect the decisions of choosing locations they have made, thus exploit the advantages that current locations can provide and those they can enjoy. Other creative companies can learn from the framework of locational factors for creative organizations, since the location decision is not as simple as business firms focusing on cost-benefit analysis. Then findings about tenant companies in 751 D Park provides a direct feedback on locating inside a creative cluster, and qualitative interview data is likely to inspire them when linking to their own choices.

Second group is cluster organizers or managers. The managers of 751 (*in order to distinguish, hereinafter 751 D Park refers to the creative cluster and 751 sites or factory the location, whereas 751 refers to creative office which is in charge of cluster construction*) can take use of the factors from existing articles, and apply them into the case of 751 D Park. This process emphasizes on the benefits 751 can offer for tenant companies and potential creative organizations, which enhances their understanding of internal strength and weakness, so that they can selectively work on specific factors to maintain the attractiveness of 751 D Park. Moreover, management of other creative clusters in China and abroad can learn from the experience of 751 D Park construction, thus to take advantage of own strengths and maintain the appealing in their specific cases.

Lastly, the findings tend to serve policy implications on governmental levels. The governments in China can learn from the feedback of what creative companies are asking for during location decisions, so that supportive policies to be carried out in the future will be more effective to boost the development of creative and cultural industry as well as creative clusters. As Zheng and Chan (2014) argued, creative cluster policies in Shanghai are extensions of existing urban policies, and the government implicitly urges to increase the number of creative clusters regardless of the quality. This study showcases one of the outcomes under such policy directions. However, Chinese governments need to incorporate the practices of creative cluster organizers and tenant companies in the policy making, so as to generate effective and efficient policies. Foreign government also should reconsider their policy interventions in the development of creative clusters and creative economy.

1.4 Overview of creative clusters in Beijing and China

China is attempting to promote the development of cultural creative industry in the past decade with great efforts and investment, and a number of creative industry clusters have been established in big cities including most provincial cities. According to World Cultural & Creative Industrial Cluster Distribution Map 2013-2014, released by China Cultural & Creative Industry Web in November, 2013, there are 2,181 creative clusters worldwide, while 1,127 clusters are functioning in China alone. Apart from over one thousand clusters are operating, around 2,000 are under construction and will be ready to use soon in China¹. On the other hand, the investment of building creative clusters in China is soaring, in 2014, the total investment of each cluster has reached to 400 million yuan (around 56 million euro) till 11 billion yuan (around 1.5 billion euro) as in the case of Guang'an Creative Industrial Cluster in Sichuan Province².

¹ (2014, February 22), 《文化创意产业园区评价标准体系》解读 (Translated in English as Interpretation on "Cultural and Creative Industry Park System Evaluation System") retrieved on 2015, April 20, from <http://www.chncomic.cc/info/201402/36585.html>

² (2014, March 21), 四川广安文化创意产业园区举行签约仪式 项目总投资110亿 (Translated in English as "Guang'an cultural and creative industrial park held a signing ceremony, the project total investment of 110 billion yuan")

According to Keane (2009), there are three obvious stages concerning creative cluster phenomenon in China. First period was sudden outbreaks of specialist agglomerations, such as in industrial design, antiques, jewelry, painting etc., that only skilled workers in the same field gathered. The second phase was “the evolution of artist zones and cultural districts” (Keane, 2009, p.227), essentially organic developments combining strong tourist pull with consumer services. Whereas the third stage is “related variety” model as Keane (2009) put, that creative clusters are a mix of small enterprises from design, media production, fashion etc, on the basis of specialist agglomeration as in the first phase. The criticism has never ceased, that creative clusters in China has become a tool of combining art and tourism, commercialized by recreational add-ons - bars, restaurants, massage, book and souvenir shops, not on a pursuit of clustering effects among creative organizations.

Beijing and Shanghai are two outstanding examples with numerous clusters formulated. Some are built by artists as they need space to create but cannot afford urban area, so bottom-up clusters are mainly in suburb areas. For instance, there are 20 or so artistic districts in Beijing alone initiated by artists, the well-known 798 included (Shao, 2014)³. However, these grass-root creative clusters are not under protection or stability, as there are no identified organizer and clear ownership of the real estate. As a result, most clusters were in danger of demolition around 2009 and 2010 as the real estate developers evicted the artists violently, and artists united to protest and ask for their rights known as “warm winter project”. The demolition of art district was a complex contradictory, involved with several parties as regional government, peasants collective as the land owner, artists, and real estate developers.

Yet, on the other way around, the municipal government started to release relevant regulations and policies to identify and administrate creative clusters since 2006, which is more like top-down approach rather than grass-root clusters. Until 2010, altogether 30 creative clusters were identified by Beijing Municipality⁴. Not surprisingly, except that 798 Art District was included in the list in 2006, the rest of bottom-up clusters are not.

1.5 Brief introduction of 751 D Park

751 factory, owned by Zhengdong Group, used to be one of the three coal gas producers in Beijing. Its foundation was one of the major projects during the First 5-year Period (1953-1957), and the construction was assisted by German Democratic Republic. The total area of 751 factory adds up to 220, 000 square meters, full of industrial facilities like plants, water towers etc. And it is next to 798 factory (See FIGURE 2), which grew into famous 798 Art District since 2002.

billion”), retrieved on 2015, April 20, from <http://www.chncomic.cc/info/201403/37909.html>

³ Shao, L. (2014). “Warm winter” in a bitter winter. The Ohio State University

⁴ Retrieved on 2015, February 15, from <http://www.bjpc.gov.cn/>, the official website of Beijing Municipal Commission of Development and Reform

751 D Park is located in the northeast of Beijing, between the city center (The Forbidden City) and Beijing International Airport (See FIGURE 1). It benefits from the convenient facilities in Wangjing District, and Wangjing Business Circle and Central Business District (CBD) are within reach by half an hour. Moreover, China Academy of Fine Arts (CAFA) and Beijing Institute of Fashion and Technology (BIFT), both of which are top arts academies of China specializing in Arts and Fashion Design respectively, are situated within the same region and easy-accessible.

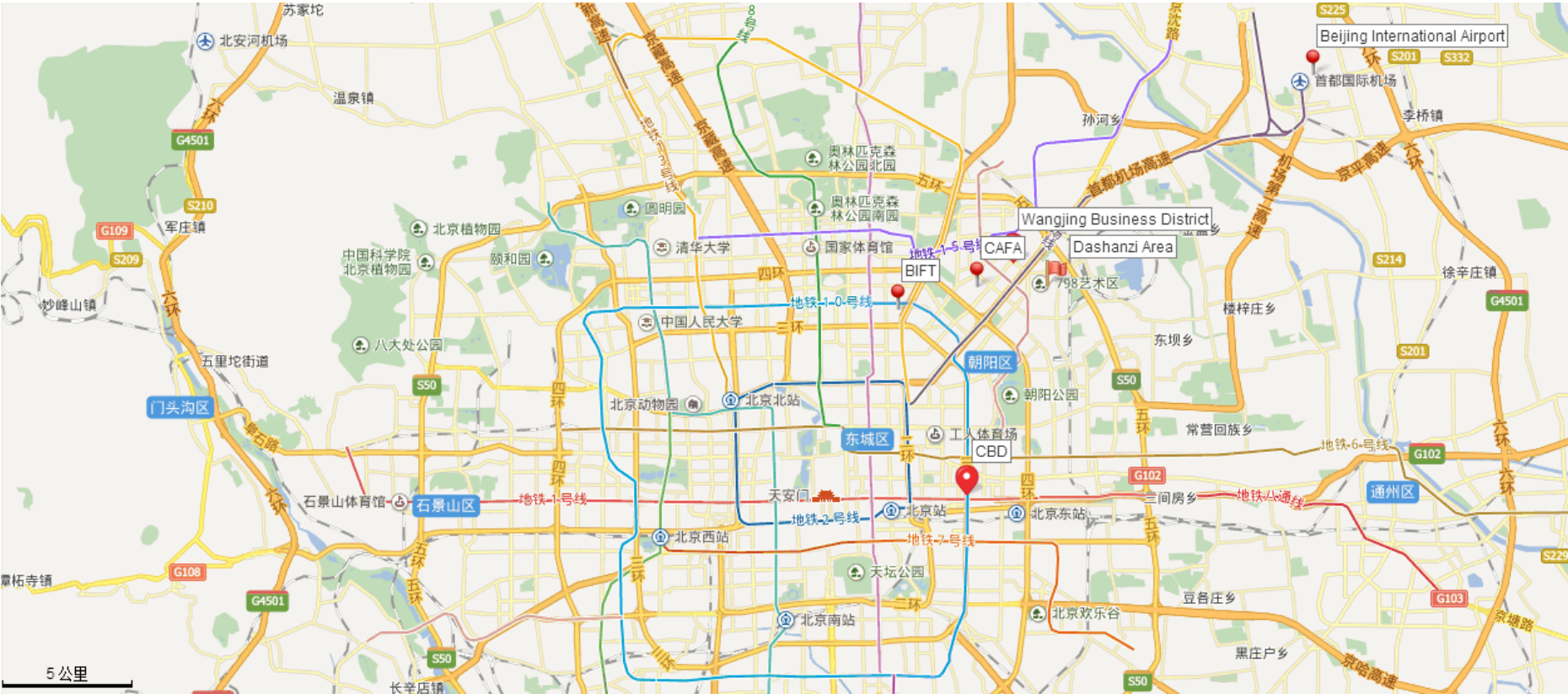
In 2003, as Beijing Municipality Government decided to reconstruct the industries, 751 factory was shut down and stopped to produce coal gas. However, the government determined to develop cultural and creative industry with great investment by the end of 2006, and 751 factory, together with Beijing Industrial Promotion Bureau and China Fashion Association, started to create 751 D Park as a creative cluster on the existing old factory. The themes they target on are Fashion, Design and Technology, and began to accommodate more creative organizations within the three fields. According to 751 D Park's official website⁵, there are over 40 companies or organization located there.

In order to improve the management of the factories and sites, Creative Office was formed to take charge of any issue related to cultural and creative industry (different from its previous energy industry). Later 751 Dibaiké Cultural Communication limited was established, to take care of commercial services and activities within 751 D Park.

751 D Park gradually gains reputation and fame inside and outside cultural and creative industry, and draws the attention of Beijing Government consistently. International corporate such as Audi and Hewitt Parkard chose to locate their research center in 751 D Park, and it also gathers the studios of top Chinese designers. Apart from that, commercial companies prefer to organize events such as product launch and press release there, even film directors like to shoot some scenes with industrial facilities as backgrounds. In 2014, when APEC was being held in Beijing, 751 D Park was involved in the visiting schedule of APEC International Youth Delegation.

⁵ <http://www.751info.org/>

FIGURE 1: Map of The Beijing City



Source: Map.baidu.com
BIFT: Beijing Institute of Fashion and Technology
CAFA: China Academy of Fine Arts
Dashanzi Area: the area where 798 Art District and 751 D Park are both located

FIGURE 2: Map of Dashanzi Area



Source: Map.baidu.com

1.6 Structure of thesis

The thesis is composed of five main parts. First of all, Chapter 1 introduces the research problem in academic study and research question for this paper. Moreover, the relevance of this research is explicated in terms of science, dissemination and policy, followed by brief introductions of the contexts of creative clusters in China and the case of 751 D Park in Beijing.

Besides this Introduction part, Chapter 2 explores a theoretical framework of locational factors for creative organizations. The review of literature covers theoretical papers and empirical researches. The concepts of location theory, clustering theory, quality of place and old industrial buildings are discussed. As a result, four categories of factors as conventional factor, clustering factor, lifestyle factor and old industrial building factor were come up with. The concepts of hard factor and soft factors are also included.

Chapter 3 explains how this research is carried out, the way of sample selection, data collection and data analysis, followed by a discussion of limitation and problems in this study. Meanwhile, locational factors are finalized in this chapter, based on the context of 751 D Park.

The next chapter, Results, presents the outcome of data analysis. This part is divided into 2 parts. The first part discusses the construction and management of 751 D Park, based on the qualitative data from 751 staff. The second part presents an in-depth explanations of why tenant companies choose locate in creative cluster of 751 D Park, on the basis of interviews with tenant companies.

The last chapter, conclusion and discussion, aims to answer the research questions while offering a wider discussion in the theory or empirical studies on this topic. At the end of the paper, appendices provide more additional documents including interview questions and guidelines and transcripts etc.

CHAPTER 2 THEORETICAL FRAMEWORK

Introduction

The theoretical framework explores what has been researched about this topic. In a way this chapter shows how this study is connected to already existing literature, thus acts as the starting point of this research. Theories on locational factors influencing business companies have been generated and updated throughout the time. However, concerning creative and cultural organizations, this topic is still being explored.

This exploration of literature is organized in five parts. To begin with, classical location theory is reviewed, mainly from the research of location decisions of business and commercial companies. The next part turns to the clustering theory, which originated from industrial cluster studies. Assuming that creative clusters benefit from agglomeration the same as industrial clusters, the second part provides additional clustering factors in terms of economic and non-economic externalities. Moreover, Florida (2002, 2005)'s research on quality of place is discussed, as this explains the attractiveness of a certain place as to creative class. Furthermore, the factors of old industrial buildings are reviewed, as more creative clusters are built upon existing old industrial buildings. In the last part, the concepts of hard and soft factors are introduced in, to classify the previous four categories of locational factors. In the chapter conclusion, a primary framework of locational factors is drawn, which is used in this research, and this framework will be further adjusted in the case of 751 D Park in Methodology Chapter.

2.1 Classical and Modern Location Theory

Location theory explores the reasons behind the question of who produce what kind of goods or services in which locations. Whether in a macro or a micro sense, researchers have been making efforts to figure out the factors that play important roles when considering locating or re-locating a business or organization. This chapter aims to trace back how geography is included into economics by adopting geographical factors in the decision making of locations. There emerged two different approaches as the theory developed along with the economic development.

2.1.1 Classical Location Theory

Economists tried to explain the economic behavior with scientific laws by the end of 19th century, and the expansion of global exchange and factory plants aroused their interest in the economic rationale behind location choices. Adam Smith (1776) discussed the influences transportation costs, distance, raw materials, etc. imposed on industrial locations in *The Wealth of Nations*. Later around 1900-1902, Launhardt put price and transportation cost on priority in his market area and location triangle nodes (Pinto, 1977).

Johann Heinrich, von Thünen and Alfred Weber, at the beginning of 20th century firstly researched from the perspective of production instead of demand, and used the least-cost analysis (Carrier & Schriver, 1968). Under the consumption that individual organizations function in free competition conditions, companies sought to obtain the necessities for industrial production such as raw materials, labors, market while reaching the minimum of production cost. Economists attempted to come up with a useful model so that companies can achieve higher productivity through making a correct location decision. Other factors directly diminishing costs or prices of products such as building grants, rent subsidies, reduced land prices, interest rate reductions, export subsidies etc. also influence the location decisions (Dzembowska-Kowalska & Funck, 2000).

Meanwhile, the complementary approach of cost minimization is sales maximization, also known as “market-oriented” approach. Assuming the market is facing monopolistic competition, where the cost of getting raw materials is identical or fixed, then the variables relevant to the profits are the distance between suppliers and consumers. On the assumption that consumers are dispersed, therefore the primary factor influencing the location decision is the distance with buyers, namely the market (Carrier & Schriver, 1968). Therefore the proximity to market is likely for companies to achieve sales maximization. Furthermore, Hotelling (1929) asserted that companies should be located in the same area as their competitors, in order to cover the largest possible market area (d'Aspremont & Gabszewicz, 1979), which in turn supported the advantage of being close to market.

2.1.2 Modern or Behavioral Location Theory

Neo-classical economists paid attention to economic aspects of location decision making, but Cunningham (1902) came to realize that economic location factors such as materials and natural circumstances are not the only considerations if the companies wish to gain advantages in terms of productivity or cost. As a result, this newly formed modern or behavioral relocation theories challenged classical location theories in terms of the following points: first of all, classical theorists neglected the impact different locations can have on each other; transportation costs are too much stressed in the location factors; dynamics are overlooked in the economic rationale framework; it is not true in reality that individuals are rational, well-informed economic men when making decisions (McCann, 2002).

Simon (1955) argued that people are only bounded rational when making decisions concerning locations. It is unlikely that people can be absolutely rational and get full symmetrical information beforehand. As a consequence, they can only make choices with limited information they can gather and process, and with bounded rationality. The result might not be optimal, but the best possible one. This also indicates that non-economic man tend to think about factors other than economic ones.

Different from economic location factors, non-economic location factors cannot be directly evaluated in terms of costs or revenues. These factors are perceived and experienced in an emotional way, which are based on concepts like spatial cognition, mental maps and regional images (van Noort & Reijmer, 1999). Even though non-economic factors such as personal relations, living milieu, and amenities are not directly connected with cost or revenue, they still have an impact on economic performance of an organization.

2.2 Clustering Theory

Besides the rationale of economic factors, organizations started to reconsider the location decision. On an individual level, an organization can gain advantages following conventional economic factors. However, organizational growth is not dependent on itself alone, but the proximity to other organizations from similar industry is beneficial as well. The agglomeration and clustering of organizations can contribute to the organizational development, and these factors also have a positive impact on cost minimization and revenue maximization. In exploring why organizations cluster or agglomerate, clustering theory provides the appealing of locating in a cluster.

The first part presents the various definitions of clusters by different scholars, and the following parts discuss the externalities of locating in a cluster both economically and non-economically. These externalities can be seen as attractive factors of clustering that encourage organizations to locate in clusters.

2.2.1 Clustering of Organizations

The topic of clusters has been discussed and studied since Marshall (1890) discovered the advantages generated by locating businesses in the same geographical areas in industrial districts. Marshall emphasized on firm agglomeration and particularly in manufacturing, whereas the concept extended to other fields no matter in practice or academic research. Successful example of clusters are Hollywood in film industry and Silicon Valley in information technology.

Krugman (1991) asserted clusters are not seen as fixed flows of goods and services, but rather as dynamic arrangement based on knowledge creation, increasing returns and innovation in a broad sense (Boja, 2011). Baptista and Swann (1998) defined a geographical cluster as a strong collection of related companies located in a small geographical area, sometimes centered on a strong part of a country's science base. Porter (2000, p.16) developed the definition of clusters as “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities.”

2.2.2 Economic Externalities

Many scholars have addressed the economic advantages that firms can enjoy when they are active in a cluster. These arise from a more economic point of view and are in that sense connected to the conventional location factors that were discussed in 2.1 part.

Marshall (1890) discovered that geographical proximity of companies could share asset, specific goods services by specialized suppliers and local labor market pool, as

known as “Industrial District-argument”(Panne, 2004). Also, the enterprises in a cluster tend to benefit from knowledge spillovers and labor market pool within the agglomeration by working on similar business (Griliches, 1979, as cited in Panne, 2004). However, Jacobs (1969) developed this theory and asserted that knowledge would spill over not limited to similar industries, but extended to complementary fields, as the knowledge from one industry could be applicable in others. In this sense, the cluster is put in the wider context rather than specialization externalities, thus arising urbanization or ‘diversification’ externalities (Panne, 2004).

These distinctions are also illustrated in Lorenzen and Frederiksen (2008), by categorizing clusters into two kinds. One is formed in non-urban regions including suburbs or small towns, which mainly relate to localization economy. Externalities of these clusters result from specialization, so the knowledge spillovers are within similar or related industries. While the other is formed in urban areas and contributes to urbanization economy in a wider range of activities and industries. Unlike the former kind concentrating on specialization, clusters in urbanization economies focus on diversity of industries. The knowledge spills over among different and unrelated industries, and is also beneficial to start-up companies. More features of two different cluster kinds can be found in Table 1:

TABLE 1:
Cluster Externalities in Localization Economies & Urbanization Economies

| | LOCALIZATION ECONOMIES | URBANIZATION ECONOMIES |
|-----------------------|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Externalities from specialization | Externalities from diversity |
| Static externalities | Coordination between related knowledge bases (flexible specialization) -Product flexibility and variety | Coordination between unrelated knowledge bases (temporary collaborations) -Product novelty |
| Dynamic externalities | Spillovers between related knowledge bases -Incremental innovation | Spillovers between unrelated knowledge bases -Radical innovation |
| Other externalities | Competition -Efficiency | Venture capital flows between industries -Start-ups and expansions Vacant facilities abandoned by other industries -Start-up and expansions |

Source: Abstracted from Lorenzen and Frederiksen, 2008

2.2.3 Non-economic Externalities

The above part discussed economic externalities that clusters have directly on monetary performances including costs and revenues, and in this part, non-economic externalities will be reviewed. Externalities of this kind does not influence the production costs and revenues directly, but still contribute to the success of a company.

Clustering of creative organizations seeks for more than economic benefits, the spillover of information and knowledge within the industry, as Griliches (1979) argues, is beneficial as well. Lorenzen and Frederiksen (2008) state that the knowledge spillover is not limited in a specific industry, but extend to similar and even unrelated industries. When broad and diverse clusters are concerned, companies have more advantage in cross industry learning effects, which contributes to innovation and economic growth of an organization (Scott, 2000).

While working in a cluster, the advantage of personal, face to face interaction is also taken into consideration (Florida, 2002). Landry (2000) also touched on the positive impact of face to face contact on interaction, networking and trading. According to Scott (2006), well-functioning relationship are highly important for cluster producers, in terms of transactional interdependencies. He labels such socio-economic behavior as vital in today's economy –even in spite of well developed virtual communication possibilities. Landry (2000) states that the network economy shows the reverse logic of the industrial economy: value lies not in scarcity, but in abundance and relationship.

Giddens (1994) found “active trust” increasingly important with the emergence of new social relations (Banks et al., 2000), and according to Banks et al. (2000), cultural organizations are vulnerable when it comes to exploitation because their products share symbolic and ephemeral values and thus difficult to safeguard through formal procedures and product protections, which also gives rise to the significance of networks based on active trust.

2.3 Quality of Place

On the contrary of manufacturing factories in industrial economy, creative organizations are confronted with a new era of creative economy (Florida, 2002). With the rising of creative class, creative talents as well as organizations are seeking for places that differentiate themselves. This part explores lifestyle factors from the perspective of quality of place, which helps to explain the attractiveness of a certain place to creative organizations, and eventually determine the organizational location decisions.

2.3.1 Location decisions of the creative class

Florida (2002) came up with the concept of “creative class”, which included different fields of work or economic activity together. The distinction of the creative class is that it is the sum of occupations that require the input of creativity. Within the creative class, Florida (2002) divides into two groups: super-creative core and creative professionals. The super-creative core covers occupations in arts, design, entertainment, computers and mathematics, architecture and engineering etc., whereas creative professionals include occupations in management, business and financial operations, legal practices and so forth.

Florida (2002, 2005) claimed that cultural organizations are looking for community and lifestyle externalities. The benefits can be subjective and hard to measure, but creative organizations prefer to locate in clusters as a local creative community for a creative lifestyle. Working in such a community provides the creative class with a cultural identity and atmosphere, which also becomes an important factor when they make decision about locating or relocating in a cluster (Hitters & Richards, 2002).

Based on interviews and focus groups, Florida (2002, 2005) gradually concluded some features of creative centers, posing attractive power on the location decisions of the creative class, different from other class or business organizations. This is of help to understand the preference of creative centers, which later can be applied into creative clusters as creative centers. Florida (2005, pp. 35) found out that:

- “The creative class moves away from traditional corporate communities, which are becoming more working class centers. They move to places ‘creative centers’;
- Creative centers show to have a high concentration of creative class people, additionally they display a high concentration of economic outcomes like innovations and high-technology industry growth;
- The creative centers are successful -not because of natural resources or infrastructural situations, but due to the fact that people want to live there; firms follow the people, or new firms are started by the people. Creative centers provide an integrated social system –a creative habitat, where various

forms of creativity can take root and flourish: artistic, cultural, technological, and economic creativity;

2.3.2 Quality of place

Florida (2002, p.231) defined “Quality of Place” as “unique set of characteristics that define a place and make it attractive”, also three dimensions as What’s there, Who’s there and What’s going on compose of the measurement of quality of place. The three dimensions can be described as following (Florida, 2002, p. 232):

‘-What’s there: the combination of the built environment and the natural environment; a proper setting for pursuit of creative lives.

- Who’s there: the diverse kind of people, interacting and providing cues that anyone can plug into and make a life in that community.

- What’s going on: the vibrancy of street life, café culture, arts, music and people engaging in outdoor activities – altogether a lot of active, exiting, creative endeavours.’

Characteristics concerning the previous three dimensions entails the construction of a quality place for the creative class. Namely, creative class and organizations are looking for specific places that differentiate themselves and provides a diversified lifestyle. With the his interviews and focus groups, Florida (2005, pp. 83, pp. 226) identifies:

- “People of different ethnic groups and races; of different ages; with a different sexual orientation; with so called alternative appearances (for example piercings and tattoos).
- Large number of visibly active young people;
- Easy access to a wide range of outdoor activities;
- A vibrant music and performance scene with a wide range of live music opportunities;
- A wide range of night-life experiences, including many options without alcohol (bars, high quality though casual restaurants);
- visible street-level culture;
- A clean, healthy environment and commitment to preserving natural resources for enjoyment and recreation;
- A lifestyle that is youth-friendly and supportive of diversity.”

This part briefly introduces Florida’s concept of the creative class and quality of place. Therefore lifestyle factors can be extracted from quality of place, and be used in creative center or cluster studies. These factors are distinct from the conventional factors and clustering factors, but are particularly appealing to creative individuals

and creative organizations. Quality of place makes it possible for creative class to differentiate themselves in identity and provides the creative atmosphere they need to live, work and leisure.

2.4 Old industrial building factors

This section concentrates on factors related to old industrial buildings. Apart from conventional factors, clustering factors and lifestyle factors, the attractiveness of old buildings is drawing attention of creative organizations as well. So old industrial building factors are considered as an independent set of factors in this research.

Old industrial buildings have become more attractive for creative organizations and creative clusters. This is partially due to the price of accommodation or rent is appealing (Trip and Romein, 2010), in the sense that it provides the chance of flexibility and space expansion, as Champion (2010) sees important for high-risk, undercapitalized industries. Also, it is cheaper to reconstruct or adaptively rebuild industrial space (Ball, 1999; Kohler and Yang, 2007), whereas reconstructing is costly and hard to rebuild or redecorate within post-industrial standardized narrow space.

Except for the direct monetary considerations, the structure of old industrial buildings, for instance “physical configuration, durability and embedded construction qualities” (Hutton, 2006, p. 1834), stands out as an attractiveness to creative companies. Hutton in his research, viewed the attraction was out of materials used, and can be explained as external building scale and style, and internal building configuration. These added to the existing literature by articulating visible characteristics of old buildings that creative industry attaches importance to when making decisions of locating or relocating.

The other focus in Hutton’s study is “amenity, aesthetics, identity and freedom” of old buildings (Hutton, 2006). Precisely speaking, the distinctiveness and authenticity play a pivotal part in the decision making of locating. Moreover, the industrial architecture itself is a typical aspect and represents certain identity, which is congruent with the individuality that creative talents would like to express. When it comes to freedom, Hutton asserted that creative workers are able to adapt the space to their own functional and aesthetic needs, which is less possible to achieve in modern standardized space. The adaptability of buildings is further supplemented by Montgomery (2003) in three aspects: whether is it suitable for cultural production/consumption, furnished with different room sizes and easily adjustable spaces, and diverse types of rooms and floor configuration.

Furthermore, old buildings carry historical and heritage values compared with newly-built ones. Feilden (1994) claimed that the past and memories as well as other values were deeply attached to old buildings, and this acts as an appeal for creative organizations. While researching into the industrial loft buildings accommodating artists in New York, Zukin (1995) found out that people in creative industry like to work in historic environments with exposed brick wall, high ceilings, and tall iron frame windows. Thus, workers felt connected to their historical meanings, according to Heebels and van Aalst (2010).

2.5 Location Factors for Creative Organizations

2.5.1 Four Categories of Location Factors

The above parts introduced four categories of location factors that are important when creative organizations are deciding to locate. Also, they contribute to the location attractiveness to cultural and creative organizations, as: a) location attractiveness according to economic rationality, b) location attractiveness according to clustering externalities, c) location attractiveness according to quality of place, and d) location attractiveness according to old industrial building characteristics.

The first category is viewed as conventional factor, responding to the location theory. It is applicable to location issues of all organizations, within the economic rationale framework. The decision maker should consider all economic elements relevant to production costs and revenues, thus choose the best rational location. These factors are often recognized as cost minimization, revenue maximization and access to (raw) materials, labor and customer markets, as well as practical issues, like infrastructural position, expansion possibilities and parking space.

The second category comes from the clustering theory, and applies to organizations choosing to locate in clusters of all kinds. In this sense, organizations can benefit from co-locating through agglomeration in terms of economic and non-economic externalities. These externalities include labor market pool, spillover of knowledge, information and technology, face to face networking etc.

Whereas quality of place originates from part of non-externalities related to lifestyle and community, but concentrates on factors that are attractive to creative organizations and creative class. These are basically subjective criteria creative class attach importance to, as locations with these characteristics provide a certain identity, creative lifestyle and environment. Therefore these locations are appealing to creative class to locate at.

The last category is based on physical old industrial buildings, as they are getting popular with creative organizations. Old buildings provides completely different experience with modern office buildings, and the attractiveness can be seen from the physical construction of buildings, as well as distinctiveness and historical values and so on.

2.5.2 Hard and soft factors

Another popular perspective of locational factors of creative organizations is hard and soft factors, which is addressed as creative infrastructure by Landry (2005). Hard factors are linked to economic rationale, which mean they can be easily measured as monetary terms. However, the soft factors refer to the aesthetic quality of the built

environment, which cannot be judged until after the location decisions.

The hard factors are more conventional, directly connected to costs and revenues, including price of accommodation, reconstruction price and the adaptation to the needs of a creative organization, limited accessibility etc. On the other hand, soft factors are gaining importance in academia, and are considered to contribute to the development of creative organizations in an indirect way. As Clark (2004) discovers, locations with various “culture, entertainment, consumption, and urban amenities” is attractive to creative class. Likewise, the concept of quality of place by Florida (2005), once again confirms the importance of cultural amenities as to creative organizations, which outweigh the traditional economic factors.

2.5.3 Specifying the Location Factors

Based on four factor categories discussed, a conceptual framework of locational factors is drawn articulately in this section. This factor framework covers possible factors concerning the locating decision of creative companies: from the conventional location theory with regards to economic rationale, to clustering theory about advantages of agglomeration, until what Florida defines as quality of place accommodating the creative class and creative companies, eventually the specific features of old industrial buildings. The factors are discussed respectively in each section, therefore this part presents the results in Table 2:

TABLE 2: Conceptual Locational Factors of Creative Companies

| | Conventional factor | Clustering factor | Quality of place | Old industrial building factor |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hard factors | <ul style="list-style-type: none"> -Parking space (Leus, 1990) -Public transport (Leus, 1990) -Labor costs (Leus, 1990) -Transportation costs (Smith, 1776; Launhardt, 1990) -Flexibility of leases (HKADC, 2010) -Price or rent (Launhardt, 1900) -Subsidies, grants (Dziembowska-Kowalska, 2000) -Tax advantages (Dziembowska-Kowalska, 2000) | <ul style="list-style-type: none"> -Sharing facilities (Marshall, 1920) -Proximity to competitors (Hotelling, 1929) -Proximity to labor market pool (Griliches, 1979) -Proximity to customers / market (Carrier and Schriver, 1968) -Proximity to cooperation partners (Porter, 2000) | | <ul style="list-style-type: none"> -Price of accommodation (Trip and Romein, 2010) -Price of reconstruction & adaptation (Ball, 1999; Douglas, 2006; Kohler and Young, 2007) -External building scale and style (Hutton, 2006) -Internal space configuration (Hutton, 2006) |
| Soft factors | | <ul style="list-style-type: none"> -Knowledge spillover/ access to knowledge and information (Griliches, 1979; Lorenzo, 2008) -Face to face contacts (Florida, 2002; Landry, 2000) -Strengthening own creative and innovative character (Lorenzen and Frederiksen, 2008) -Proximity of complementary services (Porter, 2000) -Network of creative organizations (Giddens, 1994; Banks et al., 2000) | <ul style="list-style-type: none"> (Florida, 2002, 2005): -Diversity of lifestyles -People of diverse backgrounds -Open minded people in area -Many young, active people in area -Availability of large events and cultural activities -Exciting, popular music scene and performances -Availability of a vibrant nightlife | <ul style="list-style-type: none"> -Distinctiveness and authenticity (Hutton, 2006) -Identity and former context (Hutton, 2006) -Sense of freedom (Montgomery, 2003; Hutton, 2006) -Historical and heritage values (Feilden, 1994; Zukin, 1995; Heebels and van Aalst, 2010) |

Sources: Own elaboration, based on various sources (see the table)

Conclusions Theoretical Framework

This chapter explores locational factors of (creative) organizations on the basis of existing literature, in order to structure the topic of this thesis. The logic lies in why organizations decide to located in a specific place, then in a cluster, followed by the reasoning particularly for the creative class and organizations, then why old buildings are attracting creative organizations to locate. This flow is consistent with selecting the theories relevant with this research. Eventually conventional factors from location theory, clustering factors from clustering theory, lifestyle factors from quality of place and lastly old industrial building factors as a special identified group, altogether four groups have been carefully reviewed and identified. In addition, the concept of hard and soft factors are introduced so as to gain more insights of four sets of factors.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

In the theoretical framework part, relevant concepts and factors that influence the location decisions of creative companies have already been defined and discussed. This is rather important so as to integrate the existing literature into my research, particularly in the case of 751 D Park, to find out whether these factors are causes of the tenant companies' moving in the creative cluster.

This chapter will concentrate on my research on the creative clusters in China, as in the case of 751 D Park. In Chapter 1, aims of this research and central research question have already been introduced, thus a further discussion on research question will be presented. Following that, expectations of this research will be delivered. Next to that, the unit of analysis will be defined, before giving the details about data collection process as well as data analysis methods. Lastly, the limitations and problems of this research will be further discussed.

3.2 Research question

As has been introduced in Chapter 1, the research question of this paper is formulated as:

Why do creative companies locate in creative clusters in China?

This study explores the reasons behind Chinese creative companies' behaviors of locating in creative clusters. In a sense the locational factors they have taken into consideration about the location decision, help to understand their motivations and behaviors of locating in creative clusters rather than non-clusters. Likewise, the locational factors also represents the attractiveness of creative clusters towards creative companies.

To answer the research question, a specific case of creative cluster in China - 751 D Park is studied. Among locational factors, which make an impact on creative companies to locate in 751 D Park will be questioned in this thesis. However, it should be pointed out that the paper does not ambitiously generalize all creative clusters in China, but to give a glimpse of the creative cluster construction of China.

3.3 Expectations

The expectations from this research are as followed:

A. 751 maintains the attractiveness of 751 D Park by working on clustering benefits

such as knowledge spillovers and networks of creative companies.

Creative clusters, above all, are clusters in essence. As an adaptation of industrial clusters, creative clusters are attractive to creative companies due to the externalities they can benefit from agglomeration and geographical proximity (Marshall, 1890, Lorenzen et al., 2008). The benefits consists of both economic and non-economic externalities. It is assumed that creative cluster organizer keeps the attractiveness of the clusters through working on the clustering externalities.

B. Tenant companies attach more importance to soft factors over hard ones when deciding to locate in 751 D Park.

According to Florida (2002), creative people move to certain places due to soft factors, rather than conventional reasons. Cost and infrastructure relevant factors are less important than soft factors for the creative class, as they seek for locations that satisfy their needs for culture, entertainment, consumption and urban amenities. Therefore it is expected that soft factors are playing a more important role in the locational decisions of tenant companies in 751 D Park.

C. Old industrial buildings in 751 D Park are attractive to tenant companies in their location decisions.

It is anticipated that old buildings on which 751 D Park is situated, are attractions to creative organizations to locate in. Hutton (2006) argues for the attractiveness from the “physical configuration” as well as “amenities, aesthetics, identify and freedom”, while Feilden (1994) and Zukin (1995) consider the historical values attached to the old buildings and historical environment are the reason behind the attractions. Others arguments such as the price of adaptation also contribute to the expectation that old buildings in 751 D Park are attractive to tenant companies in their location decisions.

3.4 Research design

Research design should be in accordance with the objectives of the research. Bryman (2012) explicated the distinctions between qualitative and quantitative research, in that quantitative research is often adopted in the process of deduction, to test the validity of hypothesis emerging from the theory, whereas qualitative research follows an inductive approach aiming to generate the theory. Bryman (2012) asserts that quantitative research could maximize the reliability and validity of measurement of the key concepts, which is applicable in this research by testing the existent factors from literature.

When it comes to this research, I attempt to research more than deduction of what has been done, or to test whether these locational factors are valid in the case of 751 D Park. Moreover, I intend to generate more in-depth findings among the four categories

of locational factors, thus make conclusions adding to the current academic research. Besides, as Bryman (2012) indicates, qualitative research emphasizes on the specific context by means of description. That is to say, qualitative researchers tend to “provide a great deal of descriptive detail when reporting the fruits of their research” (Bryman, 2012, p. 401), and the description is for the purpose of explanation. Geertz (1973a) also approve of thick descriptions in terms of contextualize social settings being examined in qualitative research (Bryman, 2012). In order to better present the case of 751 D Park and subjective opinions of tenant companies, description will be frequently used not only in contextualizing the case but also in asking why 751 D Park is attractive, so as to enrich this study. Therefore, the design of qualitative research is adopted.

Moreover, the approach of case study is selected, since 751 D Park is a specific creative cluster among numerous cases from China. This study does not ambitiously aim to generalize the locational patterns of creative companies in Beijing and beyond, but aspires to provide new insights which could be referenced or helpful to a broader research within creative cluster field.

3.5 Unit of analysis

In order to carry out the research effectively and efficiently, it is essential to identify the population in this study. From the research question and expectations, it is obvious that tenant companies in D Park and the administrators of 751 are both addressed. Tenant creative companies help us to understand the locational factors they assume are important in locating in the creative cluster of 751 D Park. Moreover, from the stand of 751 staff, we can gain more insights about what factors they use as strength to attract tenants to locate in 751 D Park, and how they keep the attractiveness of 751 D Park towards creative companies.

The population thus is easy to define: on the tenant companies’ side, the number of tenant organizations of different sizes located in 751 D Park, which from the 751 D Park official website adds to up over 40⁶. Moreover, one respondent would represent his corresponding organization, so over 40 potential representatives of tenant organizations are identified. As for the 751 side, the population should be full-time employees in Zhengdong Group, particularly dealing with creative industry issues instead of electricity productions, who are known as 751 management. Despite their different obligations, altogether around 10 employees within the management team are identified as the population from the side of 751.

As to the unit of analysis, it is necessary to confirm the interviewees relevant to this research within the population identified. Out of over 40 tenant companies, I narrowed down to 6 interviewees from 6 different tenant companies located in 751 D Park. They

⁶ This is the data the author counted from the website, but a more accurate number is given by 751 staff, which is explained in the first part of Results.

are from various fields of design, and moved in 751 D Park at distinct periods (from 2006 till now). As opposed to 751 staff, the units of analysis are downsized to two persons, because the research's focus is on tenant companies' side. From the 2 interviewees, I intend to gather more information about the construction of 751 D Park as a creative cluster, as well as their subjective evaluation on the locational factors decisive to creative companies.

The purposive sampling method is chosen in this study, which is a non-probability form of sampling (Bryman, 2012). Researchers will look for sample cases/participants in a strategic way, to make sure the chosen samples are relevant to the research questions. Specifically speaking, 2 interviewees from 751 are chosen based on criterion sampling, that respondents need to meet the criterion set beforehand, both working full-time in 751 and keeping good contact with tenant companies. On the other hand, 6 interviewees from tenant company group are selected by snowball sampling. Coleman (1958) suggested snowball sampling is also sometimes recommended when networks of individuals are the focus of attention (Bryman, 2012). Moreover, Noy (2008) points out that snowball sampling is frequently presented as a strategy to be employed when probability sampling is impossible or not feasible (Bryman, 2012). As in this case, it is difficult to have access to the list of all tenant companies, neither is it easy to reach all the population of tenant companies. Therefore, snowball sampling is suitable for this research. The profiles of interviewees are clearly outlined in Table 3:

3.6 Research methods

Research methods, according to Bryman (2012), are the techniques to collect data. It is clear that qualitative data is crucial in this study, so the method of semi-structured interview will be adopted. As St. Pierre (2011) put, "conventional humanist qualitative inquiry" (p. 611), first hand qualitative data are collected through interviewing and observing people (St. Pierre & Jackson, 2014).

The interviews are divided into two parts. Firstly two of 751 staff were interviewed so as for overview information about the 751 D Park, and profiles of tenant companies, while another objective is to discuss the factor framework with them, to find out if there is anything missing according to their practical experience. Then came the next round of tenant company interviews, with prepared structure and guidelines (see Appendix 1, 2), further questions were asked in their own case.

The interviews are conducted through Skype phones, emails and social network system (SNS) messages, instead of face to face. Even though face-to-face interview is more favored and efficient, traveling back to Beijing for interviews is costly and time-consuming given the short schedule to finish the thesis. Therefore I collected the contact e-mails of tenant companies from the websites of their companies. Starting from the end of January, 2015, I sent out 10 interview request emails to tenant

companies in 751 D Park, but no one responded. With the help of previous colleague working in 751 D Park, I began another round of 7 invitations, and confirmed 3 interviews, by which I got in touch with more through snowball sampling.

The interviews were carried out between March till June, 2015 by the means of phones, messages on QQ (widely used online chatting software in China), and emails (See Table 3). Each interview lasted 60 - 120 minutes, in the language of Chinese because mother tongue works more efficiently both for the interviewer and interviewees. All voice interviews were recorded with tape recorder and then transcribed and translated into English. While conducting interviews, notes of important points are taken at the same time, which is helpful in translating and coding.

TABLE 3: Overview of Interviews

| Name | Gender | Company | Date of Interview | Means of Interview | Time Length |
|-------------------------|--------|----------------------|-------------------|-----------------------|-------------|
| Gloria (751 Staff 1) | Female | 751 | March 14 | Phone call | 90 min |
| Yang (751 Staff 2) | Female | 751 | March 19 | Phone call & messages | 120 min |
| Jie (Tenant 1) | Male | 3 Qian | April 7 | Phone call | 60 min |
| Lester (Tenant 2) | Male | Artingyourlife | April 15 | Phone call | 70 min |
| Wu (Tenant 3) | Female | Jidi Creative Center | April 27 | Messages & Email | - |
| Stella (Tenant 4) | Female | Rose Fashion | April 29 | Messages & E mail | 60 min |
| Gina (Tenant 5) | Female | Fengshang Fashion | March 31, May 26 | Phone call & Email | - |
| Alex (Tenant 6) | Male | TopStage | June 2 | Phone call | 50 min |

In the factor framework in previous chapter, some factors need to be catered in the context of this research specifically. First of all, in the conventional category, “price or rent” appears also in the building category, but “price or rent” is a fundamental factor in the conventional economic rationale, moreover, old industrial building category is differentiated as related to the physical and values aspects attached to buildings, so the “price or rent” is kept in the conventional group thus erased from old industrial building group. “public transport” and “transportation costs” refer to different criteria, while the former stresses on the availability of transport choices and the latter calculative costs on transport of goods. However, unlike manufactured products, creative or cultural products are not produced in a mass thus requires the consideration of transportation costs, so the “transportation costs” factor is

eliminated.

Then in the clustering category, “labor costs” factor is not quite relevant in the case of 751 D Park. Labor costs in Beijing are one of the highest in China, and furthermore, the variations among different districts in Beijing do not make much difference, therefore it is not an attraction for any location in Beijing. As to “proximity to competitors” and “proximity to customers or market”, companies are competing against each other in order to gain customers or market, thus as Hostelling (1929) suggested, companies would choose to locate near competitors. In this sense, the closeness to competitors can be seen equal to closeness to market or customers, therefore “proximity to competitors” is taken away.

Among the lifestyle category, as “large events” and “cultural activities” are incorporated into one factor, thus the music scene is included as a kind of large events. As a result, the factors to be used in this research is finalized in Table 4, which was used as a framework in the data analysis:

TABLE 4: Locational Factor Framework

| | Conventional factor | Clustering factor | Quality of place | Old industrial building factor |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hard factors | <ul style="list-style-type: none"> -Parking space -Public transport -Flexibility of leases -Price or rent -Subsidies, grants -Tax advantages | <ul style="list-style-type: none"> -Sharing facilities -Proximity to labor market pool -Proximity to customers / market -Proximity to cooperation partners | | <ul style="list-style-type: none"> -Price of reconstruction and adaptation -External building scale and style -Internal space configuration |
| Soft factors | | <ul style="list-style-type: none"> -Knowledge spillover/ access to knowledge and information -Many face to face contacts -Strengthening own creative and innovative character -Proximity of complementary services -Network of creative organizations | <ul style="list-style-type: none"> -Diversity of lifestyles -People of diverse backgrounds -Open minded people in area -Many young, active people in area -Availability of large events and cultural activities -Availability of a vibrant nightlife⁷ | <ul style="list-style-type: none"> -Distinctiveness and authenticity -Identity and former context -Sense of freedom -Historical and heritage values |

⁷ This factor is later eliminated after the interviews with 751, as they suggest there are no bars or clubs within 751 D Park.

3.7 Data analysis

The qualitative data obtained from the interviews is transcribed in Chinese and/or translated into English right after each interview. The interview through emails is translated directly into English upon receiving. In the transcribing, all the redundant words such as utterings or pauses are cut off.

To code data, it is assumed that words textualized in interview transcripts and field notes are not only data but also brute data that can be broken apart and de-contextualized by coding (St. Pierre & Jackson, 2014). As Seale (2012) suggests, data analysis process of thematic analysis comprises three stages: open coding, category development, and theme formation. Open codes are labels for chunks of data that capture something of the literal essence of the data (Seale, 2012, p. 370). Then similar open codes should be grouped together to form analytic categories, and eventually used to find out themes.

The data analysis of this research is divided into two parts, regarding different groups of interviewees. One is 751 staff, and the other is tenant company respondents. For the former group, there are only 2 respondents, so it is easy to follow the interview guideline or organize the data, thus reporting results.

However, the analysis of second group is more complex. In the beginning phase, the framework approach is adopted, that “qualitative data is summarized in charts or matrices developed from a thematic framework” (Seale, 2012, p. 382). This is due to the locational factor framework finalized in Part 3.5, so that the theme are already known in advance of data collection. The coding is “used simply to apply the chosen theme” (Seale, 2012, p. 386) rather than following the three stages. Therefore a chart is created using Microsoft Excel spreadsheet, with each row representing one respondent and each column stands for one factor from Table 3, which is illustrated as Table 4. Along coding, relevant sentences or data are added to the cells in the table. In the meantime, negative comments towards a certain factor is shaded in gray color, so as to differentiate with positive comments.

TABLE 4: Data Analysis Template Tenant Companies

| Factor Respondents | 1. Conventional Factor | | | 2. Clustering factor | | | ... |
|-----------------------|------------------------|----------------------|-----|------------------------|-----|-----|-----|
| | 1.1 Parking space | 1.2 Public transport | ... | 2.1 Sharing facilities | ... | ... | |
| Jie | | | | | | | |
| Lester | | | | | | | |
| Wu | | | | | | | |
| Stella | | | | | | | |
| Gina | | | | | | | |
| Alex | | | | | | | |

However, the use of preconceived notions or framework is debatable (Bailey and Jackson, 2003), due to the “risk of prematurely excluding alternative ways of organizing the data that may be more illuminating” (Dierckx de Casterlé et al., 2012, p. 362). Therefore, while using the framework approach, a combined deductive and inductive coding is performed. New codes such as “751 management”, “*artistic environment* (can be understood as creative buzz)” which are not in the existing locational factor framework, are added to the analysis template accordingly in Table 4.

Moreover, the number of respondents who mentioned a certain code is easily counted in Table 4, and the negative parts are highlighted. Eventually, the sentences used for quotations are refined into readable texts.

As Melissa Freeman (2014) explains, thick description is an analytic tool when articulating the conditions in which understanding takes place, and to explaining how the topic we study is thinkable (St. Pierre & Jackson, 2014). By the end of analyzing, results of qualitative data are presented with thick descriptions, meanwhile accompanied by discussions with existing researches and potential inspirations that can be learned from the context of 751 D Park.

3.8 Limitations and problems

This research also shows some limitations, which are discussed in this session. Some of the problems are relevant to this specific study, whereas some are seen in most qualitative researches.

As a qualitative research in general, it is easy to challenge on the subjectivity as the findings rely too much on the researcher’s unsystematic views about what is significant and important (Bryman, 2012, p.405). Furthermore, it is difficult to replicate qualitative research as the findings will vary in different contexts and even with different researchers with different focuses. Following the context distinctions, a detailed case with a small number of individuals in a certain organization or locality, cannot be generalized to or represent a wider population (Bryman, 2012, p.406) However, I attempt to focus on the specific context of 751 D Park in Beijing, on generating more in-depth insights instead of testing whether the theoretical framework of locational factors holds water in this case. As a result, a quantitative approach will not satisfy the objectives of my research, which in turn makes qualitative suitable in this study.

The problems above are out of the nature of qualitative approach, then specified problems of this particular research will be discussed. First of all is the perception towards different factors. Interviewees might not be fully aware of these factors in their practical decision making procedures, or they might have different perceptions of these factors, then in communicating during the interviews, they could be influenced by the

interpretation of the researcher. In order to eliminate this problem, I try to interpret complex concepts and factors with words and expressions that subjects are familiar with in the preparation phase, also be cautious of not revealing any preferences in the question asking.

Next, language in the data collection process could be problematic as well. The factors are from literature in the English language, and might not have adequate terms in Chinese. All the factors and questions are previously set in English, then converted into Chinese as Chinese is a better language tool for the interviews. In the data analysis, all Chinese qualitative data is translated into English once again, which could result in the exquisite difference or ideas interviewees want to present. Therefore I spent much time in understanding what they intended to express, and try to find closest corresponding English phrases to interpret, in an attempt to reduce such mistakes or misunderstandings as much as possible.

However, the sample of interviewees is another problem in this research. The number of tenant companies is rather small compared with around 100 organizations located in 751 D Park, and the selection process is not random-based, but through snowball method. This is partially due to the fact that limited information including tenant companies and correspondent contact details can be found on the Internet, as well as low rate of responses from the tenant companies. As a result, the sample could be problematic as well, due to that stratified sample is not adopted in terms of industry, organizational size etc. Especially one respondent is an investment manager from a non-creative organization, but she is on the interviewee list as her organization is a sub-cluster of intelligent design studios, which are explicated in Results 5.2.

CHAPTER 4 RESULTS

Introduction

This chapter presents the findings of this research based on the qualitative data. The results are divided into two parts, responding to two parties' interviews - 751 and tenant companies, which leads to answering the research question: why do creative companies locate in creative clusters in China? The first part illustrates the construction history of 751 D Park, and attractiveness of 751 D Park from the perspective of 751. Next part, concerning with tenant companies, an in-depth analysis of locational factors will be discussed, reflecting on their location decisions to locate in 751 D Park. The results are emphasized with citations from the interview transcripts with the name included. The transcripts can be found in Appendix 4.

4.1 The construction of 751 D Park

This section presents information on the history, construction and management of 751 D Park on the basis of 751 staff interviews. Compared with the brief introduction of 751 D Park in Introduction chapter, this part provides more perspectives from within the creative cluster organizer or constructor. Not only is the building of 751 D Park discussed, but also factors 751 practices on to maintain the attractiveness of 751 D Park to tenant companies or creative organizations in general is touched upon.

4.1.1 From 751 factory to 751 D Park: governmental support and own preparation

751 factory (owned by Zhengdong Group) was a coal gas and electricity producer in the energy industry since late 1950s, but its lifespan only lasted until 2003 when the Municipal Government of Beijing carries out the industry reconstruction by reducing the percentage of heavy industry in Gross Domestic Production. As a state-owned corporate as well as planning industry outcome, 751 factory had to look for a way out when its main business was stopped. The transition from 751 factory as an industrial plant to 751 D Park as a creative cluster, was an innovative act after 798 Art District. There are several reasons contributing to the turning. First of all, a successful case of 798 factory has proved creative clusters on old industrial buildings were feasible, as it took two to three years that 798 Art District became internationally well-known. In addition, the government started to incorporate the term of Creative Cluster in official policies and documents in 2006, indicating it would be a promising direction of future development. On the side of 751, they showed initiatives as well. They learned and visited to get experiences on transforming old industrial buildings into new uses.

Gloria (751 Staff 1): “We have prepared a lot, visiting and learning in other cities in China and abroad during the period of 2003 till 2006, and consulted planning institutes for suggestions on the use of factory.”

At the beginning phase of developing 751 D Park around 2006, the identification of Zhengdong Group as a state-owned corporate has entailed itself to obtain governmental support. Were it a private company, there would be a rare chance to get supports from the government. In the situation of 751 factory, without the support of municipal government, it would be difficult for an energy plant to gather creative cultural organizations, let alone building reputation within the creative sector. So the government did play a pivotal role in the founding of 751 D Park. The tenancy of two most significant organizations - China Fashion Design Association and Audi Asian Research Center - was directly facilitated by the government. Owing to the support of these leading organizations, later more companies in relevant industry followed and located in 751 D Park.

Gloria (751 Staff 1): “China Fashion Designer Association (CFDA) was one of

the first groups of organizations moving into 751 D Park, and it was somehow supported by the government about the re-location of CFDA, cause it also brought the annual program of China Fashion Week here.”

FIGURE 3: Power Square in 751 D Park



Source: provided by 751

4.1.2 Orientations and goals of 751 D Park

Unlike 798 Art District focused on contemporary art, 751 D Park targets on three fields: fashion, design and technology. The orientations also contributed to the re-location of CFDA since fashion design is the focus of CFDA. In the beginning, 751 was not clear about the position of 751 D Park, whether to be the property owner renting venues on a short or long period, or to establish an industry platform for cultural and creative industry. However, an influential platform cannot be built in one day. Therefore, 751 took a slow move in strategically planning their goals. On the one hand, they managed to attract more creative organizations to locate in from 2006 till 2010. On the other hand, they leased the venues for events, film shooting etc., also co-organized temporary clusters like Beijing Design Week, conferences in design and technology and so forth apart from China Fashion Week. Over years of exploration, 751 gradually developed clearer goals of 751 D Park. They intend to be more than a landlord, but an integrator of fashion, design and technology resources and a platform for creative and design industry.

Yang (751 Staff 2): “751 attempts to closely combine factors of unique industrial resources and technology, fashion, art, culture, with the theme of fashion design, trying to develop the content within design industry including original design, digital music, brand releasing, promotion and trades, presentations and exhibitions, fashion experiences etc. We pay attention to copyright protection,

support original design, build original brands of China, in order to establish a cultural creative industrial cluster that is international, high-end, fashionable, and industrialized.”

4.1.3 The complexity of management team in 751 D Park

The Creative Office was formed around 2006, as a new department of Zhengdong Group. Its major responsibility is to foster and construct 751 D Park, different from previous electricity and gas producing-relevant departments. So the task of contacting tenant companies fell into Creative Office.

Gloria (751 Staff 1): “There are [...] 13-14 employees working in 751 Creative Office (now). In Creative Office for instance, we have four parts within our team: planning, media, design and administration.”

However, according to Gloria (751 Staff 1), due to the legal identification of Zhengdong Group as an energy corporate, Zhengdong Group was not allowed to proceed other business other than energy. Therefore, in 2010 751 D Park Culture Development Ltd (751 DPCD) was started as a sub-company of Zhengdong Group, to deal with issues in creative industry. Principally speaking, the business or contracts within cultural and creative sector should all be taken care of by 751 DPCD, even the Creative Office should be included in 751 DPCD. But, Creative Office remains a department in Zhengdong Group, moreover the contracts of tenant companies are not signed with 751 DPCD but with Zhengdong Group. Gloria (751 Staff 1) suggested it could be out of “tax considerations”.

4.1.4 Renovation of old buildings

FIGURE 4: Big tank in 751 D Park

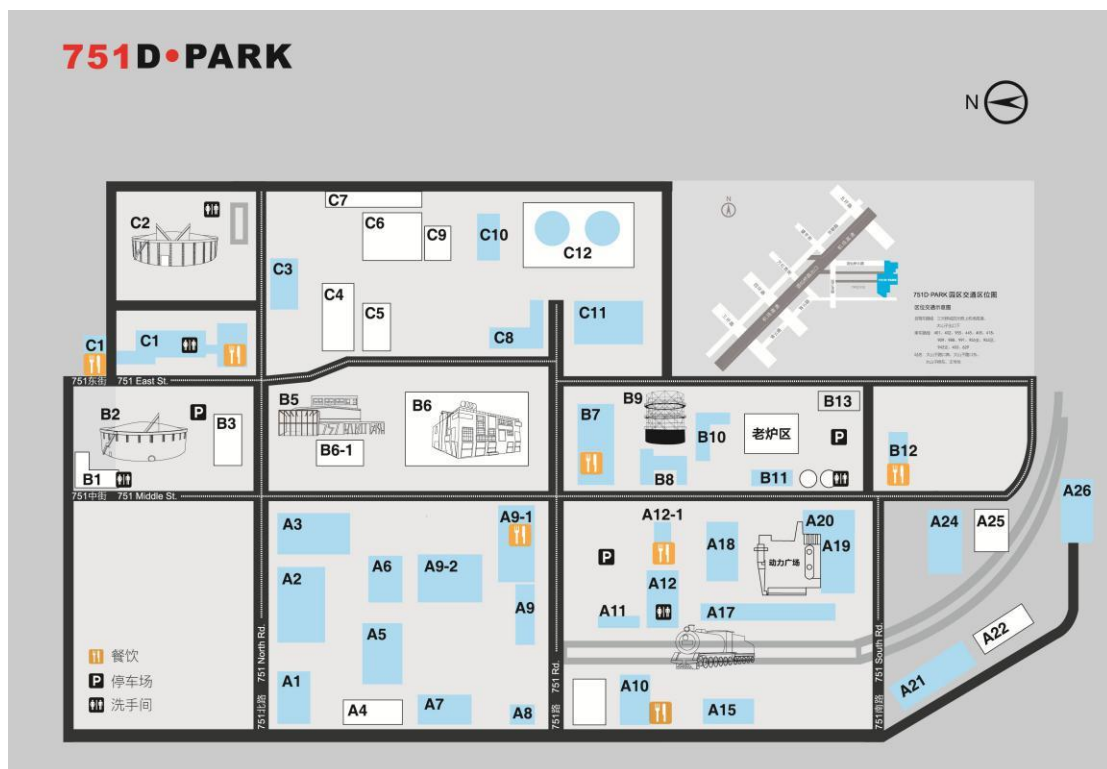


Source: provided by 751

The industrial plants cannot be directly put into other uses. 751 has taken proper measures to turn the industrial space into usable ones. On one hand, the space is full of production facilities indoors and outdoors, some of which must be removed to make more space, as in the example of Power Square. Moreover, the big tanks, which were used to store coal gas, are toxic to humans and are smelly, which should be dealt with caution on cleaning and clearing before people enter the space. These big tanks have become perfect venues for indoors concerts and events due to the special configuration and attractions. Except for physical buildings, 751 also divided the buildings in different sections and numbered each building as “A-1” “B-9”⁸. Other than that, spaces and road signage system has been carried out subsequently, to improve the efficiency in management.

Gloria (751 Staff 1): “from 2006 till 2010, what we did (with the buildings) is preparation work. We kept several production facilities and at the same time torn down some to expand the space [...] The other part we did is with the road construction and gardening. So the whole process is turning industrial production facilities into buildings that are functional.”

FIGURE 5: Map of 751 D PARK



Source: provided by 751

⁸ “A” stands for the Section, and “1” is the number for the building in Section A.

4.1.5 Annual event arrangements

There are plenty of events and activities being held in 751 D Park all the year around. Commercial companies including food, fashion magazines, sports etc., prefer to launch new products or organize evenings and events there. Furthermore, workshops or conferences of cultural creative industry are taking place within 751 D Park as well. The previous two groups are organized by other companies or tenant studios, but 751 is organizing or co-organizing events at the same time. In 2015 alone, as Gloria (751 Staff 1) introduced, there are already several large events planned ahead including Auction, College Student Fashion Design Week, Italia House in partnership with Italian Embassy, Beijing Design Week, and China Fashion Week.

4.1.6 798 Art District vs 751 D Park: features of 751 management

751 D Park is located closely next to 798 Art District, which brings both advantages and disadvantages. The proximity helps nurture creative milieu, and share visitors and similar audience. However, it is not easy for 751 D Park to gain fame with the better-known 798 Art District next door, as some people take it for granted that 751 D Park is part of 798 Art District, said Gloria (751 Staff 1), as agreed by tenant respondents (4/6) that branding of 751 is not satisfactory.

Gloria (751 Staff 1): “we (798 Art District and 751 D Park) went on different directions. They focused more on contemporary arts, and we on fashion and design. In terms of venue leasing, we do compete with each other to some extent. On the other hand, we don’t collaborate much.”

When it comes to branding or marketing, it is surprising to find that 751 D Park has no department on promoting and marketing at all. As a factory born in planning economy, marketing is not a necessity for them to meet the consumers. Unfortunately, this mindset was kept down and is still influencing Zhengdong Group even in market economy. So far as branding of 751 D Park is concerned, its publicity is accumulated mainly through the exposure and promotion news of each event happening in 751 D Park. However, the project-, activity-based promotion does not contribute much to the brand of 751 D Park.

Tenant respondents also spoke about the differences, and these distinctions eventually lead to the preference of locating in 751 D Park instead of the other. From the comparison, we can also learn about the management of 751 D Park, which in turn makes it attractive to tenant companies. First of all is the different formats of creative clusters, as confirmed by 751 staff. 798 Art District concentrates on temporary arts, accommodating mainly galleries, whereas 751 D Park focuses on design, including the themes of fashion, design in general, and technology.

Next to that, the management philosophies of 798 Art District and 751 D Park differ a

great deal. 798 Art District is constructed and managed by bottom-up approach whereas 751 D Park is the opposite. The owner of 798 Art District positions themselves as landlord, and is interest-driven asking for rents from tenants but passive in managing the cluster. As opposed to 751 D Park, 751 initiates an active part in calling in and managing tenant companies for the clustering externalities. The partnership rather than landlord and tenants shows the considerations of tenant companies' interests in the planning and construction of 751 D Park. Among the discussion of bottom-up and top-down approaches, Fromhold-Eisebith & Eisebith (2005) suggested a participative approach of managing creative clusters with various public and private players involved, their ideal cluster manager should be "capable to co-ordinate support across organizational boundaries and to integrate various instruments and interests" (Fromhold-Eisebith & Eisebith, 2005, p. 1253). Back to this case, 751 is endeavoring to perform in the same way, not only in the rental contracts and fundamental facilities as "hard" factors (Zhao & Qi, 2012), but also in co-ordinating and integrating thus supporting the development of creativity.

Lester (Tenant 2): "Unlike here (751 D Park), the owner of 798 is always on the purpose of interest maximization, they don't care about the artists at all. All the artists I know who used to work in 798 have all moved out, because 798 only asks for the rent, if you don't pay then you should leave. The conflict between first and second, even a third landlord is quite common in 798."

Lastly, the environments of 751 D Park and 798 Art District are substantially distinct. 798 Art District became famous quite early, and gathered a crowd of visitors by numerous galleries, outdoor installations, and later complementary vendors such as cafeterias, gift shops. The result is 798 Art District is not only a place to accommodate artists or artistic creation, but also a place for tourists to visit and appreciate contemporary arts. On the other hand, 751 D Park avoids following the track of 798 Art District, and aims to nurture a quiet environment for designers to work in. With less tourists and less noises, designers can concentrate on their artistic creation and production in a cozier environment. The atmosphere catered for design as workshops is more attractive to interviewed companies (4/6). As one respondent put a metaphor to distinguish the two, 798 Art District is the living room where all friends are welcome to visit whenever they want, whereas 751 D Park is the bedroom of designers, that they prefer to keep privacy and not be disturbed by random visitors. The working-based environment is appreciated by 4 respondents, and compelled them to locate in 751 D Park.

4.1.7 Profiles and selection of tenant companies

According to Yang (751 Staff 2) and Gloria (751 Staff 1), there are around 100 tenant companies working in 751 D Park, but they don't know the exact number as the contract is signed with Zhengdong Group rather than them. As Yang (751 Staff 2) introduced, the tenant companies "are from a wide range of fields, including fashion

design, video production, decorative design, furniture design, architecture design, and innovative technology etc.” Apart from domestic design companies, 751 is creating an international environment and accommodates 3D Museum of Imagination by South Korean Embassy, African Cultural Center and Italian designer’ company.

These tenant companies are located in different areas classified by fields. For instance, fashion design studios tend to be located adjacent to another, not with technological companies. Normally tenant companies moved into 751 D Park individually, but according to Yang (751 Staff 2), there are also some sub-clusters moving in as a group too. Within the group, one organization or one person, as the leader and manager of the group, gathers other companies with their own network, and all the companies move in as a whole. Two of the sub-clusters are Xiangxiang Zai Sheji (Think Twice Before Design) in the home furnishing industry, and Jidi Creative Center focused on intelligent technology and design.

Yang (751 Staff 2): “One big new-comer is Jidi Creative Center, that they called in over 20 studios particularly focused on intelligent technology [...] Similar to this mode is Xiangxiang Zai Sheji (Think Twice Before Design). It is also a collective body of many companies working in furniture and decoration design fields, consisting of classical furniture design, carpets, curtains, commercial decorations etc.”

There are few cases of companies leaving 751 D Park once they moved in, which shows that tenant companies are satisfied with locating in 751 D Park on average. A couple of companies moved out of 751 D Park, out of external pressure or the overall industry environment. For instance, fashion industry were greatly affected by the financial crisis around 2008, several fashion design studios had to leave in such a sluggish economy because people spend less money on fashion and costumes. Moreover, as Chinese government is macro-controlling the housing prices these years, real estate became less lucrative. As a result, some architecture and interior companies had to move out and further to survive.

Yang (751 Staff 2): “Originally, we wanted to accommodate fashion design studios in that area, but they were greatly influenced by the economic crisis, so they chose to leave 751 D Park. As a result, we rented their spaces to video production companies instead. Other leaving companies are from architecture design, because of real estate is not as heated as years ago. Overall, the tenant companies are quite stable situating here, and there are only a few who decide to leave.”

As to the selection criteria of tenant companies, they describe some rough criteria. They both put targeted fields or industry at first, only companies in fashion, design and technology will be taken into consideration. Yang (751 Staff 2) mentioned about stable running based on “registered capital and other information” is significant,

whereas Gloria (751 Staff 1) thought popularity of one organization is important, “one of the best in their sector” as she indicated. This is a reflection on their goal of building 751 D Park that is international, high-end, fashionable, and industrialized, that they are looking for companies with the same characteristics. Moreover, Gloria (751 Staff 1) asserted the role of leaders in Zhengdong Group, that their suggestions and opinions play a part. Also, *guanxi* (networking in Chinese context) could be the reason of choosing one certain organization, too, which is not a criterion but a privilege.

4.1.8 Interaction with tenant companies

751 tries to build a sustainable relationship with tenant companies, and interact with them actively. Besides sharing trends, updated information with them, and inviting them into every event happening in 751 D Park, , Yang (751 Staff 2) asserted that 751 “integrates the resources inside 751 D Park” and helps introducing clients to tenant companies, in a way supporting their business and networks. In addition, 751 organizes 2-3 thank-you evening parties for tenant companies to communicate, exchange and share.

Yang (751 Staff 2): “We intend to create an atmosphere catered for family members, and to connect all the studios with us. We also set up a contact group on QQ (mostly widely used online chatting software in China), so that direct communication is encouraged and realized [...] if our partner or client company A wants a design proposal of any kind, we will recommend corresponding tenant studios in 751 D Park to them.”

4.1.9 Attractiveness of 751 D Park from the perspective of 751

Responding to the attractive factors of 751 D Park, Yang (751 Staff 2) and Gloria (751 Staff 1) both emphasized on the old buildings as industrial heritage, which interests creative and cultural organizations. Then convenient public transport comes after, while complimentary services are within reach due to the closeness to Wangjing District Commercial Center and Central Business District. They also talked about the subsidy, but they were not sure what kind of specific subsidy could be benefited by tenant companies, and Gloria (751 Staff 1) mentioned government refund part of taxes as project grants to 751 D Park so tenant companies can apply for. In addition, Gloria (751 Staff 1) affirmed the industry agglomeration within 751 D Park is another factor to attract creative organizations, and Yang (751 Staff 2) thought the international environment and atmosphere is appealing.

Correspondingly, 751 well-preserved the old industrial buildings rather than turning them into modern buildings. The original architecture style is a big attraction towards creative companies so that it is kept the way it was, un-ruined. Also, 751 provides trustworthy property management with comfortable physical space, so that tenant

companies are able to work effectively. On the other hand, 751 creates a quiet and comfortable environment suitable for design and work, through excluding commercial tenants in tenant selections. Moreover, 751 maintains industry agglomeration by organizing on-going temporary clusters such as China Fashion Week, Beijing Design Week, as well as cultural events and activities all the year round. The creative buzz amplifies the knowledge spillover effect within tenant companies in 751 D Park. In addition, Yang (751 Staff 2) also thought keeping stable and reasonable rents of 751 D Park in the neighboring area (including 798 Art District) is a way of attracting creative companies.

4.2 The location decision of tenant companies

Introduction

This section presents the results of interview data from tenant companies, concerning the four categories of locational factors when they chose to locate in 751 D Park. The structure is organized based on the results and discussions of conventional factor, clustering factor, lifestyle factor and old industrial building factor.

Before the discussion of locational factors, it is necessary to summarize the basic information of the interviewed companies. As presented in Table 5, four out of six companies chose 751 D Park as their first location when starting the company. Rose Fashion was located elsewhere before, but it is still the earliest among the four to move into 751 D Park and is staying there. As to the branches, two companies have another two offices besides the one in 751 D Park, but in other cities rather than Beijing. As far as field is concerned, four of them are design oriented companies, except for The Node and Topstage. The reason why The Node is included, lies in its nature as a group innovation space accommodating 20-30 start-up companies mainly concentrating on intelligent design. Moreover, it remains as an organizer of sub-cluster as the 751 manager suggested. On the other hand, Topstage is a stage service provider.

TABLE 5: Basic Information Of Interviewed Companies

| Employee/Company | Year of founding | Previous location | Year of locating in 751 D Park | Space (in square meters) | Number of employees | Branches | Field |
|-----------------------------------------------------|-------------------------|--------------------------|---------------------------------------|---------------------------------|----------------------------|------------------------|--------------------------------------|
| Stella (Tenant 4) Rose Fashion | 2004 | Residential apartment | 2006 | 250 | 6 | - | Fashion design |
| Gina (Tenant 5) Fengshang | 2008 | | 2008 | 400 | 9 | - | Fashion design |
| Lester (Tenant 2) Artingyourlife | 2009 | - | 2009 | 300 | 8 | In Hangzhou, Shenzhen | Digital printing and interior design |
| Jie (Tenant 1) 3 Qian | 2010 | - | 2010 | 220 | 8 | - | Architecture and interior design |
| Alex (Tenant 6) TopStage | 2005 | Suburb, non-cluster | 2011 | 300 | 10 | - | Stage set-up, event planning |
| Wu (Tenant 3) The Node (Jidi Creative Center) | 2013 | - | 2013 | A whole building | 35 | In Shanghai, Guangzhou | Internet / Investment |

4.2.1 Conventional factors

Conventional factors emphasize on the pursuit of economic benefits, reflecting on cost and productivity. Thus the price of rent is the most key factor that creative organizations are considering in their location decisions. Overall, the interviews (5/6) show that rent still represents an important part, and four respondents expressed the importance of rents that attracted them into locating in 751 D Park. However, they all confirmed that rent is not a decisive factor, but will influence their decisions, because location decision is a complex one with trade-off among all factors. It is surprising to find that two of the six chose to move to 751 D Park even though the rent was higher than previous locations, because they were unsatisfied with previous locations. One thought her previous place was cheap but narrow and constrained. And she moved in as the first group of organizations back in 2006, and the rent of 751 D Park by then was competitive compared with the rent in 2015. The other respondent disliked their location owing to the long distance from city.

Stella (Tenant 4): “It is more expensive than previous one, but rather cheap compared with renting an office in business area. And 751 gave us some discounts because we were the first group of studios moving in.”

It is obvious that along the construction of 751 D Park, 751 developed different price ranges in different phases. When they first gathered creative companies in the beginning period, they lowered the rent to some extent, in order to attract the first group of tenant companies to move in. However, as 751 D Park became more known after 2011, the rent went back to normal price, on the same level with the surrounding area. While the venues are about to be rented out, 751 is gaining more bargaining power, an increased rent range is formulated.

Meanwhile, only one interviewee stated the unimportance of rent in the decision of moving to 751 D Park. 751 D Park is the first location of his organization, but two other offices were opened and are running in Shanghai and Hangzhou respectively before the Beijing office was established. So they are more experienced in finding a suitable location and identifying factors that should be taken into account. With the initial financial support from HP, they did not consider rent as an important factor, whether to locate in 751 D Park or others.

When it comes to parking space, most interviewees (5/6) agreed it was sufficient and convenient in 751 D Park. Moreover, two respondents said they could park freely along the roadside or in front of their company, instead of parking in the assigned area, unless big events are taking place in which case their parking space will be affected temporarily due to the traffic control. Furthermore, one manager appreciated that parking in 751 D Park is free of charge, which is different from 798 Art District. Only one respondent thought the parking space was not sufficient, as the manager of 751 was worried about, the rest of tenant respondents were all satisfied with the parking

space and zero price.

The public transport of 751 D Park is obviously convenient given the airport express is within reach. But the tenant companies took its convenience for granted and did not put much weight on public transport of 751 D Park. On the contrary, two respondents added that 751 D Park is not easily accessible if one travels with public transport such as metros and buses, but the newly-opened metro route is solving this problem to some extent.

On the other hand, not all companies agree convenient public transport is appealing, as one manager thought it was not an important one. The reason behind it is that they work on a project basis, and their clients are in different provinces nationwide in China, so it is not necessary for all employees to commute to 751 D Park during the weekdays. This implies that locational factors should be analyzed from industry to industry, and from case to case, as not all organizations functions in the same way.

The results turn out that the leases are not flexible for tenant companies, because 751 provides a pattern contract of 3 year period with individual companies and that of 5 year for group companies as of Jidi Creative Center. It shows that 751 has stronger bargaining power over individual tenant companies, and meanwhile the power is centralized at the hand of Zhengdong Group, as indicated by 751 management. Accordingly, none of the respondents regard the flexibility of leases as one attractive factor of 751 D Park, although one of them think the period is reasonable.

Nevertheless, tenant companies do not consider the leases as a significant issue. Partial reason could be the inflexibility is compensated by other factors. If the contract expires, 751 put the existing tenant companies on priority in renewing the contract before finding new ones. Among the six organizations studied, there is no case of leaving during contract-period, and five of them have renewed for at least once.

As to the governmental support, factors such as subsidy and tax advantages were tested. It is striking that the respondents (6/6) do not know clearly if there are any subsidies, grants that they can benefit from, nor can they get tax preference by locating there. While subsidy and tax preference are influencing the cost, they are not attractive factors in the case of 751 D Park. It reflects that subsidy and tax policy in Beijing are not explicit and promoted efficiently among creative companies. With reference to the government policy of subsidy and taxes on cultural creative industry and creative clusters in Beijing, it turns out that the government has emphasized on subsidy and tax advantages on official documents such as *Construction and Development Plan on Beijing's Cultural and Creative Industries Functional Areas Year 2014-2020*⁹, but further specific policies have not been released yet. According

⁹ 北京市文化创意产业功能区建设发展规划(2014-2020年) (translated in English as Construction and Development Plan on Beijing's Cultural and Creative Industries Functional Areas Year 2014-2020). Retrieved on May 22, 2015, from <http://zhengwu.beijing.gov.cn/ghxx/qtgh/t1358290.htm>

to the policies earlier than 2014, the subsidies have been given to cluster organizers mainly, and most of them are state-owned firms, whereas the tax advantages are catered for organizations which are changing into private-running entities from public-owned identities. Although one respondent mentioned that the governmental support is one of the reasons she chose to locate in 751 D Park, the support is on the level of general policy and resources, which does not provide direct financial benefits to tenant companies. Even 751 staff asserted that the government subsidies are not efficiently allocated in Beijing, and they did not obtain much monetary support from government on the construction of 751 D Park either.

4.2.2 Clustering factors

Among the hard clustering factors, none of respondents stressed that the reason why 751 D Park is attractive to them is relevant to the proximity to labor market pool, or cooperation partners. Nor did they mention that facility-sharing is appealing. This is also shown in the interviews with 751 staff, that 751 is not perfecting the hard clustering advantages to maintain the attractiveness. One 751 manager did touch upon the benefits of university graduates considering the large number of universities in Beijing. Around 230,000 university students¹⁰ from arts and non-arts fields graduated every year in Beijing, who could be potential employees for these tenant companies. However, this labor market pool is catered for the whole city or China, thus does not count as the attractiveness of 751 D Park particularly.

Also, interviewed companies considered location decisions as made out of their own company's interest, thus they (5/6) did not put the proximity to customers / market or cooperation partners as the drivers to move into 751 D Park. One respondent implied that their projects are not all in Beijing but in other provinces, so to say Beijing is their work base while they accomplish projects nationwide. Only one respondent admitted that they wished to access more customers/ markets by locating in 751 D park. But it is problematic because they are an event-service provider, and serving creative companies makes them different from other tenants. Therefore an ambitious conclusion can be drawn here, that hard clustering factors in 751 D Park are not attractive to the tenant creative companies. Besides, proximity to customers and sharing facilities is attractive to complementary service companies.

Alex (Tenant 6): “(...) 751 D Park is also renting space temporarily for events. For us, it is a good combination, we are closer to the venues where events take places, and closer to our clients who are likely to organize events frequently.”

Whereas in soft clustering factors, the respondents (6/6) admitted that they can have access to more information and knowledge by locating in 751 D Park, thus acting as an important reason of locating in creative clusters. This supports the argument of Griliches (1979), that enterprises in a cluster tend to benefit from knowledge

¹⁰ This is the number from year 2014, retrieved on May 24, 2015, from <http://www.eol.cn/html/c/2014gxbys/>

spillovers within the agglomeration by working on similar business. The accessibility comes in two ways: through personal contacts and through the cultural events and activities. Firstly, they made acquaintance with persons in their or similar industry, and they are able to learn more through exchange and talks. Secondly, non-stop cultural activities and conferences within fashion, design and technology industry take place in 751 D Park, these temporary cluster activities play as a useful platform to learn from knowledge exchange and sharing. One example is China Fashion Week which is held in 751 D Park twice a year, tenant fashion designers are able to participate more in depth to learn the the trend and best works from famous designers. Furthermore, the proximity to 798 Art District also adds to the access of knowledge and information. Contemporary art exhibitions and activities are constantly organized in 798 Art District, which provides an extra channel to learn the fad, fashion and trend of contemporary arts, as one interviewed company is working on arts-related design field.

Stella (Tenant 4): “ in 751 D Park, all the best resources gather here, you are working together with many other fashion designers, and China Fashion Week being organized here twice a year, it saves a lot of time and energy to keep informed of what is going on about fashion design. ”

Lester (Tenant 2): “On the one hand, 798 (Art District) presents many art works, and exhibitions..., and we need to know what is the developing direction within Chinese arts by visiting it very often.”

Network of creative organizations is one big attraction for interviewees to locate in 751 D Park. They (6/6) strongly agreed that network is essential in the fashion, design and technology circles. The fact in turn confirms the statement from Landry (2000), that values do not come from scarcity in conventional industrial economy, but lie in abundance and relationship in so called network economy. By locating in 751 D Park, they did forge plenty of useful networks inside and outside the creative cluster. Four of them view network as narrowly down to clients, and claimed that a satisfied client would recommend them to more clients.

Wu (Tenant 3): “Very important. Start-up companies in the rapid growth phase need to integrate resources from all aspects to support its growth. The resources are mainly from the networks.”

Lester (Tenant 2): “... if we know and supported an artist, he will introduce even more artists to us. For instance, we have been working with a guy for two years until now, he works in the cultural exchange of China and France and has many contacts with embassies, and he is very resourceful of designers and artists. So he connected us with many designers from Germany and France as well.”

Although they do not see possible face to face contacts as an attraction to locate in

751 D Park, they (6/6) acknowledged that face to face contact is crucial in their work and industry, as asserted by Landry (2000), and Florida (2002). Despite the prevalence of internet, interpersonal communication in the way of face to face cannot be replaced. As the respondents suggested, face to face contact is an efficient way of communication. People can build trust with each other in non-virtual world, but most importantly, it improves the efficiency and effectiveness of project implementation. Creative organizations deals with creativity rather than standardized routines, and the realization of creative ideas counts on the mutual understanding among creative organizations, cooperators, and clients.

Lester (Tenant 2): “Yes it (face to face contact) is necessary. We deal with contemporary artists, and we work through face to face contacts, almost everything. The advantages, it is helpful to better understand the counterparts’ thoughts and ideas, and details, presentation effects etc. Right now we are working on a project with a French artist, and we communicate (face to face) every day, and much time at a time, in that way we know what he wants to realize and how we can realize it.”

Also, the creative milieu, or “*artistic environment*” as they put, acts as a strong appealing factor that influences their (6/6) location decisions in 751 D Park. Landry (2000, p.133) defined creative milieu in his book as “a place - either a cluster of buildings, a part of a city, a city as a whole or a region - that contains the necessary preconditions in terms of ‘hard’ and ‘soft’ infrastructure to generate a flow of ideas and inventions”. Seen as a combination of hard and soft infrastructure, Landry provided a new approach to research into creative clusters and cities. Therefore, in this research, creative milieu is interpreted as the hard and soft environment suitable and fostering artistic and creative production.

Undoubtedly, the adjacent to 798 Art District is partially responsible for creative milieu in the region where 751 D Park is situated. Tenant companies in 751 D Park are able to better learn and know about art and design, and the creative milieu tends to make a difference to the production and organizational culture. One respondent even expressed their inclination towards locating in creative clusters for the pursuit of *artistic environment*, as a result, three offices of theirs are all situated in creative clusters in different cities.

Lester (Tenant 2): “Later I was considering Artingyourlife is an art brand, different from traditional air brushing, we need to follow certain artistic criteria. Therefore we still concentrated on creative clusters (when choosing the location). [...] What we want most is working in the artistic circle. [...] we have inclination towards creative clusters [...] that provides a lot of art aura. In creative cluster, there are many exchanges, creativity, and fusions within arts.”

Clustering factors are mainly from the study of industrial clusters, therefore creative

milieu is not included when identifying the locational factors. However, through the interviews with tenant companies, it turns out the creative milieu is frequently mentioned, thus acting as a significant aspect that attracted tenant company (6/6) to locate in 751 D Park. As Bell and Jayne (2004) argued, creative clusters ought to bring about buzz of creativity, innovation and entrepreneurialism to cities (Pumhiran, 2005). Thus the case of 751 D Park confirms creative clusters is attractive because they are catering for creativity and innovation.

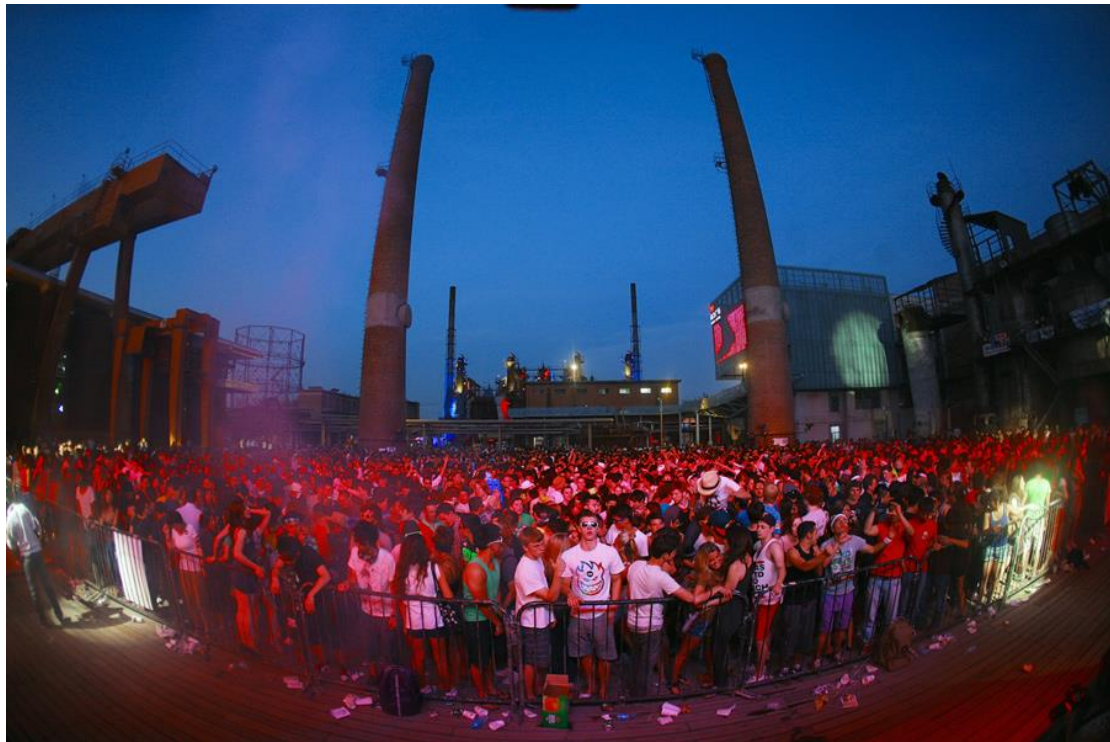
Next to that, one aspect of attractiveness of 751 D Park was not anticipated in this group, that 751 D Park is appealing to creative organizations not only as a creative cluster, but also as a venue accommodating temporary clusters such as China Fashion Week, Beijing Design Week and Geek Park. Moreover, these temporary clusters catered for professionals in fashion, design and technology, adding to the *creative buzz* within 751 D Park. During the temporary cluster period, designers, academic professors, students from the globe gather in 751 D Park to learn and share new knowledge, The process or function of both permanent clusters and temporary clusters can be interpreted as knowledge generation and acquisition. Maskell et al. (2006, p. 1006) concluded that “the value of knowledge gained in temporary clusters will multiply when inserted into the buzz of a permanent cluster”, and according to them, permanent clusters and temporary clusters mutually reinforce the powers of buzz and pipelines.

Thus the combination of resources from permanent and temporary clusters within 751 D Park, is greatly enhanced and available for respondents. This became the most important reason for them (3/6) not to move away, in answering the question about “the most missing aspect if they were to leave 751 D Park”. As one respondent liked the design resources they have access to in 751 D Park, and the resources she touched upon do not cover the tenant companies alone, but *creative buzz* in 751 D Park in fashion design and relevant industries. Two other respondents also admitted that industry agglomeration (can be understood as *creative buzz*), and the availability of diverse cultural activities in 751 D Park are the crucial reason of locating in 751 D Park.

Gina (Tenant 5): “(We) appreciated the 751 D Park acts as a platform, which is open to designers, studios, universities and so forth. Famous fashion designers, who were dispersed within China before, gather and locate here, it is much more convenient and efficient to share and exchange among them.”

In addition, there is one unexpected finding within the clustering factor group, that management team of creative clusters have a great influence on tenant companies to stay in 751 D Park. It is surprising that one respondent thought 751 staff played an important role in their decision of staying in 751 D Park. According to him, 751 staff are their friends, and have been supporting and assisting them on all aspects all the time. On the other hand, other interviewees do appreciate the help they received from

FIGURE 6: Event Scene in 751 D Park



Source: provided by 751

751 staff, even though not as the key retention reason. For instance, 751 endeavors to form a sustainable relationship with tenant companies. This is reflected on that current tenants are more than welcome to renew the lease when the contract expires. Moreover, 751 tries to provide better physical infrastructure and environment for tenant companies to work in. Respondents have referred to examples such as the accessibility of WLAN, special industrial power etc. As Yang (751 Staff 2) introduced, 751 now has a professional property company that takes care of physical issues and solves the problems for tenant companies. Also, 751 organizes parties and evenings for tenant companies to socialize and build the sense of belonging among the cluster. This is crucial for tenant companies to attach instead of feeling isolated. Last but not the least, 751 assists tenant companies in the development of business, such as applying for patents, or introducing new clients etc. Overall, the importance of cluster organizer is increasing and tend to influence the location decisions of tenant companies.

4.2.3 Lifestyle factors

In this category of factors, all respondents (6/6) agreed that 751 D Park enjoys the features of quality of place, and is attractive to the creative class as of them. The attractiveness of 751 D Park from this perspective, is closely related to 798 Art District, or Dashanzi Area (where 798 Art District and 751 D Park are both situated) in a broad sense. The area gathers creative class from arts and design industry, thus providing a corresponding lifestyle to the peer individuals and organizations.

The respondents (6/6) confirmed that 751 D Park provides a diversity of lifestyles, as an appealing factor to locate there. Working in 751 D Park is distinct from that in business office buildings, rather than being surrounded by commercial and business oriented facilities and complementary services, 751 D Park depicts an ideal working place for creative companies who differentiate themselves with others in traditional industries.

Except for people working in arts and design or industry-related fields present a diverse ways of living and working, the respondents (5/6) found that the fine gardening in 751 D Park entails the diversity of lifestyles to some extent. Relating to the haze or smog in Beijing, the nature-alike gardening offers the tenants with comforts to stay away from the pollution. As a result, tenants can go out for a walk during their work, where they are close to the nature, trees and grass. Even some people are taking their pets to work in 751 D Park, or plant flowers themselves, and one respondent adopted the word of “idyllic” to describe the lifestyle in 751 D Park.

Lester (Tenant 2): “working here, if we are tired, we can take a walk in the beautiful garden, take a look at the locomotive, or the racing court. Many people bring their own dogs here to work, and there are some stray cats in 751 D Park, so you can see people walking their dogs during the day and feeding those cats. I have got the permission to take use of the small area of ground in front of our company, so I planted sunflower in the past years and this year I planted Gesang Flower that I brought back from Tibet. The life here is quite idyllic, you can say.”

“People of diverse backgrounds” refers to people of different ethnic groups, ages, cultures etc. Except for international artists and designers are working in this area, millions of visitors come to this area each year. The result shows that the interviewed companies (5/6) found it an advantage of various tourists in 751 D Park and 798 Art District, which adds to the attractiveness of Dashanzi Area. The tourists they identified are students, arts or design lovers, or random visitors from babies to the elder. Meanwhile, the artists and designers from China and abroad visit this area very often, to exchange and share their work and thoughts. Moreover, this area is becoming popular with international tourists, and Japanese and Korean travel groups frequently visit there. As a result, as one respondent replied, it adds to the popularity of this area, so the reputation and popularity of a location makes an impact on their decision location in 751 D Park.

Each year plenty of cultural events and activities are held in 751 D Park, and respondents (6/6) found it an attractive factor in their location decision. One respondent acknowledged that various activities in 751 D Park is one significant expectation before locating there. Each year, China Fashion Week takes place in 751 D Park, and it represents the latest and most trendy development of fashion industry in China and beyond. Also, 751 D Park is one important venue of Beijing Design

Week, designers from all fields of design display their works and share their design ideas. Besides these two, other conferences relevant to fashion, design and technology open up from time to time. 751 D Park, as a venue for cultural activities and events, accommodates temporary clusters in the specific fields of fashion, design and technology, which in turn makes itself an attractive location for creative companies.

As to the people working in 751 D Park, the respondents came up with words such as “free”, “well-educated”, “artsy” and so forth. As Florida (2002) suggests, who’s there is one of the three dimension to define quality of place. Therefore the adjectives respondents provided illustrate their ideal colleagues, who they want to work with, and these are self-projection of themselves, in a sense they define themselves who they are, and the decision of locating in 751 D Park explicates they match the features of people working in 751 D Park and they desire to be part of them. It is easy to find that interviewees tend to use positive words to describe people working in 751 D Park, even though one mentioned “lazy”, but in a good sense as the lifestyle of artists and designers, different from business people.

Jie (Tenant 1): “Well, I can come up with several characteristics of people working here. They are cheerful, arty, fashionable, moreover, they are quick-witted, have a broad vision and a high level of appreciation.”

Wu (Tenant 3): “Independent, creative, energetic, positive, with a unique character, and an exquisite lifestyle.”

Stella (Tenant 4): “Energetic, imaginative, and open-minded.”

Alex (Tenant 6): “Free, interesting, creative and passionate.”

However, it has to be admitted that, lifestyle factors are not the major attractions of companies’ locating in 751 D Park. Although respondents appreciate a different work lifestyle in 751 D Park, but the prior reason of locating there is not to live a diversified life, but seek for a location to work more efficiently and creatively. As to the availability of cultural events and activities, they do attract tenant companies through passing on knowledge that is beneficial to their business, rather than entertainment and fun in life. When applying Florida’s theory of quality of place, a couple of aspects have been adjusted in this study. First of all, the subjects have been broadened from creative workers to creative organizations. The focus of individuals and organizations in location decisions varies, as organizations have to take much more complicated contingencies into consideration and it is not easy for organizations to re-locate in a short time. Secondly, quality of place is attractive to creative class in terms of living and working, but creative organizations choose locations mainly for the purpose of working.

4.2.4 Old industrial building factors

This set of factors refers to the characteristics of the old buildings in 751 D Park, and the results show that these old industrial buildings accounted for big attraction for the respondents. The mostly mentioned attraction of physical buildings is the historical and heritage values. As they feel connected to the history of China's development as well as the buildings in the very special period that China started to develop its own heavy industries, the respondents (6/6) admitted that they felt sense of nostalgia, and retro style recalling the past. Originally used as industrial plants, the buildings of 751 D Park could be seen as industrial heritage. Respondents all found it an important attraction to locate there. This agrees to the finding of Feilden (1994), and Heebels and van Aalst (2010) that old buildings attached with the past, memories and values are appealing to creative organizations and creative workers.

Only one respondent said she did not feel connected to these buildings, because she was not familiar with industrial plants. However, it could be explained from the perspective of industry backgrounds: as an investment manager of non-design company, she is not technically a creative worker in this case. Her background nurtures a business-sensed mindset, which operates differently as designers through creative training.

The respondents (5/6) care about the conditions and preservation of old buildings in 751 D Park and Beijing, as the owner - Zhengdong Group does, therefore the reconstruction is not an option for them. This rejected the point that the low reconstruction cost of old buildings are attractive to creative organizations by Ball (1999), and Kohler and Yang (2007), as the feasibility of reconstruction should be checked in different cases. Old plants and facilities are vulnerable and "fragile" thus needs to be cautiously taken use of, as a result, they did not changed the structure of buildings except for dividing the space vertically into two or three stories. The (ceiling) heights of different buildings in 751 D Park is 4 meters, 8 meters and 12 meters separately, which is obviously too tall to be used as modern offices. The rest of changes they made are indoors soft decorations, which does not transform the physical structures at all. One respondent said they spent 300,000 yuan (around 42,000 euro) on adding one floor, which was costly and did not show any advantage in terms of price. Therefore the factor - price of reconstruction or re-adaptation is not an attraction of 751 D Park.

FIGURE 7: Old Industrial Building in 751 D Park



Source: provided by 751

Jie (Tenant 1): “Basically, it is not allowed to reconstruct on the existing space, because the old buildings are already vulnerable for safety reasons. Moreover, 751 has strict restrictions on the outer surfaces of buildings so that it is impossible to make big exterior or interior changes. So except for separating the space into two stories, all we did was soft decorations instead of physical changes.”

Interviewees (6/6) thought that sense of freedom brought by the buildings in 751 D Park is appealing to them. The freedom mainly comes from the unique open space and environment in 751 D Park. One respondent compared the feeling of working in 751 D Park with that in previous location, and asserted it was constrained and depressing to work before. Hutton (2006) referred to freedom as they can adapt the building to their functional and aesthetic needs, which is true for the respondents to create and design. Locating in 751 D Park, where the buildings are huge and tall with high ceilings and tall windows, respondents (5/6) considered as one factor that encouraged them to make the location decision to 751 D Park.

Stella (Tenant 4): “It’s very spacious in terms of area, and the building (ceiling) is 7 meter high. It offers plenty of space for me to imagine freely, create independently, and present my own works.” “I rented an apartment there (in the residential area)¹¹, but the space was built mainly for living, so I felt constrained

¹¹ This is the answer from the interview responding to the previous location of the tenant before moving in 751 D Park, not in 751 D Park.

by the room. You know, if I want to design and make a new dress, the design, cutting and sewing were done in four different rooms. It was very inconvenient.”

On the other hand, the sense of freedom does not make an impact on personal emotions alone, but also provides inspirations to their creativity and business. Five respondents confirmed that they are inspired by the old buildings to different extent. The inspiration is interconnected with the historical and heritage values, as designers are not inspired by the buildings of its current status, but the values and history behind the buildings. Also, it is important to note that the connection of past and now lies in keeping the buildings the way they were built, argued by two respondents. If the old buildings were totally transformed into other outlooks, then the attraction would disappear, nor would the buildings inspire the tenant companies.

Jie (Tenant 1): “I do feel some connections with the buildings here. A case in point is the water tower, it is still what it was fifty years ago. And it is inspiring and sparks new ideas for us. [...] in 751 D Park, all the facilities stay what they were fifty years ago.”

The building scale and style of 751 D Park are attractive to the respondents. From the external side, 220,000 square meters of old buildings gave them a feeling of “mass momentum” and vastness, whereas from internal perspective, the height of usable space reaches as tall as 12 meters, which provides more possibility for design and production. This is stressed by the tenant from stage art company, because they design and work on space and stage, so the fascinating space of old industrial buildings in 751 D Park are unique attraction to them.

Alex (Tenant 6): “They (old industrial buildings) are perfect for setting up a fancy and extraordinary stage, as the ceilings are really high, and it is so empty and broad in those tanks, the diameter is over 50 meters, you can hardly find any other indoor venue easily elsewhere (in Beijing). Sometimes we get more creative ideas about the stage, because of the special old industrial buildings here.”

One respondent talked about the distinctiveness of the old buildings in 751 D Park, and the distinction leads to externality for their company image and reputation as well. As Hutton (2006) explains, industrial architecture represents certain identities, congruent with the individuality creative talents would like to express. The respondent acknowledged that their clients would build more trust in them and their work, once the clients came to visit them in 751 D Park and saw how they creatively used the old industrial buildings from the 1950s. As a result, their working space in old buildings became a special business card for them, which in a way revealed their design taste. So the company image could be differentiated and enhanced by locating in old buildings, especially when design companies creatively designed their own working space.

Jie (Tenant 1): “if they come to our office in 751 D Park, they can feel themselves the physical environment of and for design, which adds to their trust in us and our design. Because it is a direct way to show them what we are able to do in design.”

The above discussion has led to supporting the statement that old industrial building factors are playing an increasingly important role to influence the location decisions of creative companies. Except for the conventional factors, clustering factors, or lifestyle factors, old buildings also become the features creative organizations are looking for when seeking new locations. The uniqueness of architecture, history bonded with old buildings, are appealing to the respondents, particularly in the decision of moving into 751 D Park.

In answering the most important retention question, one respondent expressed that their working space in 751 D Park kept them staying. They built and decorated their working space by themselves within old buildings, suggesting buildings factors are the essential reason for them to stay. Moreover, it is noting that they have established a certain relationship with buildings in 751 D Park, and the interaction process persuades them not to move out.

Conclusions Results

This chapter reports the findings based on the qualitative data from interviews. On the one hand, the result shows the construction and management of 751 D Park, and the efforts 751 has taken to maintain the attractiveness of 751 D Park in both hard factors and soft factors. On the other hand, from the tenant companies' perspective, they choose to locate in creative clusters for complex reasons, covering four groups of factors identified. On a hard and soft level, the debate remains between hard factors and soft factors. However, more soft factors are appreciated by respondents, but this does not make soft factor category a winning team in a qualitative research without quantitative statistics. On the dimension of four locational factor groups, the empirical result reveals that soft clustering factors are still the most important attractions of creative clusters to tenant companies. Meanwhile, the old industrial building factor is of increasing importance.

CHAPTER 5 CONCLUSIONS

The research explores the location decision of creative organizations in China, by contextualizing in the case of 751 D Park in Beijing. The aim is to discover the locational factors which have an impact on the location decisions of creative companies to locate in creative clusters, as a reflection of the attractiveness of 751 D Park for creative organizations to locate in. The central research question formulated is: why do creative companies locate in creative cluster in China? This chapter will answer the central research question, respond to the expectations in Methodology part, and discuss the limitations of this study and venues for future research.

Theoretical framework attempts to formulate the locational factors that creative organizations take into consideration in location decisions. Conventional location theory, and cluster theory are reviewed to find out factors that are crucial to explain “why this location?” and “why in creative clusters?” respectively. Moreover, concerning creative organizations, Florida’s quality of place is complemented in order to test if lifestyle factors make certain locations more attractive. Lastly, as 751 D Park was originated from industrial factory and built upon old buildings, a fourth category of old industrial building factors was added to the locational factor framework. Then the framework is slightly adjusted according to the specific case of 751 D Park before put in use in data collection.

This study is majorly based on first hand qualitative data, which is collected through one on one interviews. Two groups of interviewees were involved in the data collection: 2 from 751 management team and 6 from tenant companies. The respondents were selected by a snowball sampling approach. The interviews were conducted through phone calls and emails in Chinese, and the results were derived from the interviewed data.

To answer the research question of the influential factors, the empirical results show that tenant companies’ locating in 751 D Park is determined by a diverse and interrelated set of factors, and four categories of factors have a different extent of influence on the tenant companies. To be specific, most conventional factors do not apply to 751 D Park for instance tax advantages, subsidies and flexibility of leases, but the rest of conventional factors including parking space, public transport and rent are attractive to creative companies to locate. Hard clustering factors were rejected, while soft clustering factors play the crucial part among the four factor categories. It is notable that the attractiveness of 751 D Park also result from catering temporary clusters, enhancing the spillover effects among tenants known as *creative buzz*. Although respondents agreed 751 is a location with “quality of place”, this category is more important in terms of keeping them there. The appreciated factors as “availability of cultural events / activities”, “many young and open-minded people in the area” are both interrelated to the soft clustering group. Furthermore, old industrial

building factors are becoming a more influential factor group in this case, as the uniqueness of industrial architecture is appealing to them as creative workers.

It is striking that two factors relating to the government as subsidies and tax advantages are not the reason for creative companies' locating in creative clusters. As a matter of fact, governments in China have been carrying out an increasing number of cultural policies to support cultural creative industry and creative clusters. However, policy making and policy implementation fall behind the development of cultural creative industry, neither the cluster organizer nor creative companies are aware of what tenant companies could benefit financially from locating in creative clusters. This inspires Municipal Government of Beijing and others in China or abroad, on the policy level, that creative companies as the policy beneficiaries should be fully informed and engaged. If governmental support provides financial benefits for creative companies who locate in creative clusters, these two factors, or government would be a strong drive for companies.

751 D Park is appealing to creative companies due to its openness, inviting in temporary clusters in fashion, design and technology. This aspect can be formulated as "*creative milieu*" in the clustering factor group. This case is also not typical in China, but is a good example to refer to. Most creative clusters in China are duplicating the mode of a place housing creative companies from the same industry, but do not contribute to clustering externalities. In a sense 751 D Park should be highlighted in terms of the functioning mode. The on-going *creative buzz* is definitely turning the creative cluster attractive, and creative companies would be more than willing to locate in such a venue.

Overall, the rationale behind locating in creative clusters is not a simple choice, as four factor groups stand true in different senses. Thus the conclusion could be compromising among factor groups: creative companies locate in creative clusters primarily due to the clustering externalities brought by creative clusters, the old industrial buildings have become a new attraction towards creative companies, and the conventional factors do not lose relevance even in cases of creative clusters, quality of place is appealing to creative companies to work. Concerning soft factors and hard factors, the dispute in academia remains.

Responding to the expectations, the first one that "751 maintains the attractiveness of 751 D Park by working on clustering benefits such as knowledge spillovers and networks of creative companies" was denied, as 751 works on not only clustering benefits, but also stabilizing the rent level, creating a diversified lifestyle and preserving the uniqueness of old industrial buildings from three other factor groups. They are aware that clustering benefits alone do not persuade creative companies to locate in a creative cluster. Therefore 751 works on both hard and soft creative cluster management, to provide comfortable physical infrastructures as well as support the inter-organizational development in terms of creativity, business and networking

within and beyond 751 D Park.

The second expectation is “tenant companies attach more importance to soft factors over hard ones when deciding to locate in 751 D Park”, the debate between hard factors and soft factors is not settled in this case. Unlike a quantitative research, this thesis could not provide soft factors are stronger than hard ones, without mentioning one tenant respondent thought hard factors account for 60% in their location decision.

The last expectation referred to attractiveness of old industrial buildings towards creative companies, and the result proves it valid that old buildings act as a unique attraction towards tenants. The industrial and historical values of old buildings were most appreciated, and moreover, the old buildings provided “sense of freedom” and are inspirational to the creative production process. It is worth noting that the well-preserved old buildings of original style, as well as fine-gardening within 751 D Park are also appealing to tenant companies.

There are several limitations to this research, some of which in turn suggests venues and directions for future research. First of all, as a qualitative research, the reliability and validity are problematic, thus the results are not generalizable. The findings based on 751 D Park cannot be generalized to the situations in Beijing or China, let alone creative clusters throughout the world. Even though the population is defined as China in research question, this thesis is intended to analyze one case from China. However, this study managed to provide in-depth results in particular context of China. This includes the the development of creative clusters in China, open creative clusters accommodating temporary clusters as 751 D Park, creative use of historical industrial buildings etc, which could be inspiring in other researches.

Secondly, methodologically speaking, the number and sampling approach of interviewees from tenant companies are limited, and data collection process needs improvement. A rather small proportion might not represent the case in terms of research population. Next to that, snowball sampling could cause some bias shown in the attitudes of interviewees. As a result, the findings should be cautiously used for interpretations concerning other creative clusters, other cities and countries. Also, this thesis was carried out in Rotterdam, the Netherlands, without a field trip back to 751 D Park in Beijing, China. All the contacts and interviews were performed through emails and phones, even 2 interviewees were responded by emails alone. The conversation flow is less dynamic without the in-time response and body languages. It cannot be speculated whether the results would be different if interviews were carried out in a face to face way. But it is recommended future research could be conducted face to face to gain more trust.

On the other hand, it also indicates the difficulty of carrying out academic research in business world in China. Although I have interned there and 751 staff helped connecting interviewees, the respond rate is still quite low. If the government or 751

were actively involved in academic exploration, this research and its results could be much more valuable.

Also, this research fails to clearly differentiate locational factors and retention factors in the location decisions of 751 D Park. It is presumed that locating in 751 D Park till the time of interviews is a synthesized decision, that they are attracted by certain factors to move in there and attracted by factors to stay there. During the interviews, the respondents also take it for granted that this is one question by introducing plenty of experiences after working in 751 D Park. This leaves room for future studies about whether locational factors are congruent with retention factors, and explores the reasons behind if they are not overlapping.

Furthermore, some results in this research are descriptive qualitative findings, suggesting future verification in a quantitative approach. These includes the increasing importance of building factors, the significance of *artistic environment* (can be understood as creative milieu) and so forth, but to what extent they have an influence on the location decisions are yet to be found out.

Last but not the least, there are some directions for future research worth mentioning. As Fromhold-Eisebith and Eisebith (2005) argued a new cluster manager is needed, who is able to “co-ordinate support across organizational boundaries and to integrate various instruments and interests” (p. 1253), further research about the cluster management in 751 D Park, or comparison in management with other creative clusters can be elaborated. Also, considering the closeness of two creative clusters, how they are impacting each other in terms of creativity development and knowledge spillover is beneficial to the creative cluster studies. Last but not the least, the phenomenon of sub-cluster group locating in creative clusters is not common, therefore the motivation and effects could be furthered studied. This might suggest a new mode of building creative clusters by combing bottom-ups and top-downs, which could be a more efficient and effective way, on the contrary to cluster manager in search for individual tenants.

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- <http://www.chncomic.cc/> Website of China Comic

Appendix 1 Interview guideline for 751 staff

1. Deputy Director

1) Introduction of 751 D Park

- Founding (year, policy, other supports including subsidy and resources)
- Financial status (revenue source, relationship with Zhengdong Group)
- Stakeholder identification (Audience, etc.)
- Branding strategy
- Management structure
- Renovation of physical factory
- Practice and annual arrangement of 751 team
- Goals of 751 D Park

2) Attractiveness of 751 D Park

- Attractiveness to creative companies
- Factor discussion
- Selection criteria of tenant companies

3) Others

- Competition or collaboration with 798 Art District (pros or cons)
- Other comments

2. Contact agent

1) Overview of tenant companies in 751 D Park

- Areas of factory (vacancies? Possibility of more accommodation?)
- Number of tenant companies
- Overview of tenant company profiles
- Case of moving out, if any
- Factors discussion (rent, lease signing, etc.)
- Selection criteria of tenant companies

2) Interaction with tenant companies

- Relationship and routine contact with tenant companies
- Feedback of tenant company satisfaction
- Special events for tenant companies, if any
- Other comments (recent changes etc.)

Appendix 2 Interview questions for the tenant companies

First of all, I would like to ask some questions about your organization and previous locations...

1. Could you tell me in what year was your company founded?
2. Was your company located somewhere before? Relocated before? In a cluster or non-cluster?
3. Why did you decide to change the location? Was there anything unsatisfactory?
4. Do you have offices or branches besides this one? Where is it?
5. Generally speaking, do you think cost and revenues are important when making a (re) location decision?

Now we are back in the time you decided to move into 751 D Park...

6. When did you move into 751 D Park? What was the occasion? Why was it appealing to you?
7. What is the difference in rent compared with your previous location? Can you apply for any subsidies or tax advantages by locating here?
8. How many years did you sign the rent lease with 751? Is it flexible enough for you to choose and quit?
9. What do you think of the parking space and public transport of commuting to 751 D Park?

Next I will ask some questions about the physical buildings in 751 factory...

10. What was your first impression of 751 factory?
11. How would you describe the Bauhaus style of the buildings?
12. How do you like this architecture style? How do your clients find buildings?
13. Is it different from your previous locations physically? Do you feel constrained or freed?
14. What is the square meter of your company now in 751 D Park?
15. Have you redecorated the space for your company? How?
16. Do you know the history of the building constructions? Do you feel connected with or attached to the old buildings? How?

Some more general questions about creative clusters...

17. What do you think of the idea of converting 751 factory into a creative cluster? Is it a good way to preserve and take use of the old buildings?
18. What advantages did you expect about moving into a creative cluster like 751 D Park?

Let's come back to 2015...

19. Are your expectations fulfilled after locating in 751 D Park? Could you give specific examples?

20. What would be different if you are located in a non-cluster?
21. Do you have a lot of face-to-face contacts in your work? Is it important in your industry?
22. Do you cooperate with other tenant companies very often? Why? Any examples?
23. Can you get more knowledge and information about the trend and development in your field of design in 751 D Park? What are the (other) sources?
24. Has your company experienced any change in terms of productivity or creativity after moving in 751 D Park? What do you think are the reasons behind it?
25. Do you think network is important in your business? Could you give an example?
26. Have you forged useful networks with other cultural organizations/ designers in 751 D Park?
27. Is 751 helpful in connecting other cultural organizations?

The next few questions will be about Jiuxianqiao/Dashanzi Area (where 751 D Park and 798 Art District are located)...

28. 751 D Park and 798 Art District are closely adjacent, do you think the well-known 798 has any influence on the establishment of 751 D Park?
29. According to your opinion, what are the distinctions of working in 798 and 751 D Park?
30. How do you like being close to 798?
31. In your point of view, does 751 D Park provide a diversified lifestyle to live and work?
32. Does this area provide a different profile to the public? What is the identity of this area?
33. Which adjectives can you think of to describe people who are working and living in 751 D Park?
34. Are there any cultural activities or events held in 751 D Park?
35. Is your organization actively engaged? Why?
36. (After giving the definition by Florida) do you find 751 D Park a quality of space as described? Anything you want to comment?

Now come the last questions...

37. How long are you considering staying in 751 D Park?
38. Imagine you will leave or have to leave 751 D Park for other locations, what aspects would you miss most? Why?
39. Overall, do you think 751 D Park is a successful creative cluster? Would you recommend it to other creative companies?

Appendix 3 Background information interviewees

| Subject | Category | Responsibility/Title | Field |
|----------------|-----------------------------------------|-----------------------------------|--------------------------------------------|
| Gloria | 751 Staff | Deputy Director | |
| Yang | 751 Staff | Tenant company contact; Design | |
| Jie | Tenant company: 3 Qian | Founder and general manager | Architecture and interior design |
| Lester | Tenant company: Artingyourlife | Founder and manager | Digital printing and interior design |
| Wu | Tenant company: Jidi Creative Center | Investment manager | Internet / Investment |
| Stella | Tenant company: Rose Fashion | Designer and Founder | Fashion design |
| Gina | Tenant company: Fengshang Fashion | Marketing manager | Fashion design |
| Alex | Tenant company: TopStage | Marketing manager | Stage set-up, event planning |

Appendix 4 Transcripts interviews

Please find the transcripts of the interviews in the CD-ROM attached to this document.