Analysis on the Regional Brand Operation Mode for *Carya Cathayensis* – A Case Study of Lin’an in Zhejiang

Xiaoling TU, Yueli ZHANG

School of Economics & Management, Zhejiang A&F University, Lin’an 311300, China

Abstract  Lin’an City has a long history of growing, processing and selling *Carya Cathayensis*, a traditional special local product for which the city is well known. In recent years, Lin’an *Carya Cathayensis* gives full play to the industry cluster advantages and gains the reputation of “regional name brand of Zhejiang”. However, it faces the predicament of regional brand operation, so industry transformation and upgrading as well as intensive farming for this brand are inevitable and necessary. This paper analyzes the current regional brand operation mode of *Carya Cathayensis* in Lin’an to find out that the growth of this brand is constrained by messy business entities, weak brand protection effect, insufficient industry association efforts and wanting brand culture construction, thus it puts forward the conception of a business alliance based regional brand operation mode for the *Carya Cathayensis* in Lin’an. The results of this study shall provide theoretical guidance and empirical basis for the marketing practice of the regional brand of *Carya Cathayensis* in Lin’an.

Key words  *Carya Cathayensis* of Lin’an, Regional brand, Operation mode, Strategy

Thanks to the natural endowment of agriculture resources and historical accumulation in various regions in China, regional brands of agricultural products which mainly consist of the region (name of region) and the industry (name of product), such as Shaohsing Rice Wine, Wuyi Dahongpao, Turpan Grapes, Fuling Mustard Tuber, etc., are formed. Regional brands of agricultural products are important to promote process of agricultural industrialization, improve quality of agricultural products, evade agricultural market risk, accelerate implementation of agricultural modernization and further promote building of a new socialist countryside. Regional brands of agricultural products are important forms for agricultural brands. Currently, cultivation and protection of regional agricultural product brands have become the primary means for local governments to develop the regional economy with native characteristics and improve industrial competitiveness. According to *Specific Measures on Vigorous Promotion for Construction of Hangzhou’s Public Agriculture Product Brands* issued by Hangzhou Municipal Government in August 2011, the following was proposed, that is; to seek for initial establishment of cultivation, development and protection system for public agriculture product brands within five years. As a kind of famous specialty of Lin’an, the *Carya Cathayensis* has a long history of growing, processing and selling. In recent years, Lin’an *Carya Cathayensis* has given full play to the industry cluster advantages and gained the reputation of "regional name brand of Zhejiang". Along with formation and development of industry cluster, enterprises engaged into processing and selling of the *Carya Cathayensis* lay more emphasis on creation of brands, so a number of high-profile corporate brands emerge. However, regional brands are still in the early stage.

1 Current operating status and existing operation mode of the regional brand – Lin’an *Carya Cathayensis*

1.1 Development status of Lin’an *Carya Cathayensis* industry  The *Carya Cathayensis* which is of genus *Carya*, family Juglandaceae, is a kind of deciduous trees and has the popular name of small walnut. It is mainly distributed in Tianmu Mountain of western Zhejiang and is a specialty of Hangzhou. As of 2011, the planting areas for the *Carya Cathayensis* reached 30 700 hm², accounting for 36.8% of the total planting areas in China. In addition, the forest areas of the *Carya Cathayensis* totaled 23 300 hm², with the annual output exceeding 1.3 tons, accounting for above 40% of the total, the gross output of 2.554 billion yuan and the annual processing capacity of over 30 000 tons. It can be seen from table 1 that development status of the *Carya Cathayensis* industry in Lin’an was good during 2003 – 2012.

1.2 Operating status of the regional brand  Although being fluctuated in recent years, the number of *Carya Cathayensis* processors overall stands at about 250. As of 2012, there were 263 nut processors obtaining QS certificate in Lin’an, among which the number of the leading enterprises at provincial and municipal levels totaled 6 and the leading enterprises at municipal level stood at 5. In Lin’an, there were 14 well-known brands of *Carya Cathayensis* at provincial and municipal levels, 5 famous trademarks at provincial and municipal levels and 1 China famous trademark. Lin’an city overtops others in China in terms of brand quantity. Lin’an is seeing an increase in brand strength of its *Carya Cathayensis*, with the regional brand initially formed. According to 2010
report of China’s agricultural products regional public brands valuation, the brand "Lin’an Carya Cathayensis" was valued 1.295 billion yuan, standing at top 72 in the national brand valuation list.

### Table 1 Development status of Lin’an Carya Cathayensis industry during 2003 – 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual output/Ton</th>
<th>Annual output value 0.1 billion Yuan/year</th>
<th>The number of enterprises engaged in Carya Cathayensis processing</th>
<th>The number of regional brand organizations authorized</th>
<th>Price of dried seeds // Yuan/kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>5 454</td>
<td>1.96</td>
<td>–</td>
<td>–</td>
<td>44</td>
</tr>
<tr>
<td>2004</td>
<td>7 173</td>
<td>2.59</td>
<td>221</td>
<td>–</td>
<td>40</td>
</tr>
<tr>
<td>2005</td>
<td>6 984</td>
<td>2.76</td>
<td>–</td>
<td>–</td>
<td>42</td>
</tr>
<tr>
<td>2006</td>
<td>8 138</td>
<td>3.82</td>
<td>–</td>
<td>–</td>
<td>46</td>
</tr>
<tr>
<td>2007</td>
<td>10 500</td>
<td>4.2</td>
<td>–</td>
<td>–</td>
<td>48</td>
</tr>
<tr>
<td>2008</td>
<td>11 900</td>
<td>4.21</td>
<td>182</td>
<td>–</td>
<td>46</td>
</tr>
<tr>
<td>2009</td>
<td>13 797</td>
<td>5.8</td>
<td>226</td>
<td>–</td>
<td>48</td>
</tr>
<tr>
<td>2010</td>
<td>9 911</td>
<td>4.95</td>
<td>344</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>2011</td>
<td>12 800</td>
<td>7.54</td>
<td>258</td>
<td>24</td>
<td>55</td>
</tr>
<tr>
<td>2012</td>
<td>10 112</td>
<td>7.0</td>
<td>261</td>
<td>24</td>
<td>65</td>
</tr>
</tbody>
</table>

Remarks: this table is based on second-hand materials provided by Linan Carya Cathayensis Industry Association, where "-" represents data missing.

Formation and development of the regional brand "Lin’an Carya Cathayensis" mainly consist of 3 stages, namely, the stage where the People’s Republic of China’s Right to Use Place of Origin Mark was acquired for this regional brand in 2003, the stage where the certified trademark of "Lin’an Carya Cathayensis" was successfully registered in 2009 and the stage where "regional name brand of Zhejiang" was awarded in 2011. Nowadays, Lin’an Carya Cathayensis is expanding its selling market from the traditional key regions of Jiangsu, Zhejiang and Shanghai to more than other 30 provinces and cities in China including Beijing, Shenzhen, Chongqing, as well as to some international markets such as markets in Europe, America, Southeast Asia, etc. According to incomplete statistics, there are currently about 1500 Lin’an Carya Cathayensis stores in Hangzhou city and above 2000 stores in the whole nation. "Lin’an Carya Cathayensis Cultural Festival" held every year since 2008 has become the best party to popularize this regional brand and has been held five times continuously. In addition, the government also organizes relevant enterprises to participate in promotion activities related to the Carya Cathayensis, such as China International Agricultural Fair, National Quality Agricultural Products Exhibition Week, Yiwu International Forest Products Fair, Zhejiang Famous Agricultural Products Fairs and Zhejiang Agriculture Expo, etc., to ensure the brand "Lin’an Carya Cathayensis" to gradually win the success.

1.3 Existing operation mode analysis of Lin’an Carya Cathayensis

Upon interviewing key figures in governmental departments, relevant functional departments, industry association and enterprises, this paper generalizes existing operation mode of the regional brand Lin’an Carya Cathayensis (see Fig. 1), which goes: to be led by the government, cooperated by functional departments including forestry bureau, quality supervision bureau and industry and commerce bureau, coordinated by industry association and used by licensed members to achieve brand popularization via fairs. The government plays a leading role on establishment and development of the regional brand and is the principal part for construction of the regional brand, while relevant forestry bureau, civil affairs bureau, quality supervision bureau, industry and commerce departments, in coordination with the government, provide protection for the regional brand in terms of forestry technology promotion, association management, quality certification and legal protection. Under leadership of the government, the industry association established by the forestry bureau coordinates with the forestry and quality supervision bureaus to establish credit union and advocates industrial self-regulation, while assisting in the government and the forestry bureau to encourage member companies to participate in various agricultural exhibition expos; member enterprises who are authorized to use the regional brand "Lin’an Carya Cathayensis" conduct standardization production strictly according to regulations of the association and act as principal parts of individual brand operation to drive development of the regional brand via popularization and promotion of their own brands.

1.3.1 To be led by the government. The government of Lin’an lays high emphasis on construction of regional public brands of agricultural products and seeks to improve comparative effectiveness of agricultural products via agricultural ecologicalization, industrialization and branding. In recent years, the government has lifted the regional brand awareness of "Lin’an Carya Cathayensis" to a high level by actively creating China’s nuts food city. In November, 2012, the Fifth China Hangzhou Lin’an Carya Cathayensis Cultural Festival was solemnly held in Yiwu International Expo Center. By virtue of combination of "fair + cultural festival", it is the first time for the government to hold "Lin’an Carya Cathayen...
in scale and relatively low in technical level and product value, part of the enterprises with innovation awareness have been executing transformation and upgrade after an early capital accumulation. By persisting in production of ecological, organic and healthy food and integrating into Wuyue culture and local complex, such innovative enterprises drive the development of regional brands. Take the brand cultural marketing of Lin’an Shanmeizi Food Co., Ltd. as an example; the company shapes distinctive brand image by a group of girls who dress indigo-blue printed clothes and carry bamboo baskets to dance with the music; it plans and establishes the Lin’an Carya Cathayensis cultural experience museum with Hangzhou Zhexi Grand Canyon Tours Co., Ltd. under support from the government, where a Carya Cathayensis cultural museum, DIY zone, production line sightseeing zone and the product exhibition and promotion center for Lin’an famous products are set up. A complete industry chain related to the Carya Cathayensis – a kind of simple agricultural products, which is consolidated into tourism, leisure, food and creative products, is developed. Take the technical innovation of Hangzhou Lin’an Kangtai Roasted Food Factory as another example; the factory forays into high-grade gift market, masters a complete set of peeling and frying techniques via technical R&D, develops the product of "Tuanyuan Nuts" and applies for China’s invention patent; it positions the brand as "Fresh nuts from Tianma Mountain" and achieves brand management via the slogan "Being delicious with the new shape and the fresh essence". With the goal to become the best choice of consumers, the factory becomes one of leading enterprises in Carya Cathayensis market, with its products sold at a max. price of over 500 yuan. Rapid brand image promotion of many leading enterprises has virtually driven the regional brand development of "Linan Carya Cathayensis". In the agricultural product fairs organized by the government, licensed enterprises exhibit and sell their leading corporate brands in booths of "Linan Carya Cathayensis exhibition", promoting good interaction and public development between corporate brands and regional brands.

2 Problems about existing regional brand operation mode of Lin’an Carya Cathayensis

2.1 Messy business entities In the existing regional brand operation mode of Lin’an Carya Cathayensis, the industry association, established under intervention of the government, is actually the intermediate form during top-to-bottom regional brand operating process executed by the government. It just simply signs the authorization agreements and carefully selects members to safeguard the reputation of the industry. The industry association is lack of management capacity due to deficiencies in composition and status, although being the owner of the regional brand. Because of restrictions on strength, funds, etc., the licensed enterprises hardly take responsibility for acting as principal parts of regional brand management. Relevant functional authorities including the industry and commerce bureau and the quality supervision bureau execute their appropriate control on the regional brand only
by virtue of part of their function extension. They fail to act as brand operators. Under the above mode, the government acts as not only a guide for the regional brand, but publicist for overall image of a majority of regional brands. However, direct involvement of the government into marketing has a strong flavor of administrative guidance on one hand and deviates from its functional reform on the other hand, so it is harmless for long-term healthy development of regional agricultural products brand [4].

2.2 Weak brand protection effect Although the regional brand image of Lin’an Caryya Cathayensis has been initially established, many licensed enterprises are found during our field survey to fail marking the regional brand identity of "Lin’an Caryya Cathayensis" on product packages. The Caryya Cathayensis marked with the above identity has no pricing advantage on one hand and processing is simple and the entry barrier is low. Meanwhile consumer even consider Caryya Cathayensis with the above identity has no pricing advantage on one hand and the consumers are less likely to deliberately choose the ones marked with "Lin’an Caryya Cathayensis" on the other hand. Some consumers even consider Caryya Cathayensis produced in Lin’an as "Lin’an Caryya Cathayensis". The above situation shows that the regional brand, as the parent brand, is far away from attracting and protecting its subsidiaries, resulting in weak market effect generated by the public brand – "Lin’an Caryya Cathayensis".

2.3 Significant lemon market effect The Caryya Cathayensis processing is simple and the entry barrier is low. Meanwhile, relevant enterprises have limited capacity with extensive management, single product and low economic efficiency. Besides some name brand products, this region is messed with many small brands. In addition, the phenomenon that unscrupulous dealers make up the number is harmful for overall brand image of Lin’an Caryya Cathayensis. As a result of the concealed quality nature of agricultural products and the "public goods" feature of the regional brand, as well as the scattered agricultural production and operation, the entire industry of Lin’an Caryya Cathayensis will be inevitably impacted by inferior products, triggering "lemon market effect". Upon investigation, many processors of Lin’an Caryya Cathayensis are found to use the regional brand trademark without access qualification, or hit "edge ball", such as "Lin’an speciality" and "Famous Lin’an product", etc., to mislead the consumers.

2.4 Insufficient industry association efforts Although the regional brand has been successfully applied upon continuous efforts of the industry association, the sustainable development of the brand can not be achieved. The current industry association is not only the owner of the Lin’an Caryya Cathayensis under Place of Origin Mark Trademark of the People’s Republic of China’s and "Regional Name Brand of Zhejiang", but the operator of the regional brand. However, the industry association is a subsidiary department of the forestry bureau, with single staffing and insufficient human resources. It just delivers the official intention and is deficient in the ability to operate the brand in competitive market environment. In addition, it is currently just liable to promote the industrial self-regulation and assist in fair holding for brand promotion, etc., while having no ability to further take the responsibility to successfully operate the regional brand.

2.5 Wanting brand culture construction Cultural construction of the brand constitutes a part of its soft power. Regional brand construction of Lin’an Caryya Cathayensis should be not inseparable from the history and culture of Lin’an. As for cultural construction of Caryya Cathayensis, it’s far away to form a brand cultural construction and popularization system with great influence, although there are detailed description about history culture and processing of Caryya Cathayensis in the built Lin’an Caryya Cathayensis cultural experience museum. As for brand recognition, only the regional brand of "Lin’an Caryya Cathayensis" has been registered and no brand recognition system with high recognition has been developed. Additionally, the brand propagation is only restricted in small channels including cultural festivals and fairs, and high brand recognition has not been popularized among consumers.

3 Assumption about corporate alliance-based regional brand operation mode of Lin’an Caryya Cathayensis In order to break through the above dilemma, it’s critical to reform the regional brand operation mode; namely, to further strengthen the dominant position of enterprises and associations in the operating mechanism and give play to the government’s protection function. Currently, due to a series of problems including small size of relevant enterprises, insufficient funds and lack of leading enterprises, a further development of Caryya Cathayensis industry of Lin’an is restricted. For this reason, the following assumption about corporate alliance-based regional brand operation mode of Lin’an Caryya Cathayensis is hereby proposed. Initially proposed by the American J. Hopland and R. Nigel, the strategic alliances concept refers to a relatively loose business cooperation method[6], in which two or more independent enterprises or organizations create a combined competitive advantage and seek for win-win effect by exchanging resources, complementing functions, unifying strategies and conducting synergistic interactions in a bid to achieve the common goal.

The mode is designed to; try best to create an industrial environment where the protection is given by the government, scientific research and personnel support is provided by Industry – Academia-research institutions, financial supports are originated from financial institutions and quality services are supplied by the intermediaries. On this basis, alliance of strong enterprises in "Lin’an Caryya Cathayensis" industry is implemented to consolidate advantageous resources. Meanwhile, brand management companies are created in the form of share holding, share buying, etc., by combing with actual situations of the industry and alliance. Through the public brand of "Lin’an Caryya Cathayensis", relevant enterprises and farmers in the industry are consolidated to establish brand entities with clear property right. As the owner of regional brands, the industry association authorizes brand management companies to act as the operators of regional brands. Meanwhile, by using parent/subsidiary brand strategy and taking interest sharing as the tie, it aims to ensure sustainable development of the
public brand "Lin’an Carya Cathayensis" and continuously strengthen industrial competitiveness by making each interest-related party fully communicate, cooperate and operate under the goal of market expansion of Lin’an Carya Cathayensis, as well as via industrial cluster and extension.

3.1 Composition of brand management companies

Through corporate alliance of "Lin’an Carya Cathayensis", industry groups which are composed of many leading enterprises in the industry under proposal of the industry association are established, involving nursery, field management, pest control, scientific and technical guidance, product processing, marketing and export trade, tourism, etc. The managerial right of public brand "Lin’an Carya Cathayensis" is granted by the association to brand management companies, which are established in the form of corporate alliance and responsible to create brand assets and establish robust brands as independent brand operators. Human resources are guaranteed by taking many measures including introduction of experienced professional managers, employment of experts in the field of Carya Cathayensis as counselors, training of technical and marketing talents by uniting with colleges and universities; as for fund source, besides financial support from the government, strategic alliance enterprises are encouraged to buy shares upon the principle of "who invests, who benefits" on one hand and a number of foreign enterprises are attracted for investment via foreign capital introduction on the other hand to form strong financial guarantee via capital operation. The industry association, as a communication platform for strategic alliance enterprises, contributes to establishment of orderly relationship among members and integration of industrial resources to build a complete set of brand sharing mechanism of "shared inputs, shared interests and coordinated operation".

3.2 Composition of brand management companies

Brand management companies conduct reasonable positioning and strategic brand planning of "Lin’an Carya Cathayensis". Via group operation, corporate resources are effectively consolidated, with corporate mission, development goals, brand positioning, etc., clarified, brand culture of Lin’an Carya Cathayensis deeply explored, clear regional brand recognition system established, regional brand image clarified and brand communication extensively and comprehensively completed. Such companies open up unified sales channels of "Lin’an Carya Cathayensis" and create regional brand flagship stores and internet exhibition platform of "Lin’an Carya Cathayensis", etc. They should establish unified technical production standards and product standards and construct and perfect Lin’an Carya Cathayensis quality standard system by virtue of construction of technical quality control and security system to strictly control the product quality and prevent from illegal use of the regional brand. In addition, it also shall strengthen consolidated management construction of the regional brand and promote formation and fixation of the operation mode, under which symbiotic relationship among major strategic alliances enterprise is built, to achieve mutual promotion and continuous value adding of regional public parent brand and subsidiary brands.

4 Further consideration on regional brand operation of Lin’an Carya Cathayensis

4.1 Transformation of government functions

Transformation of government functions is critical in the above assumption about regional brand operation mode of Lin’an Carya Cathayensis. Along with development of alliance, the enterprises gradually act as dominant ones while the government plays a guiding and service providing role. The government shall not directly construct brands, but create the brand operation environment to indirectly protect brand construction by providing guidance on working of the industry association. The government can construct infrastructure, improve and strengthen relevant legal and administrative systems, formulate preferential investment policies, cultivate leading enterprises, encourage transformation and upgrade of enterprises, plan and carry out marketing activities, etc., to create good environment for regional brands and establish the stable relationship on the long-term basis among strategic alliance enterprises.

4.2 The industry association shall take more coordination responsibility

Corporate alliance – based regional brand operation mode of Lin’an Carya Cathayensis requires the industry association to take more responsibilities related to coordination. Due to conflicts of different interest-related parties arising from regional cooperation, a complete interest coordination mechanism must be established during corporate alliance to form the cooperative cohesion, identify common goals, establish and regularly discuss institutionalized interests mechanism. Therefore, the association must be act as a good coordinator to fully give play to external communication and internal integration functions and promote mutual cooperation in the entire industry.

4.3 Improvement of market surveillance mechanisms

As supervisors for standardized operation of the market, quality supervision and industry & commerce bureaus guarantee benign operation of the regional brand. On the one hand, such departments provide quality technical standard guidance and brand operation
3.3 Bringing into play driving effect of leading enterprises

It is recommended to bring into play driving effect of leading enterprises to build regional brands. The park construction and integrated construction need promotion of leading enterprises, and enthusiasm of farmers for planting edible fungus also needs drive of leading enterprises. Government should lay stress on cultivation of leading enterprises, take leading enterprises as support, bring into play scale advantage of the integrated mode, and drive farmers’ edible fungus production. Also, government may take leading enterprises as guide, bring into play advantages of factory and park modes, set up local edible fungus brands, and improve standardized production level of edible fungus.

3.4 Developing and introducing deep processing enterprises

Industrialized development of edible fungus has become an inevitable trend, while deep processing enterprises, as extension of the industrial chain, not only can alleviate fluctuation in supply and demand of edible fungus market, but also can increase profit margin of edible fungus industry. Through guaranteeing higher profit level of the edible fungus industry, it is possible to attract more enterprises to enter the edible fungus production industry and promote sound and sustainable development of edible fungus industry.

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Policy support for use of the regional brand, assist industry association and strategic alliance enterprises in formulating quality standards of Carya Cathayensis, use standards and security system of regional brand; on the other hand, they strictly crack down on workshop production of Carya Cathayensis and selling of counterfeit or inferior products, and implement GB/T19000 – ISO9000 standards to maintain the market image of the regional brand Lin’an Carya Cathayensis.

4.4 Formation of corporate alliance

The leading enterprises are major market contributors for a larger and stronger industry. Success in corporate alliance – based regional brand operation mode of Lin’an Carya Cathayensis depends on cooperation attitude and practices of leading enterprises to some great extent. The government shall enhance its guiding role to facilitate alliance of enterprises connected through capital upon the principle of investment income. It shall be fully noted by leading enterprises that the regional brand is a kind of rare brand resources with great value. Successful operation of such resource can bring enormous profits. Therefore, the leading enterprises shall cooperate with each other and joint efforts to develop, expand and strengthen the featured industry of Lin’an Carya Cathayensis and establish robust regional brand, creating economic benefits impossibility generated by a single enterprise.

References