Study on How to Build Regional Industrial Clusters Brand

Ming-wu LI
School of Management, Yangtze University, Jingzhou, Hubei, China
645205721@qq.com

Keywords: Industrial Clusters, Regional Brand, Brand Strategy.

Abstract. The regional brand is of great significance to the development of industrial clusters. The industrial scale with bigger clusters is the basis to form the regional brands and the cultivation of business brand is the important support for the regional brands. The building of the benign interaction mechanism between the regional brands and the business brands is the core of the brand strategy of industrial clusters. The governance of the “tragedy of the commons” of brands is the key to prevent the risk of regional brands. At the same time, the guidance of local government and the service of intermediaries can provide a favorable environment for the building of regional brands.

Introduction

The industrial clusters refer to the phenomenon that a large number of enterprises with close industry connection and the relevant support institutions gather in space and form the strong and sustainable competitive advantages in a particular area (taking a leading industry as the core) [1]. Just like that the single enterprise has its own business brand and the industrial clusters which gather in a certain area and that are closely linked also have their own regional brand. It refers to the market reputation and the influence formed by the development of regional special industries. The subject refers to the specialized regional enterprise clusters rather than a single enterprise. The “region” in the regional industrial brands refers to the limitation for the spatial orientation status of brain subject. This concept is firstly proposed by Xia Zengyu and Xie Jian. The “regional brand” used by them refers to the “higher popularity and the aesthetic education degrees of an industry or a product in this region” formed by the corporate group activities [2]. The regional brand is usually named by the dominant industries in a region, such as “Chinese Porcelain Capital—Jingdezhen”, “Oriental Electric Capital—Liushi town”, “Kingdom of Auto Industry—Detroit”, “Tirupper Kitting Industry Cluster in India” and “Sialkot surgical instruments cluster in Pakistan”, etc. It is the integrated system that includes the collective names, the collective trademarks, the geographical indications, the marks of origin and some other forms. The regional brand is a symbol with which a regional industry cluster can differ from other clusters. It represents a potential competitiveness and the profitability of the enterprises in the clusters. It refers to the good reputation accumulated by the good quality and the comprehensive service of the enterprises in clusters after long-term normative operations. Then, the consumers will trust the manufacturers who produce the similar products in the region. In the market competition, the regional brand is helpful to improve the reputation of clusters and expand the product sales. It is the banner to maintain the stability of clusters, expand the scales and obtain the sustainable development capabilities, which play an important role in the integration of enterprises and the upgrade of industrial structures. It can be said that the regional brand is the lifeline for the development of enterprise clusters.

The Industrial Scale with Bigger Clusters Is the Basis for the Formation of Regional Brands

The industrial clusters have some aggregation advantages and scale advantages. The first condition to form the regional brands refers that the regional clusters must have certain industrial scale. The industrial scale is usually determined by “quantity”, which includes the production quantity and the supply quantity. In view of the development of industrial clusters at home and abroad, the industrial
scale of the regional brands with certain influence is bigger and it always takes over a considerable market share. For example, more than 3000 shoe enterprises are gathered in Jinjiang where has been awarded the title of “Chinese Shoe Capital”; the annual production value is 15 billion yuan in which the annual output of sneakers respectively accounts for 40% of the similar products in China and 20% of world. Another example refers to Shengzhou where has been awarded the title of “Chinese Tie City”; at present, there have been more than 1900 tie enterprises and the annual output value has been surpassed ten billion yuan. The necktie production in Shengzhou accounts for 80% of the national total, which accounts for 30% of the world’s total; the tie has become the pillar industry in the economic development of Shengzhou. It can be said that the industrial scale is one of the key causes of regional brands and it is also an important manifestation of the influence of regional brands. In April 2004, Chaozhou in Guangdong has been awarded the title of “Chinese Porcelain Capital” by China Light Industry Association and China Ceramic Industry Association. An important reason is that the annual production value of ceramics in Jingdezhen is less than 20 billion yuan at present and the production values in Foshan and Chaozhou are both surpassed a hundred billion.

On the one hand, the formation of cluster scale is closely related to the regional geographical features, the resource advantages or the historical origins; on the other hand, it is also the result of the actions of government, intermediary organizations and enterprises. However, as time goes on, the influence of natural endowments and historical traditions on the regional industrial clusters is relatively lower. The government guidance, the simulation of foreign investment and the industry organization as well as planning have played an increasingly important role in the formation of industrial clusters and the expansion of scales. Therefore, the local governments and the industry organizations should do something in the process of expanding the cluster scales. They should work together and provide the necessary guidance, support and services for the expansion of enterprise clusters.

The Business Brand Is the Embodiment of the Competitiveness of Regional Brands and the Cultivation of Business Brand Is the Important Support for the Regional Brands

If the industrial scale can reflect the influence of regional brands from “quantity”, the industrial advantages can reflect the competitiveness of regional brands from “quality”. The most intuitive performance of the industrial advantages of a regional cluster refers to the number of famous enterprises and well-known trademarks in this region. The “quality” and the “quantity” can reflect the strength and the position of industrial clusters in the industry market from different point of views and different degrees. [3]

The business brand is the important support for regional brands. The famous regional brands inevitably contain a number of well-known enterprises (famous brand clusters). Taking “Shoe Capital” Jinjiang as the example, a number of enterprises with famous brands such as Anta, Xtep, XDLong, Deerway and ERKE enhance each other’s beauties. To October 2004, there are 15 “Chinese Famous Trademarks”, 18 “China Famous Brands”, 2 export brands cultivated by Commerce Department and 26 national exemption products. To some extent, it can be considered that the regional brand is supported by the “high-quality” business brands. Some regional brands are even transformed by the business brands. These regional industrial brands usually appear in the local industrial clusters with leading companies and axle structures. The market influence of leading business brands makes them become the objects which some small and medium enterprises chase. Finally, the leading enterprises will reach the mutually beneficial brand-sharing agreement with other small and medium enterprises. Afterwards, the business brands originally occupied by the leading enterprises will be converted into the regional business brands shared by the industrial clusters. “Chint Appliance” in Wenzhou is a typical example of such regional industrial brand. It is managed by Wenzhou Chint Electrical Company. At the same time, more than 800 small and medium electrical companies have shared this brand resource in the form of joining the “brand club”.


If the industrial clusters only have the scale and there is no personalized famous enterprise in the region, the market structure will tend to be the perfect competition. The competition among these enterprises always refers to the single price competition. However, the competition which only relies on the price always leads to the excessive competition or the vicious competition among the enterprises. The essence of the brand refers to the personality. In the industrial clusters with famous brand agglomeration, the manufacturers will be more inclined to use the non-price competition means to strengthen the market positions, who will try the best to avoid the internecine situation caused by the excessive price competition. At the same time, the non-price competition can promote the diversification of products and the dislocation competition among enterprises, which will promote the healthy development of clusters and make the regional brands be more competitive. The final development and the innovation of industrial clusters require the leading enterprises to further create the business brand so as to enhance the reputation and the popularity of clusters. When the market becomes more standardized, the product information will be increasingly concentrated and delicate. The advertising and the marketing endlessly emerge and the information function of producing areas will be relatively declined. The image and the reputation of manufactures as well as the product functions will become increasingly important. Therefore, with the expansion of the scale of some enterprises in clusters and the rapid upgrade of technologies, it is particularly important for the corporate champions or the leading enterprises to create their own brands so as to get higher profits. When the business brand is created, the demonstration effect and the economic benefits will simulate other enterprises to compete for creating the new brands, which will provide the powerful support for the formation of local regional brands [4]. All in all, the regional cluster requires the development, the competitiveness of regional brand should be improved and it is an inevitable choice to make great efforts to cultivate the business brands.

The Construction of the Benign Interactive Mechanism Between the Regional Brands and the Business Brands Is the Core of the Brand Strategy of Industrial Clusters

For the enterprise clusters, the implementation of brand strategy includes the creation of regional brands and the development of business brands. They complement each other. With the help of the regional brand platform, it is beneficial for the enterprises to create their own business brands. The business brand benefits from the good reputation of regional brands in the process of creation, which can effectively shorten the time to create the brands. When the business brand has a strong influence, it will also benefit the regional brands and other business brands. The enterprises will launch the differential products through the technological innovation so as to increasingly improve the quality of products, which can provide more powerful support for the local geographical brands. Then, it is found that the regional brands and the business brands can support each other when the industrial cluster develops to a certain stage. Therefore, it is required to construct the benign interaction mechanism between the regional brands and the business brands. The strategy of the composition of core brand and sub-brand can be selected, such as “×× (producing area) ×× (product)”, the trademark of producing area is the core brand and the trademark of product is the sub-brand. The core brand will use the unified market identification mark, which represents the unified image of regional brand and reflects the commonness; the sub-brand will stress the personality and the features of enterprises. The core brand can hatch the sub-brand and the sub-brand can strengthen itself by virtue of the “piggyback effect” of core brand. All enterprises within the clusters should strengthen the creation of business brands. A lot of business brands compete with each other and gradually form the brand clusters, which can naturally foil and support the regional brands and make the image of regional brands increasingly promoted.
The Management of the “Tragedy of the Commons” of Brands Is the Key to Prevent the Risk of Regional Brands

The regional brands have been considered as the public goods for the enterprises in clusters, which have the non-exclusive and non-competitive characteristics. The non-competitive feature refers that when an enterprise in the cluster spends the regional brand, other enterprises will have the same right to spend this public good. The non-exclusive feature refers that any enterprises in the cluster cannot have the ability to exclude other enterprises to benefit from the regional brands [5]. This property will inevitably cause that the users of many brands only stress the brand value without realizing the protection and the innovation of brand value. Then, more and more enterprises will join the rank of “free riders”. They will reap the benefits brought by the regional brand resources and imitate the enterprises in clusters without paying attention to the independent innovation of resources. Afterwards, the products will be the same, which will lead to the excessive competition of enterprises in clusters. Furthermore, some enterprises have the fluke minds and they adopt the image of regional brands to conduct the predatory business and the wantonly production as well as sell the shoddy products. Finally, the reverse phase-out phenomenon of “bad money drives out good money” will be appeared. Even if only a very small number of enterprises employ the opportunistic behavior and the vast majority of enterprises conduct the normal operation according to the law compliance, the consumers cannot identify the enterprises in detail due to the asymmetric information. They will think that all enterprises in this region have the problems and they will lose the trust for the regional brands. Afterwards, the “domino effect” will be appeared, which will lead to the “tragedy of the commons” [6]. The “tragedy of the commons” is the biggest risk faced by the regional brands.

The origin of “tragedy of the commons” lies in the ambiguous main body of the property rights of the commons and the absence of owners. Therefore, based on the management of government, the regional brands should be “privatized”. It is required to give a clear property subject to the regional brands and specifically exercise the responsibilities of “owners”, which is the fundamental method to eliminate the “tragedy of the commons”. In view of the phenomenon that “everyone can enjoy the benefits brought by regional brands and everyone has no responsibility”, the regional brands can be registered by the government who can also entrust the authority to evaluate the value of the intangible assets. Afterwards, the “owners” of regional brands should be organized and it is also necessary to clearly and reasonably define the property subjects and the boundary of regional brands. Then, the encroachment of foreign enterprises or the share of regional brands can be prevented from a legal point of view. The brand owners can be stimulated to conduct the effective management, investment and development for the brand assets through the property rights. Considering that the regional brands are created by the common works of enterprises in the cluster, the core enterprises in the cluster can best represent the production operators in this geographical area and they can also have the ability to bear the heavy responsibilities to maintain and construct the regional brands, the property rights of regional brands can be transferred to the core enterprises. For the industrial clusters which have no core enterprises and take the small enterprises as the main body, the regional brands can be transferred to other enterprises in the cluster region or the enterprises outside the region through the methods of auction and the bidding. At the same time, the certain benefit compensation should be given to the enterprises in this cluster. If the conditions are not ripe and no enterprise has the will and the ability to own and operate the regional brands, the property rights of the brands can be temporarily handed in the industrial associations. And they will be uniformly used, managed and protected. The entire membership can jointly protect and use the regional brands through signing the brand agreement.

The Guidance of Local Government and the Services of Intermediary Organizations Can Create the Good Environment for the Building of Regional Brands

The privatization of the regional brands is the fundamental method to control the “tragedy of the commons”, which does not exclude the government and the industrial organizations to play the corresponding roles in the building of regional brands. In the privatization process of regional brands,
the governments should position itself as a manager. They are responsible for the trademark registration and the evaluation of regional brands as well as the building of the allocation, the compensation and the restraint mechanism for the property rights of brands so as to make the “owners” well organized. As the system providers, the governments should not lightly interfere with the market and the competition when guiding the development of industrial clusters. They should strengthen the market forces from the supply of public resources (including the soft environment) and find the factors in the aspects of system, policy and law that can restrict the development of regional brands. At the same time, it is also required to seek for the improvement, such as strengthening the construction of public infrastructures, trying to solve the education and training issues, improving and maintaining the policy and the regulations of regional brands, severely dealing with the fake and shoddy products, preventing the unfair competition of the enterprises in cluster, maintaining the market competition orders and the market environment and preventing the reputation of regional brands from being compromised, etc.

The intermediary organizations (including the industrial associations, the chambers of commerce and the professional service organizations, etc) should also play the unique service function in the building of regional brands. The industrial associations and the chambers of commerce should strengthen the marketing work of regional brands, emphasizing the collection of market information, carrying out the market research and the technical training, exchanging the market information, providing the consulting services in the aspects of business and technology, etc. It is required to break all kinds of market barriers and maintain the interests of industry; at the same time, it is also necessary to enhance the coordination and the communication among the enterprises, the government and the outside world so as to expand the popularity of regions, obtain the preferential policies which are conducive to the development and attract the enterprises; what’s more, it is also needed to carry out the quality certification and the quality testing, develop the industrial technical standards, regulate and guide the competitiveness and the business behaviors of enterprises, strengthen the industrial self-regulation, maintain the competition and enhance the international brand of clusters in the process of promoting the development of local enterprises. The professional service organizations can accelerate the growth of enterprises through the credit guarantees and the market development. And the brand power of clusters can be cultivated through providing the financing services and the business counseling.

Acknowledgement

This research was financially supported by the Humanities-Society Scientific Research Program of Hubei Province Education Department (Study on the development of industrial cluster based on the ecological brand perspective. Grant No: 15D027).

References


