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# Brand Construction of Agricultural Enterprises: A Case Study of Hubei Hanway Ecological Agriculture Group

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**Abstract** Brand construction of agricultural enterprises is a fundamental path for industrialized development of agriculture, an essential measure for increasing agricultural efficiency and farmers' income, and also an effective approach for development of agricultural modernization. Effective carrier of brand construction is agricultural enterprise. However, at present, there are problems of weak awareness of most agricultural enterprises, low science and technology content of products of agricultural enterprises, lack of carrier for brand construction, and imperfect mechanism of survival of the fittest brand. On the basis of successful experience of Hubei Hanway Ecological Agriculture Group, this paper came up with theoretical conception for brand construction of agricultural enterprises in China from raising social recognition of brands, increasing science and technology content of brand products, improving management and control of quality and safety of brand products, and cultivating effective carrier for brand construction.

**Key words** Agricultural enterprises, Brand, Hanway, Agricultural modernization

## 1 Current situations of domestic and foreign researches

**1.1 Foreign research situations** The brand concept firstly appeared in Europe in the middle of the 18th century, such as Carlsberg produced in 1759. After entry to the 19th century, commodity brands became diverse, such as famous brand Colgate and Siemens. In the 20th century, brand competition became fierce, especially in the 1960s and 1970s. Serious scarcity of material consumption products was further alleviated, brands became numerous and the brand promotion became specialized, and consumers' awareness for product quality got constantly increasing<sup>[1,2]</sup>. American scholar Philip Kotler defined brand as combined use of a name, term, sign, symbol or design. Mike Meldrum defined brand as the combination of sensory, rational and perceptual demands. David Ogilvy firstly broke the traditional understanding of brand and put forward the brand image theory, and firstly turned product to brand image and individuality. Kim. P stated that brand is a combination of consumers' thinking, feeling, perception and imagination aroused by brand<sup>[3]</sup>. Lasser believed that brand is the cognition utility and advantage added to products and increased in consumers<sup>[4]</sup>. Aaker and David defined brand from 5 dimensions from the viewpoint of consumers<sup>[5]</sup>. Japanese enterprises started studies of brands from the 1970s. According to opinion of a famous professor, hot study of brands was attributed to development of information technology, high demands of consumers for brand evaluation, and intense competition of logistic system. When creating brands, Toshiba adopted cross development mode,

Sharp Corporation applied trans-departmental development mode, while Toyota introduced central system organizational form to create brands as early as in 1992<sup>[6]</sup>. According to current situations of studies of American and Japanese scholars on brands, the core is to study how to build powerful brands, to show unique characteristics and obtain huge benefits.

**1.2 Domestic research situations** Chinese enterprises building up brands and consumers' brand consumption awareness started from consumption of Japanese household appliance brands in the beginning of reform and opening-up<sup>[7]</sup>. From the Long March to Quality Campaign in the 1990s to the present, China has been constantly undertaking practical exploration and theoretical research of brand construction. From OEM (original equipment manufacturer) to OBM (Original Brand Manufacturer), China has accumulated experience and knowledge of operation, management and technologies, and also has created a good many famous brands, such as Haier, Lenovo, Bosscen, Changyu, and Tongrentang, etc<sup>[8]</sup>. However, no matter in growth or distribution of brands, the brand development of Chinese enterprise still remains at primary stage compared with developed countries<sup>[9]</sup>. Specifically, brand culture includes three levels of contents: (i) external manifestation such as enterprise name, logo, and trade mark; (ii) essence of social culture permeated in management and marketing activities and achievements of ethnic culture; (iii) deep level culture containing enterprise concept and benefit relation, and enterprise conscience. The ultimate mission is double, it not only creates complete corporate culture system, but also creates products with cultural meaning, realizing material and spiritual development of brands<sup>[10,11]</sup>. This can satisfy basic material demands, and spiritual demands of consumers<sup>[12,13]</sup>. Under the present condition of highly developed commodity economy, agricultural products should take the road of brand and brand culture construction to succeed in market. In China, agricultural enterprises are separate and weak, so that most agricultural enterprise brands are regional, such as Xinyang Maojian Tea, Xinzheng Jujube, Yantai Apple,

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and Lu'an Guapian Tea, *etc*<sup>[14]</sup>. As Kevin Lane Keller stated, like product and people, geographical position or certain space region may also become a brand. However, public goods nature of regional brand of agricultural products, externality of utilization subject action, regional uniqueness, invisibility of quality and "lemon market" effect, all of these lead to difficulty of brand maintenance and improvement, let alone construction of agricultural products<sup>[15]</sup>.

## 2 Brand construction of agricultural enterprises: taking Hubei Hanway Ecological Agriculture Group as an example

### 2.1 Development history of Hanway brand

In the early of the 1990s, China's green food production was in the ascendant and established the development mode of "taking technical standard as basis, quality certification as form, and trade mark management as means". In the new century, people care more about food security. In 2003, Chen Shigui invested 1.2 million yuan to set up

Tiancheng Wild Vegetable Food Company (former Hanwan Group) in Wangjiafan Town of Yidu City, Hubei Province. In 2005, Hanwan was formally registered and became Hanway Ecological Agriculture Group (Hanway hereinafter). In 2007, Hanway was identified as an agricultural industrial leading enterprise of Hubei Province; in 2009, Qingjiang Fish was rated as famous brand of Hubei Province; also in 2009, Hanway was rated as famous trade mark of Hubei Province, and was listed in China's famous brands by State Administration for Industry and Commerce of the People's Republic of China; in 2011, Hanway trade mark won top 60 competitive brands of agricultural products in the whole country, and Qingjiang fish products were awarded as characteristic tourist products of Hubei Province; and Hanway was identified as a national agricultural industrial leading enterprise; in 2014, Hanway was included into top 100 private enterprises of Hubei Province and won national famous trade mark of seasoning products, as shown in Fig. 1.

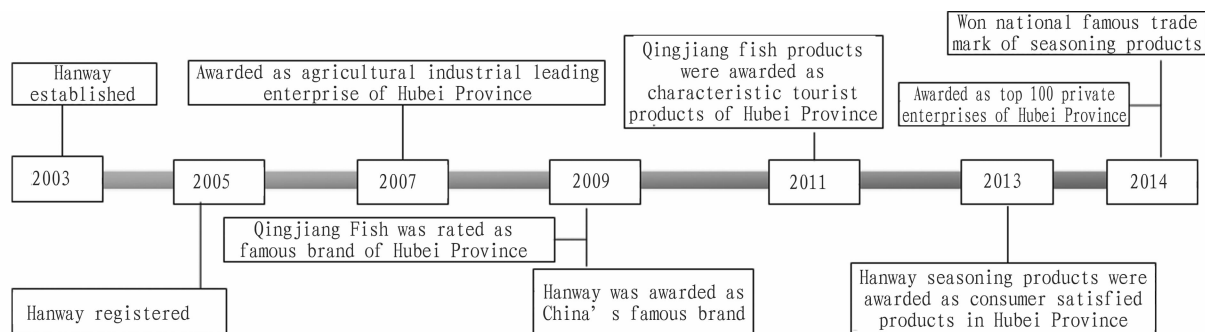


Fig. 1 Development history of Hubei Hanway Ecological Agriculture Group

### 2.2 Experience of Hanway brand construction

#### 2.2.1 Production of branded products should follow objective laws.

Firstly, production of branded products should take the road of scale development. Agriculture is weak industry, and market competitiveness of agricultural products is relatively weak, thus sustainable development of agricultural enterprises should take the road of scale development. Products of Hanway set foot on local rich Qingjiang fishes, citrus, and sauce bittern products, and were deeply rooted in agricultural industrialized and scale development.

(i) With near ten years of development, Hanway has won the title of national key agricultural industrialized leading enterprises and built a strong enterprise in weak industry. (ii) The operation scale expanded from the single factory to a big enterprise group consisted of 5 companies, 2 centers, and holding more than 500 employees, with total assets up to 250 million yuan, and products are sold in both domestic and foreign countries. (iii) Process of leading products was developed from simple and traditional to modern and refined, marketing of products changed from simple to diversified. (iv) Standard of product quality control changed to ecological leading. Secondly, production of branded products should take the road of sustainable development. Ecological agriculture is the foundation of circular economy in agricultural field. Through recycling of agricultural product, it is able to realize circular economy

and invigorate the ecological agriculture. To realize ecological development of production and operation, Hanway has built "citrus biological technology park" and "wholesale market of agricultural and sideline products", develops circular economy, and solves problems of resource waste in production and processing of citrus and Qingjiang fishes relying on biological technology park. In the production process, Hanway produces citrus vinegar using unmarketable citrus, produces fish soy sauce using fish heads tails, and viscera with the aid of biological fermentation, process fish bones into sauce products and high calcium leisure foods, uses residues of processing and excrement of fishes as fermentation materials of marsh gas or organic fertilizer, to realize zero emission and cyclic development, as shown in Fig. 2. Besides, through introducing advanced agricultural planting technology and management experience, Hanway develops modern organic sightseeing agriculture, to promote development of product brands.

#### 2.2.2 Brand construction should attach importance to characteristics, quality, and safety of products.

Product characteristics are basis for expansion and strengthening of agricultural products, and quality and safety are guarantee. For this, Hanway takes full advantage of citrus and Qingjiang fresh-water fishes to develop harmless products and green foods with local characteristics, introduces advanced production equipment, and takes strict control over qual-

ity, to guarantee harmless and natural products. In the development of characteristics, Hanway focuses on developing characteristic fermented soya bean, Qingjiang wild fish, and Yidu citrus using local wild plants and green agricultural and sideline products as raw materials. In the guarantee of product safety and quality, Hanway takes production base as the first workshop, strictly controls materials, production and inspection procedures, and establishes the quality and safety traceable system integrating organization system, production system, management system and test system.

To strengthen quality and safety of products, Hanway has established and improved the *Product Recall Procedure*, *Procedure for Product Return and Exchange*, *Compensation System*, and *Responsibility Investigation System*, and established organization system, production system, management system and test system with information database as the hub, implements "company connecting core farmers, and core farmers connecting farmers" three-level organizational mechanism, and implements quality traceability system to trace the product quality.

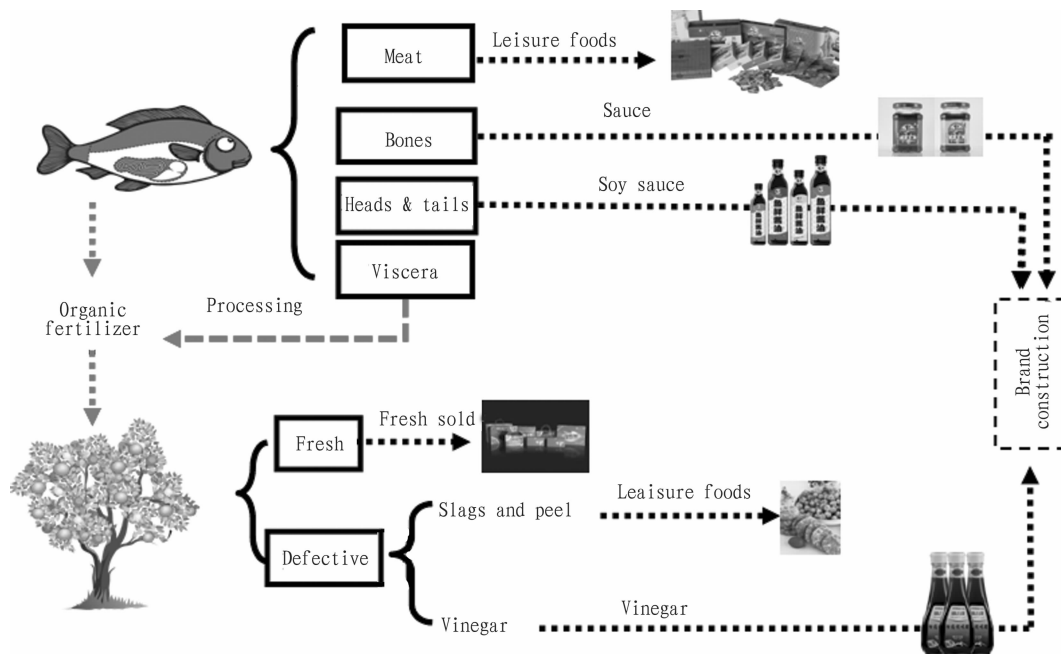


Fig. 2 Brand construction mode of Hubei Hanway Ecological Agriculture Group

**2.2.3** It is required to increase science and technology content of branded products. Advanced science and technology are support of brand. Agricultural enterprises should have unreproducible and competitive agricultural product production and processing technologies to ensure sustainable development. To promote brand image, Hanway has set up technology research and development center and it increases science and technology content of products in cooperation with colleges and universities relying on advanced technologies. In cooperation with Huazhong Agricultural University, Hanway promotes harmless production technologies. Besides, it cooperates with Wuhan University and Southwest University to jointly research and develop fresh water fish soy sauce making technology and citrus vinegar biological fermentation technology, and constantly increases science and technology content of Hanway products, to establish core technology system. For example, Hanway produces citrus vinegar using defective and unmarketable citrus, promoting increase of farmers' income near 100 million yuan and creating about 1.5 billion output value. In sum, Hanway promotes traditional advantageous resources through scientific and technical innovation, and converts low value raw material agricultural products into high value deeply processed products. This not only improves quality of Hanway products, supports brand construction, but also increases income of farmers and raises social

reputation of Hanway.

**2.2.4** Brand construction should be market demand oriented.

(i) Enterprise should have leading products. Leading products are fundamental for enterprises and carrier of brand construction. Hanway succeeded in developing local agricultural products with ecological characteristics such as wild pepper, wild bamboo shoots, Kudzu vine root powder, Chinese toon, and cured meat. On this basis, Hanway has gradually established three leading products, namely seasoning products, fine citrus, and Qingjiang wild fish. These create this famous trade mark, Hanway. (ii) Product production and marketing should be closely connected with market demands. Product production is to sell, so products should conform to market demands. Market demands need cultivation. Therefore, successful product marketing is important assets of enterprises. For this purpose, Hanway makes effort to build sales network and establishes integrated transaction market for agricultural and sideline products. It has established offices in Yichang and Wuhan, set up monopolized shops, and established long-term cooperation with Carrefour, RT-Mart, Walmart, and Zhonghai Holding Group, and realized Farming-Supermarket docking. Besides, Hanway actively participates in various agriculture expositions and trade fairs, and carried out export businesses, and has established long-term fruit export business with Russia and Kirghizstan. In addition, in coop-

eration with QQ farm and Taobao, Hanway sets foot in e-commerce field, innovates upon marketing methods, expands marketing channels, and closely connects market demands.

**2.2.5 Brand construction should integrate regional culture.** Brand culture is the soul of brand power and represents value of brand. To a certain extent, brand culture reflects recognition of consumers for brand in spirit, and is the root source for creating brand belief and forming brand loyalty. Hanway becomes the largest fruit brand of Hubei Province and the first famous brand of Yidu City largely because it maximally integrates regional culture. Hanway has Chinese name of Tulaohan, Tu means natural and ecological, Lao implies long term brand, and Han manifests sincerity. Together, it reveals high standard positioning of Hanway. Brand culture of Hanway reflects its adherence to quality, respect for agriculture, and responsibility to the society.

### 3 Restrictive factors for brand construction of agricultural enterprises

#### 3.1 Weak brand awareness of agricultural enterprises (i)

Producers of agricultural products have weak brand awareness. At present, agricultural production in China is mainly small peasant production and it lacks enterprise-like operating entities. Restricted by traditional agricultural production and operation habits, farmers often take for granted that harvest means completion of production. In addition to their limited operating strength, farmers usually value commodity name but neglect trade mark. Besides, they have weak marketing awareness and brand cultivation awareness, leading to backward brand development. Furthermore, some agricultural enterprises have inadequate understanding of brand construction. They care about only short-term economic benefits, but neglect strategic planning, and are unwilling to make effort to build brands. (ii) Agricultural administrative service division has mistaken ideas of brands. Agricultural administrative divisions of some areas or even local government consider that brand construction of agricultural enterprises is the matter of agricultural enterprises, and the success of brand construction has no close connection with government, so they provide weak policy guidance and support. (iii) Consumers have weak brand awareness of agricultural products. In recent years, China's agricultural product brands are increasingly valued by agricultural enterprises and more than 1.25 million trade marks of agricultural products have been registered, but consumers do not trust brand of agricultural products<sup>[16]</sup>. Studies have shown that about 60% consumers are not sure whether agricultural products are three kinds and one GI products, and they are unwilling to buy branded agricultural products at high price<sup>[17]</sup>.

#### 3.2 Insufficient science and technology content of products of agricultural enterprises

The essence of brand construction for agricultural enterprises is the competition of science and technology. To win the market, brand construction must rely on scientific and technological innovation. However, according to current situations of production and operation of agricultural enterprises, some enterprises still have a great gap with modern agricultural standard. Enterprises have widespread development concept of

high sales and low price, but neglect product brand and quality. Some enterprises pay little attention to science and technology research and development. Few enterprises have independent intellectual property rights, which restrict brand construction and development of agricultural enterprises to a great extent<sup>[18]</sup>. In Hubei Province, many local characteristic agricultural products such as Huangzhou turnip, Wuxue Bergamot yam, and Rhizoma Coptidis, still have not built up strong brands due to backward production and marketing means and lack of new technology for update.

#### 3.3 Lack of carrier for brand construction of agricultural enterprises

Brand construction needs carrier, agricultural enterprise, which should have certain production and operation scale, increase additional capital input, while separate small peasants are weak for brand construction. Firstly, individual household production and operation mode leads to high production costs of agricultural products and low agricultural economic benefits. Secondly, agricultural production entities are small and fund accumulation is slow, which restrict production innovation and new technology development, consequently limit brand construction. Thirdly, agricultural production entities have limited risk resistance ability. It is difficult for them to establish independent and stable marketing channels, and high fluctuation in market share of agricultural products leads to low expectation of brand construction for agricultural enterprises<sup>[19]</sup>.

#### 3.4 Imperfect mechanism of survival of the fittest brands for agricultural enterprises

At present, according to current development situations of agricultural enterprises, there is serious problem of repetitive brands of agricultural products. Since market circulation system of agricultural products is not highly developed, market access threshold of agricultural products is relatively low. In addition, rigid demands of agricultural products are high, and external package is simple. In consequence, brand anti-falsification level is low. In the processing or sales of the same agricultural products, different enterprises have different levels of brands. Some brands are too many to be counted. Furthermore, some agricultural enterprises or production and operation entities are not standardized in market behavior. There are problems of vicious competition and substitution of defective goods for qualified goods. All of these impair reputation of brands of agricultural products and exert high adverse effect on brand construction of agricultural enterprises<sup>[20]</sup>.

### 4 Recommendations for brand construction of agricultural enterprises

#### 4.1 Cultivating brand awareness and raising social recognition of brands

Enterprise scale and economic strength are precondition for brand construction<sup>[21]</sup>. However, due to different conditions, different entities have different brand construction awareness. Different social groups have different understanding of brands, and their recognition of brand is also varied. Therefore, it is required to treat different enterprise entities and social groups in different manner. For enterprises already obtained famous brand title, it is recommended to further deepen the brand effect, raise the brand cognition of the public, and promote brands to become rec-

ognized brands. For enterprise brands with registered trade mark, it is recommended to promote them to famous brands, raise recognition of the public and make their trade mark become brands in the heart of consumers. For enterprises unable to create product brands, it is recommended to strengthen regional brand construction of agricultural products, and strengthen recognition of consumers for certain industries or characteristic agricultural products.

#### 4.2 Promoting scientific and technological innovation and increasing science and technology content of branded products

Firstly, it is recommended to update concept and create innovation atmosphere in the whole society. Strengthening innovation awareness of managers, raising the management level, cultivating new professional farmers, developing modern agriculture, and enhancing employee training to realize role switching. Secondly, it is recommended to improve conditions and set up comprehensive innovation platform. Competent agricultural enterprises can establish scientific and technological innovation and research and development center, build enterprising talent training base, establish scientific and technological achievement conversion park, and input the scientific and technological innovation concept into mind of every employee. Thirdly, it is recommended to improve innovation mechanism and increase the whole process innovation benefits. Through improving benefit leading mechanism, wage incentive mechanism, and integrated culture, science and technology and agriculture development mechanism, it is recommended to integrate the innovation concept into every link of agricultural enterprises, and make culture, science and technology become engine for increase of product value.

#### 4.3 Strengthening law publicity and improving management control of quality and safety of branded products

Firstly, government leaders should actively guide mainstream news media to publicize quality and safety laws and regulations in the form of special columns and programs, news report, typical exposure, and basic knowledge of laws and regulations. Secondly, it is recommended to guarantee quality and safety of agricultural products. To ensure stable establishment and development of brands, agricultural enterprises, should improve the awareness of quality and safety management and control, and cultivate brand reputation with strict product quality. Besides, government departments should improve quality management and control standard and system. Thirdly, agricultural enterprises should establish the whole-process quality and safety monitoring and tracing system with the aid of science and technology, to ensure monitoring and trace of the quality and safety of agricultural products at any time. Finally, it is recommended to establish three-party cooperation and information communication mechanism.

#### 4.4 Supporting new agricultural enterprises and cultivating effective carrier for brand construction

Government departments and various circles of the society should strengthen support for development of agricultural enterprises and cultivate effective carrier for brand construction. For developed agricultural enterprises, government should increase policy support, reduce administrative approval for qualification and administrative intervention, promote market to lead enterprises towards leading enterprises and group development, and constantly expand both domestic and for-

eign market. Various social circles should treat development of agricultural enterprises with tolerance attitude, and attract industrial and commercial capitals to flow to agricultural industrialized development fields. For agricultural enterprises not developed, government should encourage related areas or entities to guide farmers to participate in building agricultural enterprises and gradually improve the situations of separate and small scale of agricultural production and operation.

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