

Research on industrial clusters development based on brand

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Abstract: Obviously, numerous famous brands come from industrial clusters, which become the main motive force to promote regional development. It indicates that the industrial cluster environment can promote brand development. This paper will study industrial clusters from the brand perspective, through reviewing the classification of industrial clusters, put forward the new classification of industrial clusters from brand perspective, then explore brand up-grading mechanism in different types of industrial clusters, and finally put forward the brand upgrading strategies of industrial cluster.

Keywords: Industrial clusters, Brand, Classification, Brand upgrading

1. Introduction

Industrial clusters have shown a tremendous competitive advantage, such as lowering transaction costs, gaining external economy, strengthening innovative functions, attracting foreign investment to promote regional economic development etc., which offers good pullulating environment to create famous brand (Yuchen Hu, 2005). Septwolves, Qipai, Kboxing, Lilang, Fordoo, and Yake, Panpan, Qinqin, etc. are all from Jinjiang garment industry clusters; Haier, Hisense and Aucma are from Qingdao Household electrical appliance industry clusters; Changchun, Wuhan, Shanghai, Guangzhou and other cities in China, their auto industry clusters own FAW, Dongfeng, SAIC, Canton steam and other famous enterprises. These brands will undoubtedly play a tremendous role in the development of the local economy, and brand economy has become an important component of the industrial economy (Zhixin Qian, 2004).

The industrial cluster study system abroad could be summed up nine theories: the Economic Externalities Theory(Marshall, 1921, Webber), the Growth Pole Theory (Perroux, 1955, Boulvell, 1957), the Transaction Cost Theory (Storper, 1995), Specialization Division Theory (Yong, 1928), the Flexible Specialization Theory (Piore & Sabel. 1984), the Enterprise Network Theory (Willinsom, Harrison), the Socioeconomic Network Theory(Gronovtter, 1985, 1992), the Innovation Network Theory (Freedman, 1991, Lundvall, 1993) and the Competitive Advantage Theory (Porter,1998) (Jizi Li, 2006). The domestic study of industrial clusters focuses on two aspects: one is following the direction of foreign study of the industrial clusters, such as the inherent mechanism and related industrial cluster theory, and the other is from Chinese case, exploring the inherent characteristics of industrial clusters and sustainable development policies. From the brand view to study industrial clusters is still less and immature.

This paper will study industrial clusters from the brand perspective, through re-viewing the classification of industrial clusters, put forward the new classification of industrial clusters from brand perspective, then explore brand upgrading mechanism in different types of industrial clusters, and finally put forward the brand upgrading strategies of industrial cluster.

2. Summary of the Classification of Industrial Clusters

As industrial clusters have the characteristics of high degree of volatility and dispersion, coupled with the different focus on academics, classification of industrial clusters is different.

After a regional study on faster economic growth region in the United States, Japan, South Korea and Brazil, Markusen found that in those countries there were four types of industrial district: Marshallian district, Huband Spoke District, Satellite Platform District and State-Centred District (Markusen A, 1994, 1996).

Hayter divided new industrial district into two types: one was mainly a large number of small and medium-sized enterprises; the other was large enterprises as the core, which was gathered around small and medium-sized enterprises on the basis of the degree of collaboration and ownership concentration (Hayter, 1997). In 1998, United Nations Conference on Trade and Development, in accordance with the universality of technology changes and extent of the network in clusters, Clusters could be classified as informal clusters, organized

clusters, innovation clusters, technology parks and incubators and export processing zones.

In China, Baoxing Qiu considered that according to the structure of industrial clusters, clusters contained three forms: "market-based" SME clusters in which the relationship between enterprises are equal market transaction and the production is based on level link to complete; "vertebral" of "factory-satellite" SME clusters with large enterprise as its centre, many small and medium-sized enterprises as fringe; "hybrid network" SME clusters is Information link-based, not linked to the material, computer-aided design and flexible manufacturing to the production (Baoxing Qiu, 1999).

Jincai Zhuang classified industrial clusters based on the following three criteria: (1) according to the nature of the industry, there were high-tech industry clusters, traditional industry clusters and the combination of general capital and technology industry clusters; (2) according to the logical evolution of its history, there were spontaneously industrial clusters and embedded specialized industrial clusters, such as Dongguan computer-related industry clusters in Guangdong, Zhong guancun high-tech industrial district in Beijing etc.; (3) according to the formation of enterprise networks, there were horizontal industrial clusters which was a large number of specialized SMEs clusters with non-core enterprises, such as the "Third Italy", and vertical linkages industrial clusters which referred to SMEs clusters with some key enterprises as the core, such as Toyota Motor City, U.S. motor city of Detroit (Jincai Zhuang, 2003).

Based on above literature commentary, classification of industrial clusters mainly focuses on industrial character, cluster structure, cluster formation, cluster evolution etc., not much on the brand. But some scholars have already referred.

Xuzhang Wang sorted industrial clusters as the following four categories: (1) a leading product or competitive products, name brand product is the core, through the continuous deepening of product development, a series of products and technologies form, and a series of enterprise and industry gather around the leading products; (2) multi-level product range and technology gather in the same industry, nor the large enterprises or name brand, completely depend on a large number of small and medium-sized enterprises through the development of competition, and create a regional scale industries; (3) large enterprises is the core, which lead the development of other sectors and industries to the form regional aggregating economy; (4) technology research and development as center, create industrial clusters including high-tech, exploiter, production and marketing (Xuzhang Wang, 1998). Yu Hu and Wenjian Liu said that there were

three types of the forming of industrial clusters: market-made; foreign invested and national brands formed (Wenjian Liu, 2003).

3. Industrial Clusters Classification Based on the Brand

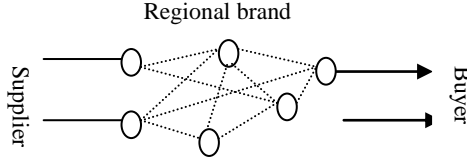


Figure 1: Market-based industrial clusters

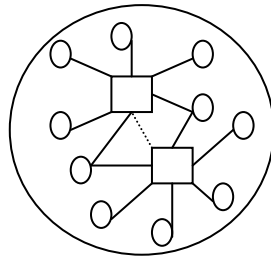


Figure 2: Satellite-centered industrial clusters

According to existing classification of industrial clusters and actual practice in China, from the facet of brands distributing and effect in industrial cluster, this paper classifies industrial clusters as market-based clusters (such as Fig. 1), satellite-centered clusters (such as Fig. 2) and mixed clusters (such as Fig. 3).

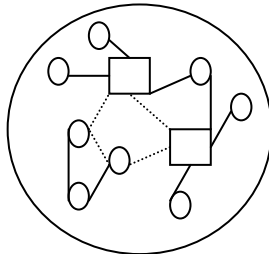


Figure 3: Mixed industrial clusters

- Cutline: ○ SME
- Name-brand enterprise
- Cooperation
- Competition

3.1. The Characteristics of Market-Based Industrial Clusters

Market-based industrial clusters are composed of many similar brands of SMEs, which mainly depend on congregating effect of regional brand not brand-effect of individual enterprises such as Fig. 1. In such industrial clusters, there are a lot of SMEs with homogeneous products, there is a kind of competition between them, Of course, there also exists cooperation, no big brands, and their products are often first to known for the regional brand, so if mentioning those products some people will firstly think of the region where products abound in.

Regional brand is referring to from the same region some types of products on the market with high visibility and reputation. Those products are trusted by customers because of their pure quality impression. Italian shoes, flowers in the Netherlands, the Japanese digital products, the Swiss watches, peonies in Luoyang and Heze, narcissus in Zhangzhou, Longjing tea in Hangzhou, are well-known as regional brands (Zhixin Qian, 2004).

Regional brands can be divided into three categories. The first category is changed from enterprise brand, is also called sharing brand which is shared by many small and medium-sized enterprises, such as "CHINT" in Wenzhou. The second category is to in the form of enterprise brand but no enterprise as the main body, such as "Xiangbalao" in Cangnan of Wenzhou. A lot of regional brands belong to the third category which is abstract brand neither dominated by enterprise nor registered, such as Yiwu Small commodities, Keqiao weaving, Yongkang hardware, Shengzhou neckties, Jinhua Ham, Qinghe cashmere, Humen fashion, Foshan ceramics etc (Tao Lv, 2008).

Market-based industrial clusters follow "survival of the fittest", that is regional brands will not disappear once any enterprise disappears, because a good brand reputation in the region once formed, it will become one intangible assets of the whole industry. Enterprise's rent-seeking motives drive the movement of production factors to industrial district, and related industries, related intermediate, research and development institutions and training institutions follow. Those strengthen congregating effects of clusters, are also conducive to the formation of economic cycle in industrial districts, and promote ecological development. For example, well known as Holy Land of high-tech innovation, "Silicon Valley", it's ideal atmosphere attracts large numbers of the elite from all over the world to join in, it has very active venture capital, and it is " the soil all entrepreneurs from the United States and the world dreaming of " (Yonggang Li, 2005). Enterprises in clusters improve the operating environment through policy coordination, standard setting, trademark

registration, regional brand trademark use of qualification, technical support, management consulting and professional security, such as loan credit guarantee; access to gain congregating economic through regional brand marketing, co-founder and maintaining brand, and sharing brand resources.

3.2. The Characteristics of Satellite-centered Industrial Clusters

Satellite-centered industrial clusters refer to the clusters with one or several major brands as the core and supported by many small and medium-sized enterprises such as Fig. 2. There is a competitive relationship between name-brand enterprises, and cooperative relations between SMEs and large enterprises. Some small and medium-sized enterprises can only support one large enterprise as well as several major corporations. There are competitive relationships between SMEs.

In satellite-centered industrial clusters, leading brands of the clusters in the prestige, credibility, market, technology, personnel, information and other fields have a strong comparative advantage. Such enterprises put brand strategy into practice, and followed brands respond positively, which force those brand at the same value chain, in order to enter the leading brand chain to obtain a higher bargaining power, have to continued optimize its value chain. Moreover, the geographical concentration, both competition and cooperation existing, and cluster technology and management experience spilling, provide effective support and strong competitive force for the value chain optimization of members. So, the leading brands integrate the value chain through subcontract, training, management guidance, information sharing, the use of negotiation power, quality standards establishment, and extension of loans, joint ventures and technology sharing, or through market segmentation, advertising, business promotion to influence customer brand awareness and understanding, in order to integrate customer group and customer value chain. Because the development of the industrial chain needs service chain to match, upgrade corresponding value chain of service enterprises; thereby create internal mechanism of industrial clusters with self-coordination, self-configuration, self-improvement and self-development

Home appliances industrialized production base in Qingdao have a number of large enterprises with competitive advantage as the core, which lead the large number of ancillary projects clustering. Its characteristic is upriver and downriver ancillary enterprises gather around name-brand enterprises with the industry's dominant market position and production systems. Industrial clusters in Qingdao are driven by Haier, Hisense, Aucma and other name-brand

enterprises with dominant positions. Its expression form is gradually from initial processing and external technology upgrading to the core technology and key components, for example, high-level production technology products, such as LCD screen, digital television circuit boards, computer Main Board, advanced motors and compressor, and many other sophisticated electronic components etc., have already took up a sizeable proportion of home appliances production. This has caused a lot of basic, marginal materials and components manufacturing and related research institutions gathering in the clusters, for example, some universities and research institution has been entered in this field.

3.3. The Characteristics of Mixed Industrial Clusters

Mixed industrial clusters include both famous brands and other competitive small brands, which are supported by some small and medium-sized enterprises such as Fig. 3. This type is more complicated, it is competitive relationship between name brands and some small brands, but cooperation relationship between major brands and SMEs as supporting role. In those clusters, there are not only major brands promoting, but also the regional brand attracting similar or related industries to move closer, such as in China factories invested by multinational companies, science and technology industrial parks. Mixed industrial clusters own the characteristics of competition, cooperation and rapid development because of regional brands and name-brand enterprises promoting.

Shiling Town held leather Festival annually since the year of 2001, and in September 2002 awarded the title of "China's leather capital" by the China Light Industry League and the China Leather Industry Association. Its visibility in the target market grows at home and abroad, so many foreign visitors go to Shiling to have trade, seek partners, which provides lots of business opportunities for markets. Now, in Shiling Town, there are not only many domestic brands, such as V-goal, Bear, Qianzihe and so on, but also many internationally famous brands such as Montagut, Lacoste, Goldlion, Valentino. Nevertheless, enterprises with brand only take up 3.8%, and most of the enterprises rely on OEM and rental license production; income of five former leather brands accounts for 12% of the whole town; a low concentration of brands is too low, there is not yet brand names made above the provincial level; average value of foreign brands than domestic brands is about 6:1 (Shengtao Zhang, 2006).

4. Brand Strategies of Industrial Clusters

Many industrial clusters in China have the characteristics of high homogeneous products and fierce internal competition. Many industrial clusters developed on the basis of copying technologies and products, not of original product. No difference between products and similar enterprises would lead to excessive competition, and even vicious competition, and the result can be low-priced, difficult to highlight the personality and meet the requirements of consumers. Moreover, China's competitive advantage comes mainly from the industrial clusters of low-cost, but with the sharp increase in the cost elements this advantage is being eroded, because their production is mainly low-end products, related industries can only obtain meager profit in the global value chain.

From the above three types of industrial cluster analysis, we can see that whether in which type of industry cluster, the positive development of industry cluster can also help brand development, even producing famous brands. Therefore, combining with the characteristics of industry cluster in China, It should construct the brand strategy of industrial clusters from improving the environment, creating regional brand, and building enterprise brand.

4.1. Leading Enterprises Creating Brands

Brand of clusters is not simple cumulative brands, but organic building through the overall plan to consolidate resources. Every enterprise builds brand, it would be better for leading enterprises to develop a mutually complementary and support many local SMEs. That is SMEs doing components, leading enterprises General; SMEs engaging in manufacturing, leading enterprises brand. Leading enterprises use their powerful financial strength to build a unified sales network for creating national brands and world brands, which is the feature of the only way to create brands for local enterprises in the industrial clusters. For example, home appliances of Shunde in Guangdong province nurtured Kelon, Medea and Glanz these leading enterprises and famous brands. Another example is low-voltage electrical of Wenzhou which fostered CHINT, Delixi these two larger enterprises.

Therefore, the development of industrial clusters should make market as guide, predominant enterprises as leaders, high-quality assets as link and name brands as core, through the reorganization of the assets, resources and brand extension, etc., and cultivate a number of large corporations with independent intellectual property rights, prominent main business and strong core competitiveness. Meanwhile, we should formulate relevant policies to support

different types of SMEs faster development, guidance and associated with large enterprises union, as a result specialized industrial enterprises through similar cooperation strive to develop industrial clusters with large enterprises as leading, value chain as link, professional collaborative as network as base.

4.2. Making Efforts to Create Regional Brands

The brand of enterprise cluster is the essence of many businesses brand condensed and refined, is an intangible asset of Clusters. Well regional brand image could become regional common resources with function of information dissemination creating demand and consumer confidence. Through promoting and molding the brand image of a special industry or specialty products in the region, local governments use brands assets as the tie, bundle many small similar enterprises, through brand marketing, obtain economies of scale, and make each enterprise benefit because of clustering effect of brand.

For example, in Quanzhou, Fujian Province, especially well-known brands such as Fuguiniao, Septwolves, Anta, Xtep and so on, gather to establish brand club which realizes low-level expansion, make enterprises with high quality products but without a license brand raising the added value of their products through sharing intangible benefits of brand, and improve the competitiveness of products through intangible assets of brand value making increment in the campaign.

4.3. Building Brand Loyalty

The core of brand strategy is brand loyalty, not product loyalty. Because the product value and benefits is constantly changing and has strong limitations, brand logo as a commodity is not only representatives of product quality, performance and unique market position, but also a culture which is the representative of a taste, a touch, a lifestyle and a trend that has deep cultural foundation and the emotional content. Consumers can transcend time and space constraints to bring more high-level psychological and mental satisfaction. Single product's popularity will change with the change of time, and brand names can be a potent force, which will constantly raise value with the time passing. Brand loyalty is the solid foundation of product loyalty, so if consumers love its brand, they will love its products.

4.4. Fostering Regional Culture

Excellent regional culture can promote the formation of regional networks, and promote exchanges and cooperation between innovation actors. It is also conducive to construct regional innovation network, promote establishment of various formal and informal business exchanges and cooperation between enterprises, effectively avoid unfair competition, and even reduce the incidence of economic disputes between enterprises.

Most of industrial clusters in China are private enterprises that create their own culture often in a certain manner, are easy to changes cultural styles in the market environment, and are unable to create their own cultural identity. Culture instability causes instable development of the private enterprise, which leads to short-term behavior.

In view of this, the local government in the process of Private enterprises gathering should make well-organized training for private entrepreneurs, and make organized cultural exchanges between Private enterprises, in order to create common values, codes of conduct and customary style for a good regional culture.

4.5. Strengthening the Government's Guidance

It's difficult to achieve anything for modern economy operation without support of the government. Local governments should vigorously support the key industries to development of the clusters. The government should focus key industries, plan and package a number of domestic and international brand-name enterprises and brand-name products; strengthen drumbeating to famous brands and leading enterprises; encourage and support enterprises to implement brand strategy, invest appropriate resources in name-brand products and leading enterprises; raise local popularity and reputation, so leaders and the public should make efforts to promote the regional brand, which promote the development of the industry's overall development. On this basis, they should focus on building and strengthening the industrial chain of industrial clusters, and rely on further projects introduced to support the growth of enterprises.

4.6. Making Use of Guilds to Enhance Cohesion of Industrial Clusters

Different from government departments, generally guilds are founded voluntarily by enterprises, and autonomy is the most prominent feature. Industry's enterprises join voluntarily, vote association leadership, set their rules, and have self-financing, self-education, self-discipline, self-monitoring and self-

service, which play an important role in industrial clusters. Because the guild have great cohesion and appeal, it should base on the needs of the association's memberships, actively help members protect their legitimate rights, for providing a platform for communication and exchanges between members.

The guild should organize to protect their legitimate rights, coordinate and manage enterprises, promote self-discipline, strengthen quality supervision and management of the industry, and resist short-term low prices selling; encourage enterprises to increase investment in scientific and technological innovation, use high technology to transform traditional industries, protect intellectual property rights of innovative enterprises, and encourage enterprises enthusiasm for innovation and value-added of brands, in order to continuously improve their products competitiveness, achieve technological improvement, and promote industrial upgrading; expand media propaganda, rationally use “Herb Effect” to guide enterprises to consciously create regional brands, as a result regional brand and enterprise brand achieve common development.

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