

**Entrepreneurship and Industrial Cluster**  
**—Taipei's Wedding Photo Studio Cluster**

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If regarding entrepreneurship as 「creation of new firms」 (Gartner, 1989), does industrial clustering has positive effect on entrepreneurial activity? Or, the congestion effects, mimetic behavior along with firm clustering will hinder the entrepreneurial activities? How does the industrial cluster impact on small to medium sized entrepreneurial activities in the process region development? This study takes the wedding photography cluster along the Zhongshan north road in Taipei city as an example, to examine the interaction between entrepreneurship and industrial cluster along the growth of wedding photographing studios.

**Introduction:**

Under the globalization trend and fast technology change, vertical disintegration becomes a new production paradigm. The resulting specialized supply induced intensive interactions among firms and high transaction costs, which imposes a new challenge facing by firms. Through their observation, the California school of industrial cluster revealed that in order to cope with inter-firm specialization and labor division, firms tend to cluster geographically to better coordinate and engage in speedy and flexible supply (Scott, 1988; Storper, 1997). Essentially, industrial cluster plays a significant role in building comparative advantage of many regional developments. Under the promotion by Michael Porter for the past decade, initiating and applying the industrial cluster has become a prevalent and successful development strategy in many regions and economies.

The cluster initiates mainly emphasis on generating externalities among firms within the geographic area. There are four basic external economies stated in Marshall's (1966) work: the economies of specialization arising from inter-firm division of labor in complementary activities; the economies of labor supply arising from the local pool of specialized labor; the economies of information and communication arising from the joint production of non-standardized commodities and the presence of local subsidiary trades; and the economies of acquisition of specialized skills and the promotion of innovation and innovative diffusions (Rocha and Sternberg, 2005). It is because these beneficial features, when a region or industry is mainly consist of small to medium sized (SME) firms, the cluster externalities becomes even more substantial.

If entrepreneurship is considered as the creation of new business, does clustering of firms helpful

to the birth and survival of new business? How does the industrial cluster interact with entrepreneurial activities in the process of regional development? Many empirical studies support the statement that firm clustering will enforce entrepreneurial activities, but other studies argued that it may have different effects along different stage of cluster development (Rocha, 2004). The current study takes the wedding photography cluster along the Zhongshan north road in Taipei city as an example to examine the impact of firm clustering on individual entrepreneurship, creativity, and in building local competitiveness and maintaining a sustainable regional growth.

The study proposed that industrial cluster has beneficial impacts on these small to medium sized studios through attracting high involved consumers, reducing entry barrier, increasing knowledge spillovers, and providing a very competitive and innovative environment. The observation also indicated that entrepreneurship contribute to the cluster growth through stimulating new services creation and value added instead of increasing number of business.

The rest of the paper is organized as follows: the second section introduces the characteristics and the effect of industrial cluster on entrepreneurship. The third section introduces the wedding photographing cluster in Taipei city and is followed by the discussion of the cluster effects on entrepreneur activities and development of the cluster. The final section concludes the paper.

### **Industrial Cluster and Entrepreneurship**

Most of the existing evidence seems to indicate that more entrepreneurs can be found within an industrial cluster than outside the cluster. It is because, in general, cluster provides complementarities and spillovers from technology, skills, information, marketing and customer needs, which are key factors to new business formation. It also provides successful models for the followers (Rocha and Sternberg, 2005). Entrepreneurs within the cluster has better connection with customers and suppliers; lower entry and exit barriers, better information on market opportunities (Rocha, 2002; Stinchcombe, 1965). Besides, industrial cluster usually have better physical and commercial infrastructure, which can reduce the risk and uncertainty of new business (Van de Ven, 1993; Westlund and Bolton, 2003). Due to highly disintegration, cluster can prove more opportunities for the niche market too.

More importantly, cluster can foster entrepreneurship through providing strong rivalry and close competition among firms which impose pressure on firms to innovate (Rocha, 2004), which lead to more entrepreneurial activities. Since continuous innovation is a norm in the cluster it can provide an atmosphere encouraging innovation and reduce the threat from failure (Saxenian, 1994; Sengenberger, 1992).

Though much of the existing studies pointed out that cluster has positive effect on

entrepreneurship, but there are studies argued that the number of new firm formation is simply a static observation, it is possible a high birth rate also induce high failure rates in the cluster (Rocha, 2004).

According to Schumpeter (1934), it argued that on the early stage of development, the entrepreneur bring new technology or modern way of doing business that break the building blocks of the markets, which introduce profits for the followers and the similar business clustering together. Eventually, with increasing density of the market, the entrepreneurial profit is level out, which stabilizes the new firm creation process.

Drawing from the organizational ecology theory, Pouder and John (1996) also indicated that cluster can provide new business a incubating effect while the cluster with less density. But the congest effect, mimetic behavior and homogeneity in managers' mental model will impedes entrepreneur profit, which will reduce the speed of new business creation (Rocha and Sternberg, 2005). The observation that focusing on number of new firm formation does not consider cluster may have different impact on entrepreneurship in different development stages. In other words, the effect of cluster on entrepreneurship is determined according to development stage (Carroll and J. Wade, 1991; Lomi, 1995)

In sum, During certain development stage, by clustering together, the resources required by the process of innovation and new business creation can be better supported, which can lead to more entrepreneurial activities hence speed up the development of the cluster (Boettke and Christopher, 2003; Zolta'n and Varga, 2005).

### **The Wedding Photographing Cluster**

At one time, the wedding portrait is only a 3X5 picture used to record the most important moment at a young couple's wedding day. As photo shooting has become easier and less costly, many couples start to go to a professional wedding photographing studio to take their wedding photo way before the actual wedding day. As a result, the wedding pictures turns into a well bidding album and a sizable bridal portrait becomes a standard decoration in wedding banquet and newly-wed's bedroom.

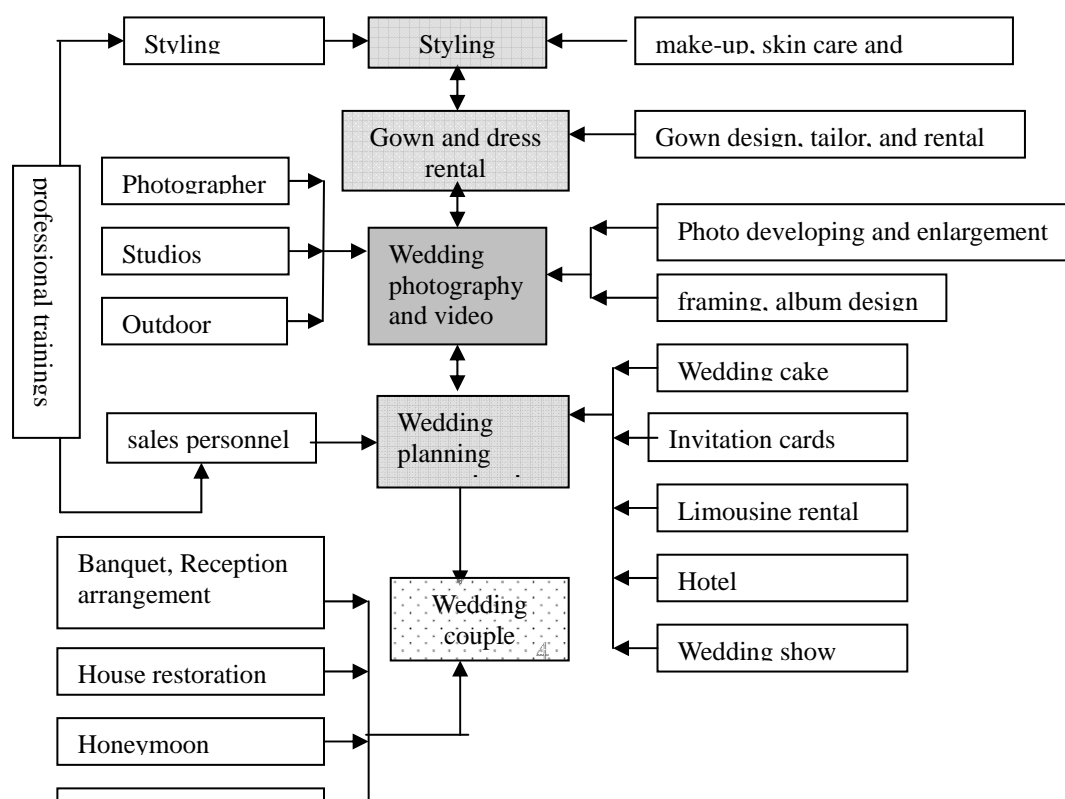
To accommodate the changes, wedding photographing studios has integrated the services from styling to wedding planning into a package, which lead the wedding photography evolve into a services providing business. In year 1983, the 「Chinese TV Bridal World」 firstly combined bridal make-up, hairdressing, gown rental, and the photo shooting together under one roof, which is the first wedding photographing studio locating on the Zhongshan North road. After that, the followers had tried to combine different services into different 「wedding service packages」 to attract customers and the wedding photographing cluster is gradually formed.

### Cluster Map and Stakeholders

According to Porter's definition, a cluster map and stakeholders of the wedding photographing along the Zhong-shan north road in Taipei city is sketched in Figure 1. According to this cluster map, we are able to define the boundary of the cluster and to identify all the member firms.

Four groups of stakeholders are defined in the wedding photography cluster, which are:

- (1) Primary service and product providers: the small to medium sized studios along the Zhong-shan north road which providing different service packages consisting of wedding make-up, hair dressing, wedding gowns and dresses rental, photography and video, wedding planning, etc..
- (2) Specialty inputs: the specialty inputs of the wedding photography consist of well trained personnel in photographing and services arrangement, and special scenes and sceneries for indoor or outdoor photo shooting. These may include the old foreign embassy houses on the Zhongshan North road and the famous sceneries in Taipei city, such as the Chang Kai-Shek Memorial Hall, TienMu, Tam-Sui, Yang-Ming Mountain, and the Palace Museum.
- (3) Supporting and related industries: Photo developing, enlargement, framing, and album design are usually outsourced from the wedding photography production. Besides, some studios will also contract with specialized suppliers in hair dressing, skin care, manicure and esthetics, gown and dress design. As for the wedding planning, the supporting services can include invitation cards, wedding cake, banquet and reception, wedding ceremony, limousine, and personal bridal secretary, and the annual bridal show.
- (4) Associate services: In addition to the wedding photo shooting, other arrangements are also taken into account by the wedding couple, such as restoring a new bedroom, honeymoon planning, and financial support for the wedding budgets.



In particular, there are couple special features of Taiwan's wedding photographing services:

**(1) Providing 「experiences」 instead physical products**

The wedding couple usually spends 3 to 6 months to plan the whole wedding process; it usually starts with going to a bridal show, or shopping around for a proper wedding photographing studio, wedding styling, and dresses. The whole process is like designing a personal wedding gown show; no bride is willing to miss the opportunity. It turns out that the 「wedding service package」 design has changed the simple photo shooting task into an inevitable and must experience. Customer involvement is getting much deeper than before. Usually, through words of mouth or looking into the studio's previous works, the marring couple will search for a studio carefully so as to match their particular needs. The more unique or more special experience that a studio can provide, the higher the price it can charge.

**(2) Concurrent production and consumption**

Most part of the services, especially the photographing, is provided concurrent with consumption. Under the circumstance, it is only through accurately revealing or describing of the preferences, customers and service providers can recognize and understand which content and which quality of the services to provide. The more the customers participate in the process, and the more intensive they interact with the service provider, the higher satisfaction they may get.

**(3) Customer's content is the price determinant**

On average, each couple spends around 1 to 1.5 thousand U.S. dollars on the wedding package, while some of them can even spend 10 thousand dollars on it. The variations are mainly come from different 「number of the pictures」 and 「quality of wedding gown」 that each couple choose. Since the consumers are not professionals, the total sales is depend more on whether the photographer, makeup artist, hair dresser, and sales personnel can capture customers' preference and create a unique experience for them. If the sales person can give proper services to the bride's content, in particular, then she is willing to pay more on the album and dresses. Hence, the studio has to provide good sense on fashion, artistic styling, and have very innovative thinking. The first two characteristics are determinants of attracting more consumers and can be obtained through

training, while the last characteristic is a factor determining the quality and profit level of their services which can be established only through working experiences.

### **Entrepreneurship and Cluster Effects on Development**

As indicated in previous session, the development of wedding photo shooting in the early stage is basically driven by photography technology and integration of new additional services. Besides providing a innovative 「wedding service package」, every studio tries to emphasis on one or more specialties to attract customers. Since there are limited numbers of shops available along the Zhongshan North road, the growth of the wedding photographing cluster has reached a saturation state that only having innovative idea or higher quality can enter or sustain in the business. Therefore, clustering studios are usually not competing on pricing but on services differentiation.

### **Entrepreneurship Effects**

Among all kinds of staffs in a wedding studio, sales person and photographers are the soul of providing satisfactory services to the marring couple. They are the personnel that have required expertise in creative artistic photos, fashionable styles, and effective interaction with marring couples. In most cases, photographers are contracted by different studios, which provide them a great opportunity to learn different service styles and niches across existing studios. Sales personnel, on the other hand, are on the first line to interact with customers. They have the first hand information on customer ideas, needs, and complain and usually have the most up to date information on wedding photographing market trends.

Due to the fact that it is very easy for the new studio within the cluster to source the related services and to obtain the staffs from local, the entry and exit barrier of the cluster is very low. The majority of the new studio comes from a well established photographer who got a new idea and team up with an experienced sales person. They will leave their own studio and try to rent or buyout a studio in bad shape and restart a new one at the old place. The low entry and exit barriers, better information on market opportunities, and widespread operational niches in the cluster makes the typical new business creation process a very costless and fast one.

Through close observation and intensive staff interactions, the knowledge diffusion is also very fast and effective, which result in a very competitive environment and highly innovative requirement to the studios. As a result, most of the new business creation leads to a quality and profit improvement instead of increasing number of studios. In sum, an innovative way of providing services is the key to success in the cluster. Through fast knowledge spillovers, the mimic behavior forces the studio become very innovative in every aspect to outperform their close competitors. For instance, there are studios try

to incorporate the hotel or travel agent to attract oversea marring couples coming to Taipei to have their wedding photo shot. All these are entrepreneurial activities to foster further growth of the cluster.

### **Cluster Effects**

The well established brand image of the wedding photographing cluster served as a main attraction to potential marring couples, not only from local but also all over the country and even Hong Kong and Singapore. These self-selected customers are characterized as caring more on quality and uniqueness of the services and ready to pay for the qualified products. Since the customers are having a perception in their mind, it is actually easier for the sales person and photographers to communicate with their requirement and provide them the proper services.

By interacting with the wedding couple the photographer can detect gaps between existing services and their expectation. They can easily capture the new development of customer needs and adjust their product accordingly. Through the entrepreneur activities of these photographers, complementarities and spillovers from new technology, skills, information, marketing and customer needs are easy to spread within the cluster. The wedding couples' demanding perception on the services served as the best source for each studio to innovate and to improve their services. Therefore, through firm clustering, the knowledge accumulated from interaction with customers has become the core competence of the member small to medium sized studios.

### **Conclusion**

The wedding photographing cluster in Taipei city along the Zhongshan North road has established a special brand image, which attracts the group customers of high involvements and serves as a source of SME studios' innovation. Facing customers who pursue high quality wedding photo services and close peer competition, the member studio are forced to innovate continuously or replaced by the new enterprise. Since the photography technology has become more common in general, the new idea of photo shooting is getting more essential to the success of the business. The cluster has provided entrepreneur required resourced to establish a new business in the region, a low entry barrier lead to an active replacement of less innovative ones. Due to the geographic limitation, the cluster has grown to a mature stage that entrepreneurship has brought in more revenue and profit instead of more new firms. These findings are consistent with the assertion that the effect of cluster on entrepreneurship is depends on the development stage of the cluster.

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