Research of Regional Brand Building Based on the Industrial Cluster

WANG Qingfeng
College of Economics and Management, Zhongyuan University of Technology, Zhengzhou, P.R.China, 450007
wangqf@zzti.edu.cn

Abstract: This paper analyzes the characteristics of regional brand, expatiates on the function of regional brand in the development of industrial cluster, and brings forward corresponding countermeasures of building regional brand based on industrial cluster. This paper considers that regional brand has the public product characteristic, the region border characteristic and industrial advantage characteristic. In order to build the regional brand, we should set up solid industrial foundation, integrate the superior resource of cluster, launch cluster marketing and take precautions against the tragedy of the commons.

Key words: Industrial cluster; Regional brand; Brand; the tragedy of the commons

1 Introduction

Because industrial cluster has very important function on the regional economic development, the governments at all levels have pay much attention to develop industrial cluster. Numerous scholars regard building regional brand as the effective way to perfect industrial cluster. XIA Zengyu studies “the phenomenon of Wenzhou” and summarizes the successful experience of building regional brand in Wenzhou[1]. LV Tao and NIE Rui considers that the regional brand plays an important role in promoting the development of regional economy and analyzes the formation mechanism of regional brand and proposed concrete maintenance measures[2]. ZHANG Congqun points out that regional brand results from the development of the specialist regional industries and it is the key of promoting industrial cluster competitiveness to establish the regional brand[3].

Regional brand refers to the industrial product which mainly be produced in certain geographic area and has high production capacity, market share and influence. It adopts the format of “origin + product + features” to refer to the specific product of a given region. Generally speaking, the formation of regional brand has its specific history, culture, geography or industry background. At present, the history and geographical advantage are no longer the necessary conditions for the formation of regional brand. More regional brands are formed because of industrial cluster. Industrial cluster is the gather of companies and organizations which are interrelated in a specific field and centralize in the geography[4]. It contributes to the creation of regional brand mainly because it has the cost advantage resulted from the specialized division of labor. In addition, it can produce the linking effect when the enterprises within the region carry out publicity as a whole. This paper will discuss how to build regional brand in terms of industrial cluster and put forward corresponding countermeasures.

2 The characteristic of regional brand and its function on industrial cluster

2.1 The characteristic of regional brand

Like the brand concept in the marketing, regional brand transmits the basic attribute of product, offers difference value to specific user, represents quality commitment and prestige assurance that producers offer to user[5]. In addition, regional brand has some other important characteristics:

(1) Public product characteristic[6].

Enterprise brand is built by enterprise itself and has exclusiveness on ownership. However, the regional brand is not owned by an enterprise. Many enterprises in this area own the regional brand and can benefit from it together, which is the common assets of industrial cluster and has typical public product characteristic.

(2) Region border characteristic.
The regional brand is generally limited in the range of an area or a city and has strong region characteristics. What the regional brand transmits is not only the information of a group of products, but also includes the information of production area, especially the information of the overall strength of the regional competitive industries. In this case, the customer is not so much choosing the product in this region, more than they valuing the productive area.

(3) Industrial advantage characteristic.
Regional brand is the famous brand which has high market share and influence, and is owned by all enterprises in the regional competitive industry. This competitive industry is the material base and value foundation which regional brand is formed on. Without this industry foundation, regional brand is unlike to be realized and is like a tree without roots.

2.2 The function of regional brand on the industrial cluster
There has the relationship of mutual promotion and mutual influence between regional brand and industrial cluster. On one hand, regional brand is one of the important achievements of industrial cluster development and its formation obviously relies on industrial cluster. On the other hand, as the important intangible assets of cluster, regional brand can promote industrial cluster to develop greatly.

(1) Promoting the overall image of cluster
When industrial cluster develops into mature stage, many brands will be created and will co-exist and compete with each other. Because of the difference of enterprise strength, the influence of brand on the market is clearly different too. Individual enterprise is often in unfavorable competitive position when facing the famous brand in the competition. The regional brand can show the whole competitive advantage of cluster on a certain specific product, can change consumer's prejudice to small and medium-sized enterprises, and help consumers form a good whole impression on a certain product in a certain region. All enterprises of cluster can use this brand, which will help them gain trust of consumer and reduce the competitive pressure greatly.

(2) Saving the cost of building brand
Facing sharp market competition, enterprises must strengthen propagating their brand, set up the popularity and good reputation through powerful advertisement and communicating. However, the capital strength of small and medium-sized enterprises is limited, and it is difficult for them to afford the fund cost of the huge advertising input. The regional brand is the concentration of numerous enterprise brand quintessence in the area, and has extensive, lasting brand effect. It can become the public articles and intangible assets of industrial cluster, can help enterprises save the fund for setting up brand reputation and share the market interests that the regional brand brings.

(3) Integrating cluster resources effectively
In order to build the core competency of cluster, industrial cluster must integrate productive factors which include market, customer and technological resource, then form flexible brand value chain. This course is called the brand gather. In this course, on one hand cluster can optimize the productive structure of every enterprise and integrate the technological and innovation ability in cluster. On the other hand, cluster can realize the merger of competition advantage. The advantage of regional brand is the centralized reflection of different advantages of cluster, which can integrate the cost advantage, technological advantage and difference advantage of cluster effectively.

(4) Improving the appeal of the region and cluster
Regional brand makes the market form a kind of whole impression and appraise that the quality of a certain product made in a certain area is best. The brand has become the tie of numerous small and medium-sized enterprises and has powerful cohesiveness. In this way, enterprises producing the like product will be centralized to this area, and relevant industries and enterprises offering support service for the leading industry will also be attracted to this area. So the competition and cooperation among enterprises will be strengthened constantly, and the competitive advantage of cluster can be kept for a long time.

3 Building regional brand based on industrial cluster
The formation of regional brand has its specific history, culture, geography or industry background, but industrial cluster can not create the regional brand automatically. Only when the advantage of industrial cluster is admitted by the market, could the regional brand be formed. So, the formation of regional brand mainly depends on the following factors: forming the preponderant industrial cluster and centralizing them effectively.

Therefore, building regional brand should pay attention to the following respects:
First of all, we should set up solid industrial foundation and form preponderant industrial cluster. The regional brand is regarded as the symbol of the specific regional product and one kind of intangible assets having the characteristic of public articles. Its formation must have solid material base. That is to say, the industrial element is abundant, and the enterprise brands are developed. Taking Wenzhou in Zhejiang province as an example, just because there are 9 Chinese well-known marks, 16 Chinese well-known products, 119 famous marks of Zhejiang Province, and 187 famous marks of Wenzhou city, Wenzhou has set up remarkable regional brand reputation in such products as clothing, leather shoes, low-voltage electric apparatus, hardware and so on. At present, Wenzhou has become the manufacturing bases of 26 products in China.

Secondly, we should integrate the cluster resources and show the abundant individual characteristic of the regional brand. Because of the limitation of regional range, the development of industrial cluster has met some difficulties, which include the same product structure and competitive method. In order to promote the cluster competitiveness, we must integrate the cluster resources effectively. We should make the cluster become an vertical integrative industry network, make different enterprises aim at different market and customer and meet the demand of different level and type consumer. Regional brand should have abundant brand characteristic and become the symbol of a kind of specific product.
On the foundation of “one brand for one town or one village”, Many small and medium-sized enterprises clusters on the Chinese southeast coast begin to develop gradually and have own characteristics.

Moreover, we should launch cluster marketing and build the regional brand together. Regional brand is the consumer's whole impression and appraisal on cluster product, so building regional brand needs the joint efforts of all enterprises in cluster. Every member in cluster should work together to implement cluster marketing and innovate the marketing way. We should construct a good environment of cluster marketing through the joint efforts of the government and intermediary. At the same time, we should improve the enthusiasm of cluster enterprises to build the regional brand together with the guide of the government policy, promote cluster enterprises to build and share the distribution channel and carry out unified promotion and public relations activities together. In this way, we can not only highlight the overall regional brand image, but also receive more integrative profits. Therefore, the regional brand can be set up more quickly.

In addition, during the process of building the regional brand, we must give full play to the role of enterprises, industrial associations and government together. Enterprises in cluster are the principle part of building the regional brand and the brand images of enterprises have determined the customer's impression and appraisal on the regional brand directly. Industrial associations are the administrator and manager of regional brand and play the leading role in building the regional brand. They should be authorized by the government and give the fullest expression to their specialized functions to carry out a series of planned activities to popularize regional brand and safeguard the whole interests of cluster. The government should play the role of “guider” in building regional brand and take various kinds of incentive measures to guide enterprises and take effective measures to combat any behavior that damages the regional brand.

Finally, we should pay attention to taking precautions against the tragedy of the commons of regional brand. “The tragedy of the commons” is brought forward by American professor Garrett Hardin in 1968. Because some rare public resource is owned by a lot of economic units and even the whole society together, Each economic subject can utilize this rare resource and obtain income without paying the corresponding cost. Therefore every rational economic person has enough motive force to use relatively rare public resource without any limit, until this public resource is exhausted rapidly. At last, the whole society will pay the expensive cost[7]. The cause of “The tragedy of the commons” mainly is
that the publicly-owned property right is not clear, which results in a system without responsibility\cite{8}. In order to take precautions against “The tragedy of the commons”, the government should make relevant laws and regulations and devote more efforts to supervise the market. For these enterprises which maliciously cause “The tragedy of the commons”, the government should impose sanction on them and make their private margin cost greater than the social margin cost. Meanwhile, the government should register these matured regional brand in time and make the property right clear, thus achieve the protection of brand resource.

4 Conclusion

In sum, building regional brand and developing industrial cluster should help and interact each other forward. The regional brand is the important intangible assets of industrial cluster. It can promote the overall image of cluster, reduce the cost of building enterprise brand, improve the appeal of the area and cluster, integrate the cluster resource effectively. At the same time, the regional brand is the result that industrial cluster has developed into certain stage and has an obvious characteristic of relying on cluster. In order to build regional brand based on industrial cluster, we should set up solid industrial foundation, form the preponderant industrial cluster, give full play to the strength of enterprises, industrial associations and government together, integrate the superior resource of cluster, launch cluster marketing and take precautions against the phenomenon of the tragedy of the commons.

References