Study on Brand Building in Clusters to improve Competitiveness of MSMEs
Acknowledgement

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We sincerely believe that this report serves the purpose that it intended to. The document has not been formally edited. The authors bear all responsibility for the facts presented, errors and omissions as well as value judgments passed, if any and the views expressed does not necessarily be the views of either FMC or SIDBI.

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Foundation for MSME Clusters, New Delhi
“Brand Building in Clusters to Improve Competitiveness of MSMEs”
**List of Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABICALCADOS</td>
<td>Brazilian Association of Shoe Manufacturers</td>
</tr>
<tr>
<td>ABRAMEQ</td>
<td>Brazilian Association of Machinery and Equipment Sectors Leather, Footwear</td>
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<tr>
<td></td>
<td>and Related Products</td>
</tr>
<tr>
<td>AICSUL</td>
<td>Tannery Industries Association of Rio Grande do Sul</td>
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<td>AOV</td>
<td>Valenzano Goldsmith Association</td>
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<tr>
<td>APPEAL</td>
<td>Apparel Exporters’ Association of Ludhiana</td>
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<tr>
<td>ASSOPIASTRELLE</td>
<td>National Association of Tile Manufacturers</td>
</tr>
<tr>
<td>ASSINTECAL</td>
<td>The Brazilian Association of Companies of Components for Leather, Footwear</td>
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<tr>
<td>BDS</td>
<td>Business Development Services</td>
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<td>BDSP</td>
<td>Business Development Service Provider</td>
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<td>BHELSIA</td>
<td>BHEL Small and Medium Industries Association</td>
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<td>BMO</td>
<td>Business Membership Organisation</td>
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<td>BPO</td>
<td>Business Process Outsourcing</td>
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<td>CBE</td>
<td>Community Based Enterprises</td>
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<td>CCIAA</td>
<td>Chamber of Commerce</td>
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<tr>
<td>CCP</td>
<td>Communist Party of China</td>
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<tr>
<td>CFC</td>
<td>Common Facility Centre</td>
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<tr>
<td>COTEX</td>
<td>Consortium of Textile Exporters</td>
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<tr>
<td>CST</td>
<td>Central Sales Tax</td>
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<tr>
<td>DCC</td>
<td>Danish Competition Council</td>
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<td>DKK</td>
<td>Danish Krone</td>
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<td>DKMA</td>
<td>Danish Medicines Agency</td>
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<td>EU</td>
<td>European Union</td>
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<td>EUR</td>
<td>Euro</td>
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<td>FMC</td>
<td>Foundation for MSME Clusters</td>
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<td>FY</td>
<td>Financial Year</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GI</td>
<td>Geographical Indicator</td>
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GPP  Good Pharmacy Practice
HAP  Hotel Association of Puri
I  International
ICE  National Trade Association
ICT  Information Communication Technology
IEPI  Ecuadorian Institute of Intellectual Property
ILO  International Labour Organisation
ISO  International Organization for Standardization
IT  Information Technology
ITES  IT enabled services
ITO  International Trade Organisation
ITPL  International Tech Park Ltd.
KAMAL  Knitwear and Apparel Manufacturers Association of Ludhiana
L  Local
MoU  Memorandum of Understanding
MSME  Micro Small and Medium Enterprises
N  National
NASSCOM  National Association of Software and Service Companies
NDTV  New Delhi Television Limited
NITEE  Network of ICT Entrepreneurs and Enterprises
OPC  OTOP Product Champion
OTC  Over-the-Counter
OTOP  One Tambon One Product
PDO  Protected Denomination Origin
PEM  Personal Electronic Medication Profile
POM  Prescription-Only-Medicines
R&D  Research and Development
RMB  Renminbi
SIDBI  Small Industries Development Bank of India
SME  Small and Medium Enterprise
SPV  Special Purpose Vehicle
STAS  Treviso Sportswear Society
STPI  Software Technology Parks of India
SWOT  Strength Weakness Opportunity Threat
TAO  Tambons Administrative Organizations
TFP  Talegaon Floriculture Park
TISI  Thai Standards Institute
TV  Television
UK  United Kingdom
UN  United Nation
UNIDO  United Nations Industrial Development Organisation
US  United States
U.S.A  United States of America
USD  United States Dollar
USP  Unique Selling Proposition
WIPO  World Intellectual Property Organization
WTO  World Trade Organisation
“Brand Building in Clusters to Improve Competitiveness of MSMEs”
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Executive Summary

Silicon Valley IT cluster of US, San Daniele Ham cluster of Italy, Sinos Valley Footwear cluster of Brazil and many more such known global names confirm that cluster reputation can lead to cluster branding through appropriate branding strategy. Such branding helps clusters gain international visibility, attract global partners, encourage investments, attract skilled professionals and gain the attention of policy makers. Research works at global level have also observed that brand building is strongly related to improved competitiveness of the cluster enterprises (Cluster Initiatives Green book by Orjan, Goran, Christian 2003; Cluster Marketing and Branding, Tactics, 2012). Cluster brand can lead to greater recognition of the cluster, reduced risk of production and innovation, provides driving force and direction for cluster development. Moreover, it helps reinforce identification, mobilize local pride and boost self-confidence of cluster actors.

Cluster based or location based branding can support attractiveness and competitiveness of MSME clusters, and help them grow. Some of the clusters in India have recognized its importance and using their geographical location as their brand informally but still a formal cluster specific branding is lacking. Government institutions have also put in lot of efforts in cluster development and market promotion but not much has been done to brand the clusters and consequentially create sustainable market linkages. This book, which is an outcome of an intensive study on cluster based brand building commissioned by SIDBI to Foundation for MSME Clusters, has analysed ten successful international examples of cluster based branding and captured the learning those have relevance for Indian clusters. Those learning were then used to develop cluster based branding model for India. The methodology for common brand creation and promotion is suggested and the role of policy and cluster stakeholders for the same is defined.

Outline of the book:

There are five broad sections in the book, followed by annexure on detailed international case studies and analysis of eleven potential clusters of India where cluster branding can be implemented. A brief snapshot of these sections is as follows:

Section-1: This section briefly introduces the MSME clusters and its importance. It also introduces the context and need for cluster based branding.

Section-2: This section explains the methodology of the study. The process of identification of international branding Cases and also identification of national branding cases has been captured. Methodology and framework of case analysis has been outlined along with its justification.

Section-3: A brief summary of the sample cluster selected globally and also from India has been explained in the section.

Section-4: Learning from international cases were analysed and lessons drawn were captured in this section.
Section-5: In this section, conclusions were drawn and policy suggestions were given based on the learning from international cases and analysis of potential Indian clusters.

As part of the methodology of the study, ten international clusters from various sectors were selected keeping in view the following four parameters: a) Product category such that all relevant sectors from Indian perspective are covered; b) International regions such that lessons did not remain limited to one specific geographical region and have consolidated learning from different parts of the world; c) Geographical Indicator (G.I) / Non G.I cases as to have strategic learning from two varieties of clusters and also in order to cover strategies adopted for brand creation as well as for brand retention after getting G.I recognition; d) Availability of sufficient material about selected cluster to draw lessons from, for writing a strong branding case study.

Indian clusters are identified under five broad categories: industrial, handicraft, handloom, agro products and services. Not all clusters are amenable to branding. So while selecting clusters, we identified the parameters drawn from the international case studies and tested the clusters to indentify the potential branding cases. It is believed that the presence of all these parameters, in any status or form, is a mandatory requirement without which the “cluster branding” initiative is unlikely to materialize. In addition, the current market scenarios along with the target markets i.e. national, international or local were also mapped. This enabled the selection of clusters catering to all market levels. Those parameters are: a) Uniqueness of Product: The product of the clusters identified must have inimitable, tangible qualities which the customer will recognize and might be willing to pay a premium price for. These factors can be product specific, e.g. design in case of products like wood furniture patterns etc., geographic exclusivity of raw materials used in product, specific manufacturing processes (in food processing or agro-processing industries), quality of finished products and ability to produce uniform products in large quantities (in high end manufacturing industries like auto components or pump and motors) etc.; b) Soft Infrastructure: This denotes the presence, and the social capital/strength of BMOs in the cluster; c) Hard Infrastructure: The availability (or at least indications of presence) of cluster level facilities like common facility centres, technical training institutions, R&D institutes etc denote the inherent strengths of a cluster and reinforces its ability to be able to achieve the standards expected of a common brand.

Learning from the International Case Studies:

Branding is a time intensive exercise which requires systematic planning and collective actions by a group of likeminded entrepreneurs. It is a cost intensive work which sometimes requires heavy development push by policy stakeholders. Branding can be organic and also induced. It can be induced through appropriate policy support. Learning from the international case studies analysed in this book were used to define the role of policy to develop and promote cluster based branding for improving competitiveness of MSMEs. Some of the learning are captured as follows.

It is essential to understand Unique Selling Proposition (USP) of cluster product for making right marketing and branding strategy. Targeted marketing is often considered to be better than mass marketing especially when the products are specialized products. To understand the target markets, it is essential to segment the entire market and find out the potential ones where there are comparatively higher business possibilities. Clusters that have segmented
their market and taken up right marketing and branding strategy could successfully establish their marketing channels and build a brand image.

In free market economics, most production decisions are guided by customers need. To sustain in the market, it is essential for a business to understand the demand of the customers thoroughly and offer products that suit their need. Outsourcing of the (non-core) supplementary activities which involve lesser skills or low level of productions to smaller units and focusing on only high value added process work has proved to be a successful strategy in some of the international cases. Integrated production and marketing system plays an important role when units cater largely to local and regional markets.

A major critical factor for the success of the cluster brand experienced in many successful clusters has been the ability to differentiate its product from other similar product categories and product lines in the market. Clusters focused on creating a product line as per market need through creation of various mechanisms to forecast market demand were successful in creating brand image for themselves. While product specialization plays an important role in industrial/intermediary product marketing, product mix serves as key attribute for consumer product marketing. Clusters that are primarily producing consumer products should focus more on varieties in terms of product designs, sizes, colours, etc. Such product mix becomes even important for service sector especially for promoting tourism where product is defined as the experience the tourists take away from the place.

As the initiative towards branding of the cluster as an entity must be realized, primarily from within the cluster the presence of strong associations/networks or in other words known as Business Membership Organisation (BMO) is an imperative parameter and also is an indicator of how receptive a clusters stakeholders are towards branding as a marketing initiative. A common platform, common vision of stakeholder, common entity makes the branding process more effective and sustainable. It also helps enforcing the brand through legalised system and creating effective promotional measures.

Many a times, existence of known brands of manufacturing companies or trading firms makes the cluster known in the global market. This not only creates brand name for the cluster but also become known as trusted source of products. This has been proved to be a success factor in some of the clusters.

It is observed in most of the cases that, branded clusters are no accidents. They are a result of thoughtful and imaginative planning and also creation of right atmosphere. From the successful branded clusters, it is learnt that policy can play a significant role in promoting cluster based brands through 1) Creating and promoting brand; 2) By using various regulatory measures; and 3) By brand enforcement; 4) Creating Favourable Infrastructure and Support Services (both soft and hard infrastructures); and 5) Brand Endorsement

Based on the learning from successful international cases and analysis of potential national clusters, policy suggestions were given on creating and promoting appropriate cluster based brand in India.

Suggestive Branding Model and Role of Policy:

The suggestive model in this book categorizes the stages of development for a brand, identifies how to measure progress in every stage, and prescribes the marketing priorities for
moving a brand to a higher stage of development. The framework considers only those clusters that are ready for branding or branding has already been initiated. The readiness of branding can be seen through the branding enablers in the cluster. At the beginning, enablers could be known through nature of the product, critical mass of production, USP of the product, existing marketing channels, significance, growth potential, likelihood of presence of social capital, etc. Out of more than 6400 MSME clusters in India, the possibility of branding may be possible in only those 500-600 clusters where these enablers are apparent. The model does not go into basic productivity enhancement but focuses only on branding of cluster products that have the identifiable market potential but not harnessed well enough.

Broadly four stages of branding can be seen, each equating to a different priority/strategy, starting with creating basic awareness, marketing channels and concluding with building customer loyalty in terms of establishing it as a preferred brand.

<table>
<thead>
<tr>
<th>Status/Impact</th>
<th>Need/Policy Support</th>
<th>External funded project focus with heavy Push</th>
<th>Externally funded project focus/development Push</th>
<th>Self sustainable (business case)</th>
<th>Self sustainable (business case)</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Experts/ lab testing authenticity and identification</td>
<td>Awareness creation on possibility of common branding</td>
<td>Implementing production specification and quality standard</td>
<td>Creating new investors to the cluster join the value chain</td>
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<tr>
<td></td>
<td></td>
<td>Awareness creation on possibility of common branding</td>
<td>Awareness creation on possibility of common branding</td>
<td>Quality standard and certification in place by the expanded group(s) manufacturing majority of the cluster production</td>
<td>Implementing more quality standards, re-branding of cluster products, re-positioning of products introduced</td>
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<td></td>
<td>Consumer recognition about the uniqueness of the cluster product</td>
<td>Defining standards for naming the brand</td>
<td>Creating consumer awareness of the brand</td>
<td>Creating consumer awareness among the targeted market on the genuineness of brand</td>
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<td></td>
<td></td>
<td>Consumer recognition about the uniqueness of the cluster product</td>
<td>Initiating the same by leading manufacturers/ retailers individually or through their groups/ major buyers</td>
<td>Undertaking standards amendment/ rules reformulation, if required</td>
<td>Brand related quality standards followed by all the participating members</td>
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<tr>
<td></td>
<td></td>
<td>Consumer recognition about the uniqueness of the cluster product</td>
<td>Consumers in general are not aware about the brand</td>
<td>Consumers in general are not aware about the brand</td>
<td>Attracting new investors to the cluster join the value chain</td>
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<td></td>
<td></td>
<td>Consumer recognition about the uniqueness of the cluster product</td>
<td>Brand naming done</td>
<td>Brand started getting wider recognition beyond a few major buyers and visibility among consumers at large</td>
<td>Implementing more quality standards, re-branding of cluster products, re-positioning of products introduced</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consumer recognition about the uniqueness of the cluster product</td>
<td>Standards for naming brand are well defined, understood and respected &amp; implemented by many leading manufacturers/ retailers individually or through their groups/ major buyers</td>
<td>Brand started getting wider recognition beyond a few major buyers and visibility among consumers at large</td>
<td>Implementing more quality standards, re-branding of cluster products, re-positioning of products introduced</td>
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<td></td>
<td></td>
<td>Consumer recognition about the uniqueness of the cluster product</td>
<td>Reputation converted into a brand</td>
<td>Brand started getting wider recognition beyond a few major buyers and visibility among consumers at large</td>
<td>Implementing more quality standards, re-branding of cluster products, re-positioning of products introduced</td>
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<tr>
<td></td>
<td></td>
<td>Consumer recognition about the uniqueness of the cluster product</td>
<td>Brand started getting wider recognition beyond a few major buyers and visibility among consumers at large</td>
<td>Brand established among consumers</td>
<td>Implementing more quality standards, re-branding of cluster products, re-positioning of products introduced</td>
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"Brand Building in Clusters to Improve Competitiveness of MSMEs"
**Stage A- Embryonic:** At this stage, cluster has informal reputation, but no formal cluster based brand. Branding enablers in terms of tangible and intangible capital are weak or absent. Here, MSMEs have basic capacity of production and marketing, but due to problems like improper segmentation of the market and unclear targeting of appropriate clientele, customising and packaging the product and services as per market need, reaching out to the customer through right marketing channels, etc. the cluster is not being able to grow.

Clusters like, Tiruchirapalli fabrication, Delhi ICT, Ludhiana Knitwear, Ambur Footwear, Pune Floriculture, Sanganer Hand-block Printing, Kirti nagar Furniture cluster, who enjoy wider recognition and reputation in their existing market, but cluster based branding has not been initiated. Policy support and stakeholders cooperation can take them to the next level of branding.

The standard measure for this stage is aided awareness and heavy development push in terms of identification and recognition of the potential branding clusters which can otherwise be named as "star clusters"; funding support for need assessment of a common brand; cost benefit analysis and preparation of road map for the future; product re-positioning assessment of related requirements for testing, quality, certification, infrastructure requirements, etc. A systematic rating process can be followed based on the parameters for branding and such potential branding clusters or star clusters can be identified and endorsed by the Government. The vehicle to promote cluster based brand need to be created in the form of common business group of stakeholders and building their capacities to undertake common marketing and branding initiatives. Creation/strengthening basic business infrastructure like testing, quality checking, certification, R&D, etc. thus plugging the bottlenecks; increase popularisation of the cluster products through promotional measures like buyers sellers meet, trade fair participation, etc. A weakness in this stage implies a basic brand name creation and can be addressed through advertising and publicity to boost name recognition.

**Stage B- Developing:** Once the basic capacity building, awareness creation and infrastructure problem is addressed, cluster gains some visibility and customers start identifying the cluster products in a whole range of products available in the market, then the next logical step becomes creating appropriate measures for common brand; creating and strengthening common groups; naming the brand and define its standards; creating awareness on the same both at manufacturers level as well as consumers level; making use of soft and hard infrastructure. The implication for brands with weakness in this stage is to create and educate the market about the brand, such as the type of products or services the brand offers. There are very few clusters in India are likely to be in this stage of development.

For such clusters, it is essential to identify right marketable product/product mix, follow legal processes with respect to formation of a central legal entity (association, consortium, SPV etc) which will enforce relevant measures to maintain the clusters brand image. While the short term impact of these initiatives would set the ground for brand building, but the long term impact will drive the perception and create a brand image for the cluster.
**Stage C-Established:** After adequate care on developing and promoting brand image, the brand should establish itself in the market. This includes a basic trust of the brand as well as belief in its value proposition. The impact can be seen as increased turnover, significant market share, repeat orders, market expansion, etc.

Market is not always stable; it changes with the change in purchasing power, fashion and many other factors that influence taste and preferences of the consumer. Therefore, branding should not be a onetime affair. It should be a continuous process to keep the image up in the eyes of its customer. Rebranding and repositioning is more desirable especially when the product is based on “concept”. Promoting tourism products successfully requires a concept or context that allows audience to appreciate what the place has to offer to visitors and therefore it defines the brand image.

Brand infringement is a common problem at this stage of branding. It not only creates business loss for the cluster but also markets get distorted with low standard cheaper substitutes. Governments have supported many unique product cluster get G.I.s. However, these clusters are still facing threats from other near similar substitutes produced with cheaper quality raw material or advanced machines. Damage in handloom and handicraft product cluster is even more whose cheaper versions are available through machine made operations. In some cases strict rules and regulations are available to protect the brand but their enforcement is week. There is a need to enforce rules on quality check systems, standards, certification, etc. and create awareness of genuineness of handmade products.

**Stage D- Matured:** Buyers choose a brand that fulfils a promise they desire, but this credibility is not sufficient alone to drive choice. Customers perceive brands at a functional and emotional level. The functional has to do with various promises, such as offering value, having stated quality, or being relevant to business (in case of B2B marketing) or consumption need (in case of B2C marketing). Matured clusters are those where customers are attracted to buy the product. In other words they are loyal to the cluster brand and never go to other cluster products.

A chief goal in the whole exercise for cluster is to position its brand through communications that stresses attributes that drive purchase intent and should be preferred by the market. Brand attends the matured stage when market indicates product preference (product differentiation) and behaves as if satisfied.

To sum it up, there are many facets to brand equity, including awareness, attitude, image, preference and satisfaction. All of these areas need to be considered in order to craft the appropriate branding strategy. Different clusters may fall into different stage of development and therefore appropriate measures need to be taken to take it to the next stage of development.

The degree of support required by a cluster to establish its brand depends on the types and level of its branding enablers. An intense analysis of the above four branding stages spells the clear need for developmental intervention through policy support at stage A and B to promote cluster branding. Once the ground is ready cluster can take itself off to stage C and subsequently to stage D. However, policy support is still required at stage C and D, but its nature changes substantially.
1. Introduction

1.1) MSME Clusters

Micro, Small and Medium Enterprises are of immense importance for social and economic development of any country. In India, MSME sector contributes by around 8 percent to country’s GDP, 45 percent to manufacturing sector and 40 percent to India’s total exports providing employment to about 60 million people in more than 31 million units. 63 per cent (4.7 million) of the 7.45 million MSMEs in India are estimated to be present in clusters. With an estimated more than 6400 plus clusters, India has probably has the highest number of clusters in the world.

Concentration of units in a given geographical location producing same or similar types of products and facing common opportunities and threats is called a cluster. Clusters have been in existence in India for centuries and are known for their products at the national and international level. These have been typified as industrial, handloom and handicraft clusters. Clusters represent the socio-economic heritage of the country where some of the towns or contiguous group of villages known for a specific product or a range of complementary products that have been in existence for decades and centuries. In a typical cluster, producers often belong to a traditional community, producing the long-established products for generations. Indeed, many artisan clusters are centuries old.

The cluster development approach is being followed in various countries for development and promotion of MSMEs in an effective manner. With the MSMEs playing such a large part in the economy of the nation, a host of innovative development initiatives have been undertaken, with the cluster development being one of them addressing all aspects relating to productivity and competitiveness of an industry. Marketing is a key area that requires to be addressed in MSMEs to help them survive the onslaught of heavy competition posed by opening up of trade barriers/ trade liberalization where small & big industries having price, design and many other advantages are capturing the markets. Given such a scenario, initiatives in promoting marketing are imperative for all clusters and for those that have attained sufficient levels of maturity, the scope of branding will

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Cluster Definitions:

“Clusters are a geographically proximate group of interconnected companies and associated institutions in a particular field linked by commonalities and complementarities. Clusters encompass a array of linked industries and other entities important to competition ... including governmental and other institutions – such as universities, standard setting agencies, think tanks, vocational training providers and trade associations.”

Porter (1998)

“...geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue, that share specialized infrastructure, labour markets and services, and that are faced with common opportunities and threats.”

Rosenfeld (1997)

Regional clustering has been used to describe industrial districts of small crafts firms, high technology centers, agglomerations of financial and business service firms in cities, company towns, and large branch plants and their supply chains.” “...clusters at least must be characterized along relevant dimensions if appropriate policies are to be devised ... (these include) ...density...breadth...depth...activity base...growth...potential...innovative capacity.”


“Cluster can be defined as concentration of micro, small and medium enterprises in a given geographical location producing same or a similar type of products or services and these enterprises face similar type of opportunities and threats. The cluster is known by the name of the product being produced by principal firms and the place they are located in.”

UNIDO Definition
serve as a unique tool. The creation of cluster brand is extremely pertinent as it can help a cluster access new, niche and higher end market segments where the products can be sold at a premium price. Catering to higher quality clientele entails rigorous maintenance of quality standards of the product. Such a cluster would have better access to public funds for furthering the development cause by leveraging its brand value and improved public awareness.

1.2) Cluster Based Branding - The Context

From a marketing point of view, a brand is “a name, term, sign symbol or a combination of these that identifies the maker or seller of the product” (Philip Kotler). Simply put, a brand is a promise. By identifying and authenticating a product or service it delivers a pledge of satisfaction and quality (Walter Landor).

The brand includes some key elements like- a) Visual System: This is the mark, logo, typographic system, colour palette and imagery; b) Personality: Attributes and Associations; c) Value Proposition: the unique selling proposition; d) Core values and attributes: The integration into business and brand strategy, as well as any interaction. However, it is important to underline that even if the first purpose of a brand is to distinguish one thing from another, it represents much more than just names or logos. It is a mixture of tangible and intangible attributes that creates influence and generates value. This value is called ‘brand-equity’ and is based on the extent to which the brand has high loyalty, name awareness, perceived quality and strong product associations. It permits to create a long-lasting relationship with the clients, who are often guided by brands during their purchase decisions.

Primary goal of every business is reaching out to customers and there is no better way to achieve this than marketing through branding. It has become necessary to brand any product/business today because through branding it is easy to convey that the products are reputable and recognized. It gives a sense of stability and credibility of establishment.

Branding is a way of clearly highlighting what makes the offer different to, and more desirable than, anyone else’s. Effective branding elevates a product or organisation from being just one product amongst many similar products, to become something with a unique character and promise. It can create an emotional resonance in the minds of customers who choose products and services using both emotional and pragmatic judgments.

Branding is highly perceived and commonly used tool by large firms to create demand for their products and get premium prices. Large businesses are often capital and resource rich, they usually have greater numbers of employees, they can spend more for R&D, design innovation, advertising on product, etc. and therefore, they enjoy stronger brand recognition. However, it has lesser applicability to MSMEs who have basic competitiveness and marketing related issues. But despite this, MSMEs can even compete with big brands dominated markets by virtue of their own set of advantages with good preparation and determination and by getting their approach right. Moreover, in order to be an internationally
competitive cluster, it is necessary to be able to attract external interest and resources such as skilled people and capital.

The most important strength/advantage that can be leveraged, is the agglomeration or geographical concentrations of these MSMEs. Some of the clusters have recognized its importance and using their geographical location as their brand informally but still a formal cluster specific branding is lacking. Government institutions have also put in lot of efforts in cluster development and market promotion but not much has been done to brand the clusters and consequently create sustainable market linkages.

Cluster based or location based branding can support attractiveness and competitiveness of MSME clusters, and help them grow. Moreover, some of the research works at global level have (Cluster Initiatives Green book by Orjan, Goran, Christian 2003) observed that brand building is strongly related to improved competitiveness of the cluster enterprises. Cluster brand can lead to greater recognition of the cluster, reduced risk of production and innovation, provides driving force and direction for cluster development. Moreover, it helps reinforce identification, mobilize local pride and boost self-confidence of cluster actors. At the same time there is the need to attract the internal actors to join the cluster and to mobilize around a common vision and strategy. Marketing and branding are therefore key issues for the long term growth and future competitiveness of clusters. Branding strategies have to be developed by cluster organisations in order to plan and realize cooperative interventions and strategic actions, uniting more realities under a unique image.

The present study tries to capture successful international examples of cluster based branding and capture the learning that have relevance for Indian clusters. Those learning were used to develop a model or methodology to suggest the role of policy and cluster stakeholders for brand promotion.

2. Methodology of the Study

2.1) Identification of International Branding Cases

To select ten international benchmark clusters in order to identify the process followed towards establishment of a cluster brand and lessons learned therein, attempts made to capture several possible cases across the globe. A list of 73 champion clusters for branding cases was prepared from different product categories like food product, ICT, tourism, wood and wood product, ceramic, jewellery, paper and paper products, plastic product, optics, textile, leather, sports good, handloom, handicraft, ICT, tourism, etc. These champion clusters were identified through different information sources like- FMC knowledge bank, Cluster Observatories of India (www.clusterobservatory.in) and Europe (www.clusterobservatory.eu), WIPO (World Intellectual Property Organization), World Trade Organisation (WTO), International Labour Organisation (ILO) data base, Geographical Indicator (GI) registry in different countries, United Nations Industrial Development Organisation (UNIDO), and also from various web sites and libraries.

These cases were then grouped under sector, country and GI & non-GI categories. Information about all these 73 identified clusters was collected with a special focus on branding related information to draw lessons from. Based on the availability of the
information and quick analysis of the same, 32 potential cases were drawn keeping in view the following 4 parameters:

a) Product category such that all relevant sectors from Indian perspective were covered;
b) International regions such that lessons did not remain limited to one specific geographical region and have consolidated learning from different parts of the world;
c) G.I/Non G.I cases as to have strategic learning from two varieties of clusters and also in order to cover strategies adopted for brand creation as well as for brand retention after getting G.I recognition;
d) Availability of sufficient material about selected cluster to draw lessons from, for writing a strong branding case study.

A second round of detailed literature review was done and also expert views were taken to select 10 best clusters for detailed case study development. However, the remaining 22 cases were also studied to capture quick learning on branding strategies by cluster stakeholders and policy.

A framework for writing international case studies was developed and finalized taking inputs from cluster and marketing experts and also inputs form SIDBI officials. After identification of the international cases and framework for international as well as national case studies, a project inception meeting was organised with SIDBI and FMC experts.

### 2.2) Identification of National Branding Cases

The purpose was to identify ten high potential clusters where cluster branding is

Indian clusters are identified under five broad categories: industrial, handicraft, handloom, agro products and services. Though handicraft has highest number of clusters in India, but industrial clusters contribute most significantly towards the economy of the nation. Hence, of the ten clusters, 5 clusters were identified from industrial category. However establishing a brand for unique traditional industrial industry is equally important to ensure its continued sustainable existence and even more challenging given the average size of these clusters. Hence one each from the handicraft, handloom and floriculture sectors was identified for the study. Again, one each from the service category like tourism and ICT cluster was also considered in order to arrive at broader understanding of the prospective processes and challenges associated with the branding of a cluster. The clusters identified essentially have a unique product that can be offered as a premium brand.
The uniqueness of the product of the cluster may be defined in a number of terms like geographic identity/exclusivity, exceptional quality, uniformity, design etc.

A detailed methodology of how the clusters were identified as high potential has been listed below with the data of industrial sector as an illustration. The same parameters were then used for the evaluation of the other sectors as well.

The geographical spread of the clusters was kept in mind and also G.I/ Non G.I recognition status of the cluster in order to cover all varieties of cases and optimize the learning. Moreover, while selecting the 10 Indian cases, the 10 international cases for which detailed case studies were developed were kept in mind so that the learning culled out could be useful for similar national cases.
Selection of industrial clusters:

Step 1: There are a total of 1156 industrial clusters across 14 (of the total 22 industry groups (or sectors) identified as per the Index of Industrial Production\(^2\)) that have been identified based on the database available at www.clusterobservatory.in. Out of the 1156 clusters, development initiatives and interventions by the government, either at the state or the central level has been carried out in 415 clusters till the end of year 2011-12. This narrows the list of prospective clusters to these 415 clusters as they have been identified for development initiatives through a judicious process which takes into account its economic significance, growth potential, likelihood of presence of strong associations etc. which are believed to be strong enablers of cluster based branding. A quick scan of the remaining 741 clusters was carried out and approximate 50 clusters were further included which were having potential for branding but no such policy driven development initiatives have been carried out. This was done so that no cluster of significance was over-looked. In addition to the above the clusters which are G.I. registered were also taken into consideration as it was considered that they have already achieved the first level of branding owing to elements of indigenousness in their products. This resulted in generation of a list of 465 clusters across 120 unique products.

Step 2: In order to obtain a proportionate sample from all the sectors, 20% of top clusters under each of the 14 sectors were shortlisted. The top clusters were identified based either on their product (uniqueness) or economic significance which reduces the sample size to 90 clusters. This has ensured equal representation across all sectors. Further, no more than 2 clusters per product were taken into consideration resulting in 75 clusters.

Once again in order to shortlist those products and clusters of highest significance and to not to over look any, during this short listing process, experts whose areas of expertise lie either at the product/sector levels or at the regional/state levels were consulted.

Step 3: The clusters were then be tested for the following basic parameters:

1. **Uniqueness of Product**: The product of the clusters identified must have inimitable, tangible qualities which the customer will recognize and might be willing to pay a premium price for. These factors can be product specific, e.g. design in case of products like wood furniture patterns etc., geographic exclusivity of raw materials used in product, specific manufacturing processes (in food processing or agro-processing industries), quality of finished products and ability to produce uniform products in large quantities (in high end manufacturing industries like auto components or pump and motors) etc.

2. **Soft Infrastructure**: This denotes the presence, and the social capital/strength of BMOs\(^3\) in the cluster. As the initiative towards branding of the cluster as an entity must be realised primarily from within the cluster, the presence of strong associations is an imperative parameter and is an indicator of how receptive clusters stakeholders are towards branding as a marketing initiative.

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\(^2\) [http://mospi.nic.in/mospi_new/upload/t2_new.pdf](http://mospi.nic.in/mospi_new/upload/t2_new.pdf)

\(^3\) BMOs or Business Management Organizations denote any entity within a cluster like informal networks or groups, registered bodies like associations, consortia, special purpose vehicles etc.
3. **Hard Infrastructure**: The availability (or at least indications of presence) of cluster level facilities like common facility centres, technical training institutions, R&D institutes etc denote the inherent strengths of a cluster and reinforces its ability to be able to achieve the standards expected of a common brand.

The absence of one or more of the above mentioned parameters is tantamount to elimination of the cluster from the high potential category. It is believed that the presence of all these parameters mentioned above, in any status or form, is a mandatory requirement without which the “cluster branding” initiative is unlikely to materialize.

In addition, the current market scenario along with the target markets i.e. national, international or local was also mapped. This enabled the selection of clusters catering to all market levels.

**Selection of handloom, handicraft, agro based and service clusters**

As mentioned previously, the handloom and handicraft clusters were also subjected to a similar evaluation process. Of the total 563 handloom clusters in India, 122 have been identified by relevant government departments for interventions and of the 3093 handicraft clusters, 592 have been identified as sufficiently significant for developmental initiatives. Out of this one of the champion and potential branding clusters has been identified. Similarly, one agro based sector namely Floriculture which is most prominent and relevant on the national spectrum has been identified for the study.

Since there has been no substantial developmental/ schematic work done in service sector, there were little scope to select the cluster through a systematic selection process. However, if we will see all potential clusters, Delhi seems to be the location which needs branding at the national and international level. Other clusters like Bangalore and Hyderabad ICT clusters are well known cluster brands. Moreover, as the FMC has had sufficient relevant experience and long term association with this cluster, it was specifically taken under consideration as there was good possibility of drawing of insights on this relatively new sector to a larger and deeper extent.

**2.3) Methodology for the Study**

Detailed framework for international branding case studies and national case analysis was developed. A team of experts was formed having substantial experience in MSME cluster development sector and sectoral knowledge. The team was then oriented on the objective of the project and the frame work for analysing and writing the case studies.

**Framework for developing international case study**

1) Status of the cluster with its brand value in some quantifiable terms, e.g. existence of global brands, turnover, number of MSMEs, number of product groups, innovativeness, leaders and followers, outsourcing percentage of low value addition jobs by the principal MSMEs, etc.
2) Cluster’s unique identity
   a. Uniqueness of the product
b. Uniqueness of the raw material available locally
c. Uniqueness of the skills
d. Unique functional nature of the product in terms of ease of application
e. Uniqueness of the technology/ production process
f. Uniqueness in terms of geographical location/ infrastructure (e.g. proximity to the market, export infrastructure, etc)

3) Whether cluster brand established naturally (which is otherwise known as informal reputation (over a period of time) or it was created (formal branding)?

4) Nature of “BRAND”
   a. Customer perceives it as a brand but it is not formal/ legalized (The reason for such perception, which could be because it is a global level highest turnover, largest exporter, stories abound.)
   b. Brand is formal and legalized (e.g. G.I, any other.)

5) If cluster brand was created, then who did it, during which year and for what reason? Please explain in details

6) Whether pre-branding information on markets, marketing challenges/ future market scope is available? If yes, please explain pre-branding market scenario

7) Need for branding

8) The process of branding (details with time line)
   a. What type of collaboration was established between the firms?
   b. How marketable “product” was identified? (If it was done)
   c. On obtaining a marketable product, the legal processes followed with respect to formation of a central legal entity (association, consortium, SPV etc) and how the relevant measures to maintain the clusters brand image were enforced? (If there was any)
   d. How were the stakeholders motivated? Role played by support stakeholders. Role played by leader and lead firms. Role played by global sub-contracting. Role played by being global sub-contractor
   e. What favourable ecosystem, policy support, fiscal incentives, if any were there
   f. Initiative taken by these groups (Associations/Technical Institutions/CFCs created) to standardize the product, setting of specifications either at the product manufacturing level or at legal level for the cluster units to be a part of the branding initiative; or, specialize/innovate/moving up value chain
   g. Development of a business plan and establishment of an executive office to facilitate the sustainable existence of the legal entity; obtaining of a brand label or trademark (if any), the processes followed; the successful strategies, the ones that did not work and how the hurdles were overcome.
   h. Visual identity (logo, themes, colors, coordinated image, etc)
   i. Marketing strategy (target, messages, time, budget, channels)

9) The implementation of the specifications and standardization initiatives among stakeholders, the hurdles and resistances faced during this time and the measures taken to overcome them.

10) The levels of technology prior to the establishment of a brand and needs, if any, to upgrade in order to produce the standardized products.

11) How market credibility/ loyalty was established? (a) initial trial usage; b) testing acceptability level; c) develop loyalty quotients

12) What motivated the buyers (Institutional and non-institutional) (Try to get few examples from different market segments)?
13) Outcomes/impacts of branding
   a. The establishment of the smooth working operations among the relevant stakeholders associated with the brand, the ability to achieve a continued adherence to quality norms and the processes like certifications/attestations enforces to ensure them
   b. The increase in market base and sales of the product, willingness of the consumers to pay premiums price for their product an outcome of branding
   c. Business gains to the stakeholders (through national/ international linkages)
   d. New products/additives introduced
   e. Impact on the cluster' growth and reputation

In the international case the process of branding was the thrust and therefore special emphasis was given to capture it as per the following suggested steps.

Chart-3

Framework for Analysing National Case

(The objective of the national case analysis was to undertake, a- critical analysis of marketing and branding related challenges faced by the cluster, b- identify the branding potential in the cluster (location/ cluster based branding), c- suggest how cluster based branding can be implemented.

Case Analysis Framework:

1. Products and product groups, current status in terms of product marketability, demand, existing market channels, brand value in some quantifiable terms, e.g. existence of global brands, turnover, number of large and medium units, innovativeness of the
cluster, followers, outsourcing percentage of low value addition jobs, etc. And if possible customer perception on products. This brief profile is expected to help identify key areas to be focused when recommending the branding initiative.

2. Product Uniqueness
   - Uniqueness of the raw material available locally
   - Uniqueness of the skills
   - Uniqueness of the technology/ production process
   - Uniqueness in terms of geographical location/ infrastructure (e.g. proximity to the market, export infrastructure, etc)
   - Any other uniqueness?

3. SWOT of the cluster product (w.r.t. its market)

5. Marketing challenges faced by the cluster

6. Branding preparedness
   - Production Volume
   - How many lead firms
   - Product Quality
   - Marketing channels
   - Relevant Infrastructure
   - Presence of R&D/ Institutions
   - BMO Strength
   - Potential Demand

7. How can cluster based brand be established? (Broad ideas) What could be the possible steps for the same? How specifications and standardization initiatives among stake-holders can be established? How can stakeholders be motivated for the same?

8. How can buyers be motivated (Institutional and non-institutional)?

9. Expected outcomes/impacts of branding. (A suggestive list is as follows. However, you may also like to include the parameters which can describe the expected outcomes)
   a. The establishment of the smooth working operations among the relevant stakeholders associated with the brand, the ability to achieve a continued adherence to quality norms and the processes like certifications/attestations enforces to ensure them
   b. The increase in market base and sales of the product, willingness of the consumers to pay premiums price for their product an outcome of branding
   c. Business gains to the stakeholders (through national/ international linkages)
   d. Introduction of new products
   e. Impact on the cluster’s growth and reputation
3. Brief Summary of the Sample Selected

3.1) International Cases

Based on the methodology detailed out in the previous section, 10 successful branding cases which were identified for detailed case study were presented in the following.
<table>
<thead>
<tr>
<th>S.N.</th>
<th>Cluster Name</th>
<th>Country</th>
<th>Sector</th>
<th>Product</th>
<th>No. of Firms</th>
<th>Associations</th>
<th>Market</th>
<th>G.I/ Non G.I</th>
<th>Type of Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>San Daniele Ham</td>
<td>Italy</td>
<td>Food &amp; Beverages</td>
<td>Ham</td>
<td>31</td>
<td>Consortium of San Daniele Ham cluster</td>
<td>N&amp;I</td>
<td>G.I</td>
<td>B2B</td>
</tr>
<tr>
<td>2</td>
<td>OTOP</td>
<td>Thailand</td>
<td>Multi-products</td>
<td>Multi Products</td>
<td>7255 tambons</td>
<td>-</td>
<td>N&amp;I</td>
<td>Non G.I</td>
<td>B2C</td>
</tr>
<tr>
<td>3</td>
<td>Danish Pharmacy</td>
<td>Denmark</td>
<td>Life Science products</td>
<td>Pharmaceutical products</td>
<td>228</td>
<td>Danish Pharmaceutical Association</td>
<td>N</td>
<td>Non G.I</td>
<td>B2B</td>
</tr>
<tr>
<td>4</td>
<td>Sinos Valley Footwear</td>
<td>Brazil</td>
<td>Footwear</td>
<td>Shoes</td>
<td>480</td>
<td>Trade Associations for: 1) Shoe producers- (ABICALCADOS), 2) Tanners- (AICSUL), 3) Component producers (ASSINTECAL) Machinery suppliers (ABRAMEQ) 4) Component producers (ASSINTECAL) 5) Export agents (ABAEX)</td>
<td>N&amp;I</td>
<td>Non G.I</td>
<td>B2B</td>
</tr>
<tr>
<td>5</td>
<td>Sassualo Tiles</td>
<td>Italy</td>
<td>Ceramic</td>
<td>Tiles</td>
<td>284</td>
<td>National Association of Tile Manufacturers (Assopiastrelle)</td>
<td>N&amp; I</td>
<td>Non G.I</td>
<td>B2B</td>
</tr>
<tr>
<td>6</td>
<td>Panama Hat</td>
<td>Ecuador</td>
<td>Hat</td>
<td>Straw Hat</td>
<td>500</td>
<td>The Artisans Association of Montecristi</td>
<td>L, N &amp; I</td>
<td>G.I</td>
<td>B2C and B2B</td>
</tr>
<tr>
<td>7</td>
<td>Valenza</td>
<td>Italy</td>
<td>Jewellery</td>
<td>Jewellery</td>
<td>1300</td>
<td>1) Valenzano goldsmith association 2) Consorzio Del Marchio Divalenza</td>
<td>L, N&amp; I</td>
<td>G.I</td>
<td>B2B</td>
</tr>
<tr>
<td>8</td>
<td>Udine Furniture Cluster</td>
<td>Italy</td>
<td>Furniture</td>
<td>Chair</td>
<td>1200</td>
<td>1) Italian Manufacturers Association 2) National Trade Association (ICE)</td>
<td>L, N &amp; I</td>
<td>G.I</td>
<td>B2C and B2B</td>
</tr>
</tbody>
</table>

*L: Local, N: National, I: International*
In addition there were another 22 cases as mentioned below in the table, were studied to draw quick learning.

<table>
<thead>
<tr>
<th>Name</th>
<th>Product Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parma Cheese, Italy</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>2. Jersey Royal Potato, UK</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>3. Comte Cheese, France</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>4. Coffee of Colombia, Republic of Colombia</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>5. Medicon Valley, Denmark</td>
<td>Life Science</td>
</tr>
<tr>
<td>6. London Tourism, UK</td>
<td>Tourism</td>
</tr>
<tr>
<td>7. Las Vegas Amusement Cluster, USA</td>
<td>Tourism</td>
</tr>
<tr>
<td>8. Thailand Tourism</td>
<td>Tourism</td>
</tr>
<tr>
<td>9. Sialkot Surgical Instruments, Pakistan</td>
<td>Life Science</td>
</tr>
<tr>
<td>10. Shoe cluster of Guadalajara, Mexico</td>
<td>Sports Good</td>
</tr>
<tr>
<td>11. Plastic Cluster of Upper Austria, Austria</td>
<td>Plastic</td>
</tr>
<tr>
<td>12. Tucson Optics Valley, USA</td>
<td>Optics</td>
</tr>
<tr>
<td>13. Glasswork Cluster of Bresle Valley, France</td>
<td>Glass</td>
</tr>
<tr>
<td>14. Hamburg Aviation Cluster, Germany</td>
<td>Aviation</td>
</tr>
<tr>
<td>15. Super National Branding of Baltic Sea Region</td>
<td>Multi-products</td>
</tr>
<tr>
<td>16. Silicon Saxony, Germany</td>
<td>Micro Electronic</td>
</tr>
<tr>
<td>17. Paper Province Case of Värmland, Sweden</td>
<td>Paper</td>
</tr>
<tr>
<td>18. Cluster 55, Denmark</td>
<td>ICT</td>
</tr>
<tr>
<td>19. Timber Construction Cluster of Estonian, Northern Europe</td>
<td>Wood</td>
</tr>
<tr>
<td>20. Scotch Cluster, Scotland</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>21. Alsace Vineyard, France</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>22. Sports Good Cluster of Sialkot, Pakistan</td>
<td>Sports Good</td>
</tr>
</tbody>
</table>
3.2) National Cases

10 potential branding cases in India which were selected for suggesting branding strategy is presented in the following map.
<table>
<thead>
<tr>
<th>S.N</th>
<th>Cluster Name</th>
<th>State</th>
<th>Sector</th>
<th>Product</th>
<th>No. of Firms</th>
<th>Associations</th>
<th>Market</th>
<th>G.I / Non G.I</th>
<th>Type of Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Allapuzha Coir Cluster</td>
<td>Kerala</td>
<td>Coir</td>
<td>Coir Mats, Matting and Carpet</td>
<td>Large- 15, SMEs-250, Micro- 46,000</td>
<td>1) Apparel Exporters’ Association of Ludhiana (APPEAL), 2) Knitwear And Apparel Manufacturers Association of Ludhiana (KAMAL)</td>
<td>L,N&amp;I</td>
<td>Non G.I</td>
<td>B2C</td>
</tr>
<tr>
<td>8.</td>
<td>Pune Floriculture Cluster</td>
<td>Maharashtra</td>
<td>Floriculture</td>
<td>Flowers</td>
<td>6702 ha</td>
<td>1) BIDASS, 2) BHELSIA</td>
<td>N&amp;I</td>
<td>Non G.I</td>
<td>B2C</td>
</tr>
<tr>
<td>9.</td>
<td>Tiruchirapalli Fabrication Cluster</td>
<td>Tamil Nadu</td>
<td>Fabrication</td>
<td>Fabrication for different sectors</td>
<td>400</td>
<td>1) BIDASS, 2) BHELSIA</td>
<td>N&amp;I</td>
<td>Non G.I</td>
<td>B2C</td>
</tr>
</tbody>
</table>

(*Note: Here I: International, N: National, L: Local Market)
4. Learning from International Cases

4.1) Developing Branding Strategy

4.4.1) Understanding the USP

A Unique Selling Proposition (USP) is what makes business stand out from the crowd and tells customers what is special about the product. It is essential to understand such USP for making right marketing and branding strategy. USP can be with respect to the raw material used in production, technology/production technique, design, skill, etc. Though understanding USP is essential for all categories of clusters, but it is more specifically essential for the GI based cluster and because of the unique qualities it stand unique in the crowd and gets popularity. Some of the clusters know it very well and accordingly develop their brands around the USP.

Panama hats are made from a special straw called *toquilla* in Spanish, which is native to Ecuador. This straw is unique because of the oscillating warm, humid climate of the region ranging between twelve and fifteen degrees Celsius during the winter and twenty and twenty-two degrees Celsius during the summer, contributes to the quality of the fibres. Panama hats are strong and attractive straw hats having lightweight construction and natural breathability which makes them perfect for escaping heat of sun. The rows of weaving are perfectly straight and so tight that some of the hats look as if they are made of off-white cotton. These hats are woven so finely that it can hold water, can be folded for storage without damage, and is flexible enough to pass through a ring. These are certain features considered to be the USPs of Panama hats around which cluster positioned its product successfully in the global market and thereby gained popularity.

Similar is the case of San Daniele Ham in Italy, where producers knew that its quality derived from unique weather condition and unique processing is the USP which separates San Daniele Ham from any other Ham. The uniqueness of the product lies in its taste which is because of the local conducive weather. The cluster is situated in such a location where it receives sweet dry air of Alps from north and salty warm wind of Adriatic Sea from south. This unique blend of weather provides a perfect condition for pig breeding and processing. Particularly during the time of processing (where the chunk of meat cutting from pig thigh are coated with salt and pepper) which takes several months, this mixture of unique weather helps the meat to remain perfectly tender as too much dryness during the processing period could have made the meat little harder and on the other hand, too much warm weather and
excessive humid conditions would not have allowed the meat to get processed for such a long duration.

**Udine Chair** cluster’s uniqueness is derived from its style of production -characterized by continuous innovation and more importantly, the designing which have brought in worldwide recognition. In Udine, Italy craftsmen operate the most sophisticated machinery available to the wood industry. Thus the sophisticated production systems and new designs bring in a class of its own, that is not matched by other clusters.

### 4.1.2) Market Segmentation, Targeting and Positioning

Targeted marketing is often considered to be better than mass marketing especially when the products are specialized products. To understand the target markets, it is essential to segment the entire market and find out the potential ones where there are comparatively higher business possibilities. Segmentation could be **behavioural segmentation** (based on the benefits customers want, and how do they use the product), it could be **demographic segmentation** (based on ages, races, and ethnic backgrounds of customers), also it could be **geographic segmentation** (customers location), etc. Clusters that have segmented their market and taken up right marketing and branding strategy could successfully establish their marketing channels and build a brand image.

Such market segmentation based strategy could be seen in Udine Chair cluster. Different strategies were adopted for different market segments in the cluster. For example for **buyers from European Markets who are quality conscious**, the cluster firms catered to markets for only the premium high quality, innovatively designed wooden furniture to them. They used the phrase “**modern and stylish furniture**” to attract customers; for **buyers from Asian Markets who are price sensitive**, the firms propagated their **less expensive steel and plywood furniture**. In this way they established good brand image in markets like China, Gulf and India. To target **Hospitals and Hotel Segments**, the cluster firms started making orthopaedic chairs with innovative spring mattresses which became instant hit with hospitality segment. Thus no single brand strategy was evolved for the entire European markets; instead a carefully well planned market strategy for different end user customer segment was devised successfully by the Cluster.

### 4.1.3) Modifying Product Line as per Market Demand

In free market economics, most production decisions are guided by customers need. To sustain in the market, it is essential for a business to understand the demand of the customers thoroughly and offer products that suit their need.

The management committee in **Udine Chair cluster** with the help of Udine University has taken various initiatives to sensitize the cluster firms about the changing customer demands and importance of inter firm co-operation for the development of the industry. With awareness this initiative among the cluster entrepreneurs and their interface with designers and technical experts they formed a market promotional company called “**Promosedia**”. The cluster management committee successfully brought about change in marketing strategy and focused on producing a selected product lines based on market needs of different
market segments. The cluster also redesigned their chairs to suit the elite European market demands and thus increased their sales.

Similarly, a major success factor in Montebelluna Ski Boot cluster is its adapting to the Change in technology for the manufacture of footwear. It quickly adopted to use of lighter plastic material as basic raw material used for the manufacture of Ski, Motor Biking, Tennis, Football, Dancing, Mountain Climbing, etc from the costly leather. This made their products more competitive in the international markets. The process of product diversification and differentiation thus played a key role in the success of the Cluster marketing and led to a greater competitiveness amongst the firms.

4.1.4) Vertical Integration, Subcontracting and Efficient Division of Work

To compete on the price front in the international markets, the firms in Montebelluna Ski Boot cluster outsourced its production activities to eastern European firms where the labour cost was comparatively lower. Outsourcing of the (non-core) supplementary activities also meant that they were able to focus more on their core competencies which proved to be an important differentiating factor for the cluster branding. Moreover, due to the benefits of the Sabitini law which allowed small firms to import machinery at discounted rates and payable in instalments, they imported machinery to reduce the cost of production and increase productivity, and thereby could able to retain market share in the export markets.

During 1920s, the most successful firms of Valenza Po Jewellery cluster shifted their focus from production to trade, which fostered subcontracting to smaller firms and the fragmentation of production (the average firm's size decreased by one third between the years 1911 to 1927). Also the political and institutional setting of the district supported the development of jewellery specialization, entrepreneurial ventures and inter-firm cooperation. Collective institutions played a key role in the entry of Valenza Po's firms, including small artisans, into global markets and they shaped the competition and coordination among firms.

Vertical integration and efficient work distribution was also seen in Udine Chair cluster, where there are primarily three types of firms. One, small craft workshops who produce semi-finished goods or carry out highly specialised work (wood turning, bending, polishing, carving, varnishing, padding) commissioned by the other local manufacturers. Second, medium-sized businesses that purchase semi-finished goods and do the final production (assembling and finishing). Third, small industrial enterprises that carry out almost all of the production process, except for certain types of work destined for the sub-supply market. This division of work has played a major role in innovative production, marketing and bringing in a brand image for the cluster.

4.1.5) Integration of Production to Marketing

Integrated production and marketing system plays an important role when units cater largely to local and regional markets. Zhili Children Garment cluster in China was able to produce the low value product as a result of an integrated production and marketing system. Units
were operating from three story houses in Zhili town centre that served triple purpose of living, working and selling. The first floor was a retail outlet the second floor housed the production unit and the workers used the ground floor as a dwelling unit. The cluster was able to sell more than 90% of its products locally and in the neighbouring areas directly without much involvement of the intermediaries. Most of the business was dealt in cash sales resulting in a lesser transaction cost, thereby making the price of the final product competitive. It also affected substantial savings in the transportation cost by focusing its selling efforts locally and in the neighbouring areas.

4.1.6) Product Differentiation through Continuous Innovation

A major critical factor for the success of the Montebelluna Ski Boot cluster was its ability to differentiate its product from other similar product categories and product lines in the market. They were able to utilize the extra production capacity to produce innovative and specialized products rather than restricting themselves to the same kind of products. Moreover, the cluster focused on creating a product line as per market need. It has also developed mechanism to forecast market demand and kept itself ready with right kind of products. Gradually the customers started distinguishing the brand Montbelluna from the other brands because of its product innovation and trendy offerings.

The cluster was also able to expand into new markets with the help of diversification into unrelated product categories: from ski shoes to Non Winter Clothing, a part of the Textiles. They were able to tap the new markets of the European countries, United States and Japan which enabled them to increase their turnover significantly, especially when the sales of ski shoes were on the decline.

4.1.7) Product Mix

While product specialization plays an important role in industrial/ intermediary product marketing, product mix serves as key attribute for consumer product marketing. Clusters that are primarily producing consumer products should focus more on varieties in terms of product designs, sizes, colours, etc.

Zhili Children’s Garment cluster was able to offer a wide range of product mix (more than 500 types of children’s wear in different sizes) that was available in colours and innovative designs for children of various age groups. Moreover the cluster also produced products for different seasons like winter wear, summer wear etc and therefore operates at full capacity. It ensured that it received a continuous market feedback on the changing market demand and preferences of the customers and based on these it devised effective ways and means to forecast designs in advance and produce products accordingly to suit the changing market trends and thereby was able to effectively compete in the market.

Motebelluna Ski Boot cluster was also quick to understand the changing nature of the demand for their products and evolution of the market. This market oriented approach of the cluster played an important role as the cluster was able to change its product mix from
Trekking Boots production to New Product Mix of Non-Winter items, the market for which was experiencing increasing demand. The Cluster was able to successfully shift and expand into the manufacture of non winter clothing segment as a result of its correct assessment of the increasing consumer demand for these items.

Product mix becomes important for service sector especially for promoting tourism where product is defined as the experience the tourists take away from the place. Tourism product consists of variety of elements which is basically a package that is not integral to each other, but are complementary and meet the needs of tourists. There are mainly three elements that tourists look for. These are: 1) place attractiveness; 2) facilities; and 3) ease of reach. A series of sub products define these elements which are captured in the following chart.

A tourism destination needs a good product portfolio strategy to be able to develop tourism. The portfolio should be based on the existing attractions and resources, but it should also take into account the essential infrastructures, facilities and services needed to make the development come true.
4.2) Role of Business Membership Organisations (BMOs)

As the initiative towards branding of the cluster as an entity must be realized, primarily from within the cluster the presence of strong associations/ networks or in other words known as Business Membership Organisation (BMO) is an imperative parameter and also is an indicator of how receptive a clusters stakeholders are towards branding as a marketing initiative. A common platform, common vision of stakeholder, common entity makes the branding process more effective and sustainable. It also helps enforcing the brand through legalised system and creating effective promotional measures.

Montebelluna Ski boots cluster has been able to create local systems within the cluster with the help of ‘The Club of Italian District’, which was established in the year 1994. The club has played a key role in improving relation with the decision making centres at the local and the national levels, provide linkages with different institutional, economic, cultural and scientific operators across 28 districts, with a total of 30,000 companies are part of this club employing over 250 thousand employees and global turnover of 22 billion Euros in 2006. Moreover, it was instrumental in creating a large number of ancillary industries in the cluster.

Aggressive marketing steps were taken by the local consortium to promote San Daniele Ham. (See case study-1) Throughout the 70’s and 80’s the consortium started participating in lot of trade fair all over Europe. This has helped the cluster to create a customer base at a pan Europe level and also the ham of San Daniele started getting famous among the European customer. Consortium also relaxed the production cap for high quality producer and exporters. This encouraged the producers to focus more on quality and increase their market base beyond Italy and even Europe.

Lobbying was resorted to by the consortium with the regional authorities as well as the Ministry of Industry of Government of Italy to create a trademark for San Daniele ham and safeguarding it. There was no trademark for San Daniele Ham till 60’s. Also there was no suitable law particularly related to Food processing industry in Italy. The Consortium realized that if San Daniele Ham needs to grow beyond the local and Italian markets, the product needs to be safeguarded as there might be compromise in quality standard in order to
maintain high production. Realising the threat the consortium wanted to have a trademark for their product and also lobbied for required changes in the law.

After getting the trademark for San Daniele Ham, consortium became the local administrative authority for monitoring and reviewing authority of trademark norms. As a result, cluster could maintain its high standard of quality by keeping close watch on the producers. After maintaining the high quality standards, the consortium introduced the self regulatory production cap for the high quality ham producers. This encouraged rest of the producers to adopt and aim for higher quality standards in their production process. It also would fetch a higher price in the market for the branded product as a result of limited supply and high quality product.

A district Committee was formed in Udine Chair cluster that organised “Fair of the Chair”. This committee was the first common body to develop, launch and promote the cluster brand. Soon after the success of the fair, the committee then formed a market promotional entity called “Promosedia” to improve the brand image of the cluster through organising international exhibitions and facilitating the cluster firms in participation of international trade fairs. The Management Committee comprised of the representatives of Udine Province, three Mayors, four entrepreneurs, representatives of Trade Unions and the Presidency of CCIAA (Chamber of Commerce). The cluster thus accessed all the major organisations of repute for its support in promotion of its products. It also acted as a coordinator organising meeting with the designers, importers in the European markets and with the cluster members and institutions.

Common branding was used as an efficient tool to communicate values at international level and to keep an effective dialogue with retailers and other partners in Velenza Po Jewellery cluster. The consortium for the cluster brand (“Consorzio per il Marchio”) was formed and a common brand named as “DIVALENZA” was created. The DIVALENZA (“Made in Valenza”) brand aims to promote the originality and superior quality of jewels created by the associated companies. To bring about brand identity, the brand name was engraved on every object produced in the cluster. Cluster exploited the perception of high quality amongst the consumers for Italian products by focusing the brand identity as “Made in Italy”. This marketing strategy proved to be successful as the brand got established in the international market and the sales of the cluster increased phenomenally.

The Sinos Valley Footwear cluster in Brazil has nine trade associations that represent the specific interests of a range of activities related to shoe producing and carried out within the cluster. These associations are Shoe producers association (ABICALCADOS); Tanners-AICSUL; Component producers (ASSINTECAL); Machinery suppliers (ABRAMEQ); Component producers (ASSINTECAL) and Export agents (ABAEX). The other local support institutes are Business Association (Novo Hamburgo), Shoe trade fair organisation (FENAC), Vocational schools (SENAIs), Technology centre (CTCCA) etc. These associations have also had major contribution in branding and development of the cluster. They have played an important role in bringing the producers and suppliers on a platform for exchanging and solving their problems resulting in enhancing their growth. The Sinos Valley Cluster benefited from the expertise of the members of all these association which were locally established.
Many a times, existence of known brands of manufacturing companies or trading firms makes the cluster known in the global market. For example the Ski Boot cluster of Montebelluna is famous for because of the existence of biggest shoe manufacturers of football, cycling, basket and tennis. Some of the known brands are Nordica, Tecnica, Salomon for general Ski boots; Lotto Sport Italia for Trekking shoe; Alpinestar for Motorcycle shoes; Geox and Stonefly for Walking shoes, etc. Moreover, known athletics and cross-country races are based in the country. This not only creates brand name for the cluster but also become known as trusted source of products. (see case study-2)

Similar is the case of Udine Chair cluster in Italy which has franchises of quite a large number of international brands. Udine Chair Cluster is brand of its own, evolved as a truly international brand. It represents 50 percent of the total European production of chairs, exports to more than 60 countries across the globe. It represents 10 percent of the top 1000 branded furniture manufacturing companies at global level.

Valanza Po Jewellery cluster in Italy houses Damiani, Bulgari, Pasquale Bruni, Roberto Legnazzi, Leo Pizzo, Palmiero, Gaspari, Staurino Particolar Preziosi, Santagostino, and Moraglione, which are some of the major global brands of the cluster. The cluster is globally known for these big brands.
4.4) Role of Policy

Branded clusters are no accidents. They are a result of thoughtful and imaginative planning and also creation of right atmosphere. Policy can play a significant role in promoting cluster based brands. Following chart followed by clear analysis of cases defines the role of policy in creating a sustainable cluster based brand.

Chart-6

4.4.1) Creating and Promoting Brand

Under the guidance and support of several local organizations such as the Municipality, the Province, Chamber of Commerce and foundations of different banking organisations and with the involvement of interested cluster stakeholders, the Government of Italy took an initiative to work out a strategy for the development of Valenza Jewelry Cluster by creating and popularizing a common brand name. In 2007, the consortium for the cluster brand named as “Consorzio per il Marchio” was created and the name of the brand was given as “DIVALENZA” which means “Made in Valenza”. The purpose was to position its products as “Original” and of “Superior Quality” of jewels created by the associated companies. However success did not happen Overnight. It took AOV, the main Valenzano goldsmith association and local municipal administration almost 2 years to convince, form and propagate the common brand. The association with the help of local municipality and bank foundations had organized several sensitization programs on the importance of collective bargaining and common branding. Slowly the firms started believing the concept of common marketing and today there are more than 700 micro firms who are the members of the consortium and selling their products under the common brand name. The brand logo is engraved on every
product produced in the cluster and guarantees that the jewel is not imported or made with imported components. Now the micro firms feel that the common brand is an efficient tool to communicate values at international level and to keep an effective dialogue with retailers and other partners at global market which was otherwise beyond their individual reach.

Another good example of brand creation through policy support can be seen in OTOP case. *(see detailed case box-3)*

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**Case Study- 3 : One Tambon One Product (OTOP)**

OTOP was a state sponsored program, implemented and managed by the state. Branding and marketing of the OTOP products were the twin objectives of the government to provide impetus to the development and expansion of the enterprises. The foundation for the program was community based enterprises which later spread to SMEs as well. Tambons are referred to the Sub-districts in Thailand. There are 7,255 tambons in 876 districts spread across 76 provinces of Thailand. OTOP encompassed more than 90% of the tambons, 22,762 villages, 37,840 OTOP producers *(C.Zerrilo & Metz Thomas, 2007)*. Overall more emphasis of the program was given on ‘global market for locally produced goods.’

Almost all the major ministries of Thailand were involved in the project to give holistic services to the enterprises. These services include skill development, design inputs, easy finance, market knowledge and exposure, linkages to the markets, Information and communication technology support and export linkages for the enterprises. Under OTOP of Thailand, villagers were encouraged to choose and produce a product distinctive of the region and at a level that is nationally and globally acceptable standards in quality. Through OTOP, Thai government could revive the craftsmanship of the artisans’ communities, promotion of Small and Medium Enterprises (SMEs) and at an overall community development.

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**4.2.2) Regulatory Measures**

The entire domestic market of Sinos Valley was protected by the government which did not allow foreign suppliers to sell their products in the local market. However the local firms had established substantial forward and backward linkages. This helped the firms to utilize the local market potential amply and grow and further enter into export market.

“Danish Pharmacy” refers to community retailing system of pharmaceutical products in Denmark which is regulated, and has been controlled by the State. The regulation includes Quantity *(number of outlets)*, Quality *(a few mandatory services)*, Profitability *(of pharmacies)*, Reach *(presence across the national geography)*, and Prices *(of pharmaceutical products)*, are some of the major areas identified for regulation by the Government. In spite of two decades of economic and political pressure to deregulate the pharmacy retailing market, the Danish Government decided to maintain the status quo. As a result of which, foreign direct investment in the economy got scuttled. In such a monopolistic market condition, the Danish pharmacies operated and controlled the entire pharmaceutical retailing in Denmark.
4.4.3) Brand Enforcement

Branding exercise is not a onetime activity. It requires continuous efforts. Once a brand is established, there are other problems like brand infringement or brand dilution where other competitors/ free riders try to take advantage of the brand name and sell their product. It not only creates business loss for the cluster but also markets get distorted with low standard cheaper substitutes.

Such brand dilution/ infringement case was observed in Scotch whisky. The dispute over the nature of Scotch whisky versus another spirit trying to use the name whisky evolved in 1997 when a distiller called Glen Kella on the Isle of Man near Scotland started producing and selling the whisky. In and around the United Kingdom, the term "scotch" or "whisky" automatically creates association with the traditional spirit of Scotland. When the Scottish distillers realized that Glen Kella's production process was distorting the "whisky" label, their association filed a case against him and stated that "whisky must retain the colour, aroma, and taste derived from its distillation and maturation". Finally, the British High Court on March 1997 declared that to allow Glen Kella to call itself whisky would risk an insidious process of erosion of the integrity of the reputation or aura of true whisky” (Mason,1997:20). Thus, Glen Kella could no longer market its product as true whisky, and Scotland was able to uphold the integrity of the whisky which dominates world markets.

A near similar case of brand infringement was seen in Montecristi hat (also known as Panama hat) case. Growing demand of Montecristi hat attracted other countries like Nicaragua, Bolivia, Mexico, Panama, Peru along with regions surrounding Manabi province and also other countries like China into hat making business, who started producing their own version of panama hats using normal straws and paper whereas the raw material which is used in original Panama hat is Toquilla which is native to Ecuador. These hats were not durable but were very attractive and were sold in international market on the name of Panama hats. The main difference lies in the weft of the fabric, raw material used for weaving and weaving skills of artisans. Moreover, time required to make a fine hat by Montecristi weavers was much longer than that required by weavers of other regions because of the double layered weaving. Thus the productivity was also low, resulted in limited market and low profit margin compare to other regions. Moreover, China captured roughly 40 percent of the worldwide "Panama Hat" market where as Ecuador only exported 0.1 percent of the global market for straw hats. Because of low profit margin and huge amount of time & patience required for weaving, gradually the younger generations were not interested to come to this trade and many of them even migrated to seek more stable and
profitable jobs. However, realizing the problem the Montecristi Foundation filed a formal legal action in Ecuador applying for Denomination of Origin status (G.I Registration) for “Montecristi” hats on behalf of The Artisans Association of Montecristi at Ecuadorian Institute of Intellectual Property (“IEPI”) in 2005. They alleged that their style of straw hat was the product known on the international market as the "Montecristi" and that the community of Montecristi was responsible for the esteemed reputation of the straw hats produced in the surrounding areas of the Manabi province since 1630. Moreover, they filled this petition with an intention to standardize the product, setting of specifications either at the product manufacturing level or at legal level for the cluster units to be a part of the branding initiative; to specialize/innovate/moving up value chain. Moreover, World Intellectual Property Organisation part of UN also approved the application and approved the patent for Montecristi hats on March 2007. This initiative not only solved the brand dilution but also created awareness among the consumers to differentiate genuine Montecristi hat from other inferior hats available in the market.

4.4.4) Creating Favourable Infrastructure and Support Services

Favouring infrastructure is a critical factor for the success of any cluster. However, such infrastructure like work shed, electricity, water, roads, etc are not easy for small firms to develop. For this policy support is required. Zhili could establish itself as a successful textile cluster with able support from the state government of China. (See Case box-4)

Case Study- 4 :Zhili Children Garment Cluster

Production process became specialized and many entrepreneurs moved their production to Zhili town centre where they started production in a three storey house that served triple purpose of living, working and selling. The first floor was a retail outlet the second floor housed the production unit and the workers used the ground floor as a dwelling unit. Although the rent was high in the centre there were lot of favourable conditions in the Zhili town centre such as credible market information, reduced marketing cost, easy accessibility to the labour market etc. which promoted agglomeration. By 1999 there were more than 1800 such “Three-in-one” workshops which were selling products that had better quality than those available in the neighbouring villages. The agglomeration also resulted in establishing credibility with the buyers who came to the town in search of Quality and a Branded product. The town was able to establish its reputation by satisfying the needs of the buyer for reliable quality products.

Moreover, exports were encouraged by the government, when they gave autonomy to province in which the cluster was situated. Special facilities were extended where exporters could retain part of the proceeds of exports, subsidy in foreign exchange rate was given as an incentive, and no import duties were levied for raw materials for exports. This was a major incentive for increase in exports.

Moreover, development of ancillary industries supporting the manufacture of garments such as machinery sales, repair stores, logistic services, button zipper production workshops computer design centres etc helped considerably in reducing input costs as all these were available in the vicinity of the cluster. Therefore the major thrust on the marketing of the brand was on economizing costs by making available all the required inputs in the near vicinity, providing export subsidy, incentives, no import duties on raw material, etc. All these were the major factors in making the zhili garment brand successful.

Similarly, strategic intervention of local support institutions in facilitating the cluster’s ability to “shift gear” and move into higher value added product markets in Sinos Valley Footwear
Cluster was a key success factor for the cluster. Local support institutions, as well as trade associations, have also had an important part in facilitating the cluster’s ability to qualitatively shift in terms of technical and skill capacities as well as in entering into export markets.

4.4.4) Soft and Hand Infrastructure

i) Soft Infrastructure

This denotes the presence of support and specialized services in the cluster like the business development services (BDSs), financial services, marketing services, etc. These soft infrastructures play crucial role for the development and competitiveness of the cluster firms and therefore also is an enabler for cluster based branding.

One of the key success factors of Sinos Valley cluster is availability of services inputs in the shoe manufacturing industry such as freelance designers to innovate and forecast designs, technical and financial consultants and specialised transport services which were available locally at competitive prices.

ii) Hard Infrastructure

The availability of cluster level facilities like common facility centres, technical training institutions, R&D institutes etc. denote the inherent strengths of a cluster and reinforces its ability to be able to achieve the standards expected of a common brand.

As per the survey conducted by Alessia Sammarra and Fiorenza Belussi in 2001, Montebelluna Ski Boot cluster was considered to be a knowledge intensive cluster with as high as 22 firms out of 30 surveyed had R&D facilities where they carried out intense innovative activities. This is also evident from the high number of registered patents. Approximately 75% of the firms have introduced product innovation, reflecting their readiness to cater to the increasing changing demands of the customers. The most important sources for these firms are R&D gained through in-house activities and interaction with local and international clients.

4.4.5) Brand Endorsement

The customer experience starts before the customer decides to purchase a certain product or a service (Shaw and Ivens 2002). Although tourists largely collect and use destination information for functional reasons (product knowledge, avoiding uncertainty, utility, efficiency) or to plan and take trips, the touristic information should also appeal to the salient needs in order to capture the attention of potential tourists. In the tourist’s information search process the needs to be innovative, hedonic or entertained, and aesthetic or visual information choices have an important role. (Vogt & Fesenmaier 1998).

The Montebelluna Ski Boot cluster promoted the brand with the help of mass media advertising campaign at the time when the Italian national skiing team was doing well. The mass advertising campaign created and increased the awareness levels about the product.
and the positive atmosphere created by the success of the Italian national team further propelled the demand of the brand. The time and strategy was just correct. Hence it is important to identify the major factors for promoting a brand and to act on time for undertaking the promotional campaign.

In 1904 president Theodore Roosevelt of United States visited construction site of Panama Canal and was pictured wearing Panama Hat, which further increased popularity of hats. Celebrities promoted panama hats by wearing it during press conferences, events and in films. In 1925, Turkey made panama hats their official headgear. By 1940's Panama Hats became symbol of masculine elegance around the world and became one of the Ecuador's main export. With growing popularity and hence demand, many countries around the world started manufacturing and exporting their own version of panama hats.

5. Conclusions and Policy Suggestions

5.1 Suggestive Model for Cluster Based Branding

The suggestive model categorizes the stages of development for a brand, identifies how to measure progress in every stage, and prescribes the marketing priorities for moving a brand to a higher stage of development. The suggested cluster based brand development model is a tool that integrates many proven cases from international case studies and findings of national cases into a framework that can guide policy and also the cluster stakeholders to promote cluster based brands. The framework considers only those clusters that are ready for branding or branding has already been initiated. The readiness of branding can be seen through the branding enablers in the cluster. At the beginning, enablers could be known through nature of the product, critical mass of production, USP of the product, existing marketing channels, significance, growth potential, likelihood of presence of social capital, etc. Out of more than 6000 MSME clusters in India, the possibility of branding may be possible in only those 500-600 clusters where these enablers are apparent. The model does not go into basic productivity enhancement developmental models but focuses only on the marketing and branding of cluster products that have the identifiable market potential but not harnessed well enough.

Broadly four stages of branding can be seen, each equating to a different priority/strategy, starting with creating basic awareness, marketing channels and concluding with building customer loyalty in terms of establishing it as a preferred brand.
### Status/Impact

- Informal Reputation, but no formal brand
- Minimum standards/conditions for cluster product either do not exist or are not respected by manufacturers/traders
- Consumer recognition about the uniqueness of the cluster product

- Reputation converted into a brand
- Brand naming done
- Standards for naming brand are well defined, understood and respected & implemented by many leading manufacturers/retailers individually or through their groups/major buyers
- Consumers in general are not aware about the brand

- Brand started getting wider recognition beyond a few major buyers and visibility among consumers at large
- Production specification and quality standard respected and followed by the manufacturers constituting majority of the cluster production
- Quality standard and certification in place by the expanded group(s) manufacturing majority of cluster production
- Consumers among the targeted market are well aware of the genuineness of brand and can differentiate it with others
- Potential consumers demand the brand

- Brand established among consumers
- Potential for new market exploration based on brand strength explored
- New investors coming to clusters join the value chain
- More quality standards, re-branding of cluster products, re-positioning of products introduced

### Need/Policy Support

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<tr>
<th>Externally funded project oriented-development focus with heavy Push</th>
<th>Externally funded project oriented-development focus/development Push</th>
<th>Self sustainable (business case) However, policy support still needed for:</th>
<th>Self sustainable (business case) However, policy support still needed for:</th>
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<tr>
<td>Experts/ lab testing authenticity and identification</td>
<td>Defining standards for naming the brand</td>
<td>Implementation of production specification and quality standard by the manufacturers constituting majority of the cluster production.</td>
<td>Brand related quality standards followed by all the participating members</td>
</tr>
<tr>
<td>Awareness creation on possibility of common branding</td>
<td>Initiating the same by leading manufacturers/retailers individually or through their groups/major buyers:</td>
<td>Quality standard and certification in place by the expanded group(s) manufacturing majority of cluster production.</td>
<td>Attracting new investors to the cluster join the value chain</td>
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<tr>
<td>Manufacturers/traders/major buyers agree to go for forming cluster brand and undertake necessary measures including standards</td>
<td>Creating consumer awareness of the brand</td>
<td>Creating</td>
<td>Implementing more quality standards, re-branding of cluster products, re-positioning of products as per</td>
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<td></td>
<td>Undertaking standards amendment/rules</td>
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</table>
At this stage, cluster has informal reputation, but no formal cluster based brand. Branding enablers in terms of tangible and intangible capital are weak or absent. Out of an estimated 6400 clusters present in India, a quick analysis reflects, more than 500 clusters indentify themselves at the embryonic stage that are not recognised as brands but have enough potential to become branded clusters if enabling conditions are adequately and appropriately created. Majority of them fall into micro enterprise clusters (other than artisan clusters) and industrial cluster category that are producing intermediary products.

Delhi ICT cluster fall under this category where cluster has some popularity and visibility in IT sector but it is not considered to be a branded cluster like Bengaluru or Hyderabad cluster. Here, MSMEs have basic capacity of production and marketing, but due to problems like improper segmentation of the market and unclear targeting of appropriate clientele, customising and packaging the product and services as per market need, reaching out to the customer through right marketing channels, etc. the cluster is not being able to grow.

Similar is the case of the Morbi Ceramic cluster that commands about 70 percent of the domestic market and 8 percent of the global market share of the ceramic products (as on 2010 market data). The cluster also has good infrastructure and accessible quality raw material for producing and catering to the huge market in India and abroad, but the products are largely marketed through intermediary companies who ultimately sell it in their own brand name. Many leading ceramic companies like HR Johnson, Asian tiles and Somani tiles are outsourcing their requirements to Morbi. The quality of the Morbi's ceramic products in several cases is becoming comparable to that of international standards. Some of these
products are also qualifying stringent European norms. Though Morbi has created a reputation for itself as the leading destination for cost conscious products in the Indian market and in the eyes of large companies, but still it has a long way to go to create a formal brand in the market. Weak visibility and lack of appropriate stakeholder driven vehicle for common marketing and branding are the major reasons for not being able to evolve as a differentiated product in the market.

Similarly, Tiruchirapalli Engineering and Metallurgy cluster is reasonably well endowed in terms of logistics and fabrication infrastructure. Study indicate the overall capacity utilization of the cluster firms is less than 40% and therefore has enough capacity to meet the expected growth in demand to 9 lakh metric tons per annum (value of Rs.15000 crores), if only the power sector is taken into account. Being a sub-contractor to BHEL has tremendously benefitted the cluster and is the main factor which has helped the cluster attain excellence in fabrication. BHEL has been the source of technology and knowledge provider to the cluster. Some of the best resources in fabrication have been made available to the cluster through Welding Research Institute. Promoted by some of the leading firms in the cluster, a huge state of art common facility centre is coming up in the cluster, with the support of Cluster development programme of Government of India. With this the region will have a world class fabrication capacity built in the cluster. Tiruchirapalli fabrication cluster which already has earned a reputation of delivering high quality fabrication in the country now has strong credentials to be known as a brand of “Fabrication City of India”.

Similar is the case of many other Indian clusters, like, Ludhiana Knitwear, Ambur Footwear, Pune Floriculture, Sanganer Hand-block Printing, Kirti nagar Furniture cluster, who enjoy wider recognition and reputation in their existing market, but cluster based branding has not been initiated. Policy support and stakeholders cooperation can take them to the next level of branding.

Moreover, in most of the industrial clusters, the MSMEs serve as feeders to bigger units. Here one of the most common drawbacks is their inability to meet the large requirements of big firms due to inadequate production capacities at individual level. Moreover, they do not have mechanism to aggregate the product at cluster level and cater big requirements. Various other reasons like lack of awareness of quality standards, diversified product base, scope of newer markets etc also contribute to urgent need to address the issue of marketing in clusters.

The standard measure for this stage is aided awareness and heavy development push in terms of identification and recognition of the potential branding clusters which can otherwise be named as “star clusters”; funding support for need assessment of a common brand, cost benefit analysis and preparation of road map for the future; product re-positioning assessment of related requirements for testing, quality, certification, infrastructure requirements etc. A systematic rating process can be followed based on the parameters for branding and such potential branding clusters or star clusters can be identified and endorsed by the Government. The vehicle to promote cluster based brand need to be created in the form of common business group of stakeholders and building their capacities to undertake common marketing and branding initiatives. Creation/strengthening basic business infrastructure like testing, quality checking, certification, R&D, etc. thus plugging the bottlenecks; increase popularisation of the cluster products through promotional measures
like buyers sellers meet, trade fair participation, etc. A weakness in this stage implies a basic brand name creation and can be addressed through advertising and publicity to boost name recognition.

**Stage B: Developing**

Once the basic capacity building, awareness creation and infrastructure problem is addressed, cluster gains some visibility and customers start identifying the cluster products in a whole range of products available in the market. Then the next logical step becomes creating appropriate measures for common brand; creating and strengthening common groups; naming the brand and define its standards; creating awareness on the same both at manufacturers level as well as consumers level; making use of soft and hard infrastructure. The implication for brands with weakness in this stage is to create and educate the market about the brand, such as the type of products or services the brand offers. There are very few clusters in India are likely to be in this stage of development.

For such clusters, it is essential to identify right marketable product/ product mix, follow legal processes with respect to formation of a central legal entity (association, consortium, SPV etc) which will enforce relevant measures to maintain the clusters brand image. It is also essential at this moment to standardize the product, setting of specifications either at the product manufacturing level or at legal levels for the clusters units to be a part of the branding initiative. While the short term impact of these initiatives would set the ground for

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**Policy Support at Developing Stage**

**Funding Support:**

- Naming the brand
- Defining standards for naming the brand
- Helping implementing the same by leading manufacturers/ retailers individually or through their groups/ major buyers;
- Building capacity of the group to undertake branding initiative at a larger scale
- Capacity building and awareness on quality, design, etc. and making use of business infrastructures like testing, quality checking, certification, R&D, etc.
- Creating consumer awareness of the brand
- Undertaking standards amendment/ rules reformulation, if required
- G.I certification if the cluster is producing unique product and satisfying all the required criteria for the same

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**Case Study: 5**

*From Industrial to Fashionable gloves through common marketing and branding initiative*

6 units in Kolkata Leather Cluster have expanded their product range, moving from low end industrial gloves to high end, value added fashion gloves through formation of a private consortium called United Creations Pvt. Ltd and identified the scope for such a valuable product. All the units in Kolkata leather cluster were producing low value industrial hand gloves. The consortium identified and brought an International BDSP from Germany to conduct a training program for a period of 3 months to help 50 designers learn the production of the fashion gloves. Following training, samples were sent to a buyer in Germany through the BDSP and also through unit’s initiatives to buyers in Holland and Spain. Consortium started positioning itself as a quality and design supply of fashionable hand gloves in global market. And the outcomes were amazing. Consortium now got new market linkages and huge orders, but also received premium price for its products. Price per pair of industrial gloves was $1.2 but for the high-end fashion gloves, the price was $6-$7. This increase is due to the increased quality, superior skill and craftsmanship involved in manufacturing and moreover because of right branding and positioning strategy at the right market.
brand building, but the long term impact will drive the perception and create a brand image for the cluster. A near similar initiative can be seen in Kolkata leather cluster (See case study-5) and in Coimbatore Engineering cluster (See case study-6).

Similarly, “Chikat” is a brand that has been developed and launched for a Handloom Society of Pochampally with the help of a private consulting company called Management and Marketing Research Consultants (MMRC), Hyderabad. This brand was launched at the national level across the Six Major Metro’s by Pochampally Weavers Pvt Ltd. Distinct brand, logo and packaging system was created with a bye line to reflect its positioning as a premium Silk Product from Ikat Weavers Pvt Ltd which was a consortium of Master Weavers of Pochampally.

Brand promotion and endorsement is essential for clusters having unique product or process identify. Even though such clusters get G.I., but G.I. alone is not sufficient to promote the brand value. Bargarh handloom cluster which is known for its “Ikat” (a type of tie and dye

Case study: 6
Product standardization in Coimbatore Engineering Cluster

40 units are set to benefit from enhanced productivity, reduced production costs and increased market reach due to the standardizations the components of pumps. Though Coimbatore pumps and motor manufacturing industry is nearly 80 years old with nearly 530 Pump and motor manufacturers, most of them have their own specifications for the components of their product. The market has to contend with the similar models of pumps and motors with varied component specifications. No component could be bought “off–the-shelf” and had to be casted as per each manufacturer’s specification thereby increasing cost of spare parts from the consumer point of view and cost of production from manufacturers point of view.

This problem was identified by Tamil Nadu Pump and Motors Manufacturers Association (TAPMA) who approached the SIDBI implemented BDS project with an idea to create a standardized prototype which can be adopted by all members of the association. If all 40 units use sub-components with similar dimensions, these components can be manufactured in bulk and units can produce in higher quantities for lower costs and market their products at competitive rates without compromising on the quality. Better quality will also open newer and better markets. Technical BDSP was involved in drafting the components drawings and the proposed dimensions were validated with the industry. With the first prototype nearing completion it is expected that the units involved will reap the above mentioned benefits and the association will upscale this activity to standardize all fast moving models.

Case Study: 7
Khushboo Gujrat ki…….

Tourist areas in Gujarat like Kutch and Dwarka, Somnath and Gir National Park have seen an increase in tourist footfalls over the past few years, especially since the state roped in Amitabh Bachchan, the Bollywood icon and brand ambassador of Gujarat Tourism to do the brand endorsement. His endorsement through movie clips broadcasted in leading TV channels in India and abroad has created tremendous impact on viewers. As a result, these places have seen an increase in tourist arrivals, including a 30 percent rise in foreign travelers reported by the Tourism Department in 2012. In 2006-07, the figure stood at 1.27 lakh, which increased to 1.70 lakh in 2009-10. In 2010-11, nearly two lakh tourists arrived. Gujarat tourism has grown and now it stands on fifth spot among states in India, after Rajasthan, Kerala, Maharashtra and Goa. Progressive campaigning and creation of support infrastructure by the Government has made Gujarat a know tourist destination. (NDTV)
process of yarn before weaving), and richness of natural coir fibre of Allapuzha cluster are not being able to communicate its product uniqueness to the market thereby their market channels are limited. Moreover, consumers without knowing product uniqueness, tend to compare it with other cheaper substitutes made of either inferior raw materials or skill and therefore fell reluctant to pay premium price for genuine products.

For tourism cluster, deciding location for vacation is a careful decision as it depends not only on tourism attractions, but, cost and also safety are the two other major concerns. Therefore, tourists always follow reliable sources of information/ experience of friends and family. People perceive less risk when the information come through trusted sources, media or endorsed by known personalities. Such endorsement not only helps advertisement but also create positive perception about the destination. Such is the case of Gujrat tourism which has seen tremendous success in terms of attracting tourists by the punch line “Khushboo Gujrat ki ……kuchh din to gujariye Gujrat mai....” by legendary Bollywood icon Amitabh Bachhan. (see case study-7). Policy can play a major role in such brand endorsement and wider advertisement in attracting customers.

**Stage C: Established**

After adequate care on developing and promoting brand image, the brand should establish itself in the market. This includes a basic trust of the brand as well as belief in its value proposition. The impact can be seen as increased turnover, significant market share, repeat orders, market expansion, etc.

Market is not always stable; it changes with the change in purchasing power, fashion and many other factors that influence taste and preferences of the consumer. Therefore, branding should not be a onetime affair. It should be a continuous process to keep the image up in the eyes of its customer. Rebranding and repositioning is more desirable especially when the product is based on “concept”.

Promoting tourism products successfully requires a concept or context that allows audience to appreciate what the place has to offer to visitors and therefore it defines the brand image.

Like, in Puri Tourism cluster, which is known as home to Lord Jagannath, has been considered a sacred centre of pilgrimage and worship symbolising one of the greatest spiritual and cultural heritages of the world. The place has been branded as a religious place for Hindus and has well known brand recognition for religious offerings to one set of clientele, i.e. the “pilgrims”. Despite many cultural, economic and natural advantages, Puri is
not being able to create a name in the world tourism market for its other offerings. It has been promoted standalone as a destination for pilgrimage but not for a leisurely life, crafts and eco tourism and other special attractions which are in high demand in growing tourism market.

Puri township is surrounded by beautiful tourist destinations like Chilka (known for its beautiful lake, bird sanctuary and sea food), Gopalpur (sea beach), Konark (Sun temple and stone carving crafts), Bhubaneswar (Lingaraj temple, Khandagiri and Udayagiri caves, Akamra haat-a craft market, etc), Cuttack (Silver filigree), Raghurajpur (Patachitra-a type of traditional painting), Pipili (Applique crafts), Sak shipal (Coir crafts), Nandankanan (Wild life), Simlipal (Tiger reserve), etc. Despite surrounded by such beautiful destinations, the cluster is not known to only one set of tourists. Rebranding through appropriate mix of tourist products could give a much better brand image and attract more customers to the destination.

Brand infringement is a common problem at this stage of branding. It not only creates business loss for the cluster but also markets get distorted with low standard cheaper substitutes. Governments have supported many unique product cluster get G.I.s. However, these clusters are still facing threats from other near similar substitutes produced with cheaper quality raw material or advanced machines. Damage in handloom and handicraft product cluster is even more whose cheaper versions are available through machine made operations. In some cases strict rules and regulations are available to protect the brand but their enforcement is week. There is a need to enforce rules on quality check systems, standards, certification, etc and create awareness of genuineness of handmade products.

**Stage D: Matured**

Buyers choose a brand that fulfils a promise they desire, but this credibility is not sufficient alone to drive choice. Customers perceive brands at a functional and emotional level. The functional has to do with various promises, such as offering value, having stated quality, or being relevant to business (in case of B2B marketing) or consumption need (in case of B2C marketing). Matured clusters are those where customers are attracted to buy the product. In other words they are loyal to the cluster brand and never go to other cluster products. One of the examples of a vibrant matured cluster in India is Bangalore IT cluster. (see case study-8)

A chief goal in the whole exercise for cluster is to position its brand through communications that stresses attributes that drive purchase intent and should be preferred by the market. A clear and distinct value proposition should translate into preference among prospective
buyers. The Market should be consuming the brand and be **satisfied**. Brand attends the matured stage when market indicates product preference (product differentiation) and behaves as if satisfied.

To sum it up, there are many facets to brand equity, including awareness, attitude, image, preference and satisfaction. All of these areas need to be considered in order to craft the appropriate branding strategy. Different clusters may fall into different stage of development and therefore appropriate measures need to be taken to take it to the next stage of development.

The degree of support required by a cluster to establish its brand depends on the types and level of its branding enablers. An intense analysis of the above four branding stages spells the clear need for developmental intervention through policy support at stage A and B to promote cluster branding. Once the ground is ready cluster can take itself off to stage C and subsequently to stage D. However, policy support is still required at stage C and D, but its nature changes substantially.

**Case Study: 8**

**Bengaluru- the IT Destination of India**

The world recognizes India as an important source of high quality IT products and services. Over half of the Fortune 500 companies are outsourcing their software requirements to India. Bengaluru alone accounts for more than 36% of India’s global IT software and services including IT enabled services (ITES) / BPO exports. The main IT sub-clusters of Bengaluru are: a) Software Technology Parks of India (STPI), Bengaluru; b) International Tech Park Ltd. (ITPL), Bengaluru; and c) Electronic City. In August 2000, a cyber Park – Technology Incubation Centre promoted the growth of the IT sector by providing: 100% duty free imports; 100% foreign equity permitted; 100% corporate Income Tax exemption till 2010; Excise duty exemption & reimbursement of Central Sales Tax (CST); Dedicated Data Communication links; Single window clearance; Custom bonding and export certification. The International Tech Park, Bengaluru, offers a superb business advantage to corporate seeking a foothold in India. The futuristic park has been built to exacting international standards supported by the state of the art infrastructure.

Over a period of last 200 years, a massive metamorphosis has taken place from a primary agro-based economy to a modern high tech economy. The process of change has been facilitated by the far sighted policy initiative taken and the enabling market conditions created in every stage of evolution including creation of right kind of general and cluster specific infrastructure; setting up schools, general colleges, technical/ engineering institutions, management schools, R&D centers; right kind of integrated innovative systems management and enlightened entrepreneurship to encourage creativity, research and development. Karnataka is the first state to announce IT policy in the year 1997. This policy has acted as an important catalyst for the growth of IT industry in the State. As a result, IT industry has got an added boost. To assist information technology, industrial promoters in establishing companies in Karnataka, the Deptt. of IT, Govt. of Karnataka has compiled information from various agencies and Govt. departments to develop an IT Brochure – a Guide for Establishing Industries in Karnataka. The Karnataka Govt. offers special assistance, incentives, and concessions for the IT industries which have investments in fixed assets upto Rs. 100 crores. Karnataka State Pollution Control Board has simplified the procedure for seeking clearances under the Air Act and the Water Act for the Software companies that use captive DG Sets. IT companies taking up expansion, diversification, and modernisation get concessions on registration charges. Because of various policy initiatives taken by the Central and local state Govts, Bengaluru city region offers a world class infrastructure, availability of niche human resources at internationally competitive wage level, pleasant work culture and environment supported by concentration of high tech IT and R & D Institutions. Besides, the city has a cosmopolitan nature. Due to all these factors, Bangalore city region has seen a major technology boom, and it has emerged as the major IT outsourcing brand in the world.
5.2 Analysis of the existing Policies and Schemes for Brand Promotion

A detailed analysis of the existing schemes has been attempted for various activities suggested in the above section to promote cluster based branding. The summary of the activities and available schemes for the same has been captured in the table given below.

Various attempts of the Government in promoting MSME products in the form of schemes reveals that the policy focuses more on funding either participation in exhibitions in the regional, national or international level, or providing subsidies in the purchase of raw material, or providing technical and managerial training, etc. There is no comprehensive marketing policy which would cover development of branding either for an individual unit or for collective cluster based branding.

Moreover, the schemes are offering financial support to the entrepreneur and that to a maximum of 80% for the purposes of participating in exhibitions and trade fairs towards stall fees, travel etc. This is a sales promotion activity for a limited period of time requiring a part funding from the entrepreneur. There are various other schemes available on training for the entrepreneur or the cluster members in marketing and other functional areas of management, support conducting market studies, popularising the adoption of bar coding on, various other awareness programmes, exposure visits, participation in seminars, workshops and training programmes on technology upgradation, marketing etc. All these and other schemes are pertaining only to Marketing and Sales Promotion.

There is no scheme to encourage product aggregation to cater markers, especially the big orders through creation of a common brand. Support is required for demonstrating such joint marketing/ bidding through common branding to educate and encourage MSMEs to explore big orders/ enter into institutional buying arrangements, etc. Such support could be developmental in nature. Moreover, while MSE-CDP supports joint visit for market exploration, but there is no scheme for common hiring of marketing consultant for linkage creation. Developmental support should be provisioned to encourage MSMEs hire quality/ experienced consultants for various branding and promotional activities.

There are schemes available for joint market study and research; however, none of the schemes ensure execution of the findings/ recommendation of such studies. Stand alone study will not solve the purpose of lack of market intelligence/ information unless follow up actions have been taken to ensure implementation of the findings. While there are schemes available for handicraft products, no scheme is available to support industrial products. MSE-CDP talks about common product brochures/ catalogues, but it is silent on e-marketing, cluster based brand building, brand positioning, advertising, etc. Market development through various promotional and brand building activities is the most critical area that need to be tackled by the policy.

Handloom Mark is the only initiative by the Government purported to be developed as a brand, but has not been able to succeed due and the mark is being sold at a marginal price of Rs.25/ per mark to be put on the products of the societies which have been recognised by the Government as a confirmation of the product to be “handloom” and not “powerloom”.
Handloom Mark was launched to promote handloom as a brand which ended up as only selling of labels.

Further there are multiple agencies involved in the execution and implementation of the schemes belonging to both Central and the State Government. However, there is a general lack of awareness amongst the MSME about the various schemes that are being offered by the agencies. For example, various government agencies that are involved in the development and promotion of handlooms at the centre and state level viz- Handloom Export Promotion Council; Handloom and Handicrafts Export Council; Weavers Service Centre; National Handloom Development Council; Textiles Committee; State Autonomous Bodies on Handloom Sector Development; District Handloom Training Centres, etc. While all these agencies individually have supported the development of handlooms through specific schemes there is no focused attempt to address problems through complementing each others offering/ support to realise better outcomes. Moreover there is no policy for brand development in clusters.
<table>
<thead>
<tr>
<th>Stage of Development</th>
<th>Activity/ Policy Support</th>
<th>Nature of activity</th>
<th>Existing Schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Embryonic Stage</strong></td>
<td><strong>Recognition:</strong></td>
<td>Rating and endorsement</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>✓ Recognition of star clusters with potential for branding. List of such potential cluster need to be endorsed by the policy.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td><strong>Funding Support:</strong></td>
<td>Study and Strategy development</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>✓ Need assessment of a common brand, cost benefit analysis and a road map for the future</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Product re-positioning assessment of related requirements for testing, quality, certification, infrastructure requirements etc.</td>
<td>Study and Strategy development</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>✓ Creating social capital like common business group of stakeholders and building their capacities to undertake common marketing and branding initiatives</td>
<td>Training and Capacity building</td>
<td>1) Marketing Assistance and Technology Up-gradation in MSMEs (Under Skill up-gradation in Modern Marketing) 2) MSE-CDP(Under Soft Interventions) 3) Market Access Initiative (Ministry of Commerce)(Only for capacity building) 4) Comprehensive Powerloom Cluster Development Scheme (CPCDS) under Mega Cluster Scheme 5) Scheme of Fund for Regeneration of Traditional Industries (SFURTI) (MoMSME)</td>
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<td></td>
</tr>
<tr>
<td>✓ Creation/strengthening basic business infrastructure like testing, quality checking, certification, R&amp;D, etc. thus plugging the bottlenecks</td>
<td>Implementati on and training</td>
<td>1) Market Access Initiative (Ministry of Commerce) 2) Scheme of Fund for Regeneration of Traditional Industries (SFURTI) (MoMSME) 3) Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme (Ministry of Commerce and Industry) 4) Building Awareness on IPRs for MSMEs (DC-MSME) 5) MSE-CDP (Under hard Intervention and Infrastructure development) (DC-MSME) 6) Mini Tool Room &amp; Training Centre Scheme (DC-MSME) 7) Industrial Infrastructure Development Scheme (IIUS) (DIPP) 8) Integrated Development of Leather Sector (DIPP) 9) Mega Leather Cluster Scheme (MLG) (DIPP) 1) Market Access Initiative (Ministry of Commerce) 2) Scheme of Fund for Regeneration of Traditional Industries (SFURTI) (MoMSME) 3) Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme (Ministry of Commerce and Industry) 4) Building Awareness on IPRs for MSMEs (DC-MSME) 5) MSE-CDP (Under hard Intervention and Infrastructure development) (DC-MSME) 6) Mini Tool Room &amp; Training Centre Scheme (DC-MSME)</td>
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Regeneration of Traditional Industries (SFURTI) (MoMSME) 7) AHVY (under Social Interventions) (DC-HC)

Regeneration of Traditional Industries (SFURTI) (MoMSME) 7) AHVY (under Social Interventions) (DC-HC)

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Regeneration of Traditional Industries (SFURTI) (MoMSME) 7) AHVY (under Social Interventions) (DC-HC)
| ✓ Increase popularisation of the cluster products through promotional measures like buyers sellers meet, trade fair participation, etc. | Training and implementation | 1) Market Access Initiative (Ministry of Commerce)  
2) Marketing Assistance and Technology Up-gradation in MSMEs (DC-MSME)  
3) Market Development Assistance Scheme for Micro/Small manufacturing enterprises (MSME-MDA) (DC-MSME)  
4) Market Development Assistance Scheme (Ministry of Commerce and Industry)  
5) Market Access Initiatives (MAI) Scheme (Ministry of Commerce and Industry)  
6) International Cooperation Scheme (MoMSME)  
7) Marketing Assistance Scheme (MoMSME) | 1) Market Access Initiative (Ministry of Commerce)  
2) Marketing Assistance and Technology Up-gradation in MSMEs (DC-MSME)  
3) Market Development Assistance Scheme for Micro/Small manufacturing enterprises (MSME-MDA) (DC-MSME)  
4) Market Development Assistance Scheme (Ministry of Commerce and Industry)  
5) Market Access Initiatives (MAI) Scheme (Ministry of Commerce and Industry)  
6) International Cooperation Scheme (MoMSME)  
7) Marketing Assistance Scheme (MoMSME) | 1) Market Access Initiative (Ministry of Commerce)  
2) Marketing Assistance and Technology Up-gradation in MSMEs (DC-MSME)  
3) Market Development Assistance Scheme for Micro/Small manufacturing enterprises (MSME-MDA) (DC-MSME)  
4) Market Development Assistance Scheme (Ministry of Commerce and Industry)  
5) Market Access Initiatives (MAI) Scheme (Ministry of Commerce and Industry)  
6) International Cooperation Scheme (MoMSME)  
7) Marketing Assistance Scheme (MoMSME)  
8) Comprehensive Handicrafts (Carpet) Cluster Development Scheme (GHCCDS) (DC-HC)  
9) Market Support & Services Scheme (DC-HC)  
10) AHVY (Under Marketing Interventions) (DC-HC) |
<table>
<thead>
<tr>
<th>Developing Stage</th>
<th>Developing Stage</th>
<th>Developing Stage</th>
<th>Developing Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Legalisation of the central entity (association, consortium, SPV etc) and enforcement of relevant measures to promote and maintain the clusters brand image.</td>
<td>Training and implementation</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>✓ Naming the brand</td>
<td>Training and handholding</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>✓ Defining standards for naming the brand</td>
<td>Implementaiton and handholding</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>✓ Helping implementing the common branding by leading manufacturers/ retailers individually or through their groups/ major buyers</td>
<td>Implementaiton and handholding</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>✓ Building capacity of the group to undertake branding initiative at a larger scale</td>
<td>Training and Capacity Building</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>✓ Capacity building and awareness on quality, design, etc. and making use of business infrastructures like testing, quality checking, certification, R&amp;D, etc.</td>
<td>Capacity Building and Awareness</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>✓ Creating consumer awareness of the brand</td>
<td>Training and Implementati</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>✓ Undertaking standards amendment/ rules reformulation</td>
<td>Study, training and handholding</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>✓ G.I certification if the cluster is producing unique product and satisfying all the required criteria for the same</td>
<td>Study, training and handholding</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Established Stage</td>
<td>Established Stage</td>
<td>Established Stage</td>
<td>Established Stage</td>
</tr>
<tr>
<td>✓ Encourage and facilitate implementation of production specification and quality standard by the manufacturers constituting majority of the cluster production. (with branding focus)</td>
<td>Implementati</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>on and Handholding</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Stage</td>
<td>Achievement</td>
<td>Training</td>
<td>Handholding</td>
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<td>---------------------------</td>
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</tr>
<tr>
<td></td>
<td>Quality standard and certification in place by the expanded group(s) manufacturing majority of cluster production.</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Training on risk mitigating support during market recession</td>
<td>Training and Handholding</td>
<td>None</td>
</tr>
<tr>
<td><strong>Policy Regulation Support:</strong></td>
<td>Policy support on brand protection through legal instruments</td>
<td>Training and Implementation</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>To ensure brand related quality standards followed by all the participating members through making management systems and standards</td>
<td>Implementati on and Monitoring</td>
<td>None</td>
</tr>
<tr>
<td><strong>Matured Stage</strong></td>
<td>Attracting new investors to the cluster join the value chain</td>
<td>Implementati on</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Implementing more quality standards, rebranding of cluster products, re-positioning of products as per changing marketing scenario and rapid expansion of the market</td>
<td>Study and Implementati on</td>
<td>None</td>
</tr>
</tbody>
</table>
Annex 1: Detailed International Case Studies
I. Montebelluna Ski Boots Cluster

Montebelluna is an industrial cluster in Italy situated 67 kilometers northwest of Venice. It is a small town spread over 553 km$^2$ with a population close to 30,000. This highly industrialized district has firm density ratio of 1 enterprise per 27 inhabitants. Montebelluna cluster has 425 firms out of which 304 firms are producers of footwear and the remaining 121 are producers of the clothing related products. It employs around 9000 people directly and an additional 60,000 in the external belt of subcontracting mainly in the Eastern Europe. The cluster has grown from its original specialization on boots to become the world leader in manufacture of Technical Sports Wear products. It specializes in producing ski boots, climbing and hiking boots, sports footwear and causal clothing as well as winter sports equipments. It produces over 80% of the motorcycle shoes, 75% of all ski boots, 65% of after-ski boots, 50% of technical mountain shoes and 25% of in-line skates of the world. The Cluster Houses the biggest shoe manufacturers of football, cycling, basket, tennis, athletics and cross-country race are based here.

In the year 1997 approximately 88% of the turnover was contributed by exports of its products to Europe and North America. The cluster is a well known for its brands for ski boots and other sports shoes which it exports to all parts of the world. In 2003, the cluster exported 70% of total production for a value of 1300 millions of euros (Osem 2004). The most important foreign markets include EU countries, US and Japan. The cluster is well known for brands like Nordica, Tecnica, and Salomon. A few of the manufacturer’s of trekking shoe like Lotto Sport Italia, Technical Sport Shoe who specialise in niche markets, and in addition a few manufacturers of Walking Shoe like Geox and Stonefly are also based in this cluster. A large number of ancillary industries have also been set up for the cluster such as Plastic, Molding and Mechanical, Machinery, etc. The cluster has been able to create local systems within the cluster with the help of ‘The Club of Italian District’, which was established in the year 1994. The club has played a key role in improving relation with the decision making centers at the local and the national levels, provide linkages with different institutional, economical, cultural and scientific operators across 28 district, with a total of 30,000 companies are part of this club employing over 250 thousand employees and global turnover 22 billion euros.
II. Cluster Uniqueness

1. Montebelluna is considered to be one of the most innovative districts in Italy which specializes in manufacturing of sports shoes, and Worldwide it is referred to as "the capital of snow industry" because of its dominance in the technologies for the production of ski boots. (Newsweek, February 1979)

2. Montebelluna has benefited from the entry of some of the most important global players in the sportswear industry, who have invested in the district to access the local capabilities and contextual knowledge by taking over of the local firms or establishing R&D facilities in Montebelluna. Leading international firms like Decathlon, Eindl, Mephisto, Raiche, Timberland, Fila etc have developed research and development departments in the cluster and they also have established partnerships and collaboration programmes with the local firms in the area (Belussi and Asheim, 2003). Montebelluna is a technology cluster having presence of a number of international firms in the cluster and together they help in developing the innovation and production capacities of the cluster. According to Belussi and Pilotti (2000), the success of this cluster lies in the existence of an "industrial district with absorption of external knowledge and development of new global knowledge".

Table 1:

<table>
<thead>
<tr>
<th>Type of Innovation</th>
<th>Percentage of adopters by type of Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product innovation</strong></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>20%</td>
</tr>
<tr>
<td>Generated within the firm</td>
<td>74%</td>
</tr>
<tr>
<td>Generated within the district</td>
<td>3%</td>
</tr>
<tr>
<td>Generated in the country</td>
<td>3%</td>
</tr>
<tr>
<td>Generated abroad</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Process innovation</strong></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>30%</td>
</tr>
<tr>
<td>Generated within the firm</td>
<td>47%</td>
</tr>
<tr>
<td>Generated within the district</td>
<td>10%</td>
</tr>
<tr>
<td>Generated in the country</td>
<td>10%</td>
</tr>
<tr>
<td>Generated abroad</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Sales and distribution</strong></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>53%</td>
</tr>
<tr>
<td>Generated within the firm</td>
<td>20%</td>
</tr>
<tr>
<td>Generated within the district</td>
<td>7%</td>
</tr>
<tr>
<td>Generated in the country</td>
<td>13%</td>
</tr>
<tr>
<td>Generated abroad</td>
<td>7%</td>
</tr>
</tbody>
</table>

3. The cluster has launched many well known brands in different shoe categories which include the following:
   - Ski boot like Nordica, Tecnica, Salomon
   - Trekking shoe like Lotto Sport Italia
   - Motorcycle shoes producers like Alpinestar
   - Walking shoes like Geox and Stonefly
4. The District shows a high level of heterogeneity not only in terms of product specialization and technical specialization but also in terms of size and ownership control as evident from the table below:
5. As per the survey conducted by Alessia Sammarra and Fiorenza Belussi in 2001 (refer table-1), Montebelluna was considered to be a knowledge intensive district with as high as 22 firms out of 30 surveyed (of the total 8943 firms in the cluster) had R&D facilities where they carried out intense innovative activities. Approximately Two Thirds of the firms were having R&D facilities indicating their keen interest in developing new product designs. This is also evident from the high number of registered patents (total 127 patents in the sample surveyed). A total of 24 firms out of the 30 have introduced product innovation in the year 1999-2001 out of which 22 were innovated internally. Approximately 75% of the firms have introduced product innovation, reflecting their readiness to cater to the increasing changing demands of the customers. The most important sources for these firms are R&D gained through in-house activities and interaction with local and international clients. The table reflects the number of innovations
6. Another uniqueness of the Montebelluna Cluster is that it is a localized cluster and integrated into the wider international value chain of activities. In order to be compete effectively in the international market, It has outsourced part of its production processes to Eastern European countries where the cost of labour is very low. This has given the cluster the much needed advantage in pricing their products competitively. The cluster has affected great savings in the labour cost component which is relatively cheaper in the Eastern European markets as compared to the labour cost in Montebelluna. The sub contracting has helped the cluster to focus on the key processes or their core competencies. As a result of the savings affected due to the outsourcing, it has helped them to widen their product mix, and launch their range of products into hitherto unexplored segments.. This integration has helped the cluster to become the most valuable and carve out a distinct identity in the sportswear brand. They have now come to be known for their unique product design, prototyping, excellent research and development facilities, specialized production, manufacturing high quality products, versatile marketing and distribution channels.
III. Branding History and Turning Points

- The shoes craftsmanship dates back to the early 1800s. Till the year 1950s ski boots were considered to be for elite class only and hence their demand was low both in qualitative and quantitative terms.
- The development of the cluster started after the First World War, with the start of specialized processes and formation of inter-firm cooperation and networks.
- In 1965, the ‘Sabatini law’ had a positive impact of the industrial system development in Italy which allowed the small and medium-sized companies to buy machines tools that were paid in installments at discounted rate. This propelled the diffusion of new technology and of industrial culture among the small and medium firms (Boari, 2001)
- There was an increase in the income level of the cluster, which further increased the demand of the downhill skiing, people were able to afford the comparatively expensive sports. This was further fuelled by the success of the Italian National Ski Team. As a Strategy. The cluster launched an aggressive Advertising and Sales Promotion campaign in the mass media for the ski boots, with an aim to increase the sales of Ski Boots. Their strategy worked successfully and the demand for ski boots increased considerably in the market.
- Change in Technology- Basic Raw Material: The ski boots which were produced earlier was made of leather. In the year 1968, a plastic expert from Colorado, Bob Lange came up with a new concept to produce ski boots with the help of very hard synthetic material which was poured into a mould by inserting a small soft boot from the foot inside the case with the use of thermoplastic shell, hinged cuff and latching buckles and became the first commercially successful replacement for leather boots. Thus there was a dramatic change in the basic raw material used for the manufacture of Ski Shoes. From the Costly Leather a shift to a more economical and lighter Plastic Material was adopted by the Cluster. The customer also found the plastic ski shoes to be more comfortable than the leather boots. The cost of Plastic shoes was also relative cheaper than than of the Leather shoes as it became affordable. This concept proved to be a revolution and was adapted by the Italian and henceforth the ski boot production was done with the help of the new concept. During the 1960s and 1970s, the production of ski boots shifted from 1,80,000 in 1963 to 10,00,000 in 1970 and to 41,00,000 in 1979. This increase in the Offtake of shoes is the result of the technology change and the benefits which it offered to the customers.
- The shift in the production from Leather to Plastics in 1970s for Ski shoes, was quickly adopted by the other product manufacturers as well. Manufacturers of shoes for Motor Biking, Tennis, Football, Dancing, Mountain Climbing etc also shifted to Plastics for the above mentioned benefits. Thus the first complete reorganization of industry was observed. The industry experienced an important industrial evolution where the entire industrial environment in the district started manufacturing differentiated products and adopted specialized production methods, particularly using an alternative raw material, Plastic in place of Leather, rather than concentrating on producing a single type of product. The production techniques used by these smaller firms required large investment and could have resulted in over production but as a result of strategic marketing practices followed such as resorting
to product diversification and differentiation techniques, firms were able to manage the new technologies by increasing their product portfolio and utilizing the extra production from these new technologies.

- The Process of Product diversification and differentiation thus played a key role in the success of the Cluster marketing and led to a greater competitiveness amongst the firms. This was the first signs of the market maturing and responding to the needs of the customer. This also led to the development of some the most innovative and creative products like the Moon boot, a plastic foam based ski boots, Hiking boots, other Sports boots and Specialized shoes for various sports including motor cycling. An immediate benefit of adopting these strategic marketing techniques resulted in an increase in the number of ancillary industry for Plastic, Rubber and Moulding which were the essential inputs to the Shoe Manufacturing Cluster. These market developments have also resulted in the establishment of new firms who ventured out into new product categories like Athletic Shoes for Volleyball, Trekking & Walking shoes and Football shoes.

- In the late 1970s many leading international brands like Decathlon, Eindl, Mephisto, Raiche, Timberland, Fila etc started their research and development departments in the cluster and also started collaborating and partnering with the local firms. This helped in improving the brand value of the products and introducing innovative products in the market produced in the cluster and over a period of time these collaboration and innovations have helped the cluster in creating worldwide known brands in technical shoes niche markets such as Nordica, Technica, Goex and Stonefly.

- However, in 1980s the demand for the sports goods experienced decline and the cluster sales started decreasing, further the cost of production increased considerable with the increase in the labour cost. After a long period of struggle, the cluster started rethinking on its strategy. In the early 1990s the cluster diversified into the manufacture of Non- Winter Clothing items as a strategy to counter the declining sales. In 1999, it focused its marketing efforts on the new products of Non
Winter clothing items and this product constituted almost 70% of its production and sales.

- In the late 1980s, the cluster experienced a considerable increase in the labor cost which directly increased the cost of production. It also faced competition from other industries due to the emergence of new technologies in other parts of the world. However, the fall of Berlin Wall in the year 1989 promoted democracy in Europe and opened up several new avenues for businesses by opening up the economy for trade and business across the globe. This provided the cluster with an opportunity to increase competitiveness amongst the local firms through relocation, outsourcing, and through sub-contracting part of their production process which were simple and labor-intensive like shoe assembling, and also provided cost savings to countries having low wages, mostly in Eastern Europe. The Cluster kept with itself the key components of the production process like Product Design, Conception and Marketing to ensure and maintain consistent quality. The process of sub-contracting was started by leaders like Nordica and Tecnica, who were the first brands to experiment the shift to Romania. Realizing the success of subcontracting by these two brands there were many other players who started sub-contracting to Romania. All these changes were affected by the cluster without the help of any cluster association and very low support, if any, from the local government. Association was not required to reinforce competitiveness in the cluster. The only notable intervention took place in 1985 when the municipality of Montebelluna set up an association called the Treviso Sportswear Society (STAS). It was started to provide services to the representatives of different sport companies. But this initiative was seen with skepticism by different stakeholders and finally, STAS was closed in the year 1993.

- In a short span of time, Montebelluna footwear companies were able to move their production phase to Eastern Europe, specially to the city of Timisoara in Romania mainly because Timisoara had a long tradition of shoe manufacturing, wages were also low in this part of Europe. Timisoara had also a locational advantage due to its geographical accessibility with the rest of the country, major Railways and also to the international airport which connected to Montebelluna and also to the other parts of the world. As a result of this geographical advantage, exports became easier with access to international markets feasible. This process was instrumental in changing the cluster enterprises from traditional sectoral business towards strategic interregional business organization.

- In recent years, the small and the medium firms have been supported by local collective institutions both public and private like the Chamber of Commerce, the Museum of Climbing Boots and Sports shoes. However, the outcomes are yet to be seen. Whatever, branding and market positioning is visible in the cluster is mainly due to the effective functioning of market forces and a well-developed Branding and a well-planned marketing strategy implemented by the firms.
IV. Branding Strategy and Conclusion

1. **Brand Positioning:** The Montebelluna cluster main product ski boots was earlier considered to be an elite product and was positioned for the higher income group people. However, with a limited target population in this Elite income Group Segment, the demand was restricted and low. When the cluster repositioned the brand and priced it to make it more affordable to a wider population base with upper income group being covered, the demand for the product increased and sales volumes also increased considerably. The popularity of the brand also grew. The business volume of the cluster started rising and the firms were quick to identify the change and respond to it. Thus redefining the positioning of the brand to include a wider population base of customers was one of the most important and critical factors for the success of the Montebelluna cluster.

2. **Technology Identification and Diffusion:** The Montebelluna cluster was able to identify the right technology (introduction of plastic materials for ski boot production in the late 1960s based on a foreign patent) and was able to change their production to produce products using the new technologies which was one of the revolutionary changes in creating the brand for the cluster. This change was done by capturing the external knowledge, understand the potential of new production process and building upon the already existing capabilities of the cluster. The new technology based product became an instant hit amongst the customers. The customers accepted the new Plastic shoes with a lot of enthusiasm as it was lighter in weight and also it was made affordable by the repositioning of the brand. It was not just the Ski Shoes which adopted the plastic technology, but all other types of foot wear also adopted the plastic technology which further made the brand popular and acceptable by the customer. This confirms that adapting to the changing technology and also to the changing needs of the customers is a sure way for success in marketing.

3. **International Linkages with local gatekeepers:** Contrary to the general belief, the Montebelluna case shows that the presence of international firms/ brands in a cluster proves to be an advantage to the cluster as it helps the cluster evolve an open eco system of local and external linkages and also take advantage of the product and process innovation. Montebelluna cluster was successfully able to establish linkages with international firms and facilitated for setting up research and development facilities in the cluster and helped these international brands to collaborate with the small and medium firms. Such a collaborative approach was helpful in absorption of external knowledge and technology in the cluster which they were able to utilize later. Moreover, the entry of multinational firms, elevated the level of competitiveness among local firms. While global buyers or foreign investors may not be likely to transfer managerial and technological capabilities to local subcontractors that would elevate them from the status of suppliers to potential competitors (Bair and Gereffi 2001), Montebelluna is a good example of local firms being able to capture and exploit external knowledge because of their own know how and technical capabilities.

4. **Brand Promotion and its timings:** The cluster promoted the brand with the help of mass media advertising campaign at the time when the Italian national skiing team was
doing well. The mass advertising campaign created and increased the awareness levels about the product and the positive atmosphere created by the success of the Italian national team further propelled the demand of the brand. Hence it is important to identify the major factors for promoting a brand and to act on time for undertaking the promotional campaign.

5. **Product Differentiation:** Another critical factor for the success of the cluster was its ability to differentiate its product from other similar product categories and product lines. In this way they were able to make a place in the minds of the customer for their brand. The customer was able to easily distinguish the brand Montbelluna from the other brands. They were able to utilize the extra production capacity to produce innovative and specialized products rather than restricting themselves to the same kind of products.

6. **Product Diversification:** The cluster was also able to expand into new markets with the help of diversification into unrelated product categories: from ski shoes to Non Winter Clothings, a part of the Textiles. They were able to tap the new markets of the European countries, United States and Japan which enabled them to increase their turnover significantly, especially when the sales of ski shoes were on the decline.

7. **Demand Assessment and Market Oriented Approach:** The cluster was also quick to understand the changing nature of the demand for their products and evolution of the market. This market oriented approach of the cluster played an important role as the cluster was able to change its product mix from Trekking Boots production to New Product Mix of Non-Winter items, the market for which was experiencing increasing demand. The Cluster was able to successfully shift and expand into the manufacture of non winter clothing segment as a result of its correct assessment of the increasing consumer demand for these items.

8. **Sub contracting:** The cluster was able to decentralize and outsource a part of the production to other countries who were able to produce at a lower cost. This way they were able to reduce their cost of production. Outsourcing of the (non core) Supplementary activities also meant that they were able to focus more on their Core Competencies which proved to be an important differentiating factor for the cluster branding.
I. Profile of the Cluster

Zhili Children Garment Cluster is located in the Northern Zhejiang Province between Hangzhou and Shanghai. It is a land of beautiful rivers and lakes. It occupies an area of 135.8 sq. kms and has a high population density with 1.6 lakhs people including close to 60 thousand non-natives. This place is an important silk and weaving production centre for China and therefore named as ‘Zhili’ which means “Weaving Town” in Chinese language. Zhili is a textile cluster known for mainly children’s garments. It is the largest children’s wear production centre producing 15% of the total products in China. It is also one of the largest producer and supplier of children’s garments in the world. There are more than 6000 children’s garment manufactures in the cluster (as per 2006 data) providing employment to 70,000 people. Further, there are close to 20,000 traders with daily sales of 3, 50, 000 items. While the cluster specializes in children wear it also produces other garments and fabrics made in cotton, linings and bedding products. The cluster has eight trading zones which offer close to 1500 different varieties of products. The turnover of the cluster is estimated to be USD 1.29 million (estimated in year 2002).

II. Branding History and Turning Points

Historically Zhili was known for production of silk and weaving and most of the population was involved in the weaving occupation, however, it was not a full time employment.

- During the 1970’s the local population in the region was finding difficulty to survive from the income generated from the agriculture sector. Hence they diversified into producing textile products like pillow covers and bedding at home which was called the ‘tail of capitalism’. During this period private enterprises was considered to be illegal by the government.

- After the Chinese Economic Reforms in the late 1970’s, the local government started supporting and promoting entrepreneurship. In 1978, China underwent extraordinary institutional change in promoting its economic growth and advancing its international status. This was an important turning point in the history of Zhili as the cluster started producing and supplying bedding and other textile products and thus gained reputation as a textile hub.

- The Communist Party of China (CCP) introduced open-door policies which helped China in changing from an economy where market forces played virtually no role in organizing economic activity to the one in which these forces played a major role, from virtually no foreign investment and low international trade and exchange to a position where it became a major global receipt of foreign investment, its trade and foreign exchange reserves. China’s development policies promoted economic cooperation with other countries. Also, special efforts were made to adopt the world’s advanced technologies and equipments. The policy changes concentrated on modernization in different sectors such as agriculture, industry, national defence, science and technology.
Another important intervention was that the provinces in China were given autonomy to promote exports. Trading companies were established in cooperation with industrial enterprises manufacturing products for export. Apart from that special facilities were given to exporting companies and enterprises and they were allowed to retain part of the foreign exchange earnings. In addition, favorable exchange rate was provided to these companies as an incentive for exports. For example, in 1981, while the official exchange rate was 1 U.S. dollar for 1.6 RMB, the more favorable rate of 1 to 2.8 RMB was provided to these companies. This worked out to 75% additional RMB for every dollar of goods exported. Several export processing zones, special economic zones and other special areas were also established. No import duties were levied on material processed for the exports which provided a big incentive to these companies and thus the investors were encouraged. As a result, foreign investment increased from an annual rate of less than one billion US dollars in 1978 to nearly 30 billion in 1998. They also managed to set up infrastructure from the investment of the foreign investors, and in return gave special tax benefits.

- Factories were constructed to take advantage of the inexpensive and skilled labor and produce product at the trading places.
- Besides, special focus on collective level enterprises was given which included both the urban collectives and rural collectives and therefore several common infrastructure and working places were constructed.
- Some state-owned retail stores and small factories in urban areas were transferred to collective ownership.
- Moreover, several townships and village enterprises were established in the rural areas with the support of the local governments to generate economic opportunities for the local population. However, the collective and private sectors grew much more rapidly than the state sector. The growth of China’s business can be seen from the gross industrial output value by ownership, in billions of current yuan given in the following table.

<table>
<thead>
<tr>
<th>All amount in billions of current yuan</th>
<th>State-owned</th>
<th>Collective owned</th>
<th>Individual -owned</th>
<th>Other Types</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>328.9</td>
<td>94.8</td>
<td></td>
<td></td>
<td>423.7</td>
</tr>
<tr>
<td>1985</td>
<td>630.2</td>
<td>311.7</td>
<td>18.0</td>
<td>11.7</td>
<td>971.6</td>
</tr>
<tr>
<td>1996</td>
<td>2836.1</td>
<td>3923.2</td>
<td>1542.0</td>
<td>1658.2</td>
<td>9959.5</td>
</tr>
</tbody>
</table>

(Source: The China Statistical Yearbook 1997, p. 413)
• The state owned enterprises business registered an increase of 91.5% in the 7 year period from 1978 to 85 and further recorded a growth rate 78% over the next 11 years. i.e. a simple average growth rate of 7%. The Collective enterprise registered a phenomonal growth of 228% over the 7 year period with an average growth rate of 32%. Their growth rate is much superior than that of the state owned enterprises. The Individual Units and also “other Types” also registered phenomenon growth in the corresponding period of 11 years. The overall growth registered in the first 7 years was 18% p.a. and for the next 11 years from 1985 to 1996 it was approximately 84% which is extremely high. Collective ownership enterprises have registered much better growth rates than the State Owned.

• In the mid 1980s, the bedding product market got saturated and hence Zhili diversified their production to include new products which had better demand in the market. At that point of time children’s garments were in short supply, hence there were few farmers who started producing children clothes at home. In 1983 Zhili Children’s Clothes Town was established with a total investment of USD29 million this considerably increased the production volumes of childrens garment hence this range of products gained popularity in the market within a short span of time. By the late 1980 there were more than 10 villages in the town that started producing childrens garments.

• With the emergence of market for the childrens garment, there was mushrooming of specialized channel partners such as merchants, retail and wholesale stores in different parts of the country.

• In 1990s the production process became specialized and many farmers moved their production to Zhili town centre. They used to produce the garments in a three story house that served triple purpose of living, dining and working. The first floor was a retail outlet the second floor housed the production unit and the workers used the ground floor as a dwelling unit.

• Although the rent was high in the centre there were lot of favorable conditions in the Zhili town centre such as credible market information, reduced marketing cost, easy accessibility to the labour market etc. which promoted agglomeration.

• By 1999 there were more than 1800 such “Three-in-one” workshops which were selling products that had better quality than those available in the neighboring villages.

• The agglomeration also resulted in establishing credibility with the buyers who came to the town in search of Quality and a Branded product. The town was able to establish its reputation by satisfying the needs of the buyer for a reliable quality product.

• The success of the Zhili’s business model increased the demand for their products. In 1999 only, the wholesale markets registered a sales volume of more than 75 million units of products with 1.4 billion yuan in value sales.
• In the year 2000, in order to meet the growing demand the township built 8 wholesale marketplace which sold the products produced from the stores of the township. The products produced in the neighboring villages which were of lower quality were also sold here. However, fierce competition led to depleted profits which further relocated many producers into the town. These entrepreneurs then focused on producing quality products.

• The demand for the products of the cluster almost doubled during the period 1995 to 2000.

• With the development of the market there were many ancillary industries that also flourished in this period like the Button Zipper Production Workshops, Computer Design Studios, Machinery Sales and Repair Stores and Logistics Services. From a mere 0.5 km street the town centre expanded to an area of four square kilometers and even covered several three star hotels and resultants within its radius.

• Gradually the cluster not only focused on increased production of quality children garments, but it also thrived to establish a brand image in global market through better positioning and promotional activities.

III. Branding Strategy and Conclusion

**Low Cost Quality Product:** Zhili cluster positioned itself as a cluster manufacturing high quality but low cost products. This was then the USP of the cluster. During the period 2000 to 2007 there was a high proportion of the cluster firms which went for registration of trademark and ISO Certification. This was partially because the cluster suffered from declining profit margins and declining quality in the highly fragmented industry. Hence maintaining the quality and the safety regulations was a major concern of these firms. There was an increase in the proportion of registration of trademark for products from 10% to 45%. 17% of the firms in the cluster were given the ISO certification. These attempts reveal the clusters desire to manufacture Quality products and increase their brand “image” as well as “value” in the market.

**Trusted supplier:** The cluster is also known for its quick turnaround time without compromising upon its quality and cost and thus established its reputation as a trusted supplier of quality product. Constant focus on technology and innovation has made the cluster able ensure quality and timely production. This also helped increase the brand loyalty amongst its customers.

The cluster also had a special focus on increasing the productivity of the process. In the year 2007 the output was 75% higher than 2000 compared to the similar figure of top quartile to the bottom quartile of the employees which rose to only 11 from 7. The comparatively faster growth of production compared to employment implies a substantial growth in the dispersion of average labor productivity. This also proved to be a critical success factor. With the help of the increased productivity, firms were able to meet the increased demand of their products without compromising upon the quality.
Integration of Production and Marketing: The cluster was able to produce the low value product as a result of an integrated production and marketing system. The cluster was able to sell more than 90% of its products locally and in the neighboring areas directly without much involvement of the intermediaries. Most of the business was dealt in cash sales resulting in a lesser transaction cost, thereby making the price of the final product competitive. It also affected substantial savings in the transportation cost by focusing its selling efforts locally and in the neighbouring areas.

Benefits of Agglomeration: One of the critical factors which contributed for the success of the cluster was that it was able to work as an agglomeration to undertake combined activities like marketing, easy access to the labour market, bulk buying and selling- wherein they were able to sell 90% of their product directly to the consumer. There was no intermediary involved in the selling process. Further these combined activities helped in reducing the cost of the products. The agglomeration proved to be an important factor in establishing the brand of the cluster.

Establishment of Common Business Centre: The centre Zhili Children’s Clothes Town was instrumental in increasing the production of the product and also helped in selling the products of the nearby regions. This was due to the establishment of a common business centre for the benefit of the members of the cluster.

Product Mix: The cluster was able to offer a wide range of product mix (more than 500 types of children’s wear in different sizes) that were available in colourful and came in innovative designs. The products were made available for different for children of age groups. Moreover the cluster also produced products for different seasons like winter wear, summer wear etc and therefore operates at full capacity. It ensured that it received a continuous market feedback on the changing market demand and preferences of the customers.. Based on these feedback it received on the changing market trends in fashion, designs and patterns of children’s wear it devised effective ways and means to forecast designs in advance and produce products accordingly to suit to the changing market trends and thereby was able to effectively compete in the market.

Access to Business Setup: The cluster also provided an encouraging environment and an easy mechanism for setting up business in the town at low costs and thereby encourages entrepreneurship. The cost of business licenses, registered trademarks and other basic requirement cost as low as USD 3600. Although in 2000, the median initial setup cost has increased twice as large as that of 1990, it was still very reasonable. Further the increase in their income levels provided them with more opportunity for business promotion.

Further, there is a strong presence of Business Development Service (BDS) providers who give one stop services ranging from Banking to Industrial & Commercial Registration, Taxation etc for the traders and enterprises. The whole process took just a week’s time to complete which made it extremely easy and convenient for the entrepreneurs to set up business this resulted in an increase in a number of enterprises in the cluster.
3. Panama Hats Cluster

I. Profile of the Cluster

Ecuador is a country in South America bordered by Columbia on north, Peru on east & south and Pacific Ocean on the west. Panama Hats are produced since 16th century by Pile community of Montecristi in Manabi province of Ecuador. These hats are lightweight, durable hats made from a special straw known as toquilla which is available only in Ecuador. At present, Montecristi and Cuenca (kwayn-ka) are two primary centers of Panama hat production and export.

Better quality hats come from Montecristi while low quality, mass production of hats is done in Cuenca. This is because unique skilled owned by Pile community of Montecristi who are capable of weaving super fine quality hats. Montecristi hat making process is time consuming and labor intensive, it requires skilled artisans and a pool of other specialized laborers for support activities. Montecristi is home of around 500 artisans contributing to 2.4 percent of the country's entire GDP though hat production. Ecuador exports 0.1 percent of the global market for straw hats. Most finely weaven Panama hat also known as Superfinos cost upto $500.5

During mid of 1600's, hat weaving evolved as a cottage industry all along the Ecuadorian coast. During that period straw hats cater to local markets of Ecuador and were known as sombreros de paja toquilla, or “hats of toquilla straw”. In 19th century Manuel Alfaro6, a progressive entrepreneur migrated from Spain to Ecuador and started hat business at Montecristi by creating a large network of weavers and other artisans for making and finishing of the hats. He opened a hat shop at Panama which is located 775.2 miles (1,247.56347 km) from Ecuador and having good connectivity with Canada and U.S and thus had frequent flow of tourist and passerby. During 18th Century, gold was discovered in California and thus traffic of workers working in gold mines increased. These workers used to buy toquilla straw hat while going to work in the mines as the hat was strong, lightweight and perfect for deflecting the tropical sun of Panama. When anyone in their respective native countries enquired about these hats, these gold mine workers used to say that they bought it from Panama. From there on toquilla hats became famous to the neighboring countries as ‘Panama Hat’ as the people believed that Panama must be the place where these hats were

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6 Manuel Alfaro was first exporter of panama hats and was father of Eloy Alfaro Delgado who became president of Ecuador in 20th century
II. Cluster Uniqueness

These hats are made from a special straw called **toquilla** in Spanish, which is native to Ecuador. This kind of straw is not found in anywhere in the world, which is one of the reasons why 95 percent of Panama hats are made in Ecuador. Toquilla palm grows naturally in the low-lying coastal plains of tropical Ecuador but straw grown in Manabi region is unique because of the oscillating warm, humid climate of the region ranging between twelve and fifteen degrees celsius during the winter and twenty and twenty-two degrees celsius during the summer, contributes to the quality of the fibers. Similarly, the Manabi region's location at 300 meters above sea level creates a fertile soil rich in salt and limestone that nurtures toquilla plant. The fragile leaves of the Montecristi region's toquilla plant, with stems over a meter long and a centimeter in diameter makes it different from the straws grown in other region of Ecuador. Small amounts of this straw are exported to bordering countries and some plants are exported for their ornamental characteristics.

The panama hats production takes place in small mountain villages throughout the Ecuadorian Andes. This hat weaving is an integral component of living of these communities. However, this is just not a source of living but also a way of life to them. A typical straw hat can be completed in one day but weavers spend several days weaving finer Panama hats.

Panama hats are strong and attractive straw hats having lightweight construction and natural breathability which makes them perfect for escaping heat of sun. The rows of weaving are perfectly straight and so tight that some of the hats look as if they are made of off-white cotton. These hats are woven so finely that it can hold water, can be folded for storage without damage, and is flexible enough to pass through a ring. The best hats known as superfinos, can take months or years to complete and have 1600 to 2000 weaves per square inch. For centuries, the fine Ecuadorian art of hand-weaving has
been passed down from generation to generation.

Process of producing Montecristi hats include the extraction of the hearts (cogollos) or the "straw wrappings", the fiber treatment, the sale of the hearts ready to be knitted and the tissue itself. The classical way of knitting in the Ecuadorian coast is by using a wooden tripod with a special shape. To make a fine hat, the straw has to be made like a thread. Before starting to knit, the straw is wet and cut with the nail to obtain the desired thickness. After this the straw bartack is tightened and the excess of straw is cut. The washing is done with hot water and detergent to remove grease and impurities. Then bleaching process is done manually in stainless steel tanks with the use of sulphur steam which results in an ivory-white color (natural color not dyed). The hats are then sun dried and then taken to workshops where they are ironed using hot charcoal irons.

Next step is pressing that uses a machine and gives a shape to the hat. The final step is labeling of the product, indicating that it is hand-made in Ecuador and explaining the production process and the care instructions.

The process of production has been mostly manual and each product has particular characteristics that make it different from the ones made by other producers. The finishing of the product is done with machines that have forefront technology like automated presses or the laser machine to mark the hats with the Origin Denomination. The packaging for a finished export hat is done in cardboard boxes.

III. Branding History and Turning Points

In 16th century hat business evolved as cottage industries all along the Ecuadorian coast. Till 19th century hat produced catered to only local market of Ecuador and were known as sombreros de paja toquilla, or “hats of toquilla straw”. Informal branding of hat initiated in 1835 by Manuel Alfaro, a progressive entrepreneur who started the hat business at a large scale by forming a network of large number of weavers and started to produce finished hats at Montecristi. He used connectivity of Panama to various countries and established an image of Montecristi hats as the best hats for deflecting the tropical sun. This initiative was taken to expand market of hats from a local level to international markets and gradually the cluster created a brand name for itself.

After various initiatives taken by different stakeholders as mentioned in table above, Panama hat established its image in the global market and started perceived as a style statement. Panama hat became a growing source of revenue for the country. Popularity and demand of Panama hats in international market not only blossomed local area prosperity but also
created employment opportunity for surrounding regions of Montecristi. Ecuador started exporting toquilla straw to neighboring countries like: Peru, Columbia etc. offering many coastal residents employment. However, growing demand of panama hats attracted other countries like Nicaragua, Bolivia, Mexico, Panama, Peru along with regions surrounding Manabi province into hat making business, who started producing their own version of panama hats using normal straws and popular paper known as Shantung. These hats were not durable but were very attractive and were sold in international market on the name of Panama hats. The main difference lies in the weft of the fabric, raw material used for weaving and weaving skills of artisans; while the fine hat is knitted two by two straw threads interwoven to form two layers that join in the knitting, the others are interwoven one by one. Time required to make a fine hat by weavers in Montecristi is much longer than that required by weavers of other regions. Because of this, production level of hats from Montecristi is low resulted in limited market and low profit margin; Cuenca hats using the name of Montecristi were sold every year more than the real Montecristi hats. Because of all above mentioned reasons hat weaving was started falling in Montecristi.

Because of low profit margin and huge amount of time & patience required for weaving Montecristi Hat (Panama Hat) younger generations started refusing to learn the trade and many of them migrated to seek more stable and profitable jobs. Therefore, for preserving the art form, there was a need to make it patent. Another reason for G.I was the competition cluster was facing from Chinese market. China captured roughly 40 percent of the worldwide “Panama Hat” market where as Ecuador only exported 0.1 percent of the global market for straw hats. China, the world’s top “straw” hat producer generates export revenue of $1 billion per year from the production of Montecristi-style hats. Chinese weavers usually make their versions out of paper. Therefore, there was a need to make it patent to Manabi province so that the customers can easily differentiate among the original and fake ones.

The Montecristi Foundation filed a formal legal action in Ecuador applying for Denomination of Origin status (G.I Registration) for “Montecristi” hats on behalf of The Artisans Association of Montecristi at Ecuadorian Institute of Intellectual Property (“IEPI”) in 2005. They alleged that there style of straw hat was the product known on the international market as the "Montecristi" one and that the community of Montecristi was responsible for the esteemed reputation of the straw hats produced in the surrounding areas of the Manabi province since 1630 and for the proliferation of the Montecristi name worldwide. They filled this petition with an intention to standardize the product, setting of specifications either at the product manufacturing level or at legal level for the cluster units to be a part of the branding initiative; to specialize/innovate/moving up value chain. Another major reason was for barring the use of label of "Montecristi Hat (Panama Hat) by hat makers of other province and other countries. In response to this various hat export companies and weavers mostly from Cuenca filed opposition to the petition on the basis that hats were not attributed to any natural factor of the location and panama hat or montecristi is a generic terms to describe straw hats. They also claimed that their hats are of comparable or superior quality of those from Montecristi.

As Ecuador is a party to the WTO, World Intellectual Property Organisation part of UN sent an inspector to see the process of hatmaking and check whether it qualifies for the protection or not. The inspector conducted physical inspection of the raw materials, manufacturing facilities, and final products from both the regions and supported the application from Montecristi after which the government agency IEPI sent the inspector for
the same. They also approved the application and thus Montecristi hats got the patent on the 26th of March 2007.

Initially, artisans were not using GI. In order to strengthen and to standardize GI application in Montecristi various initiatives were taken by private organisation in alliance with the state. Various workshops and trainings has been organized for spreading awareness among artisans about the importance and benefits of GI and how artisans can use it for fighting competition and increasing their profit margin. Association of hats producers from Pile and the Fine Hats Corporation has been created and they started working together with producers and independent artisans.

IEPI is designing official logo which will be used for the Origin Denomination of the Montecristi Hat. This logo will allow producer and stakeholders in the value chain to get the premium price that the product deserves. As soon as IEPI develops the logo it will be sent to the Presidency of the Republic for approval. At present, the regulatory office for the Origin Denomination has not started working, but there is a committee of the representatives of the associations of artisans and producers. When the use of the Origin Denomination is authorized, they will be part of the regulatory office that will be in charge of the control and the correct use of the mark of the Origin Denomination. Government is trying to position the trademark of Montecristi Hat at a national and international level. At present, e-commerce has been used for selling hats with low operative costs and almost zero sale costs as toquilla straw hat has build strong world wide image and through e-commerce customers can buy them from any part of the world.

All the initiatives helped local artisans in raising their awareness about the history and authentic technique for weaving Montecristi hat. Locals are now empowered to restrict the sales of hat dealers who make, sell, and export imitation hats because of which market and profitability of artisans has been increased significantly. Moreover, awareness among the customers about uniqueness of original Montecristi hats has increased and therefore they are willing to pay premium price for the same.

One challenge that the cluster is still facing is that the hats produced in the cluster are not of uniform quality and fineness, which can destroy the brand image of hats in customers mind. There is existence of know-how of the producers but it is necessary to redefine quality standards which can be followed by producers, the way to achieve the standards and means to check it. However, Ecuadorian government has started solving the problem through various initiatives like: organizing joint training quality course, training in new forms of organization and business management in order to achieve standardization and better quality of the product. Moreover, government is planning to take initiatives for technical modernization of the MSMEs, especially the environment friendly technologies through a national program of continuous innovation that fosters the progress and the increase their competitiveness. Government in also coordination with private enterprises and universities to promote investments on research and development as well as on training of human resources to provide technology access and knowledge.

A snap shot of branding strategy with milestones can be seen in the following table.

<p>| 19th Century | • In 1835 Manuel Alfaro started his trading business in Panama which increased commercial exposure of toquilla hats. |</p>
<table>
<thead>
<tr>
<th>Brand Building in Clusters to Improve Competitiveness of MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In 1849 because of passing by gold rush miners at Panama, straw hats became popular as 'Panama Hat'.</td>
</tr>
<tr>
<td>• Till mid of 19th century, hats became very popular and its demand increased in neighboring countries. Manuel Alfaro started exporting hats. In 1850 exports to only US was around 220,000 hats.7</td>
</tr>
<tr>
<td>• In 1856, Panama hat was introduced to the World's Fair in Paris where it gained more popularity and became globally known.</td>
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</table>

20th Century

<table>
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<tr>
<th>20th Century</th>
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<tbody>
<tr>
<td>• In the beginning of 20th century sale of Panama hats was promoted by Eloy Alfaro (Son of Manuel Alfaro) who later became first president of Ecuador. People says, profits earned from sale of hats helped him to finance Ecuador's liberal revolution. With the growing demand for Panama hats, production started in other region in Manabí and elsewhere along the coast.</td>
</tr>
<tr>
<td>• In 1904 president Theodore Roosevelt of United States visited construction site of Panama Canal and was pictured wearing Panama Hat, which further increased popularity of hats.</td>
</tr>
<tr>
<td>• Celebrities promoted Panama hats by wearing it during press conferences, events and in films.</td>
</tr>
<tr>
<td>• In 1925, Turkey made Panama hats their official headgear.</td>
</tr>
<tr>
<td>• In 1940's Panama Hats became symbol of masculine elegance around the world and became one of the Ecuador's main export.</td>
</tr>
<tr>
<td>• With growing popularity and hence demand, many countries around the world started manufacturing and exporting their own version of Panama hats.</td>
</tr>
<tr>
<td>• Sales of Panama Hats was on peak in 19th century but eventually it started to decline because of competition from other countries.</td>
</tr>
</tbody>
</table>

21st Century

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<tr>
<th>21st Century</th>
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<tbody>
<tr>
<td>• With increased competition and declining market share, Cooperative of Toquilla (Palmetto fiber) artisans filed a petition for GI registration with the Ecuadorian Institute of Intellectual Property.</td>
</tr>
<tr>
<td>• Soon Montecristi straw hat was recognized as the first registered GI in Ecuador on August 22, 2007.</td>
</tr>
<tr>
<td>• In September 2011, UNIDO started a project in Montecristi for strengthening and structuring GI application and building product reputation.</td>
</tr>
<tr>
<td>• Committee to support Montecristi hat artisans was established through UNIDO's intervention with the help of Ministry of Industry of Ecuador.</td>
</tr>
<tr>
<td>• The Ecuadorian IP Rights Institute introduced administrative procedures and organized information workshops for the GI application.</td>
</tr>
<tr>
<td>• The Ministry of Tourism established a local committee including various municipalities for the development of the Montecristi Hat Route.</td>
</tr>
<tr>
<td>• UNESCO has now added the Toquilla Straw Hat to it's list of Intangible Cultural Heritage of Humanity on in 20128.</td>
</tr>
<tr>
<td>• Under UNIDO project a local development plan is approved in 2013 and is being implemented.</td>
</tr>
<tr>
<td>• To promote the trade, the Government of Ecuador is trying for registration of the trademark in USA and in Europe.</td>
</tr>
<tr>
<td>• Moreover it is learnt that state is financing some activities like: joint training quality course, training in new forms of organization and business management in order to achieve standardization and better quality of the product.</td>
</tr>
<tr>
<td>• State is also planning to take initiatives for technical modernization of the product.</td>
</tr>
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MSMEs, especially the environment friendly technologies through a national program of continuous innovation that fosters the progress and the increase in the competitiveness.

- The State in coordination with private enterprises and universities is planning to promote the investment on research and development as well as on training of human resources to provide technology access opportunities and knowledge.

The graph above shows growth of panama hat market and strategy followed for the same.

IV. Branding Strategy and Conclusion

After facing number of challenges throughout its life cycle Montecrisiti hats has been able create its strong image in global market and is successful in getting GI registration. The learning that can be can be drawn from the study are:

1) Expanding market of product to places which have better marketing environment and have good connectivity with other potential markets.
2) Publicity through word of mouth is preliminary marketing strategy adopted by the cluster

3) Promoting the utility of the product; in this case Panama hat as best option for deflecting heat in summer

3) Building image of product in international market by participating in international fairs

4) Using celebrities and politicians for attracting attention of customers and building brand image of the product

5) Brand retention through GI registration or through formal branding of the product

6) Spreading awareness among customers about the difference between the quality of fake and original hats so that customers do not hesitate paying premium price for original hats.

6) Designing logo for ensuring authenticity of Montecristi hats

6) Using government support for registration of trademark in other countries as well
4. San Daniele Ham Cluster

I. Profile of the Cluster

Ham manufacturing cluster of San Daniele is situated in the north eastern part of Italy in the Udine district. There are approximately 31 ham manufacturing units along with 100 slaughter houses and almost 4,500 pig breeding firms. It is said that the local community started producing hams dated back to 1st century AD. Although during the decade of 80’s the cluster got its highest reputation globally as they started venturing into European, American as well as Asian market. Ham of San Daniele was accepted and preferred all over the world and the cluster could establish itself as a world famous brand in ham product. Currently the turnover of the cluster is estimated at EUR 335 million as per FY 2010-11.

San Daniele Ham did not become an internationally famous brand over night. The cluster had to go through lot of structural and institutional changes before it could reach to its brand value. Although one major advantage the cluster always had of favourable and appropriate presence of climate condition which is conducive for ham making. The weather of San Daniele is good enough to produce high quality ham. Apart from advantageous weather condition the cluster went through lot of systematic innovation where the quality was ensured and maintained by introduction of production cap for the member producers of the consortium.

Firstly, this negated the risk of falling in quality standard in order to increase in production to meet the demand in the market. The producers knew quality is the USP which separates San Daniele Ham from any other Ham.

Secondly, there was lot of aggressive marketing steps which were taken by the local consortium to promote San Dainele Ham. Throughout the 70’s and 80’s the consortium started participating in lot of trade fair all over Europe. This has helped the cluster to create a customer base at a pan Europe level and also the Ham of San Daniele started getting famous among the European customer. Consortium also relaxed the production cap for high quality producer and exporters. This encouraged the producers to focus more on quality and increase their market base beyond Italy and even Europe.

Thirdly, lobbying was resorted to by the consortium with the regional authorities as well as Ministry of Industry of Government of Italy to create a trademark for San Daniele Ham and safeguarding it. There was no trademark for San Daniele Ham till 60’s. Also there was no suitable law particularly related to Food processing industry in Italy. The Consortium realized that if San Daniele Ham needs to grow beyond the local and Italian markets, the product needs to be safeguarded as there might be compromise in quality standard in order to
maintain high production. Realising the threat the consortium wanted to have a trademark for their product and also lobbied for required changes in the law.

However the biggest innovation at the structural as well as in the system which happened to the cluster as well to the product are:

1) After getting the trademark for San Daniele Ham, consortium became the local administrative authority for monitoring and reviewing authority of trademark norms. As a result, cluster could maintain its high standard of quality by keeping close watch on the producers,

2) After maintaining the high quality standard, consortium introduced the self regulatory production cap for the high quality ham producers. This encouraged rest of the producers to adopt and aim for higher quality standards in their production process. It also would fetch a higher price in the market for the branded product as a result of limited supply and high quality product.

II. Cluster Uniqueness

Protected Denomination of Origin (PDO) products are typical products recognised and protected by the Italian State and the European Union. Products recognised as being Protected Denomination of Origin are typical products whose qualities and characteristics essentially depend on the area of origin, either based on environmental factors or production methods, as they are the fruit of the knowledge and experience of the people of the area of origin.

Requirements of PDO:
When a product is recognized as a PDO, the entire production chain - from the operator who obtains the raw material to the operator who obtains the product that goes on the consumer’s table - must comply with the Regulations of the European Union and the laws of the Italian State. Anyone who contravenes the rules of law incurs various penal and administrative sanctions, depending on the gravity of the offence. The area of origin, Production Guidelines and controls are the distinctive characteristics of PDO products.

San Daniele Ham goes through a very caring and specific process before it reaches the customer. The uniqueness of the product lies in its taste and pundits say conducive weather plays a very important role to make San Daniele Ham very tasteful. San Daniele is situated in such a location where it receives sweet dry air of Alps from north and salty warm wind of Adriatic Sea from south. This unique blend of weather provides a perfect condition for pig breeding and processing. Particularly during the time of processing (where the chunk of meat cutting from pig thigh are coated with salt and pepper) which takes several months (almost a year) this
mixture of unique weather helps the meat to remain perfectly tender as too much dryness during the processing period could have made the meat little harder and on the other hand, too much warm weather and excessive humid would not have allowed the meat to get processed for such a long duration.

Traditional process of producing is being followed till date. The local producers consider ham making in San Daniele as a historic process rather than a craft skill. Hence the producers even in today's competitive and high demand market still follows the age old traditional process and maintains the quality which is the USP of this product.

**Production Process:**
The process originates from pig breeding where through selection process help the best possible pigs to be identified for further processing. Once the pigs are identified they are given specific kind of diet which can maintain the specific fat content and size of growth which will happen over a period of 9-11 months. Only small to medium size pigs of 9-11 months are finally selected to become San Daniele Ham. Once the perfect kinds of pigs are selected they are slaughtered and only the thigh portion of the pig is taken to make the Ham.

Then it goes to the manufacturer for processing and final product. Thigh portion of the meat is coated with salt and black pepper and then it is kept for a period of 8-12 months. It involves lot of experience and skillful process to make the perfect San Daniele Ham. As there cannot be any chemical to be involved during the processing/ageing period hence right amount of salt is required depending upon the size and the fat content. This can be measured only up to a certain extent but finally it requires experienced value judgment for mixing of salt and pepper. Pressing is another important function during the process period as the fat content needs to be spread equally within the whole portion of the meat. Again it requires a skillful hand to put right kind of pressure which can only come with experience. Another interesting part which makes San Daniele Ham different from other **COMPETING PRODUCTS** is that the during the process period thigh portion are aged by keeping the outside skin of the pig which also provides a blend to the processing.

Once the ageing is over the San Daniele Ham is ready for the market. However again the whole process of Ham making is not just the duration and following these steps but also involves a very rigorous monitoring and reviewing mechanism at every stage of its making. Right from pig breeding, selection of the pig, slaughtering and months long process has to pass through certain review mechanism and at each step a stamp is being marked so that it can move to the next stage.

Finally the San Daniele Ham is ready with a DOP/DOT mark which will specify its originality. This stringent monitoring mechanism only makes the San Daniele Ham a high quality branded product which is known internationally. Production Process is mentioned below in the figure.
III. Branding History and Turning Points

Till the decade of 50’s and even 60’s San Daniele Ham was mainly consumed by the local market and to some extent at the national level. San Daniele Ham was always known for its quality but it did not have any reputation outside Italian market. Few progressive manufacturers realized the need to create market beyond national level and establish San Daniele Ham as globally known product. 14 manufacturers along with some persons from public life (e.g. lawyer, retired administrative office) got together and established the consortium of San Daniele Ham cluster in 1961. They realized immediately that specific trademark is essential to establish or create international market for the product.

Process of Brand Building:

Hence they decided, creating a trademark for the product would be their primary and major activity for next few years. Members of the consortium decided that the traditional process of making San Daniele Ham would be the criteria to consider a particular ham as San Daniele Ham. Accordingly consortium decided upon certain parameters which need to be followed through the entire process of making of San Daniele Ham.

Secondly consortium also decided upon certain identification marks which also need to be given which will
indicate that the product has gone through those particular stages and it has been reviewed and examined at every stage. Consortium collaborated with local Chambers of Commerce for submitting
1) List of traditional procedure which needs to be followed by the manufacturers and
2) Process of identification of such hams which satisfies those listed process.

However mere submission of the list was not enough either a very easy and quick process. As there was no such laws available in the country with regards to trademark particularly for the food processing industry hence consortium had to convince the authorities for framing such laws particularly for the food processing Industry which will also be needed to be framed within the national law. This required lot of lobbying with the central authorities. As there was no such precedence. The consortium also hired a legal expert to understand and frame appropriate laws pertaining to processing and quality control, so that non member’s of the consortium could not violate such laws. It took almost ten years of active lobbying with the regional as well central authorities and also continuous support of legal expert to frame and establishes a trademark for San Daniele Ham in 1970. However the success was partial as the consortium did not have the authority to implement the law.

**Market Expansion and Consolidation Phase:**
Once the trademark law was passed and established the consortium decided to promote San Daniele Ham in the European as well as in the American markets, as their next major activity. As part of strategy consortium started doing aggressive marketing and advertisement throughout the 70’s for promotion of their products. During this period consortium started participating in several trade fairs held in Europe. This Strategy of aggressive marketing turned out to be successful as the response from the European market was positive and sales increased considerably. Brand San Daniele Ham started establishing itself in the European market as there was increase in demand. Repeat orders started flowing in from the different markets of Europe and America. This was the direct result of the aggressive sales promotion and advertising strategies implemented by the consortium for the promotion of its brand with its distinctive trade mark.

**Changes in Market Scenario and Its Impact on Quality:**
Increase in demand in the European market as well as in the American market helped San Daniele Ham to establish itself as a niche product. The brand was easily recognised by the quality conscious consumers as that of San Daniel with its distinct trade mark and logo. The brand stood out in the competition and was distinctly recalled and identified among the many competing similar products stocked on the shelves of the retailer. This encouraged the manufacturers to increase their production to meet the demand. However consortium analysed this changes in demand in a different way. Consortium realized that sudden increase in production level in order to meet the flow of demand might lead some producers to compromise with the quality standard. This could be harmful in the long run as the USP of the product is quality. Understanding the importance of the scenario, consortium adopted a careful strategy to deal with the situation. Consortium also had to keep in mind a) the low level trust which exists between the consortium and the cluster firms b) conflict of interest as manufacturers are looking for maximum production and on the other hand consortium wanted to safeguard and protect the quality standard as that is the only USP for San Daniele Ham.
Under this delicate situation consortium adopted a balanced approach where at times they turned blind eye to some small mistakes at the same time they took some serious measures for major breach in quality standards. This helped the consortium to emphasis upon the importance of quality and helped the cluster firms to understand the same and at the same time it helped consortium to increase the level of trust slowly as firms started realizing the importance of following quality standard.

Consortium also took other major initiatives out of which signing MoU with consortium of Parma Ham Manufacturing Cluster in mid 70’s was a major initiative as it paved way for a cooperative approach between two competitive clusters who are producing similar kind of products. Objective of the MoU was to fight against the breaching of trademark law.

Demand kept on increasing throughout 70’s and 80’s as manufacturers also launched their products in the European, American as well as Japanese markets. High investment by the large food chain particularly in the 80’s increased the production capacity manifold.

This has forced the consortium to adopt another strategic decision in order to uphold the quality standard against the high production. Consortium introduced the concept of production cap for the member’s firms. It had put a cap on the production capacity depending upon the production capacity of each of the firm respectively. Consortium thought that it would help the firms to focus upon quality standards rather than maximizing the production. However firms did not accept it holistically as there was difference in the interest between Consortium and the cluster firms. In fact due to production cap during the period of early 90’s the production capacity remained even below 50 per cent what actually the cluster firms could have produced.

Meanwhile in the early 80’s Consortium had been vested with power of implementing the trademark law. This meant consortium also had the power to monitor and review the process of Ham making at every stage and not fulfilling the required compliances by the firms could result in to rejection in becoming final San Daniele Ham. This has helped the consortium to raise the bar of quality standards as they could monitor and review the process more closely and minutely with authority. Apart from introduction of production cap, Consortium also lobbied with regional authorities for not allowing any new enterprises to be set up in the cluster in order to further control in the potential increased in the production and more emphasis on the quality.

However Consortium realized that not allowing new enterprises to be set up might not be well received by the industry also it would not be fair to the new investors if stringent production cap continues.

Hence Consortium decided to bring some relaxation in the production cap system. First they liberalized the cap for high quality producer and secondly consortium also announced liberalization in cap for the manufacturers who wanted to export in the American and larger European market. However the most innovative policy steps taken by the consortium was of self regulation of production capacities in 1989. Finally during the period of mid 90’s only when the demand was low Consortium introduced the production cap formally as it would
not affect the industry much as the demand is low any case. This has helped the firms to focus upon quality standards and improved it.

The stages in which San Daniele Ham an undifferentiated product has gone through to become a Brand at the international level is mentioned below in figure 2

In the late 90’s Consortium could convince Ministry of Industry, Government of Italy for upholding and importance of continuing in quota in production. This has allowed the consortium to continue its emphasis and focus on the quality parameters in production which also translated among the industries.

In the mid 90’s a new set of guideline introduced by European Union with the aim of homogenizing the procedures to protect foodstuff trademarks at the community level. It required for establishment of independent certify agency for approving and certifying the product.

In order to further strengthen its emphasis on “quality” the Consortium established an independent quality certification agency in 1997. During that period only European Union also recognized San Daniele Ham as Protected Origin Denomination. The logos and the institutional system San Daniele Ham has gone through are mentioned below.
Quality Control Measures:

According to Sellier and Monin (1994), pork technological quality refers to a complex set of compositional and physiochemical properties such as water holding capacity, intensity and homogeneity of colour, softness, shelf life, processing yield, slicing yield, etc.

The important quality factors for cooked cured ham from the processors to the consumers are as follow:

- Good curing ability
- Good cooking yield
- Good slice cohesiveness
- Good shelf life
- Good homogeneity of colour
- Low marbling fat.

All the above noted quality factors were found to have been satisfied by the brand while adhering to the quality standards.

IV. Conclusion

San Daniele ham, a single undifferentiated and a perishable food product consortium successfully launched their brand through a well organised and planned institutional marketing approach to become a leader in its category of products not only in Italy but also in European and American markets.

Consortium has played a crucial role as the local governance structure of the cluster. On one hand it could establish itself as the central authority for the cluster and on the hand, it has been able to promote San Daniele Ham at the international level and established it as a brand. Strategically, Consortium could formulate and implement the appropriate steps. Once consortium identified quality as its Unique Selling Proposition (USP). San Daniele Ham the entire Marketing, Distribution and Sales Promotion strategy has been revolving around this main attribute. In a single perishable food product which could not perhaps be differentiated, the San Daniele Ham as a brand has successfully marketed its products not only in its home country, Italy but also in the international markets.

In a strategic move it got the approval from the European Union as the Protected Origin Denomination which further helped in enhancing consumer confidence on its product and quality. In the process of creating brand for San Daniele Ham in the international level, Consortium established institutional linkages with local Chamber of Commerce, various regional level as well as central level Government authorities, Consortium of Parma Ham Cluster. This has helped create an institutional mechanism which promoted and increased the brand value of the product. Success of San Daniele Ham will always be considered as example of how a food product having very little scope of differentiation was able to leverage its natural locational advantage to its benefit in becoming a brand of international repute.
Thailand, a Southeast Asian country, is primarily an agricultural economy where farmers constitute nearly 70% of the labour force. One Tambon One Product (OTOP) project initiated in 2001, supported by comprehensive government policy primarily aimed at improving economic conditions of its rural population. OTOP got its inspiration from One Village One Product (OVOP) of Japan where it was conceived as a movement aimed at rural development and spread to the countries of Asia, Africa and Latin America (Natsuda, Igusa, Wiboonpongse, Cheamuangphan, Shingkharat, & Thoburn, 2011). OTOP was a state sponsored program, implemented and managed by the state. The foundation for the program was community based enterprises which later spread to SMEs as well. Almost all the major ministries of Thailand were involved in the project from Ministry of Interiors to Ministry of Commerce to Ministry of Finance. Ministry of agriculture and cooperatives and Ministry of Industries were also among the important stakeholders in the project. The reason behind the involvement of all major ministries is to give holistic services to the enterprises. These services include skill development, design inputs, easy finance, market knowledge and exposure, linkages to the markets, Information and communication technology support and export linkages for the enterprises.

Under OTOP of Thailand, villagers were encouraged to choose and produce a product distinctive of the region and at a level that is nationally and globally acceptable standards in quality. Through OTOP, Thai government aimed at reviving the craftsmanship of the artisans’ communities, promotion of Small and Medium Enterprises (SMEs) and at an overall community development. Tambons are referred to the Sub-districts in Thailand. There are 7,255 tambons in 876 districts spread across 76 provinces of Thailand. OTOP encompassed more than 90% of the tambons, 22,762 villages, 37,840 OTOP producers (C.Zerrilo & Metz Thomas, 2007). Overall more emphasis of the program was given on ‘global market for locally produced goods.’

‘Thailand economy has historically been comprised of several many small mom and pop businesses’; the tradition of Community Based Enterprises (CBEs) is also prevalent since ancient times. Thailand was among one of the fastest growing economies of Asia during 1986-1996 owning to its competitive advantage of providing low labour cost. This is one of the several reasons why several of the global brands were manufactured in this country. However, it faced severe economic crisis after 1996, as China, Vietnam and India opened their market to global trade and took over the Thai competitive advantage (C.Zerrilo & Metz Thomas, 2007). The crisis left Thai craftsmen and entrepreneurs in difficulties as their products could not retain their market share. The development of small and medium enterprises and CBEs that did not feature in the framework of the government policies till that time received renewed attention by Thai government in 1997. Extensive and Elaborate Training Programmes on food processing, handicrafts and other off-farm income generation activities were organized by various ministries. Many entrepreneurs and SME’s started business but were unable to market their produce widely and catered largely to the local population (Phadungkiati, Kusakabe, & Pongquan, 2011). In 2001, the then Thai
government conceived OTOP program as a means to develop Thai expertise, Thai affinity, and Thai brands through development of CBEs and Thai SMEs.

Branding and marketing of the OTOP products were the twin objectives of the government to provide impetus to the development and expansion of the enterprises. Another major objective of the OTOP programme was to help increase the domestic sales and also exports of the products developed under OTOP. It was a branding exercise for the country as well. The avowed objectives were sought to be achieved through a process of Strategic Branding providing value added products from Thai enterprises to the domestic and overseas market.

The government first started OTOP certification to the products developed under OTOP and the products were marketed under OTOP umbrella. But prior to taking products to the markets it was necessary to develop products which had wide acceptability in the market. Products needed to have some unique selling proposition with a unique identity and ensure that standard norms of quality were followed without which it would be difficult for the products to sustain in the competitive market.

II. Selection Process of Products for Registration at OTOP

To provide a better coordination and control on the activities of OTOP Tambons Administrative Organizations (TAO) was created to look after each tambons. A National Level Administrative Committee was also formed with different sub committees under it namely Management sub-committee, marketing sub-committee, Product Promotion, Product standard and quality development and regional and provincial sub committees to effecticently administer and oversee each of the major functional activities of the tambons. (Kurokawa, Tembo, & Willem te Velde, 2010). The primary responsibility of the TAOs was to look after the effective implementation of the OTOP management and marketing strategies in their tambons and were responsible in bringing out a unique product from their respective tambons. For a product to obtain OTOP registration, Village Hearing Committees from different villages select products and recommend it to their respective TAO for the purpose of getting the products registered. The List of products recommended for registration, is reviewed at district or provincial levels before being taken to the local OTOP offices. However at times district or provincial officers directly contact producers for registering their products under OTOP. The products which come to the expected global standards on various parameters such as product quality,uniqueness with reference to the region in which it is produced etc are then given the registration as OTOP products.

Once the product is selected for OTOP, the producers are given financial and technical support, product design and packaging support, assistance for quality improvement and certification, enterprise management support other than providing market linkages for the products. Thai Standards Institute (TISI) develops standards for assessing the products and certifies product as per the standards developed by them.

A common logo for OTOP products was also developed for OTOP products to give it a distinct identity and image. OTOP products were classified into five types namely:
- Food
- Beverages
- Textiles
- Decorative items, Handicrafts and souvenirs
- Herbal products

Among the total range of products that were selected and covered under the common logo of OTOP, Decorative items, Handicrafts and Souvenir accounts for 36.8%, 25.1% were textiles, 25.9% were food products, herbal products constituted 10.9% and beverages 3.6%. Thus it is seen that Traditional Arts and crafts of Thai had the largest representation in the OTOP promoted products indicating the rich and popular culture of the country. (Source: Community Development Department, Ministry of Interiors, 2010).

### III. Marketing of OTOP Products

The Thai government launched in 2013 an innovating promotional scheme, in the form of Contest to encourage and promote the manufacture of Quality products by the members of OTOP. This contest was called OTOP Product Champion (OPC). The contest primarily aimed at encouraging competitiveness amongst the OTOP members in upgrading their products and bringing out new variants and Quality Products. Under OPC scheme CBES or SMEs, who are registered as OTOP manufacturers, are entitled to participate in the OPC contest. From the wide range of products participating in the OPC, the products are marked based on the following factors (Fujioka 2008, pp.156-158; Kurokawa 2009, pp.983-984):

- Export promotion through strong Brand Building Exercise;
- Stability and Production sustainability and stability of quality; PONT NOT CLEAR?
- Enhancing Level of Consumer Satisfaction through Customer Relationship Management
- Background of the product, particularly the use of locally available resources, knowledge and culture.

#### Classifying and Ranking Products on Quality:

On the basis of the marks secured by the participants for their products, stars ratings are give ranging from One Star to Five Stars.

1. The products which Secured Five Stars were of very high quality confirming to international standards and as such would have huge export potential and are given priority (being OPC products) over others for Technical Training, Invitation to Trade Fairs and Facilitation in building partnerships between producers.

2. The products with three and four stars are deemed suitable for local and national market respectively, these products would find greater acceptability among the domestic consumers.

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### OTOP PRODUCTS CHARACTERISTICS

#### Focused Marketing Strategy:

- World class Products
- Continuous quality development
- Built in cultural traits
- Distinctive look,
- Acceptable to domestic and international market under competitive conditions.
- Local yet global

(Source: UNIDO, 2002)
for its taste, flavour, uniqueness to Thai culture etc. as such would be suitable for domestic market.

(3) The products with one or two stars are found to have scope for improvement in order to find its place in the market. The rating process is an effective step in order to gain customer confidence in the products thus assuring the customers of a premium quality product.

The stars rating achieved by a product is reflected under OTOP logos on their packaging.

Effective branding was characterized by effecting marketing and establishing proper sales channel to reach its potential consumers. OTOP focused attention on this very aspect of the marketing strategy. Information and communication technology (ICT) tools were used widely, enterprises were given computer literacy and a web portal promoted by Thai government named Thaitambon.com was created to develop linkages between producers and export companies. The website host general information from every tambon in Thailand, provides information on the OTOP project, and is used to facilitate interaction between buyers and sellers, OTOP product e-commerce and help producers to exchange information and ideas. Information related to the programme was continuously transmitted to the villages by radio, via the website and by means of seminars and training.

Entrepreneurs are given incentives to participate in OTOP fairs in domestic and international fairs organized by Thai government and elsewhere. OTOP Retail Outlets were opened at national markets and also in international markets, thereby providing an opportunity for exhibiting the products of the member of OTOP to the international consumers. Prior to OTOP Thai products were not even known nationally, OTOP campaign by Thai government gave huge impetus to the products developed by the Thai CBEs and SMEs to exhibit and also for selling. Government recognition of the Quality of the products of OTOP members, by awarding stars and promoting it at national level and also through other forms of promotional activities such as exhibitions, trade fairs, etc lead to the increasing demand of the OTOP products in both national and global markets. Strong emphasis on improved quality and acceptability of the products helped OTOP to register and be recognize itself as a Brand.

Moreover the marketing and sales channels adopted by the Thai government like introduction of web-portal for OTOP products, organizing OTOP fairs and helping OTOP producers to participate in the national and international fairs, opening up of OTOP shops both nationally and globally and most importantly introduction of OTOP logo made OTOP itself as a Brand. Thus the products developed under OTOP assistance are marketed with OTOP logos with stars. All these marketing efforts resulted in 14% of the total sales of OTOP coming from Exports.
OTOP thus became a formal brand recognized and promoted by the Thai government. The foundation of the initiative laid in the year 2001 gained momentum in 2004 when the budgetary allocation for the OTOP was at its peak Baht 1500 million. **OTOP contribution was calculated at 2% increase in regional GDP and 6% enhancement in employment in Northeast Thailand where OTOP schemes were most popular.**

A total of 33,228 producers were registered under OTOP in 2010 with 66.8% Community Based Enterprises (CBEs), 31.1% single owner enterprises and 2.2% Small and Medium Enterprises (SMEs). The total of 85,183 items was registered under OTOP products (as per 2010 data). Sales output of OTOP products which was Baht 245 million in 2001 rose to Baht 77,705 in 2008. Domestic sales and export accounted for 86% and 14% respectively. The budget for OTOP which was Baht 800 million in 2003 rose to Baht 1500 million in 2004 and came down to Baht 400 million in 2008.

![Figure 3: OTOP Budget Allocation year 2003-2008, (Source: OSMEP 2008, Pg 21)](image)

![Figure 4: Source: Community Development Department, Ministry of Interiors, Thailand](image)
A few news reports suggest that OTOP was at its peak till 2006 in Thailand that led to the change in political leadership. Not much attention was given to the OTOP project, however, in spite of this neglect, the sales continued to increase but in decreasing percentage. Although the value sales increased from 2001 till 2005, the overall growth rate reflected a declining trend, from 583.35 in 2002 to 39.3% growth rate in 2004 over the previous year respectively. The growth rate declined to its lowest in 2007 (4.9%) and in 2008 (8.7%) respectively over the previous year. This indicates the impact of the changing political scenario and its impact on the sales of OTOP. This also reflects the impact of Branding on the sales of the products of OTOP. However, it is also being reported that OTOP is being revived in the country under a new leadership in power since 2011. The redeeming feature about the trend in sales is because of the strong brand pull marketing initiatives undertaken in the earlier years, the growth rate has remained positive. This is the result of Branding of OTOP products.


OTOP was able to sustain itself in spite of the political changes which swept the country change in focus and vision of the government. Lack of innovation and product development, low response to the changing demands and needs of the new generation of consumers, and the negative effects on the markets due to natural disasters like floods of 2011 led to a slower growth rate of the overall sales of the OTOP products.

Branding OTOP proved successful both in the national and international markets. As a result of branding, quality products were launched, communication strategy using e-marketing tools and traditional communication channels were effectively used by the Thai Government for marketing the divergent product groups and mix, both in the national and international markets which by itself is a challenging task especially in a fierce competitive markets. The effective marketing of five unrelated product groups under a common brand name itself was the greatest challenge faced by the Thai government. However, the Government by resorting to successful branding strategy was able to effectively achieve the desired goals of OTOP.

Also, OTOP project ensured that its products reached its potential customers by opening up OTOP shops, organizing fairs and exhibitions and using e-commerce. Most important the program being a part of comprehensive government policy also helped it in projecting itself as a brand. The nature of success can also be characterized by the soaring sales output which OTOP generated (Data mentioned above in Figure 4). Also, it is worth noting that the concept which started with OVOP of Oita (Japan), adopted by Thailand and achieved commercial success is replicated by many other nations including Republic of Korea, Philippines, Malaysia, Pakistan and Vietnam. The concept is also being adopted by some countries in the European Union and the United States.
How OTOP became a brand?

- Government backing to OTOP being a part of comprehensive government policy
- Holistic government support in development and marketing of the products
- Promoting healthy competition among the enterprises for innovative and quality product
- Use of marketing mix and government support in setting up sales channels both nationally and globally
- Attention on the finance, skill and technology upgradation to ensure high quality of the products.
- Classifying and Ranking products for their suitability to be launched in export markets.
- Using modern E-marketing techniques and Marketing Strategy for promotion of its products.

Limitations

- Excessive dependence of the entrepreneurs on the government functionary in terms of exploring sales channels, innovation and design support.
- Political Coup of 2006 - destabilization of the government
- Not enough attention from the government side to the OTOP after 2006
- Product getting monotonous and consumer taste is not taken into account.
6. Udine Furniture Cluster

I. Profile of the Cluster

Italy is one of the leading furniture exporter and second largest furniture manufacturer in the world. Italian furnishing industry is forefront in terms of quality of planning and product aesthetics, and Italian designs have played a dominant role as a global trendsetter. Udine region is one of the major furniture clusters of Italy which has evolved as major brand for chair manufacturing and is a byproduct of virtuous circle composed of quality workmanship, a winning manufacturing model adopted in the form of Industrial district (cluster) and constant technological innovation. In fact it is not exaggeration to say that the Udine Furniture Industry gained its brand value mainly in 1990’s courtesy to cluster development initiatives taken up by the local administration.

The Udine Furniture Cluster manufactures 80% of the total Italy’s production and 50% of the total European production of chairs. It mainly covers three municipalities of the province of Udine, namely Manzano, San Giovanni al Natisone and Corno di Rosazzo, which constitute the area known as “Triangolo della Sedia”.

The Cluster is spread across 100 square kilometres, has approximately 1,200 companies with 15,000 employees. 37% of them are big and produce finished products, 27% of them are Small & Medium Enterprises (SME’s) and produce semi-finished products or components and 36% of them are Micro units and carry out processing for third parties. The estimated aggregate turnover of the cluster is 2.50 billion Euros.

<table>
<thead>
<tr>
<th>No. of companies</th>
<th>No. of Employees</th>
<th>Annual Production</th>
<th>Turnover (Billion euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>444 (Large)</td>
<td>15,000</td>
<td>40 million chairs</td>
<td>2.50</td>
</tr>
<tr>
<td>324 (SME’s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>432 (Micro)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1200</td>
<td>15,000</td>
<td>40 million</td>
<td>2.50</td>
</tr>
</tbody>
</table>

Udine Furniture Cluster

The cluster produces up to 40 million chairs of all shapes and sizes especially but not exclusively out of beech and oak wood for offices, homes, hotels, cruise ships, hospitals and restaurants around the world. No-frills office swivel chairs made in the cluster are the most

Source: www.docstoc.com
innovative and unique of its own. Thus they manufacture a wide range of products catering to the needs of a broad segment of end users.

The Udine Chair Industry has become a vast industrial prototype. Some of the major competing factors responsible for their success of the cluster are as follows:

- Economies of scale, derived as a result of cordial network work relations among specialized enterprises, (ensured by the district in terms of costs), flexibility and competence diffusion;
- A strong initiative and drive towards exports, which is a tangible evidence of the district's ability to adapt to the market;
- A shared-knowledge system, which guarantees competence development and innovative process diffusion.\(^\text{10}\)

Since earmarking the region as Industrial District (Cluster) and as a result of various initiatives undertaken for the promotion and development of the cluster, the number of firms grew tenfold. This is because of highly specialized artisans set up on their own units, supplying individual parts to their neighbors who would then work them into the next stage of the manufacturing process before passing that on to another firm for completion of the final finished product. The entire product was broken down by different parts of the finished product, and each part was manufactured by a specialized artisan. Thus the assembly of parts together completed into one perfect finished Quality product. For example, one artisan would just do the leather upholstery and another would specialize in applying the varnish to the wood etc. This highly decentralized industrial structure, a type of extreme outsourcing network, became quite common practice in the cluster.

More than 50 globally renowned furniture brands are having their units/franchise in the cluster. Important among them are Minisedie, Afinox, Antiga, Arrben, Belca, Biebi, Billiani, Blifase, Borghese, Clabo, Demar Mobili, Drigani, Ellero, NIKROM, Friultone, Fantoni.\(^\text{11}\)

## II. Cluster Uniqueness

Creation of luxury furniture and furnishings for the high end user the hospitality and Contract industries by using high quality Beach and Oak Wood was the major USP of the cluster. Majority of the manufacturing firms in the cluster followed an innovative and unique furnishing concept involving more than 200 designs, which together form three different styles, each of these targeting three different distinct preferences of the consumers: Traditional, inspired by the 19th and early 20th Centuries; Transitional, the classical seen through modern eyes; and Contemporary, which harnesses the creative talents of top in house contemporary designers. In order to guarantee clients the greatest possible flexibility of choice, each of these design concepts can be customized and rendered unique by accessing a wide range of different quality materials and types of finishes such as a Matt or Glossy finish. What makes the Udine cluster unique is its style of production -characterized

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\(^{10}\) Source: http://www.hicoweb.net/WhatWhere/ProductionSectorsClusters/Chair.hico

\(^{11}\) Source: http://www.time.com/time/magazine/article/0,9171,1134710,00.html#ixzz2NP9jz5rO and http://www.time.com/time/world/article/0,8599,2047681,00.html#ixzz2NP7rRAkn
by optimization and continuous innovation- and more importantly, the designing and manufacturing process which gave them instant worldwide recognition. In udine, craftsmen operate the most sophisticated machinery for producing precision quality products. An eight-axis CNC milling machine allows wood to take the complex shapes associated with injection-molded plastic. Operating such a machine is an art and cluster stake holders disproved the modern myth that mechanized manufacturing is not a craft.

III. Branding History and Turning Point

The cluster evolved over a period of time in a natural manner. The process of its evolution is given below:

The traditional process followed in the production of chairs was influenced by the proximity of the Venice Republic where wood artisans from the cluster were learning furniture crafting skills before returning to their native homelands. In the beginning of the 20th century, the production of chairs gained prominence in the region. There are historic data to confirm that in the first 10 years of the 20th century, 10% of family “breadwinners” in the triangle region were working in the wood furniture industry. In 1927, there were 96 businesses in this industry, employing over 500 people; in 1951, the corresponding number of businesses number increased to 137 companies employing 1.273 workers. In this period, the cluster began to understand the significance of strategic competitive factors such as Design, product mix, end user segments etc. It also began to collaborate with important representatives of the Italian Style and it created a synergy between producers and designers. In 1997, the district inaugurated the first “Fair of the Chair” in Udine, which until today remains the only show of this type. In 1997 the government declared the region as an Industrial District (Cluster) and formed a competent Management Committee which has undertaken various collaborative initiatives for the promotion and development of the cluster. The committee then formed a market promotional entity called “Promosedia” to improve the brand image of the cluster by organising international exhibitions and facilitating the cluster firms in participation of international trade fairs and prominently exhibiting their entire range of products to the different markets.

Udine Chair Cluster is a brand of its own, which has evolved over a period of two centuries. However there is no legal entity for its brand and is based on the following factors:

- 80% of the Italian production of chairs and 50% of the total European production of chairs came from Udine
- The cluster produced up to 40 million chairs of all shapes and sizes which were exported to more than 60 countries across the globe
- More than 10% of the top 1000 branded furniture manufacturing companies at global level were from the Udine region.
- The cluster’s technical and productive competencies permit a bigger capacity to adapt to the market demands and allows for a system of sharing knowledge that guarantees the development and the diffusion of innovation. This internal dynamic character of the chair district explains the very nature of the district’s competitive advantage. This advantage is based upon the relation between productive chains of highly specialised firms and the regeneration of internal competencies.
Pre-branding market scenario and need for branding

Till the early part of 20th century, the cluster firms used to make furniture catering to the local markets. However with the invasion of the branded products from Venice and other European countries, the production and turnover of the cluster started dwindling. Another major problem faced by the then manufacturers was the availability of limited number of designs which was restricting them to cater to the demands of the local markets only. Lack of any support firms, limited linkages with reputed designers, Poor information channels regarding the export markets were some of the other major limitations which affected the industry during the pre branding period.

The cluster firms then decided to concentrate on the products where there was great global demand with limited competition. Then some of the important companies like Minisennie, Billianie and Borghese started manufacturing chairs of various sizes and designs targeting different end user institutional segments such as Hotels, Hospitals, Offices, Industries and other establishments. With the success of these companies registering a higher sales turnover, others companies also started manufacturing chairs and the manufacturing activity in the cluster gained momentum by the late sixties. By late nineties the cluster attained immense popularity for its quality range of products and innovative designs and became known in the international furniture market as “Chair Capital of the Europe”.

Process of branding

This phase also referred to as the “Great Transformation” of the industrial cluster after the recession in the 80s had its roots in its relationship with the individual and institutional customers in the furniture market. The cluster opted for a pro-active policy conquering the market instead of just being dependent on market demand.

By the late eighties, the division of work was very intensive within the district among companies that were specialised in one or two distinct phases of production. It is very rare in the furniture industry to find a company which undertakes all phases of the production process. Production within the industrial cluster was organised in a vertical method.

The different forms of Companies in the production chain are:

1. Micro Enterprises (Small craft) workshops which produce semi-finished goods or carry out highly specialised work (wood turning, bending, polishing, carving, varnishing, padding) commissioned by the other local manufacturers.
2. Medium-sized businesses which purchase semi-finished goods and carry out the final stages of the production cycle (assembling and finishing) and then sell the final product in the market.
3. Small industrial enterprises that carry out almost all of the production process, except for certain types of work destined for the sub-supply market.
4. Medium-sized industrial enterprises which are able to incorporate the entire productive cycle but which manage to outsource some of the production when overloaded with work.
This division of work played a major role in innovative production, marketing and developing and establishing the brand image for the cluster.

In order to make the cluster a force to reckon with the Government has formed an industrial district. This district was constituted by the Regional Law, n.27 in 1999. The Management Committee comprised of the representatives of the, Udine Province, Three Mayors, Four Entrepreneurs (manufacturers of furniture in the cluster), Representatives of Trade Unions and the Presidency of CCIAA (Chamber of Commerce). The District Committee organises and co-ordinates various projects pertaining to the cluster. The first activity of the Committee was to study and develop a comprehensive and complete development plan for the cluster. Based on the recommendations of development plan “Promosedia” a promotion company was started which not only organised furniture exhibitions but also was responsible for any conflict resolutions among various groups in the cluster. In general all the cluster firms had to follow the rules of Promosedia.

Since last decade with the active involvement of Promosedia, more than 80% of the cluster firms accelerated their exports and today the cluster exports to the entire world (approximately 70% of its production) with particular focus on the European Union (approximately 50% to Germany).

Today more than 50% of the manufacturing firms in the cluster developed trans-national cooperation with firms in other countries which has further strengthened the brand image. It would not be an exaggeration to say that this cluster would not have simply existed without foreign exchanges for purchase, sale and delocalisation but for the support and guidance from the Promosedia.

The Management committee of industrial district and Promosedia are also instrumental in linking the cluster firms with globally renowned designers from Milan. These designers helped the firms to create new designs as per the changing tastes of the European Market.

Some of the small firms, which did not have their own brand formed informal networks and started marketing their products through common/ collective brand approach. At present there are more than 20 such brands active in the cluster.

Confindustria Udine, the Apex Organization representing the Industrialists of the Province of Udine has also started contributing to the development of the cluster. The Association supports the cluster firms on a wide range of subjects ranging from economic-legislative consultancy to matters of working and industrial relations; from the environmental and safety fields to training and quality matters. The Association is connected closely with Confindustria (Italian Manufacturers’ Association), Italian public bodies, the delegation at the European Commission in Brussels and the National Trade Association (ICE). Through these connections, the association was able to internationalize the brand image of Udine Chair cluster. The association has also helped some of the firms with legal aid to establish their brands and move up the global value chains.
Hurdles faced and measures taken for product standardization

Market related issues:

Till late nineties the cluster firms used to produce all kinds of chairs and furniture items without understanding the European markets. In Italy and major part of the Europe the customers are style and brand conscious. They patronise stylish and trendy furniture. Lack of proper market awareness, improper distribution of work, price wars have led to decline in the aggregate cluster turnover.

The management committee, with the help of Udine University, started sensitizing the cluster firms about the changing customer demands and importance of inter firm co-operation for the development of the industry. They also started inculcating the process of “standardization” of the products so as to help develop the brand image. Initially the firms have shown reluctance for any major changes in their production standards, work distribution and introduction of modern designs. However with series of awareness programs, interface with designers and technical experts and formation of a market promotional company called “Promosedia”, the cluster management committee was able to bring in a paradigm shift in the cluster firms. As Promosedia started organizing exhibitions and exposure visits to international fairs, the cluster firms understood the importance of competitive advantage, brand building and work decentralization strategy.

As a result of the aforementioned initiatives taken by the cluster, some of the well known manufacturers in the cluster started manufacturing furniture to cater to sophisticated and stylish upper class end user segment. Accordingly they started experimenting with new and innovative product designs with the help of reputed designer from Milan. The cluster firms started adopting International standards and specifications in the process of manufacturing the items. In this way they were able to gain competitive advantage and a brand to reckon with in the rapidly changing furniture market.

Technology related issues:

Prior to the formation of the industrial district, availability of modern technology and machinery was a major barrier for the cluster. With the exception of few large firms, the smaller manufacturing firms used to depend on local suppliers of machinery, which did not have modern machines. In fact more than 50% of the process used to be completed with tools, leading to high employee drudgery. Since the skilled labour wages in Italy are very high, the firms used to incur losses due to higher labour costs.

However the industrial district management committee held interactive meets for the cluster firms with quality machinery suppliers of Livenza and Quartier Del Piave regions of Italy and Germany. Thus the manufacturing units in the cluster started purchasing from these quality machines from the suppliers. In fact the committee also encouraged formation of informal groups for purchase of machinery in bulk for better economies of scale. As a result of these linkages and formation of networks it not only helped the manufacturing firms to improve the productivity, reduce the operating costs but also resulted in standardization of the products. The overall productivity also increased considerably.
Initiative taken to strengthen market credibility and cluster brand promotion

Prior to the formation of Industrial District, the credibility of the cluster firms was mainly confined to domestic market and to some extent in Germany. However the District Management Committee took the following initiatives with the help of key industry players for overall developing

**Value addition to existing products:** Introduction of Integral Box Systems and innovative spring mattresses for sofas and chairs to maintain uniform structure, prevent springs from loosening and guarantee the long term comfort was a successful step. Orthopedic support, high quality bonnel spring system, bent and flexible health spine, frame of block wood were some of the other innovative value additions made to improve the luxury of the furniture. These product attributes provided the much needed support and phillip to the establishment of the cluster brand.

**Addressing changing buyer needs:** In the present changing buyer’s preference for furniture from antique and traditional furniture to stylish and smart furniture, with the help of reputed designers, the manufacturing firms started making style furniture.

**Product Diversification:** Other than making traditional wooden furniture items, more than 30% of the firms now started making chairs made of rot iron, plywood and stainless steel. These products helped in satisfying the specific needs of the different market segments on price, quality, style and other attributes desired by the customers.

All the above initiatives helped the cluster firms to penetrate new markets and maintain the credibility of their brands.

It is seen from the graph that the off take of sales was considerably higher in export markets for branded products as against the unbranded ones. Only in the domestic, Italian markets the sales of branded products was observed to be lesser than that of the branded products. The domestic market preferred to purchase unbranded products probably due to the price considerations. They domestic consumer showed their preference is trading off for a unbranded lower priced product against the higher priced quality branded product.

**Strategies adopted to motivate different market segments**

With the help of Promosedia, the district management committee organized exhibitions and helped the cluster manufacturers to display and sell to the different consumer segments in the global markets by attending international fairs. Some of the motivating factors are given as below:
European Markets: Since majority of the European buyers are quality conscious, the cluster firms catered only to the premium high quality, innovatively designed wooden furniture to them. The market comprised of high end institutional buyers who preferred to purchase premium quality furniture to suit to their luxurious office interiors and decors. Price was not an important factor in their purchase decisions, quality of the material used and the finish was what mattered to them. They used the phrase “modern and stylish furniture” to capture these high end markets.

Asian Markets: Since these markets were highly price sensitive, the firms propagated their less expensive steel and plywood furniture. A large portion of the end user segment preferred to purchase quality products but at a “reasonable or affordable Price”. In their decision making process, it was the “Price” and perhaps “durability” factor which ranked higher than other factors such as “quality” or “design” In this way the cluster was able to establish their brand image in markets like China, Gulf and India by understanding the consumer buying motives in this region.

Hospitals and Hotel Segments: The cluster firms started making orthopedic chairs with innovative spring mattresses which became instant hit in the hospital and Health Care Sector segment. The institution segments also were found to be hard negotiators on the price front. Since the purchases were in bulk they expected higher discounts from the cluster. The cluster catered to their requirements and thus established its market in this segment comfortably by offering a competitive price.

IV. Conclusion

With various cooperative initiatives taken by the Industrial District Management Committee in the areas of innovation, technology up-gradation, design development, quality control, marketing, the Udine furniture cluster became a globally renowned brand.

The major outcomes and impact of improved brand image and cluster model development are:

- Transformation from dominant family owned integrated manufacturing business to decentralized expertise driven manufacturing entities across the value chain, which resulted in improved quality, enhanced production and effective working operations.
- Strengthening of linkages with designers and machinery suppliers resulting in product innovation, adherence to European quality standards.
- At-least 50 big firms have obtained either ISO 14001 environment management system certification or ISO 9001 quality management system certification or both, which are essential for international marketing of furniture. This was made possible through the quality control initiatives of District Management Committee in the form of awareness workshops and seminars on quality improvement and management.
- At-least 40% of the firms which were catering to premium markets in Europe and USA with their stylish and modern customized furniture were able to increase their sales by 50 to 70%.
• With the help of Promosedia the cluster firms were able to penetrate new markets beyond Europe and are were exporting to more than 60 countries across the globe. In fact Udine cluster became internationally popular by the name of “Chair Capital of Europe”\(^\text{12}\).

• They developed different marketing strategies for different market segments and offered their range of products to suit to the customer’s requirements. The product and marketing mix was carefully chosen and with aggressive participation in the international trade fairs, they successfully established their brand. Effective use of pricing policies was also a feature of their marketing strategy for different international markets.

\(^\text{12}\) (http://www.docstoc.com/docs/80326364/Report-on-Italian-Furniture-Industry)
7. Valenza Po Jewelry Cluster

I. Profile of the Cluster

Valenza Po Jewelry Cluster is an extraordinary concentration of businesses with a rate of productive specialization which has few equals in Italy. Valenza Po which is identified as città orafa or città degli orafi: a City of Goldsmiths is the province of Alessandria where around 40 percent of the working population is employed in businesses operating in the gold and jewelry sector. It is, in fact, the most important Italian centre, and a worldwide leader in the production of hand-crafted jewelry.

Today, most of the economy of the area of Valenza Po revolves around the production and sale of jewelry, with 1300 companies (of which around 900 dedicated to production and 400 to sales). The predominant type of business is the small company (around 85% of the total), run as craftsmen's workshops, which makes the local products full of creativity and ensures high added value. The annual turnover of the companies in the district is 1,550 million euros, of which around 50% is realized through exports.

Every year, the district uses 30 tonnes of gold and 80% of the precious stones imported into Italy. Partnership firms and limited liability companies are found to be the most popular forms of organization in the majority of the family-run businesses. They tend to be small, with an average of 5-6 employees per company. Entrepreneurial turnover within the district is also high, indicating intense social mobility. The workforce specialized in gold jewelry production is almost entirely made up of local people. Sub-supply is widespread and characterized by stable and ongoing relationships between customers and suppliers.

Damiani, Bulgari, Pasquale Bruni (famous brands), Roberto Legnazzi, Leo Pizzo, Palmiero, Gaspari, Staurino Particolari Preziosi, Santagostino, and Moraglione are some of the major global brands of the cluster.

Some of the recent innovations in the cluster are diamond-trimmed writing instruments, key holders, and eyeglasses. Dramatic hammered-gold pendants and bracelets strung on multiple leather cords, gemstone spheres adorned with diamonds, with themes including symbolic, spiritual, and the Latin world are some of the recent developments which really captured the attention of high end European markets.

However, in recent years, marketing has become a critical concern for many small businesses and in particular for craft workshops. For many companies the participation in the sector's national and international trade fairs is almost the only opportunity they have to reach new markets. A majority of Valenza Po's firms are very small; they do not have their own brands but rather work for the few big well-known branded jewelry firms in the district.


Therefore a need was felt to take some collective initiatives to propagate Valenza industry as a brand\(^\text{15}\).

### II. Cluster Uniqueness

The district’s strong and unique points are a rich heritage of technical and professional know-how, accumulated in a tradition of jewelry production going back over 150 years; the presence of expert workers, whose knowledge is passed on and assimilated directly “on the job”; close relationships between the businesses; and speed in adapting to the demands of the market.

The traditional specialization of Valenza Po is the production of gold jewelry and the processing of precious stones for high-end markets. Its jewel-makers are artisans, world famous for their manual and creative skills and also for their quality products.

### III. Branding History and Turning Points

The brand name of the cluster has evolved over a period of time. The genesis of this form of local production organization was based on small enterprises and the rise of strong collective institutions to facilitate the internationalization of SMEs. Starting in the 1920s, the most successful firms shifted their focus from production to trade, which fostered subcontracting to smaller firms and the fragmentation of production (the average firm’s size decreased by one third from 1911 to 1927). Also the political and institutional setting of the district supported the development of jewelry specialization, entrepreneurial ventures and inter-firm cooperation, which still characterize the district today. Collective institutions played a key role in the entry of Valenza Po’s firms, including small artisans, into foreign markets starting in the 1950s, and they shaped the competition and coordination among firms. During the 1970s-1980s, private companies played a more prominent role in local production dynamics; local lead firms like Damiani and Bulgari, which developed close ties with foreign wholesalers as well as their own branded chains, continue to be the major players in shaping the cluster’s dynamics and brand image.

Having been one of the world’s leading exporter of jewelry for years, Valenza was deeply affected by the impact of globalization and then of the recession on its Jewelry production and competitiveness in foreign markets. According to ISTAT (Istituto nazionale di statistica) data, Jewelry production dropped severely in two periods: the first between 2002 and 2003, with an annual decrease by 18.7%, and the second starting in 2007, following an intervening period of stable production levels. The cluster’s Jewelry exports followed a similar path, feeling the first shock in 2003 and then the second in 2008. To a great extent, Valenza’s struggle in exports relates to the growing competition with China, India and Turkey in the shrinking U.S. market, once the biggest export market for Italian Jewelry(32.1% in 2001) and now just the third largest export destination (10.2% in 2010), behind Switzerland and the UAE (UN Comtrade data).

These two changes in the market situations led to the emergence of organized retail systems and the blossoming of the big brands in the industry. The goldsmith artisans were

\(^{15}\) Source: http://www.italtrade.com/focus/5175.htm
unable to face competition, as they were focused on the product and were not investing enough on markets and marketing related activities.

![Dual value chain of Valenza Cluster prevailing till 2005](image)

The twin crisis a drop in production and also decrease in exports, led to production and exports became increasingly concentrated in the hands of the two main lead firms, Damiani and Crova-Bulgari, which are among the biggest players in the Italian jewelry industry. There was a virtual monopolistic conditions created with these two companies dominating the jewellery market. Therefore a dire need was felt in creating a strategy for strengthening and commercializing the products made by the artisans and to bring about the much needed connect with the customers. Creation of a common brand for these artisans become necessary for the survival of the artisans.

**Evolution of the common brand**

Under the guidance and support of several local organizations such as the Municipality, the Province, Chamber of Commerce and foundations of different banking organisations and with the involvement of interested cluster stakeholders, the government has taken an initiative to work out a strategy for the development of Valenza Jewelry Cluster. The main objective of such an activity was to encourage and enhance the Strengths of the cluster and provide solutions for its main weaknesses that was poor Advertising and Sales Promotion efforts and lack of visual identification of the cluster with the territory.

In 2007, the consortium for the cluster brand (“Consorzio per il Marchio”) and the “DIVALENZA” brand were created. The DIVALENZA (“Made in Valenza”) brand focus was to position its products as “Original” and of “Superior Quality” of jewels created by the
associated companies. The cluster brand has made it possible to create a network of jewel sellers that agree on prices and made efforts to enhance and the product image.

The brand is engraved on every product produced in the cluster and guarantees that the jewel is not imported or made with imported components. The local big companies did not react to the launch of the cluster brand, as it was conceived as an asset to defend image and price in the independent retail system, the most important channel for the industry. At this level of implementation, the cluster brand mechanism did not seem to be a competitor for the local bigger producers which had their own established brands in the large-scale retail trade.

![Logo of the common cluster brand](image)

However success did not happen Overnight. It took AOV, the main Valenzano goldsmith association and local municipal administration almost 2 years to convince, form and propagate the common brand. Initially majority of the artisans firms were reluctant to form any consortium and opt for a common brand. They were not interested to share their designs and patterns on a common platform. The association with the help of local municipality and bank foundations had organized several sensitization programs on the importance of collective bargaining and common branding. It took six months to convince bigger players in the cluster, that a common brand for micro firms will in no way affect their established brand image. Slowly the firms started believing the concept of common marketing and today there are more than 700 micro firms who are the members of the consortium and selling their products under the common brand name.

Now the micro firms feel that the common brand is an efficient tool to communicate values at international level and to keep an effective dialogue with retailers and other partners. In order to make it more valuable when presented at international level, the brand was enriched with a catchy phrase emphasizing the “Made in Italy” emphasizing its positioning - “origin of the products. The brand still successfully maintains the idea of preservation of the product’s origin in the eyes of the customers, playing on the high reputation of the “Made in Italy” brand.

After stabilizing the brand image in the country, the consortium “CONSORZIO DEL MARCHIO DIVALENZA” applied for registration for the trademark in USA and other European countries and started selling the cluster products through the establishment of a network of franchise outlets in these countries.
The consortium has also helped the firms in product diversification to Bracelets made of precious metals, Tiepins, Brooches, Cuff-links, Horological and Chronometric instruments, namely, Timepieces, Wristwatches, Watches, Wall Clocks and parts. This has helped the cluster firms to upgrade their level in the global value chain. This shift from a single product to multi product offerings was made possible by organizing interface meetings with reputed jewelry designers from Milan and Rome.

With series of interactive meets the members were also explained about the importance of complying to Advanced Jewelry Testing, which was major entry regulation in US markets. This testing of the range of products was a process of the evaluation of fine, precious, semi-precious, costume, or children’s jewelry for Performance characteristics in addition to regulatory requirements. Regulatory testing can determine if products comply with requirements such as lead in surface coatings per 16 CFR part 1303, as well as California Proposition 65. Performance testing to customized standards for jewelry can identify how a product will perform for the consumer.

Thus a combination of regulatory and performance testing provided the consortium members with the ability to better manage risk and protect the common brand\(^\text{16}\) complying to the regulatory testing and performance testing increased the confidence of the customer on the originality and geniuses of the product for its quality standards. This also helped increase the brand image of the product leading to a higher acceptability among the target customers. It provided the much needed cutting edge to face competition from international brands of large conglomerates.

\(^{16}\) Source: http://www.italtrade.com/focus/5175.htm
IV. Conclusion

Outcomes/impacts of branding

The cluster is under transformation from a Vertical – big firms dominated structure to a horizontal system where in micro artisan firms started doing integrated production and marketing.

Formation of consortium and common brand helped the micro artisans to go for direct marketing both at domestic and international level. The dependency on bigger companies for marketing has been reduced by more than 50%.

The cluster firms understood the importance of maintaining quality standards and regulatory norms important importing countries and started following the same since last two years.

The aggregate turnover of the micro firms which used to be less than 30% at cluster level has been increased to 55%. The downsizing of employee strength during the recession period has been stopped and a positive trend is expected by the end of 2015.

Source: http://www.decon.unipd.it/assets/pdf/wp/20120150.pdf
I. Profile of the Cluster

Italy is the 8th largest economy in the world and the 4th largest in Europe in terms of nominal GDP as per the estimates of World Bank, 2010. The country stood the world's 7th largest exporter during 2009 (WTO Reports, 2010). The country is as rich in technology and entrepreneurship as it is in history and culture. Italy's competitive small and medium enterprises export nearly 30% of the country's GDP. Italy's closest trade ties are with the countries of the European Union, with whom it conducts about 59% of its total trade. For example, Italy's market share with Germany, France and Spain accounted for 12.9, 11.4 and 7.4% respectively during 2010 (CIA-World Fact Book, 2011). Ceramic industry is one of the major manufacturing sectors in Italy in terms of exports. It contributed to the nation’s earning at an estimated value of around $5.2 billion through internationalisation 12% of its output during 2010 (Fig. 1). In 2010, the industry's 284 companies employed a workforce of 37,990 people and generated a turnover of $8.4 billion, consisting of $3.3 billion on the domestic market and $5.1 billion million from exports worldwide (National Statistical Survey conducted by the Confindustria Ceramica Studies Centre on Ceramic tile, Sanitaryware, Tableware and Refractory materials industries for the year 2010).

The production and consumption of ceramic tiles by leading countries have been given in Fig. 2. China is by far the largest producer and consumer of tiles followed by Brazil and India. China produced 4200 million square metres in 2010 with an estimated annual growth rate of 8% during 2006 to 2010.

The export pattern of ceramic tiles has been studied to know the competitive advantages of the products manufactured by different countries (Fig. 3). Per cent contribution towards...
export by different countries has been calculated by dividing the export value of each country with total world export value. The export pattern of the countries, however, gives some different picture. Though, Italy was the leading producer and exporter until 1999, oflate China dominating the world export with a lion share of 36.8% as per the data recorded in 2010. Italy ranked second position with a world export share of 15.1% registering 3% rise in exports with sales escalating to 289 million square metres. Though, the production of Italian ceramic tiles is small in relative terms, most importantly Italian firms achieve the highest average price per square meter, a fact that reflects the high quality of Italian tiles, not only in terms of physical characteristics but especially in terms of features such as design, style, fashion, and image. Italian tiles are primarily shipped to developed economies and partner nations in the European Union. France, Germany and the US are the most lucrative markets for Italian suppliers and all three countries enlarged their purchases in 2010. The ceramic tile industry in Italy mainly concentrated especially around the city of Sassuolo.

**Fig. 2. Production and consumption of ceramic tiles by country**

**Fig. 3. World Export Share by Country**

**Fig. 4. Geographic distribution of ceramic tiles production in Italy**

**Key Features:**

From 1960s onwards, the ceramic sector has been the engine of the economical development of Italy. Therefore, its progress has had strong consequences not only on an occupational level but also it has made necessary adoption of company strategies and public policies in order to remain
competitive in the open global market. Italian production is concentrated in Modena and Reggio Emilia Provinces (around 81% of total production), especially around the city of Sassuolo.

Sassuolo, compared with other districts, is characterized not only by the high concentration of ceramic companies but also for the proliferation of complementary service and production activities linked to the cycle of tile production. In fact, the district is considered the productive and strategic centre of the Italian tile industry. It has been the world sector leader for years with a total turnover of about 2,600 billions in 1997. The importance of the district is also witnessed by the presence of many Modena-based ceramic companies listed on the Stock Exchange and by the presence of the National Association of Tile Manufacturers (Assopiastrelle) with its main offices in Sassuolo. The ceramic cluster, besides tile production, is also active in the field of research and technological innovation for the construction of machines suited for most different needs.

Sassuolo’s sustainable competitive advantage in ceramic tiles grew not from any static or historical advantage but from dynamism and change. Some key features that represent the most sustainable advantage of Sassuolo’s ceramic tile industry are-

1. Sophisticated and demanding local buyers, strong and unique distribution channels and intense rivalry among local companies created constant pressure for innovation.
2. Knowledge grew quickly from continuous experimentation and cumulative production experience.
3. Private ownership of the companies and loyalty to the community spawned intense commitment to invest in the industry.
4. Tile producers benefited from a highly developed set of local machinery suppliers and other supporting industries, producing materials, services and infrastructure.

II. Branding History and Turning Points

Tile production in Sassuolo grew out of the earthenware and crockery industry, whose history traces back to the 13th century. Immediately after world war-II, there were only a handful ceramic tile manufacturer in and around Sassuolo, all serving the local market exclusively. Demand for ceramic tiles within Italy began to grow dramatically in the immediate post war years, as the reconstruction of Italy triggered a boom in building materials of all kinds. Italian demand for ceramic tiles was particularly great due to climate, local tastes and building techniques. Sassuolo was in a relatively prosperous part of Italy. There were many who could combine the modest amount of capital and necessary organization skills to start a tile company. There were only 14 tile companies in Sassuolo during 1955; however, the number of companies grew up to 102 within a short span of time by 1962. The new tile companies benefitted from local pool of mechanically trained workers. The region of Sassuolo was home to Ferrari, Maserati, Lamborghini and other technically sophisticated companies. As the tile industry began to grow and prosper, many engineers and skill workers gravitated to the successful companies. The evolution of the ceramic tile cluster in Sassuolo can be divided in four thematic areas based on the cluster’s productive transformation due to foreign competition, changes in demand and effect of domestic industrial policies-
The Emerging Italian Tile Cluster: Initially, Italian tile producers were dependent on foreign sources of raw materials and production technology. In 1950’s, the principal raw materials used to make tiles were kaolin (white) clays. Since there were red but no white clay deposits near Sassuolo, Italian producers had to import the clays from UK. Tile making equipment was also imported in the 1950’s and 1960’s: kilns from Germany, USA and France; presses for forming tiles from Germany. Sassuolo tile makers had to import even simple glazing machines. Over time, Italian tile producers learned how to modify imported equipments to fit local circumstances like red versus white clays, natural gas versus heavy oil. As process technicians from tile companies left to start their own equipment companies, a local machinery industry arose in Sassuolo. By 1970’s, Italian companies had emerged as world-class producers of kilns and presses; the earlier situation had exactly reversed: they were exporting their red clay equipment for foreigners to use with white clays.

Mutual Relationship between Tile and Equipment Manufacturers: The relationship between Italian tile and equipment manufacturers was a mutually supporting one. In mid 1980s, there were some 200 Italian equipment manufacturers; more than 60% were located in the Sassuolo area. The equipment manufacturers were competed fiercely for local business and tile manufacturers benefitted from better prices and more advanced equipment than their foreign rivals. As the emerging tile cluster grew and concentrated in the Sassuolo region, a pool of skilled workers and technician developed, including engineers, production specialists, maintenance workers, service technicians and design personnel. The industry's geographic concentration encouraged other supporting companies to form, offering molds, packaging materials, glazes and transportation services. An array of small, specialized consulting companies emerged to give advice to tile producers on plan design, logistics, commercial, advertising and fiscal matters. With its membership concentrated in the Sassuolo area, Assopiastrelle, the ceramic tile industry association began offering services in areas of common interest, bulk purchasing, foreign market research and consulting of fiscal and legal matters. The growing tile cluster stimulated formation of a new specialized factor creating institution. For example, in 1976, a consortium of the University of Bologna, regional agencies and the ceramic industry association founded the Centro Ceramico di Bologna, which conducted process research and product analysis.

Sassuolo Rivalry: The sheer number of tile companies in the Sassuolo area created intense rivalry. News of product and process innovations spread rapidly and companies seeking technological, design and distribution leadership had to improve constantly. All of the producers were privately held and mostly run by the family members. In early 1970s, faced with intense domestic rivalry, pressure from retail customers and the shock of the 1973s energy crisis, Italian tile companies struggled to reduce their gas and labour costs. These efforts led to technological breakthrough, the rapid single firing process, in which the hardening process, material transformation and glaze-fixing all occurred in one pass through the kiln. A process that took 225 employees using the double-firing method needed only 90 employees using single-firing roller kilns. Cycle time dropped from 16 to 20 hours to only 50 to 55 minutes. By early 1980s, exports from Italian equipment manufacturers exceeded domestic sales. Exports represented almost 80% of total sales in 1988.

Internationalization: By 1970, Italian domestic demand had matured. The stagnant Italian market led companies to step up their efforts to pursue foreign markets. The presence of related and supporting Italian industries helped in the export drive. Individual tile
manufacturers began advertising in Italian and foreign home-based and architectural magazines, publications with wide global circulation among architects, designers and consumers. This heightened awareness reinforced the quality image of Italian tiles. Tile makers were also able to capitalize on Italy’s leading world export positions in related industries like marble, building stone, sinks, washbasins, furniture, lamps and home appliances. Assopiastrelle, the industry association, established trade promotion offices in US in 1980, in Germany in 1984 and in France in 1987. It organized elaborate trade shows in cities ranging from Bologna to Miami and ran sophisticated advertising.
9. Sinos Valley Footwear Cluster

I. Profile of the Cluster

Brazil is the fifth largest country in the world in terms of area occupying 42% of the South American continental landmass. With a nominal GDP of US $1.58 trillion, it is the world’s sixth largest economy and is the sixth most populace. Footwear clusters is one of the major sectors in Brazil contributing to the nation’s earning at an estimated value of around 1.6 billion USD.

China is the major producer of footwear holding 49% of market share with 28 billion USD in terms of world-wide export value. Brazil is the 9th largest producer country with 2% of market share and 1.6 billion USD of world-wide export. Though, the Brazilian leather footwear itself is small in relative terms to rest of country exports. But more importantly it contributes as a giant vital kingpin to the Brazilian economy because it is supported and feeds many related and supporting sector industries in a complex and integrated relationship.

There are approximately 7,500 related footwear industries in Brazil with an employment rate of 55 persons per industry and production rate of 775 million pairs (footwear-88%, footwear parts-10%, speciality footwear-2%) per year. It is estimated that 30% of total Brazilian leather footwear production is sold in export markets.

Footwear production in Brazil is divided in 3 main regions, each with different characteristics and structures.

1. North Eastern Region: In 2010, the largest producer of shoes and largest exporter in quantity was the northeast region, which includes the producing states of Ceara, Bahia and Paraiba. They were responsible for 45% of production and 71% of exports of the country. However, the industries...
in this region were specialized in the Rubber and Plastic which commands lower export prices, on average 5.82 USD, yielding only 40% of the total value of Brazilian footwear exports (ABICALCADOS, 2010).

2. South East Region: The Southeast region, and its main producer states of Sao Paulo and Minas Gerais, specialized on the production of men’s Leather shoes. This market commands a higher price, making the average export price to surpass 17 USD in 2010. However, the production in this region is catering to the domestic market only with less than 5% of its production being exported.

3. Southern Region: The South region, mainly as a result of the production of the state of Rio Grande, is responsible for 34% of the Brazilian footwear production and almost half (49%) of its export value. The main reason is the fact that the region is specialized in women’s Leather footwear that yields even higher prices, on average 23 USD in 2010. This region caters to the women leather footwear segment and specialises in its manufacture. This requires a good understanding of the customers preference of the designs and patterns and colours and requires a wide range of products as its offerings. They also have to be updated with the current trends in the international footwear industry. This is a highly competitive market and the market experiences very fast trends in consumer preferences.

Within this state, the small towns of the Sinos Valley, located within a radius of 50 kilometres of Novo Hamburgo, forms the nucleus of Brazil’s export shoe industry. The Sinos valley leather footwear cluster is the world’s largest footwear cluster.

This small region of Sinos valley is referred to as the shoe producing “Super Cluster” as it is almost entirely geared up to cater and serve various aspects of shoe manufacturing. It is located near Porto Alegre, capital of the State of Rio Grande do Sul and comprises 26 municipalities, whose major namely footwear manufacturers are Novo Hamburgo, Campo Bom, Parobé, Igrejinha and Sapiranga.

At the centre of the Sinos valley footwear cluster, there are 480 shoe producers. Of these, 48.2% were small firms, 34.6% medium sized, and 17.3% large units (Schmitz 1995). However, the proportion of small firms has declined sharply since 1971. According to Schmitz, the large firms of today were small two decades ago, and central to their growth was the location in a cluster with deep forward and backward linkages. Of late, there are important distinctions between large and small firms in this cluster. For example, the former tend to produce for export markets, the latter are more likely to cater to domestic consumers.
Similarly, large firms are more vertically integrated in production than small firms. Although recent trends suggest a pattern of downsizing and reorganisation of production in favour of smaller units, there is an underlying sense that in the Sinos Valley cluster large and small firms co-habit rather than actively engage with each other in production.

II. Branding History and Turning Points

The footwear industry in Brazil has its origins traced back to the arrival of the first German and Italian immigrants to the state in the year 1824 and 1875 respectively. The original intention of the then Brazilian Kingdom in promoting immigration was to protect the country from neighbouring countries’ invasion attempts while at the same time promoting the population of the country’s inland. Even though the immigrants originally settled to work as small farmers, their arrival served to diffuse knowledge about industry and crafting techniques that were commonly used in Europe at that time, including techniques about leather tanning and processing as well as the leather footwear, garment and accessories craft. The emerging leather craft shops established by the German immigrants gained momentum during the war against Paraguay from the year 1864 to 1870. During that period, leather equipment for horse-riding was suddenly in high demand which motivated investments in the expansion of the existing base of leather craft shops and also of tanning plants and a few machine manufacturers around the Sinos Valley Region. After the Paraguay War ended, entrepreneurs reoriented their resources and capabilities to the production of leather shoes.

The history of the footwear cluster in Sinos valley from the 1960s till date can be divided in four distinctive periods based on the cluster’s productive transformation due to foreign competition, changes in demand and effect of domestic industrial policies-1) import substitution 2) Rapid Export Growth 3)Chinese Shock and 4) Domestic Growth.

Import substitution (pre-1969): The period before 1969 was marked by the cluster of approximately 400 shoe industries in Sinos valley whose production was sold exclusively for the domestic market. During this time, a policy of import substitution enacted by the Federal Government reserved the domestic market exclusively for domestic firms and although there was no competition from abroad, the competition among domestic firms was intense. Thus the local firms were protected by the government, in so far as foreign players were not allowed to set up shops in Sinos Valley. Although firms were small and produced mainly low quality products, forward and backward linkages among firms were substantial and created the incentives for the establishment of specialized local suppliers.

Rapid export growth (1969-1985): This situation started to change in 1969 when the first export contracts were signed with US manufacturers whose contacts with the cluster were established in large part due to the collective action of a group of local businessmen that actively prospected export opportunities in Europe and the US by taking up vigorous marketing and promotional activities in the overseas markets, promoting the cluster products abroad and inviting prospect buyers to attend FENAC, the national trade fair.
These groups of firms also cooperated to lobby state and federal government for subsidies and export incentives. It is interesting to note that the main importers in the US were actually US based manufacturers that off shored their production to Sinos valley in search of lower costs and then distributed their products to retailers in the US. Once the first distribution network was established, Sinos valley rapidly grew to become a lead supplier of leather shoes to the US and European markets, with the level of exports growing 25% per year. In an effort to enhance the product appeal of the customers, product designs and specifications were supplied by the US importers through local agents and therefore there were little incentives for the local development of product and process innovations or for the emergence of local fashion designers. In order to capture economies of scale, specialization increased and firms shifted from small to large structures based on the concepts of Fordism and mass-production. Transactions among US firms and local suppliers were mediated by export agents, which collected a 10% commission from the local manufacturers. Despite the enmity from local manufacturers, which perceived them as mere rent-seekers, the export agents played the dual role of quality certifiers and innovation diffusers that became essential for the cluster development. The export agents conducted market surveys in foreign markets, on aspects such as prospective fashion trends in Europe, provided designs and product specifications and frequently provided technical assistance to local manufacturers to manufacture footwear as per the requirements of the customers in foreign markets.

**Chinese shock (1986-2000):** Disruption in the cluster’s export driven mass-production model came during the mid-80s from increased competition from China’s low-priced leather shoe manufacturers. This considerably reduced the market share of the Sino Valley’s products in the export market and forced the local firms to move up-market in search of products with higher value and “niches”. But this was not an easy task to accomplish, since necessary innovative capabilities were not developed by the domestic manufacturers in its early stages of market expansion and penetration in the foreign markets. Meanwhile, increased cut throat competition among US retailers was reflected and felt in Sinos valley. Because US retailers were attempting to achieve faster inventory turnovers they started placing smaller orders which needed to be filled in shorter lead times, which was very difficult to achieve under a mass-manufacturing Fordist arrangement.

Mass-manufacturers, with their highly specialized production structures and systems were very efficient in turning huge runs of undifferentiated products, but the rigidity that came with mass-manufacturing proved to be disadvantageous as they were required to produce smaller runs in shorter lead times. This was possible by adopting flexible manufacturing methods. As a result, the export oriented mass-production model became unviable and the large scale firms in the cluster started to turn towards more flexible production models (such as cellular manufacturing) with some firms closing down due to decreased sales. In the meantime, smaller firms that were able to produce efficiently in smaller runs, shorter lead times and produced quality products were able to carve out a niche market in export arena.

**Domestic growth (post-2000):** The collapse of the export oriented mass-production model in Sinos valley, caused by competition from China and changes in the US market, was reinforced by an increasingly appreciated local currency. The appreciation of the Brazilian Real, while fuelled by a booming export agriculture sector, added significantly to reduce the competitiveness of firms in the cluster. As the Brazilian Real became more appreciated
against other major currencies, Brazilian exports became more expensive, which made it increasingly difficult to compete with China in the US and European markets.

On the other hand, as the country’s growth process regained its momentum, starting in 2002, domestic demand increased as a result of the emerging middle class customer segment became the main target segment from which volumes increased for the cluster. With larger disposable income, the Brazilian middle class constantly increased its annual consumption of shoes, reaching four pairs per capita in 2010. Small and medium-sized firms in the cluster turned to this opportunity and redirected their productive resources and capabilities to the domestic market. The SME thus shifted their marketing strategies to include in its business plan, the domestic market and hence increased their sales volumes considerably. Although large retail chains continue to expand in Brazil, the domestic retail market was still fragmented. This fragmented market resulted in a sales structure composed of thousands of salesmen dedicated to serve the orders from individual retail stores. The retail orders were often found to be in small quantities with no fixed certainty in their repeat orders, causing a very volatile demand that required a production structure that was ready to deliver small production runs in short lead times. Nevertheless, this network of small and medium enterprises coexisted with a group of mass production manufacturers that invested substantially to create and market their own brands, which were distributed in proprietary networks of retail stores.

As a result, in the mid-90’s, large scale mass-producers started to relocate their plants from the cluster into the north eastern states of Brazil, such as Ceará, Paraíba and Bahia. In 2009, although Sinos valley still accounted for 58% of the Brazilian footwear exports in monetary terms, it lost 28% market share during the period 2000-09, mainly to clusters in Ceara, Paraíba and Bahia. Among these rising clusters, Ceará was responsible for most of the exports in the Northeast states with a 23% share of exports. Such migration to the northeast states was motivated mainly by the search for lower waged labour and lower state level taxes that could turn manufacturers back into a competitive position vis-a-vis their Chinese competitors.

Key Turning Points of Brazil Footwear Cluster

According to Schmitz (1995) there are two key turning points that have influenced the cluster’s growth trajectory and organisational structure.

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**Key Turning Points**

**Pre-1969**
- Low Quality Product

**1969-1985**
- Opening up of Export Opportunities
  - Rapid Export

**1986-2000**
- Reduction in export
- Increased competition from Chinese lower-priced leather shoe
- Restructuring of production organization
- Chinese Shock

**Post-2000**
- Restructuring of production organization
- Greater concern for quality & flexibility
- High domestic demand

Cluster Branding
1st **Turning point:** The first turning point dates to 1968-69 and is associated with the opening up of export opportunities in a cluster which had until then been producing solely for the Brazilian market.

2nd **Turning point:** The second turning point came some two decades later in 1987-88 and consisted of two aspects, both of which worked on the cluster in similar ways encouraging restructuring of production organisation and a greater concern for quality and flexibility.

### III. Conclusion

There are three critical factors to Sinos Valley's economic success Schmitz (1995) as follows-

1. **Backward linkages that shoe producers have with local suppliers of inputs, machinery and producer services:** Sinos Valley is distinguished from other shoe producing centres in Brazil by local suppliers of inputs: raw materials, and new and second-hand machinery; specialised stage firms and shoe component producers; as well as specialist providers of managerial, financial technical and information services critical to the industry. This provided them with tremendous cost advantage over its competitors. The local cattle ranching sector of Sinos valley, with a “cattle herd of 25 million heads”, supplies the footwear industry with leather. Within the confines of the valley, “most inputs are produced: uppers, soles, heels, insoles, insocks, shanks, glues, nails, eyelets, dyes, etc.-all of them are made for different technical specifications. In addition, most of the machines that turn these materials and components into shoes are made locally. It has been observed that for every job in shoe manufacturing there is a job in the local supply industry. Important services inputs in the shoe manufacturing industry such as Freelance Designers, Technical and Financial consultants and Specialised Transport services were also available locally itself at a very competitive prices Furthermore, local market information which is so much important for remaining in a competitive market, was made available by the publication of Two Weekly Newspapers and Four Monthly Technical magazines within the valley all of which specialised in the shoe industry. Availability of basic Raw Material, Services of designers etc, Infrastructure etc at a highly competitive rates was perhaps the most beneficial factor which made the cluster **Face the international competition.**

2. **Forward linkages between producers and buyers, especially export agents:** Along with the depth of backward linkages in the cluster, there are 70 locally-based export agents. Some of these represented leading US retailers. Other agents, Brazilian and foreigners who connect local producers to outlets in Europe as well as Brazil. To understand the significance of export agents to the cluster, one needs to understand the nature of the product market in which the cluster operates. Sinos valley produces women's leather shoes for highly competitive, demand-led, domestic and international markets. Emphasis is placed on consistently high standards of quality and on designs that keep pace with rapidly changing fashion trends. Design and fashion in the domestic market follow those in the US. Consequently, export agents, both local and foreign, play a crucial function as intermediaries between producers and fashion conscious retailers. They act as enforcers of quality and as the generator of new ideas.
4. **Strategic intervention of local support institutions in facilitating the cluster’s ability to “shift gear” and move into higher value added product markets:** Local support institutions, as well as trade associations, have also had an important part in facilitating the cluster’s ability to qualitatively shift in terms of technical and skill capacities as well as in breaking into export markets. The Sinos valley cluster has six trade associations that represent the specific interests of a range of activities related to shoe producing and carried out within the cluster. These associations are-

i. Shoe producers- (ABICALCADOS)  
ii. Tanners- (AICSUL)  
iii. Component producers (ASSINTECAL)  
iv. Machinery suppliers (ABRAMEQ)  
v. Component producers (ASSINTECAL)  
vi. Export agents (ABAEX)

The other local support institutes are Business Association (Novo Hamburgo), Shoe trade fair organisation (FENAC), Vocational schools (SENAIs), Technology centre (CTCCA) etc.

These associations have also had major contribution in branding and development of the cluster. They have played an important role in bringing the producers and suppliers on a platform for exchanging and solving their problems resulting in enhancing their growth. The Sinos Valley Cluster benefited from the expertise of the members of all these association which were locally established.
10. Danish Pharma Cluster

I. Profile of the Cluster

“Danish Pharmacy” refers to community retailing system of pharmaceutical products in Denmark. The pharmaceutical retailing – which is a quintessential of the overall primary healthcare system of any country – in Denmark is regulated, and has been controlled by the State. Delimit of regulation includes Quantity (number of outlets), Quality (a few mandatory services), Profitability (of pharmacies), Reach (presence across the national geography), and Prices (of pharmaceutical products), are some of the major areas identified for regulation by the Government. In spite of two decades of economic and political pressure to deregulate the pharmacy retailing market, the Danish Government decided to maintain the status quo. As a result of the regulated market, foreign direct investment in the economy got scuttled. In such a monopolistic market condition, the Danish pharmacies operated and controlled the entire pharmaceutical retailing in Denmark. However, pressure to deregulate pharmaceutical retailing sector has been burgeoning, as many other European countries have already done the same. Danish pharmacies have accordingly been gearing up towards facing foreign competition in the future.

In anticipation of the foreign competition in the Pharmacy Retailing Sector, Danish pharmacies have been attempting to strengthen Three Basic Pillars of the Danish pharmacy system viz., 1.Accessibility of medicines, 2.Quality of Service Offering, and 3.Economics. Through systematic and experiment based evolution, the Danish pharmacy has come a long way from being mere dispensers of pharmaceutical products to become a prominent provider of the healthcare system. Danish pharmacy was able to reposition its offerings by reconfiguring its value chain and consolidating its ‘offerings’ to substantially enhance its customer base. En route, the offerings of Danish pharmacies have witnessed seismic shifts and strategic evolution.

The case of Danish pharmacy is about redefining the conventionally understood roles and responsibilities of pharmacy system. It is a case of establishing its brand among the customers, and that too in a monopolistic market environment. This case demonstrates as to how an association – in this case the Danish Pharmaceutical Association (also referred as the Association of Danish Pharmacies) – has systematically metamorphosed the pharmacy system in Denmark from retailing pharmaceutical products to offering the entire range of health care to its large network of customers.. This case also highlights the fact that how a reconfigured value chain of pharmacy can be more contributive to the overall healthcare value system.

The Danish pharmacy system is organized to sell Prescription-Only-Medicines (POM) and over-the-counter (OTC) drugs. In Denmark, the Central Ministry of the Interior- and Health and the Medicines Agency control and administer through a licensing system. This is unlike many other European health systems, which are primarily operated by the counties. The authorities determine the number of pharmacies and their respective locations. The Ministry concerned determine how much the Danish pharmacies can earn cumulatively. Every second year, the Association of Danish Pharmacies and the Ministry of the Interior- and Health negotiate the gross profit, which corresponds to the contribution margin of the entire
sector for all products and services. In 2010 the agreed margin sum constituted around DKK 2.6 billion / € 349 million. The negotiations are shaped to cover operational costs of pharmacies, including pharmacists’ salaries, in the gross profits.

Centralized price fixation of Pharmaceutical Products (POM) is the summation of producer's/ importer's price, wholesaler's profit, pharmacy's profit, and VAT. The centralized price fixation mechanism ensures a uniform pricing of all pharmaceutical products (excluding OTCs) across the country. However, suppliers of pharmaceutical products change the prices every two weeks on publication of the new price list. POMs and OTC drugs are dispensed by following different entities:

Procedures for Appointment and Administration of Pharmacies retail both POMs and OTC drugs by keeping suitable and adequate stock in relation to the demand at a specified place. In order to open and operate a pharmacy, the proprietor is required to garner a license from the authorities; the former is responsible for the financing of the pharmacy and its operation. Pharmacies are also obligated to procure and dispense medicines that are not in stock but are being demanded by the customer. In order to become a proprietor, pharmacists need to obtain license from the Minister of the Interior- and Health. The Ministry also appoints new proprietor pharmacists, as and when existing pharmacists get superannuated. All pharmacists are required to be well versed with the operations and financial management of pharmacies, besides possessing managerial experience through appropriate professional qualifications.

(A) **Supplementary unit** is a pharmaceutical retail outlet owned by a pharmacist, who also owns another pharmacy. Unlike pharmacies that have different owners, a supplementary unit comes under the jurisdiction of a pharmacy owner. Another differentiating factor is technicalities associated with the equalization system (as explained later) among the pharmacies.

(B) **Branch pharmacy** is attached to a pharmacy and is operated at the pharmacy's expense. The branch pharmacy has its own independent premises and employs one or more pharmacists. Branch pharmacies can retail both POMs and OTC medicines.

(C) **Pharmacy outlet** is also a unit attached to a pharmacy and operated at the cost of the pharmacy in independent premises. The pharmacy outlet has professionally qualified staff with or without a pharmacist. Pharmacy outlets can retail OTC medicines and not POMs.

(D) **OTC outlets** are placed outside pharmacies, and run on the agreements with proprietor pharmacists. OTC outlets may also provide customers with prescription medicine and other pharmacy restricted medicine that has been dispensed at the pharmacy (including branch pharmacies) to which the outlet is attached. From October 2001, the pharmacies no longer have a monopoly to sell certain types of OTC medicine. It is now also possible for supermarkets, petrol stations and other forms of retail outlets to sell drugs, and it is therefore possible to compete on price. As a result of this change in the policy and practice of distribution and marketing of OTC drugs through retail outlets other than pharmacies, it also came under competitive market.
(E) *Delivery facilities* do not stock medicine. They receive addressed dispatches from one or several pharmacies and pass them on to the individual customer.

(F) *Internet pharmacy* is known as Apoteket.dk in Denmark. The only e-commerce pharmacy dispensing portal was launched in 2004 by the Association of Danish Pharmacies on behalf of all community pharmacies. This was Denmark’s only internet pharmacy allowed to dispense the full range of medicines, including POM. The portal is being operated by the association only. In addition, several Danish internet pharmacies offer non-pharmacy restricted OTC medicines. Legislation does not allow for web-only pharmacies, i.e. distribution of POM and OTC medicines via the internet alone.

Policy of Retailing: Multiple ownerships of retail pharma outlets in Denmark are not allowed, and thus, there is no pharmacy chain established in Denmark. However, individual pharmacists are allowed to own up to four pharmacies, including supplementary units. Also, pharmacists participate in purchasing associations. What is this? not clear Pharmacists nowadays tend to participate in one or more purchasing associations, which provide wholesale platform for buying, selling and marketing of medicines. Some of these purchasing associations are operating as companies, others act as associations. (Purchasing Associations appears to be incorrect pl check appropriate terminology? And replace it.)

Remuneration of pharmacies too is controlled by the government. The net remuneration of drugs is the same, regardless of the price and package size. There are no incentives for individual pharmacists or for the pharmacy sector as a whole to sell more expensive medicines. This is because of the fixed net remuneration per package sold.

In order to ensure availability of pharmaceutical products in the rural areas of Denmark, where the population base is smaller and the possibility of running a profitable pharmacy not viable the government devised an equalization scheme. Under the scheme, pharmacies with a relatively large turnover pay a sales tax to the pharmacies that do not have such high earnings. Generally smaller pharmacies are those that are located in smaller towns / rural areas. Those pharmacies that are located in urban areas and do not run profitable ventures, however, are not eligible for the scheme. On an average, about DKK 37 million are redistributed annually as a consequence of this scheme, and about 30% of all pharmacies receive equalization subsidies. It is important to note that the equalization scheme does not guarantee the pharmacies a certain profit.

Medicines in Denmark are joint responsibility of public and private funds. For the period of 2000-2009, the average public contribution for drugs and medicines was about 54.48%. Figure-1 depicts a timeline data on the same.

*Figure – 1: Share of public and private pharmaceutical expenditure in percent of total pharmaceutical expenditure (out-patient) in Denmark, 2000 – 2009*
Role of Danish Pharmaceutical Association

The Association has always been playing a pivotal role in the emergence of Danish pharmacies. It is a link between pharmacies and government, and negotiates and liaisons with the Danish Medicines Agency (DKMA) and the Ministry of Health. The Association has also been involved in policy advocacy with several matters ranging from pharmacy deregulations to pharmaceutical pricing. In addition to this, the Association plays a pivotal role in assessing the pharmacy system of Denmark, and makes strategic interventions involving all its members and other relevant stakeholders.

Key Facts

The number of pharmacies and other units fluctuate slightly but frequently. For instance, as on December 2011, there were 228 pharmacies, 18 supplementary units and 68 branch pharmacies (total 314), and 125 pharmacy outlets, about 600 OTC outlets, and 200 delivery facilities. The composition has slightly changed by September 15th 2012, when there were 226 pharmacies, 18 supplementary units and 70 branch pharmacies (total 314, but with changed composition), and 123 pharmacy outlets, approximately 600 OTC outlets, and 200 delivery facilities. The change in the number of units from 1990 to 2011 is given in the Table-1.

Table-1: Number of community pharmacies and other POM dispensaries 1990 – 2011

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<tr>
<td>Community pharmacies</td>
<td>307</td>
<td>338</td>
<td>331</td>
<td>323</td>
<td>322</td>
<td>322</td>
<td>322</td>
<td>320</td>
<td>318</td>
<td>316</td>
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<td>Of which:</td>
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<td>Branch pharmacies</td>
<td>36</td>
<td>41</td>
<td>43</td>
<td>47</td>
<td>53</td>
<td>55</td>
<td>57</td>
<td>59</td>
<td>64</td>
<td>69</td>
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<td>Supplementary units</td>
<td>0</td>
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<td>0</td>
<td>4</td>
<td>10</td>
<td>13</td>
<td>18</td>
<td>18</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>POM dispensing doctors</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Hospital pharmacies</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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<td>0</td>
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<tr>
<td>dispensing POM to out-patients</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Internet pharmacies</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>dispensing POM²</td>
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<tr>
<td>Total of POM</td>
<td>307</td>
<td>338</td>
<td>331</td>
<td>323</td>
<td>322</td>
<td>323</td>
<td>323</td>
<td>320</td>
<td>318</td>
<td>316</td>
</tr>
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</table>

POM = prescription-only medicine

1 Retailers which are allowed to dispense prescription-only medicines
2 The internet portal is serving community pharmacies, thus it is not included in the total number of POM dispensaries.
The total pharmacy turnover has more than doubled during 1990-2010. The biggest share is contributed by medicines, which accounted for DKK 9,663 million / € 1,298 million in 2010. OTC medicines and non-pharmaceuticals contribute a small part of the pharmacy turnover. Around 78% of the turnover comes from sale on prescription (POMs and certain OTC drugs that are dispensed only on prescription). 11% comes from the sale of OTC drugs, and 11% from the sale of free trade goods and services.

The pharmacy turnover with medicines increased 130% during 1990-2010, and 80% during 2000-2010 (Table-2). The share of OTC medicines in percent of the total turnover from medicine decreased from 18.8 percent in 1990 and 9.9 percent in 2000 to 7.5 percent in 2011. This is attributed to the change in the policy of including other outlets, other than pharmacies to retail OTC drugs.. There are considerable differences in the turnover of the individual pharmacies. In 2010 the smallest pharmacy had a turnover of DKK 15 million, whereas the average turnover was DKK 49 million.

Table-2: Pharmacy Turnover during 1990 – 2010

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</thead>
<tbody>
<tr>
<td>Total pharmacy turnover in million DKK</td>
<td>6,200</td>
<td>6,900</td>
<td>8,800</td>
<td>11,400</td>
<td>11,900</td>
<td>12,200</td>
<td>12,100</td>
<td>12,200</td>
<td>12,400</td>
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<td>Of which:</td>
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<tr>
<td>Turnover of medicines (total) in million DKK</td>
<td>3,950</td>
<td>5,479</td>
<td>7,167</td>
<td>9,275</td>
<td>9,694</td>
<td>9,700</td>
<td>9,500</td>
<td>9,430</td>
<td>9,663</td>
</tr>
<tr>
<td>Turnover of medicines (%)</td>
<td>77.0</td>
<td>79.4</td>
<td>80.5</td>
<td>80.9</td>
<td>80.9</td>
<td>80.0</td>
<td>79.0</td>
<td>77.5</td>
<td>77.7</td>
</tr>
<tr>
<td>Turnover of OTC medicines in million DKK</td>
<td>975</td>
<td>833</td>
<td>815</td>
<td>833</td>
<td>850</td>
<td>880</td>
<td>870</td>
<td>930</td>
<td>930</td>
</tr>
<tr>
<td>Turnover of OTC medicines (%)</td>
<td>18.8</td>
<td>12.1</td>
<td>8.9</td>
<td>7.3</td>
<td>7.1</td>
<td>7.0</td>
<td>7.0</td>
<td>8.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Turnover on non-pharmaceuticals in million DKK</td>
<td>166</td>
<td>530</td>
<td>839</td>
<td>1,068</td>
<td>1,178</td>
<td>1,290</td>
<td>1,363</td>
<td>1,445</td>
<td>1,475</td>
</tr>
<tr>
<td>Turnover on non-pharmaceuticals (%)</td>
<td>3.2</td>
<td>7.7</td>
<td>9.5</td>
<td>9.4</td>
<td>9.8</td>
<td>10.6</td>
<td>11.5</td>
<td>11.7</td>
<td>11.9</td>
</tr>
<tr>
<td>Turnover from sales to other pharmacies in million DKK</td>
<td>66</td>
<td>35</td>
<td>22</td>
<td>205</td>
<td>264</td>
<td>300</td>
<td>340</td>
<td>350</td>
<td>375</td>
</tr>
<tr>
<td>Turnover from sales to other pharmacies in (%)</td>
<td>1.3</td>
<td>0.5</td>
<td>0.3</td>
<td>1.8</td>
<td>2.2</td>
<td>2.0</td>
<td>2.8</td>
<td>2.9</td>
<td>3.0</td>
</tr>
</tbody>
</table>

II. Branding History and Turning Points

Strict regulatory environment, stringent control of pharmacy business operations, and monopoly in the market were adequate to make the Danish pharmacy system lackluster. While the government system had always been protective for the pharmacy system and always ensured its security, it did not sow seeds for efficiency, productivity, and innovations. For centuries, the Danish pharmacies were virtual monopoly in the Danish market, which made them vulnerable to competition. In mid 1980s, when the Danish government was
feeling the heat to bring reforms in the healthcare sector to check increasing costs, road to deregulation was appearing ahead.

This alerted the Danish pharmacies and its industrial association – the Danish Pharmaceutical Association. They geared up towards the necessary preparations in no time, and decided to assess their asset strength, offerings, network, and other strengths to tap available opportunities and create new avenues for improving efficiency and productivity. They focused on two major assets, which constituted their source of strengths (A) the first was the pharmacists themselves, who were well educated and possessed many years of experience in primary healthcare systems. (B) The second identified asset was the vast network of about 300 accessible pharmacies that were spread across the country. Pharmacists were respected and enjoyed trust of the people, and therefore, launching a new product or offering through them provided instant access to a vast number of the target consumers. However, the respect and trust was at the individual level that used to differ from person to person and area to area. Obviously, the Danish Pharmacy as a brand did not have equivalent respect and trust among the people.

**The First Round of Value Chain Configuration**

Identification of the said two assets, and associated challenges, helped the association to reposition their business offerings by reconfiguring their value chain. The associations' members unanimously concluded that a pharmacy could be much more than a dispensing place of pharma products (POMs and OTC drugs). They decided to remould the pharmacies as comprehensive sources of value added healthcare services, including providing vital health related information. They observed that people are better informed about the fact that beyond ensuring the availability of medicines and medical practitioners, government and private medicine manufacturers can not ensure healthy life for them, and the same needs their personal attention and self-initiatives. The Association took the note of the fact that people look for healthcare related information and advice, much more than ever before. However, the same is possible only through collective efforts of Danish pharmacies across the country. Only collectiveness in the efforts towards a single point agenda earn respect and trust for them, which will pave the way for their new offerings.

Drawing learning from the aforementioned assessment, the Association has decided on three interconnected broad areas – (A) to develop pharmacies as a more advanced knowledge and efficient service based business, (B) to strengthen its relationship with government healthcare agencies, and (C) to achieve the above two, reorganize the Association. The Association also geared up to put all possible efforts to protect its decades old monopoly in the retail market and its strong position in the wholesale market.

In addition to this, the Association members realized an incentive system would encourage and enhance efficiency in the overall operations of the pharmacy retailing. And since the government regulation allows only modest profits, pharmacies do not have any reasons to put extra efforts. It was therefore felt important to get a legislation enacted that would provide incentives to the pharmacies to put extra efforts toward enhancing efficiency and productivity. After a brief but intense perseverance, the Association succeeded in bringing about a change in the laws of retailing. In 1984, the Danish Parliament changed the law, wherein if pharmacies generate higher profits than what was fixed, they could keep it for that
year, until the next round of negotiations would take place. This gave the required boost to the Association’s reformative actions. For the first time in history, pharmacies immediately started rationalizing their operations and cutting extra staff strength. These actions resulted in dramatic increase in net profit. However, the same has witnessed concomitant setbacks as the Ministry of Health periodically decreased the profit limits.

Parallel to this, the Association took series of strategic steps, viz., to dilute its direct competition from the pharmaceutical industry, it set-up a subsidiary for its pharmaceutical manufacturing; undertook series of mergers in wholesaling space, and kept 25% stake in the largest whole selling player, which had 70% market share. On other front, the pharmacies started working on their ‘hard interventions’, i.e. pharmaceutical retailing. The Association realized that the ‘hard interventions’ needed to be accompanied by ‘soft interventions’ in order to complete the reforms. From 1982 - 1990s, the Association and its members have undertaken an array of strategic interventions to redefine its business model by reconfiguring the pharmacy value chain through expansions and diversifications of its service portfolio. They decided to play a major role in the overall primary healthcare system.

Pharmacies quickly expanded their product range to include Diet Foods and Nutraceuticals, High Quality Herbal products, Skin Care and cosmeceuticals. To ensure a successful launch of the range of new products, they coordinated marketing activities with suppliers to ensure Quality Control and develop informative literature and provided appropriate and attractive labeling for the entire range of the products. The pharmacies upgraded their customer information services by publishing and distributing self-help books and informative leaflets on preventive health care.

They installed computers for various purposes including accessing health information. Pharmacies launched their own Anti Tobacco campaigns by juxtaposing the same with sale of literature on the matter and anti tobacco chewing gums. In 1986, the association launched “stop smoking courses” coupled with educational programs and provided group therapy for the smokers to help them reduced their smoking habits. The Association, with the help of members, developed a database on drug-interactions and side effects for dissemination. The Association took a giant step and installed electronic pharmaceutical ordering system. In a complete shift from the traditional methods of drug dispensing, the pharmacies developed and launched home health care packages for newly discharged hospital patients.

They focused on routine healthcare necessities such as measuring blood pressure, sugar level, body weight etc. Pharmacies organized self-care packages for such routine health problems. They thus extended their product line to offer related service at the point of dispensation. This offered the “convenience” factor to the customer who came to purchase medicines. The pharmacies, as a result of above reformative actions, made larger profits than ever before in the history of Danish Pharmacy system.

The Initial Hiccups in Branding

However, the reconfiguration of value chain clashed with other value chains, which appeared as setback for Danish pharmacies, at least in the beginning. Other stakeholders of the healthcare stream had started considering many of the aforementioned activities as encroachments on their respective territories. For example, preventive healthcare counseling
and anti tobacco campaigns were considered by the medical fraternity as trespassing. For instance, the stop smoking course started by the Association was closed down due to huge pressure from the medical fraternity on account of its authenticity.

The doctors did not accept the role pharmacies in preventive healthcare counseling, and opposed it at the fullest.

Secondly, neither the government nor the people were ready for such seismic shifts. And consequently, many of the initiatives taken by the Association and pharmacies were considered suspicious, and some of them were thus brought down, whereas, many other witnessed natural deaths. For instance, pharmacies found very few takers for their home health care packages for newly discharged hospital patients, as hospitals and insurance companies did not recommend/accept them. Succinctly, many of the Association’s business model innovations kept running into regulatory hurdles, bureaucratic tensions, and political discourse. In many other cases, Association’s initiatives were considered as potential competition by other stakeholders of healthcare system, whereas, people were still not sure about the Danish pharmacies as a brand.

**The First set of Learning**

It was lucid that the Danish pharmacies were something inappropriate. The strategy had a few lacunas, which needed immediate attention.

1. The first issue was associated with the credibility of the Danish Pharmacy and its Association among the customers and other stakeholders of the Danish healthcare system.
2. The second issue was the perception among other stakeholders, wherein the pharmacies were considered as competitors.
3. The third issue was of breaking the age old system of primary healthcare, and culture of healthcare among the customers.

While pinpointing the issues and challenges in implementing its reformative agenda, the Association and pharmacies realized that reconfiguration of their value chain is not possible in isolation. The branding of Danish pharmacies is proportionate with its capabilities to form and reform its business alliances with other stakeholders of healthcare system to provide new value added service to its customers.

**The Reloaded Strategy and Success Thereof**

The Association realized that albeit it is a nonprofit organization, many of its and members’ (who were and are private business entities) activities already pose natural competition before some stakeholders. This was a big challenge before the Association and its members for forming strategic alliances in order to brush aside its stand alone initiatives, which earlier resulted in problems. And thus, the Association decided to behave less like a competitor in the newer areas of healthcare services and more like a co-producer of newer value added services. To implement the intention, for instance, the Association sold its pharmaceutical manufacturing subsidiary and withdrew from pharmaceutical manufacturing for the first time in history.
The Association observed that though it had been negotiating with government on several fronts, it didn’t have authority to impose reformative actions on its members. In many cases, the Association found it difficult to garner fullest cooperation of individual pharmacists, who were mainly technocrats by education and learned the art of business only through experience. The educational centre, which it had established in 1969 in Copenhagen, was involved originally in training of pharmacy technicians and providing continuous education in new pharmaceutical developments. As a part of its reloaded strategy, the Association broadened the scope of centre’s programs and included courses in Marketing, Services Management, Customer Orientation, and Business Skills. This helped Association to make pharmacists understand and appreciate its newer strategies and their potential benefits. Eventually, the centre has evolved as a think-tank for Association’s activities and their dissemination.

The Association geared up to strengthen its relationships with government and other stakeholders of healthcare sector. Before doing so, the Association first segregated all its commercial activities like wholesaling into a different company that started operating completely on commercial principals. The strategic planning, coordination, informational, and social services activities which were nonprofit in nature remained with the Association.

The Association developed alliances with Denmark’s national organizations for, inter alia, disabled, elderly, Asthma, Heart Disease, Diabetes, Epilepsy, and started working closely with Danish Consumer Council in areas like drug information and labeling. It went beyond Denmark and formed strategic alliances with pharmacy associations of other European countries. The Association strengthened its interactions with the World Health Organization (WHO), and advocated for latter’s involvement in pharmacy space as a part of its interventions in the health and healthcare areas. In turn, WHO instrumented European Forum by linking pharmacy organizations in WHO’s European region. In 1988, WHO issued guidelines recommending pharmacists’ central role in healthcare system as drug advisor. The Association took part in a International, Multicentre Study on the Pharmacists’ role in drug therapies, and appointed two renowned doctors – a professor in medicine and a clinical pharmacologist – in the project’s steering committee.

In 1992, the Association reintroduced its antismoking courses in partnership with European Forum and WHO, which was a big success, and WHO launched this course in other European countries through European Forum and respective pharmacy associations. In the same year, taking the due cognizance of the fact that both entities have same set of customer, Association’s commercial subsidiary acquired 10% stake in Denmark’s only ambulance operator. Together both the partners have devised newer set of services for elderly, home care, home services, and revived its earlier service for newly discharged hospital patients. All such interventions garnered a lot of support and acceptability for the Danish pharmacies, and established them as a prominent player of healthcare system. The Association has evolved multifold, albeit as world’s smallest yet one of the strongest associations. In 1996, the Association had more than $200 million of assets, which have grown exponentially in the years to come.
III. Conclusion

In the last decade, the Danish pharmacies have launched several new services, its acceptance among multi stakeholders including customers is their testimony. Currently, the Danish pharmacies and their Association offer a number of services, which are still far from reach in many other countries including, India. These services and their positive impact is as follows.

**Smoking cessation** is provided by many Danish pharmacies; this being a consequence of the prohibition to smoke in public places since August 2007. Smoking cessation has existed since the end of 1990’s. The service “A short talk about Smoking and How to Quit”, which has been subsidized by the Ministry of Health, was free of charge until 2010. Currently, a number of local municipalities pay pharmacies for smoking cessation courses.

**Dose dispensing service**: Started in 2001, all Danish pharmacies offer dose dispensing to avoid wrong dosage. The packaging is carried out by ten pharmacies delivering to the rest of the pharmacies. According to the Danish Medicines Agency, 46,500 Danes benefited from this service by the end of 2010.

**Medicinkombination.dk** is a service which is provided by the Danish Medicines Agency and which has been created in cooperation with the Association of Danish Pharmacies. Clear information about interactions for medicines bought on internet is provided. This service is part of the e-services also established on the website of apoteket.dk.

**Personal Electronic Medication Profile** (PEM) was launched in 2004 on the national health website www.sundhed.dk as a facility for all Danish residents. The Association of Danish Pharmacies was a driving force in the development of the site. The profile gives individual medicine users, general practitioners (GPs), pharmacists and, from 2009, primary care nurses, and an overview of medicines bought by patients. Drawing learning from the same, in 2007, the DMA launched a central prescription server, since then most prescriptions are electronically sent from doctors to pharmacies.

From 2007 the pharmacies also provided an **SMS-service** to help people remember to take their medicines. The SMS service is free, and people only pay ordinary SMS charge for the SMS service for confirmation and unsubscribing.

Danish pharmacies work in consonance with **Good Pharmacy Practice** (GPP). A good pharmacy Quality Service System is proposed to be implemented in all community pharmacies in Denmark. Quality of pharmacy services is checked via professional audits, mystery shopping and consumer satisfaction surveys. The development of a reporting and learning system is in progress. Standards for the quality of pharmacies are also being laid down in the widespread Danish Quality Model for the Health System (DDKM), where accreditation is externally audited.

While there are no compulsory nation-wide quality standards for **pharmaceutical counseling** in Denmark, in order to ensure a uniform level of quality in the entire pharmacy sector, pharmacies have formulated a set of common standards for counseling at the counter in 2007.
Other major impacts include waiting time for customers at pharmacies. Detailed studies on “Waiting Time” for dispensing drugs at the retail outlets carried out regularly from 2008. An average waiting time of five minutes or less at community pharmacies had been reported since then. A study of the Association of Danish Pharmacies as of October 2011 showed the result of an average waiting time of 3.7 minutes for about 414,000 Danes. Only 3.5 percent of the customers waited more than 10 minutes. The counseling time is on average around 4 minutes in a standard dispensing situation. Counseling in Denmark is remunerated as a part of the pharmacy margin.

A survey about the population’s attitude towards and expectations to the distribution of pharmaceuticals in Denmark shows that 97 percent of the population is confident that pharmacies ensure the dispensing of the right medicine. Overall, 88 percent of the Danish population is satisfied or even very satisfied with the pharmacies, which is on level with the general satisfaction with hospitals and on a higher level than many other professions. The Annual Report 2007-08 of the Danish Pharmaceutical Association reports that Danish pharmacies strengthened patient safety by checking patient prescriptions. The pharmacies contact doctors to correct mistakes in prescriptions more than 100,000 times a year.

The Association further claims that Denmark has the lowest generic medicine prices in Europe, because the pharmacy dispenses the cheapest variant of the right medicine. Generic medicine makes for 55 percent of the medicine consumption in Denmark but only 18 percent of the medicine expenses. All such interventions garnered a lot of support and acceptability for the Danish pharmacies, and established them as a prominent player of the healthcare system. New services and initiatives, and the processes to implement them, have metamorphosed the traditional pharmacies into modern and progressive business entities. Pharmacies have increasingly grown in terms of escalating their net profit by reducing the gross profits. Increase in pharmacy turnover over a period of time is a testimonial of the same (Table-2). Their services to the customers have seen multifold improvement, and have become a topic of study for many others. This equation also helped the Danish government to substantiate its non-deregulation strategy, which in turn helped the Danish pharmacy to sustain its monopoly in the pharmaceutical retailing. The Association has evolved multifold, albeit as world’s smallest yet one of the strongest associations.

Recently, the Danish Competition Council (DCC) suggested deregulation of the pharmacy sector on account of its rigorous regulation mechanism. The Competition Council recommended the following in order to deregulate the pharmacy sector and thereby enhance competition and efficiency in the sector:
Ownership of pharmacies should be possible for non-pharmacists and for corporations.

No limit on the total number of pharmacies.

Substantial raise in the number of pharmacies that can be owned by the same owner.

Maximum prices instead of fixed prices on prescription and pharmacy only drugs.

Removal of the equalization scheme.

Ensuring pharmacies in less populated areas through the use of tenders.

More liberal rules for the assortment and the opening hours in pharmacies.

Establishing an internet pharmacy should not be conditional upon ownership of a physical pharmacy and (internet) pharmacies should be allowed to send drugs free of delivery fees.

While, today DCC is in opinion that deregulation of the pharmacy sector by following the aforementioned recommendations, will realize significant benefits for society, the Danish Pharmaceutical Association defers from this view considerably. Though the Danish Pharmaceutical Association and its member pharmacies still do not want deregulation of pharmacies in Denmark, anticipating the danger to lose its identity and effectiveness in the wake of increased competition, it has already brushed aside through building a brand at the national and international level that can withstand competition from both domestic and international brands.
Annex: 2 Detailed National Case Studies
1. Pune Floriculture

I. Profile of the cluster

Pune cluster has in all 135 farmers (small units) and 16 large corporate units in 2011, with a turnover of Rs 340 Crores. 78% of the firms (small and big put together) had over 50% of their revenue from exports. Pune was the first cluster to start with the production and explore export potentials. The cluster accounts for nearly 30 per cent of the exports annually and the share is still growing. Roses lead the floriculture exports followed by other flowers like Carnations, Gerbera, and Birds of Paradise.

II. Marketing and Branding Enablers and Challenges

Support Institutions and infrastructure: Pune cluster also has the floriculture research centre, Instituted under the aegis of the Indian Centre for Agriculture Research (ICAR), the Directorate of Floriculture Research labs. National Horticultural Board (NHB). The cluster is also well supported by many institutions who directly/indirectly contribute to the growth of the industries. Some of them are mentioned as below.

- Agriculture and Processed Food export development Authority (APEDA)
- Maharashtra State Agriculture Marketing Board (MSAMB)
- The agriculture college Pune
- National Chemical Laboratory – tissue culture laboratory (NCL)
- Rose society (NGO) – helps in conducting exhibition
- Horticultural Training Center
- Maharashtra Co-operative Floriculture Development Society, Pune

Moreover, Pune has an industrial park especially for the floriculturists. The park is known as Talegaon Floriculture Park (TFP).

Growing Global Market: One of the encouraging factors for the growth of the cluster is the growing markets for floriculture both in terms of volume and value. The global export market for flowers stands at an estimated US $16.9 Billion in 2007, fresh cut flowers and foliage account for 49.1% (US $8.3 billion) and live potted plants account for 50.9% (US $8.6 billion). It is hoped that India’s floriculture industry likely to cross US $1.7 billion by 2015, as per ASSOCHAM.

Growing Domestic Market: The use of flowers has a special significance in the Indian culture. The growth of Tier-I and II cities coupled with the increase of disposable income especially in the hands of middle class people has increased the demand of flowers for various social gathering, functions and ceremonies. However, the present domestic market is still highly unorganized and mostly catered by tiny growers. The market for cut flowers has not been exploited by the Pune cluster. But there is a definite scope for the same. Moreover,

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18 Indian Floriculture Industry – Opportunities and challenges – Mr. K. Muthukumaran, CGM, EXIM Bank of India, Mumbai
18 Imported flowers are put under Phytosanitory regulations - subject to quarantine inspection.
18 Assochem and EXIM reports are close to each other on this.
18 As per EXIM Bank India reports
18 Dr NK Dadlani, FAO
Branding of Pune flower will open up lot of opportunities in terms of market expansion in the domestic market.

**Challenges faced by the cluster:**

Major challenges faced by Pune cluster are listed below:

- **Supply chain issues:**
  - Non availability of dedicate carriers for perishables.
  - The freight rates are high when compared to their competitors.
  - Inadequate cold chain
  - Supply chain management to different super markets is a major challenge in the cluster

- **Infrastructure and input supports:** The unit sizes of these farms in India are small and hence they do not get the benefits economics of scale. Seeds, planting materials are not readily available.

- **Manpower /skills:** The industry is not able to attract skilled manpower to the required levels.

- **Information:** Poor linkages between the farmers, R&D institutions. Even in large growers, gaps in technical information are evident.

**III. Branding strategy**

**Product Differentiation:** The worldwide floriculture sector is competitive. Barriers to both entering and exiting the sector are low. The costs of switching between suppliers or buyers and between flower varieties are also low. The flower production in most developing countries is destined for developed countries: the domestic market in developing countries is negligible. The sustainability of the industry is therefore determined by the competitive advantages and the strategic behavior. Hence it is suggested that along with low cost leadership the floriculture firms in Pune must adopt the strategy of “Differentiation”. The floriculture firms in Pune must increase their degree of Internationalization and adopt higher control entry modes. Joint Ventures will help the firms in getting access to new variety of flowers and helping in increasing their product portfolio.

**Focus in parallel on the growth of domestic market:** Floriculture production in India is facing good opportunity in terms of expanding domestic market, owing to the augmentation in the income levels of middle-class population and increasing penetration of cosmopolitan lifestyles in the large urban centers. One of the main drivers of this demand is again the youth segment which is becoming more refined in its tastes and fashion. It may be safely assumed that with very high proportion of young population supported by sustained 15-20% p.a. growth in salaries in the corporate sector, the demand for flower business will increase appreciably. Given this growth opportunity, the cluster should penetrate more on domestic market. It can also think of creating its own flower distribution chains and shops at major market places by creating a common cluster brand name.

**Understanding the Market Preference:** There is a need to understand the clientele and their preferences in terms of type of flowers, colour, etc. and prepare appropriate marketing strategy.
Bridge the Yield Gaps: Post-harvest management is the weakest link in Pune floriculture cluster. However, this can be reduced by 25 percent with more technical inputs and adoption of quality (vase life) preserving/extending measures. Value addition, particularly for loose flowers, in view of the increased use of flowers in the country for decoration purposes can be explored.

Collective Action for Branding: In the highly competitive industry, one way of ensuring viability is to pay attention to volumes. To ensure sustained supplies one needs to have consistent volumes of acceptable quality, which can only be possible if firms collaborate with each other and supply products jointly. Efforts should be made to create common interest groups in the form of association who can not only do common marketing but also create a common brand name.

Like in the case of San Daniele ham, a single undifferentiated and a perishable food product consortium successfully launched their brand through a well organised and planned institutional marketing approach to become a leader in its category of products not only in Italy but also in European and American markets. Consortium rightly identified quality and taste as its Unique Selling Proposition (USP) and developed entire marketing, distribution and sales promotion strategy revolving around USP. Such collective approach is to be encouraged among the units for branding, grading, packing, transporting, quality certification, supply assurance, market development, market promotion and R & D. For this purpose it is necessary to encourage some of the successful and experienced entrepreneurs to lead in the forming of such consortia. Through collective action, outlets overseas can also be initiated to spread the brand image of Pune cluster.

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2. Tiruchirapalli (Trichy) Fabrication Cluster

I. Profile of the cluster

Tiruchirapalli (also known as Trichy) fabrication cluster located around Tiruchirapalli city of Tamilnadu, is spread within a radius of 20 kilometers of Boiler Plant division of BHEL (Bharat Heavy Electricals). The major concentrations of the cluster are Thuvakudi, Thiruverumbur, Ariyamangalam, Vala Vanthan Kottai, Mathur, and SIDCO Industrial Estates. Additionally, there are units operating at private estates nearby places like Mandaivur, Pudukudi, Siruganoor. The cluster developed with the establishment and growth of BHEL Trichy boiler plant which came into existence in the late 1960s. The main product of the cluster is fabrication of parts on job work basis for the boiler industry (broadly classified as pressure parts, non-pressure parts), wind mill towers for the wind turbine industry and other industry. Almost 90% of the 400 units in the cluster are BHEL dependent) there are about 40 firms which have broken away from this and have their own clients and products; these are medium to large in size and have also grown to have their own exclusive product, catering to needs of diverse kinds of Industry like petro-chemical, cement, sugar, space, nuclear, domestic boilers as well as exports. These firms also provide strong network support (orders, mentoring, services) to other firms in the cluster. The cluster roughly fabricates about 2.5 lakhs tons for the boiler industry, about 60,000 tons for the wind energy industry and another about 30 to 40,000 tons to other industries. The value of the work is estimated as Rs 6500 crores.

II. Marketing and Branding Enablers and Challenges

Trichy is reasonably well endowed in terms of logistics. The fabrication infrastructure that has developed in this cluster is of considerable size and capacity. However, studies indicate that, the overall capacity utilization of the cluster firms is less than 40% and therefore the cluster has enough surplus capacity to meet the expected growth in demand upto 9 lakh metric tons per annum(with a value of around Rs.15000 crores), if only the power sector is taken into account.

Being a sub-contractor to BHEL has tremendously benefitted the cluster and is the main factor which has helped the cluster attains excellence in fabrication. BHEL has been the key source of technology and knowledge to the cluster. Some of the best resources in fabrication have been made available to the cluster through Welding Research Institute. Some of the top engineers of BHEL do a lot of mentoring and render advice to the units. By virtue of its association with BHEL the cluster has imbibed high technical skills in general fabrication and particularly manufacturing critical boiler pressure parts. Indeed many new buyers are coming to Trichy because of the BHEL vendor brand of the cluster. Currently 20% of the units in the cluster have this capability for manufacturing boiler pressure parts with others being general fabricators who also constantly strive to move up the value chain. The top 35-40 units

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19The following definition gives best description of what fabrication means “The process by which stock and custom sized material (i.e., bar, pipe, tube, plate, sheet metal and many others) are cut, sheared, coped, fitted, rolled and welded to replicate a design drafted most often by architects and engineers. This fabrication process is usually produced as a finished product with various types of finishes and polishes in mind”
mentioned earlier, have grown even beyond this to develop their own clients, own products and consequently having diversified products with their own in-house engineering, design and marketing capability. Promoted by some of the leading firms in the cluster a company, a huge state of art common facility centre is coming up in the cluster, with the support of Cluster development scheme of Government of India. With this the region will have a world class fabrication capacity built in the cluster. Trichy fabrication cluster which already has earned a reputation of delivering high quality fabrication in the country now has strong credentials to be called the "Fabrication Capital of India".

However, with all the capacity and capability, the cluster has been reluctant to look for markets other than BHEL. Even though orders from BHEL are not steady, the benign indulgence shown by BHEL in nurturing its ancillaries, through providing them with raw material, know-how (design, manufacturing and quality plan) has made the units complacent with rigid mindsets that resist change. Though some of the more enterprising cluster members have made break-through and have developed buyers both in the domestic and international market, it is inadequate and not commensurate with the potential and capacity available in the cluster. The individual marketing efforts of some of the leading players have their own limits. The close association with BHEL has also been a disadvantage as it has created a situation where the cluster firms have become used to depending on BHEL on what are typically entrepreneurial activities like marketing and manufacturing. Specifically, ability to expand client base, branding, bidding and negotiation, designing, manufacturing planning, procurement are some of the areas where many of the firms have had no need to develop competencies and have therefore become rusty from disuse.

The current policy of Government to allow private sector to compete with BHEL for power projects has brought several multinationals into the picture. These players have an obligation to have local manufacturing base and therefore have a need for developing an ancillary capacity for their orders. Instead of building new capacities they would be happy to utilize the under-utilized capacity and proven competency of the Trichy cluster-provided the cluster responds quickly to the big opportunity.

The cluster firms currently caters to mainly the power sector and that too one major customer, which has led to uneven order flows, underutilized capacity. Some of the more enterprising cluster members have acquired new buyers in other markets both domestic and international, through individual marketing efforts. This, however, is inadequate and the results do not reflect the true potential of the cluster. The individual marketing efforts needs to be augmented with a concerted effort at the cluster level to scale-up, to attract customers from other sectors. This will enable those firms which do not have the resources to do this kind of effort on their own to access new markets, further enhancing the cluster reputation and brand.

The cluster has to be ready to understand and adapt to new demands of their buyers, including its major current buyer BHEL. Compelled by changing dynamics in the power equipment manufacturing, BHEL itself is compelled to change its subcontracting relationship with its vendors in order to remain globally competitive. BHEL has already introduced policies like Away Centre Fabrication, PGMA (Product Group Design Manufacturing and Assembly) where it will force cluster to work in a “tierisation” mode, i.e., one lead firm taking the order and executing it through its own subcontractors. Also design detailing will be required to be done by cluster members and BHEL would stop doing this for the cluster
members. Cluster firms must understand and appreciate that these concepts are part of current world-wide good practices in sub-contracting and be prepared for the change. Buyers prefer to deal directly with only as minimum number of firms as possible, leaving their vendors to do sub-contracting on their own.

The subcontracting mode with new buyers is also going to be the same. Aligning with new business model of BHEL as well as with potential new buyers poses a big challenge to the cluster members. Emerging compulsions like PGMA (which is also what will be required by other buyers) and consortium marketing, manufacturing with own materials will be the new paradigm and cluster members must learn to adapt to them. This may mean cluster working on “tierisation” mode or as consortium i.e., jointly bid, receive and execute orders as consortium rather than individually. Engaging with other cluster members in small groups and developing competencies in joint behavior in marketing and execution is likely to become necessary.

III. Branding Strategy

Creation of Common Brand: Firms will have to go beyond individual to pool their resources, negotiate with their neighbours and do joint efforts to market themselves. Addressing cluster level problems successfully is not new to the cluster. BIDASS Industries association a company established and run by the cluster members is an outstanding example. BIDASS procures and supplies more than 95 per cent of quality consumables requirement, a critical input in the fabrication industry, at competitive rates. BIDASS sales over the last five years, has a CAGR of over 40 per cent.

Another major BMO, BHELSIA is an association in which more than 80% of the cluster firms are members. BHELSIA currently spends an enormous amount of time and energy in negotiating between member units and BHEL. BHELSIA could possibly think of a separate team 3 to 5 members which will take charge of cluster branding and marketing. To start with this committee must be involved in the action plan. The committee could also be given a quick training on what is possible (to see that their expectations are reasonable from the intervention programme) and also if possible have a quick visit to some of the success stories in other parts of the country

Brand Positioning and Promotion: The cluster must position itself as the preferred subcontractor for fabrication work for the Power sector. Making the plan work suggests that it must engage in doing strong promotion work at the cluster level with a strong need for developing and promoting a brand that industry will remember as sub-contracting destination for specialized, critical components with large capacity.

A specific action plan as one indicated below would be required to promote the cluster brand

a) Immediately engage with emerging new players in the power sector to ensure that they engage cluster capacity for all their sub-contracting needs. Cluster must bundle and project its enormous technical capability and skills acquired being vendors to BHEL.

b) Cluster must plan and conduct a series of well designed, well considered marketing events like own buyer seller meet, inviting and hosting delegation, visiting as delegation,
participation in exhibitions, workshops. The cluster must use every opportunity to show-case capability of cluster.

c) A well designed and planned web-portal for the cluster could be a useful marketing tool for projecting the cluster and promoting brand Trichy Fabrication Industry. The portal could operate as virtual facilitation meeting between members in cluster and buyers. Typically the web portal will have individual web pages for members, display of excess capacity, posting by buyers on needs. Within the cluster it could operate to identify excess capacity, sharing of excess non moving raw material which will promote internal efficiency and competitiveness.

d) Cluster members in small groups could engage with institutions like NSIC, TANSIDCO as consortium marketing especially for procuring government orders through tenders. This will be a learning experience in bidding and tender marketing and working in small groups.

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3. Ludhiana Knitwear Cluster

I. Profile of the Cluster

Ludhiana is an important knitwear centre located in Punjab (about 400 km from Delhi). More than half of the country’s hosiery products are supplied from here. Commonly known as the Manchester of India and also as the industrial capital of small scale industry, the city has a business community that has proved its entrepreneurial strength all over the world. It has a long history in producing knitwear for the Indian market and is known for its woollen/blended knitwear including sweaters, pullovers etc.

The knitwear industry in Ludhiana is highly decentralized and varies in size. The small knitwear units are located in residential areas around Sunder Nagar, Madhopuri, Brahmpuri, Shivpuri, Purana Bazar and Bahadur ke road. The medium and large units are generally located in the outskirts of Ludhiana in the Industrial Area, Focal Point, Chandigarh Road or Jalandhar road. Most of the units are based in the residential areas converted into commercial places. Only a few big units have their production units in eleven of the Government promoted industrial estates in the Ludhiana district.

Product-wise the Ludhiana knitwear industrial cluster can be divided into two main sectors i.e. summer wear and winter wear. The main products for winter wear are sweaters, socks, pullovers, cardigans, thermal wear, gloves, muffer, beret caps, shawls, jackets, jersey, and blankets, while for the summer wear the main product are T-shirts, cotton and blended socks, under garments, knitted bed sheet, knitted skirts, knitted tops, sportswear, night suits etc. Semiformal knitted made from double mercerized cottons blended with viscose and bed linen made for summer wear also fall into product basket of the Ludhiana cluster.

In Ludhiana, there are around 14000 industrial units of which 9800 are micro, 2800 are small and 1400 are medium units with a gross annual turnover of around Rs.5000 crores. This industrial cluster employs around 4 lakh people directly and indirectly. The direct employment generated includes skilled, semi-skilled and unskilled workers as well as those earning their livelihood indirectly through this industry. These indirect activities relate to the forward and backward linkages within the industry such as tailoring, embroidery, packing, retailing marketing, etc.

II. Marketing and Branding Enablers and Challenges

Product marketability: Ludhiana knitwear industry is doing Rs. 3629 crores business in the domestic market. The main markets for Ludhiana knitwear industry are high-end domestic markets in Delhi, Ahmedabad, Mumbai, Lucknow and Kanpur. There is also a low-end middle income mass domestic market including immigrants from Tibet and Nepal. Other major markets mainly those who constitute institutional buyers are the Government Departments, primarily defence and police.

The global knitwear market is of about 200 billion USD. Export of finished knitwear products from Ludhiana is of about 0.23 billion USD. The main foreign markets for Ludhiana knitwear industry are the high quality conscious Americans, Europeans and the market of the
Commonwealth of Independent States (CIS\textsuperscript{20}) countries. USA and EU are high fashion and design markets. The export being done to American and EU nations is primarily job work for big brands wherein the designs are provided by the buyers. There is very less export being done with manufacturer’s own label and that too is limited to Middle East and CIS nations only. The Middle East markets are low quality markets.

Presently U.S.A., Canada, South Africa, U.K., Germany, France and U.A.E are the main destinations for knitwear exports from India. West Europe, Australia, Japan, Middle East, Russia, Poland, Kazakhstan, Turkmenistan & Ukraine countries are big importers of knitted items. Yarn from India is exported to almost the whole of the world but more so to Bangladesh, Sri Lanka and Korea. China, Bangladesh, Vietnam, Indonesia, Pakistan and Sri Lanka give severe competition to India in the world market. The share of China alone in the world market is 24% while that of India is just 3%.

**Marketing channels:** The knitwear industrial cluster in Ludhiana is producing mainly woollen knitting wear for domestic market. Marketing agents are basically catering to the requirements of the domestic markets, both high-end and low-end middle-income segments. They provide two kinds of important services to the entrepreneurs; firstly they source orders from distant buyers and secondly they serve as a guarantor of the buyer for the manufactures. They are responsible for collection of money from the buyers after expiry of credit limit. The intermediaries take away around 6% of the sales as commission. This indirect link limits the feedback received from the final customers and results in low customer loyalty, besides reducing the profit margins. The knitwear sub-sector has five core distribution channels as mentioned in the above figure. The salient features of the existing marketing channel are as follows- a) horizontal networking among units specializing in different parts of the production process is working effectively; and b) information on market is shared among producers through intermediaries such as wholesalers, retailers and other marketing agents.

**Marketing challenges faced by the cluster:** Marketing is though not a weak feature of the Ludhiana cluster, but, it do not have its loyal customer base who demand only Ludhiana products. Moreover, individual and also collective brands are not known to the market. There are a few firms who are selling directly through their own retail outlets such as Duke, Sportking or through marketing channels such as Monte Carlo, Pringle, Jain Udhay, Neva etc. Many units are doing job work for big brands such as Raymonds, Wills, Allen Solly, Esprit, etc.

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\textsuperscript{20} CIS countries consist of (what was used to) the Soviet Union (most at least) such as Russia, Ukraine, Kazakhstan, Belarus, Azerbaijan, Uzbekistan, Turkmenistan, Georgia, Armenia, Tajikistan, Kyrgyzstan, Moldova
Govt. of India has allowed tax free import of garments from Bangladesh during 2010. Industry feels this will affect Ludhiana industry because labour cost in Bangladesh is less and also their productivity is more. Due to this the Branded retail outlets in India will outsource their product to Bangladesh. In Bangladesh garments/ knitwear industries have facility for tax free import of modern machines and therefore they are comparative cost advantages.

Some of the critical factors that can be termed as necessary enabling environment for any cluster to emerge as a lead player have been categorised into different indicators to know the branding potential of Ludhiana knitwear industrial cluster and described below-

- **Concentration of lead firms**: The knitwear industry in Ludhiana is highly decentralized, varies in size and highly fragmented with 70% of the units are micro in nature and a few medium (10%) players.

- **Raw materials**: Cotton, Wool, Acrylic, Polyester, Nylon and Viscose are the main raw material used in the knitwear industry. Most of the raw material is locally available. However, due to poor quality of Indian wool, generally the pure wool is imported from Australia, New Zealand or South Africa. Other synthetic fibres like Acrylic, Polyester, Nylon and Viscose are available indigenously. Due to high cost of imported raw materials, manufacturers earn less profit. In addition to this, high production cost reduces the chances of competitive advantage of Indian knitwear products in the world market.

- **Skilled workforce**: Effective entrepreneurial skills of Ludhiana industry stakeholders result in better management of orders and their negotiations and also help in direct control of operations resulting in cost-effective competitiveness of the industry.

- **BMO strength**: Started with a group of six local exporters, the Apparel Exporters’ Association of Ludhiana (APPEAL) has now 54 exporter members. This association accounts for over 80% of the cluster’s total exports. APPEAL participates regularly in foreign fairs. The Knitwear Club in Ludhiana also supports in carrying out various developmental activities such as training of workers and supervisors, introduction of new yarns, broadening of members’ product range, supporting technical upgrading and quality improvement, and energy conservation.

Another trade association, Knitwear and Apparel Manufacturers Association (KAMAL) has been formed to strengthen and promote knitwear business of Ludhiana. The main objective of the association is to give a common indigenous platform and a common point for buying and selling facilities to its members and also to the traders/ buyers of cluster products. This also helps build individual brands and show case them to the potential and real buyers from retail chains, institutional buyers, etc.

There are now at least 100 domestic brands in Ludhiana of which 60 of them are featured on Ludhiana Direct Factory Outlets (LDFO) which is a consortium of industries that showcase the best of Ludhiana apparel brands. The vision is to provide a world class shopping experience where the customer gets a wide range and world class quality at very attractive prices.
• **Market demand:** The knitwear industrial cluster of Ludhiana commands about 90% of the nation's output of woollen/acrylic knitwear. While the domestic apparel market in India is around 9 billion USD wherein knitwear has only 15% share. If we analyse the per capita consumption of fabrics, the share of knitted fabrics in the Indian market is around 3% as compared to the world average of 13%. Globally, the per capita consumption of knitted fabrics is 31 kg in the US, 20 kg in the EU & 24 kg in Japan, whereas in India the per capita consumption is 0.2 kg per annum. This shows that there is huge scope for growth of knitted fabric in India on export market.

**III. Branding Strategy**

**Creation of a common brand:** A common platform, common vision of stakeholder, common entity makes the branding process more effective and sustainable. It also helps enforcing the brand through legalised system and creating effective promotional measures. Though the initiatives of APPEAL and KAMAL has helped the cluster improve its competitiveness and gain reputation in national and international market, but there is also a need to promote cluster level brand through such common platform

**Product differentiation through continuous innovation:** Though, Ludhiana knitwear industrial cluster is known domestically for their design catering the needs of both high-end and low-end customers, however, the cluster is still lacking in new designs because of no efforts being put on R&D. Most of the small entrepreneurs prefer doing this job themselves. The big ones, who are interested in keeping themselves abreast with latest trends, visit nearby countries like Hong-Kong and Singapore to pick up some of the latest available samples. These are then modified to suit the needs of domestic market as well as that of some developing countries for exports.

**Market infrastructure facilities:** An international level exhibition centre for buyer-seller meets is needed so that it is easier for the buyers from abroad to visit Ludhiana. However, there is no proper infrastructural facilities available to conduct buyer-sellers meet regularly. There is no exhibition or marketing centre in Ludhiana where the marketing agent or the buyers can come to see the products and place orders. A huge amount is spent in this to conduct buyer-sellers meet through booking in costly hotels. There are no proper facilities for labour force since most of the labours are migrant labourers. Due to scattered location of industries, the common effluent treatment plants do not work. Some units have installed them individually but they are working at much lower capacities.

Favouring infrastructure is a critical factor for the success of any cluster. However, such infrastructure like work shed, electricity, water, roads, etc are not easy for small firms to develop. For this policy support is required. Zhili could establish itself as a successful textile cluster with able support from the state government of China. Production process became specialized and many entrepreneurs moved their production to Zhili town centre where they started production in a three storey house that served triple purpose of living, working and selling. The first floor was a retail outlet the second floor housed the production unit and the workers used the ground floor as a dwelling unit. Although the rent was high in the centre
there were lot of favourable conditions in the Zhili town centre such as credible market information, reduced marketing cost, easy accessibility to the labour market etc. which promoted agglomeration. Such facilities can be promoted in Ludhiana where units do not have proper housing facilities for labour and also do not have systems for showcasing and retailing products locally.

**Research, Development and Technological developments**: Work in the field of R&D is very low. There is not much design development and especially export houses rely on the overseas buyers to give them the prototype sheets to develop. Professional management is not perceptible in the cluster. A large number of machines are outdated. Even where new machines are added, there is huge dearth of trained operators for the same. The cost of installing completely computerized machines is too high and as the demand keeps changing after every few years, it seems risky to the exporters.
4. Ambur Leather Cluster

I. Profile of the Cluster

Ambur footwear cluster includes footwear and footwear components including tanneries which supply main raw material for footwear production. The footwear components include the intermediate goods, i.e., shoe uppers that are either sent to larger units for finishing or sometimes it is exported directly. In both cases, the production is mainly for export markets in USA, Germany, Italy, UK, Portugal, France, Austria, Netherlands, Hong Kong, Denmark, Switzerland, and Australia.

Large firms (having production capacity of more than 5000 pairs per day) and medium companies (having production capacity of 1000 to 5000 pairs per day) are the major exporters who directly send their products, whereas, the small or tiny companies (having production capacity < 1000 pairs per day) mostly produce goods and supply to medium or large firm. These firms produce mainly shoe uppers. The cluster is home to 12 large firms, about 40 medium firms and approximately 30 small companies, producing around Rs.3000 crores worth of products annually.

The cluster produces more than 90% of its products for branded shoe companies; especially European brands. Some of them are- Clarks, Gabor, Kickers, Hotter, Hugo Boss, Geox, Bikembergs, Bata, Deichmann, Colehann, Florshiem, Elefanten, Falc, Timberland.

II. Marketing and Branding Enablers and Challenges

Quality raw material, technology and skills: The main reason for the global buyers to do business with the cluster firms, is because of the good quality of raw materials and manufacturing excellence in terms of technology and skill. The main raw material which accounts for about 65% in footwear is the finished leather which is adequately available in the cluster and other clusters in India. Most of the footwear companies are originated from the tanneries. These tanneries have started making footwear components after realizing better margins due to value addition locally instead of selling the finished leather. Concentration of tanneries and footwear units in close proximity is a big strength of the cluster. Moreover, the cluster is located on the highway connecting the two major cities in Southern India, Chennai and Bengaluru giving advantage of good connectivity with market, export infrastructure etc

Another success factor is availability of skilled laborers resulting in low cost of manufacturing. The leather manufacturing units are competent to make any type of product infusing fashion into leather. The technology used in production has also sophistication in terms producing high quality products for export market.
Well organised marketing channels: Most of the buyers are international wholesale dealers (Fenili, etc.), large brand owners (Gabor, Diechmann, etc.) or large retailers (Marks & Spencers, etc.). These buyers have their agents in India who are responsible for quality of the products and delivery schedules. Generally the orders are booked for one season in advance. For example, for the footwear products to be sold in the winter season in Europe, i.e., from September to February, the production would be booked in April or May and dispatched by June. The products are approved by the customers prior to the production. Generally, the sampling and trail production are done during February or March. A flow of business operations is as shown in the following.

Production in the cluster is on order basis only; none of the manufacturers sell shoes directly in the market. Normally the footwear companies do not change the customer very often. The product lines are dedicated to specific buyers for several years. Some companies have even worked for more than 15 years with the same buyers.

Outsourcing possibility is another important component in the cluster. While the exporters or large manufacturer have their own manufacturing facility, there are many firms outsource finished leather manufacturing and shoe upper manufacturing work to small units and thus able to execute big export orders.

Development support: The Government in federal as well as at the state level has promoted leather industries through various schemes like Indian Leather Development Programme, Integrated Development of Leather Sector, and Subsidy scheme for CETPs, etc. This has lead to creation of appropriate infrastructure for the cluster.

Marketing and branding challenges

Large firms have the capacity to do innovations in the product due to their close reach to the international clients and market. Buyers provide the designs, in the form of sketches or photos. Large firms decipher the details of the sketch or photo into the details of manufacturing. They produce prototype of shoe and send it to the buyers. The firms are capable to make changes in the design based on the feedback provided by the buyers. But MSME units depend on the buyers for the design requirement. In other words, the small firms are like contract manufacturers for the big brand and depend on them for designs. They do not have appropriate knowledge and systems to innovate new designs and offer directly to the market. This dependency for design requirements is a challenge currently faced by the industry creating limitation for the SMEs from establishing their own ‘brand’ in the market. Low marketing skill levels and limited exposure to export market also limit market reach.
Though there is huge potential in domestic market, the MSME units are not yet capable enough to capitalize on this opportunity. For the firms, entering the domestic market seems a major challenge because of huge investment required in retailing which the individual MSMEs do not have.

**III. Branding Strategy**

**Branding and positioning in domestic market:** Presently the cluster produces mainly high value intermediary products (shoe uppers and other components) for export markets and limited final products largely for domestic market. Domestic market penetration is limited, whereas, the domestic market is growing very fast and has lot of unexplored potentials, especially with the increase in disposable income of younger generation who are fashion and quality conscious. Moreover, domestic market exploration and brand building is expected to be less costly than the same in export markets. Export market have almost saturated with existing brands. Moreover the competition is huge in such markets to create end products and position as a branded supplier. The cluster can think of creating its own collective brand for the domestic market. The brand can also have its own retail outlets in major markets. Moreover, linkages with other retailers can also be explored with heavy and aggressive promotional strategies and quality offerings. Malls in cities, retail chain stores like Megamart, Reliance etc, and also shops in second level and third level cities can be explored.

Another possibility is that the industry can be consolidated in order to develop brand or even for acquiring an existing brand. Mechanisms like common marketing, marketing SPVs and sharing of marketing initiatives can be explored. Buyers need to be motivated through various promotional activities through fairs, road shows at manufacturing locations besides at markets and promotional materials.

**Market segmentation and Positioning:** Such market segmentation based strategy could be seen in Udine Chair cluster. Different strategies were adopted for different market segments in the cluster. For example for buyers from European Markets who are quality conscious, the Udine cluster firms catered to markets for only the premium high quality, innovatively designed wooden furniture to them. They used the phrase “modern and stylish furniture” to attract customers; for buyers from Asian Markets who are price sensitive buyers, the firms propagated their less expensive steel and plywood furniture. Similar segmentation and varied strategies for different segments can be done by Ambur cluster which produces varieties of products.

**Product differentiation:** As learnt from the international case study, a major critical factor for the success of the Montebelluna Ski Boot cluster was its ability to differentiate its product from other similar product categories and product lines in the market. The cluster was able to utilize the extra production capacity to produce innovative and specialized products. It had also developed mechanism to forecast market demand and kept itself ready with right kind of products. Gradually the customers started distinguishing the brand Montbelluna from the other brands because of its product innovation and trendy offerings. Similar product differentiation strategy through continuous design upgradation and also fashion
preparedness through design forecasting need to be done in Ambur cluster in order to establish its brand image in national and international market.

**Positioning as a responsible cluster:** Ambur cluster should be promoted and positioned as unique cluster as all the tanneries in the cluster are close to achieving Zero Liquid Discharge (ZLD), which means, there is no discharge of water from tanneries. This is a unique feature of the cluster and shows the environmental responsibilities of the units.
5. Morbi Ceramic Cluster

I. Profile of the Cluster

Ceramic tiles have varied usage from bathrooms and kitchens in average Indian households to medical centers, labs, milk booths, schools, public conveniences, shopping malls and numerous other centres. The heart of the Indian ceramic tile industry is at Morbi, in the Rajkot district of Gujarat state. Morbi is about 250 km from Ahmedabad, the economic capital of Gujarat. A large number of medium scale ceramic manufacturing units are located at Morbi and the main products are wall tiles, floor tiles, vitrified tiles and sanitary ware. The cluster commands about 70% of the domestic market share of the ceramic products. The cluster is based on sound logistical reasons: the basic raw materials for making ceramic products - such as various types of clay, red and black soil, minerals (like calcite/wollastonite, frits and glazes) are readily available either locally or from neighbouring areas in the Rajasthan state. A total of over 5,50,000 people are employed in this sector of which 50,000 people are directly employed and 5,00,000 are indirectly employed.

Distribution of ceramic industrial units based on type of products manufactured at Morbi is given in Fig. 1. There are 479 industrial units operating in the cluster, of which 178 produce wall tiles, 52 produce floor tiles, 36 produce vitrified tiles and 43 produce various kinds of sanitary ware. Around 40 units manufacture spray-dryer mud, which is supplied to the smaller units. In addition, there are about 120 tile units that produce roofing tiles (which is mainly seasonal operation) and 10 units manufacture third firing which is specialized jobs of producing pictures on tiles.

The cluster produces 5.28 million tonnes per year (tpy) of ceramic products. Of this, tile units account for about 5.10 million tpy, and sanitary ware 0.18 million tpy. The production of roofing tiles is about 0.36 million tpy. The annual turnover of the cluster is estimated to be US $ 2.2 billion.

II. Marketing and Branding Enablers and Challenges

Location of the cluster: Morbi ceramic tile manufacturing cluster is well connected via road, rail and air. From Ahmedabad, Morbi could be reached by Road (National Highway 8-A) as well as Railway; the distance is about 184 km. Taxis are available from Rajkot as well as Ahmedabad to reach Morbi. The nearest airport is at Rajkot, which is 67 Km from Morbi by road.

| Concentration of Ceramic Industrial Units based on type of products manufactured at Morbi |
|---------------------------------|-----------|-----------|-----------|-----------|------------|
| Roofing Tiles                   | 25%       | Wall Tiles| 37%       |           |
| Spray Dryer Mud                 | 8%        | Sanitary Wares| 9%       |          |
| Sanitary Wares                  | 11%       | Floor Tiles| 11%      |          |
| Vitrified Tiles                 | 8%        |           |           |          |
| Third Firing                    | 2%        |           |           |          |

Source: Bureau of Energy Efficiency, 2010
Raw materials: The basic raw materials for making ceramic products—such as various types of clay, red and black soil, minerals (like calcite/wollastonite, frits and glazes) are readily available either locally or from neighbouring Rajasthan.

Skilled workforce: The most important aspect of the entire tile making process is grinding of the sand and biscuit preparation. Sand composition and mixing is the most essential part for the final quality of the product, which requires vast experience. Skilled workforce is easily available and most of the units are working round the clock.

Market Potential: The main product segments are Wall tiles, Floor tiles, Vitrified tiles and Industrial tiles. The tiles are available in a wide variety of designs, textures and surface effects. The cluster enjoys unique distinction of being highly indigenous with abundance of quality raw materials, technical skills, infrastructural facilities despite being fairly capital intensive. Considering the per capita consumption of ceramic tiles in India, there is a huge potential for the sector in the country. Currently per capita consumption of ceramic tiles in India is just 0.50 square meters per person, as in comparison to over 2 square meters per person in the countries like China, Brazil and Malaysia.

The market potential of ceramic tiles manufacturing industry in India with its major drivers, challenges, trends and leading major player is given in the schematic diagram below.

- Global ceramic tiles market is valued @ USD 323 billion in 2010 and is estimated to reach by USD 408 billion by the year 2020.
- The Indian ceramic tiles market size is around USD 0.3 billion and is expected to reach USD 0.5 billion by 2020.
- Globally India is the third largest country with a 5.8% global share in terms of tiles production.

Source: Infotile.com

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<th>Challenges</th>
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<td>Boom in real estate sector.</td>
<td>Tough completion from big companies.</td>
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<td>Rapid urbanization and increasing income</td>
<td>Import of cheap tiles from China.</td>
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<tr>
<td>Introduction of nano-tech.</td>
<td>Rise in power and fuel cost.</td>
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<td>Eco-friendly tiles.</td>
<td>Shift to vitrified tiles.</td>
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<td>Designer tiles.</td>
<td>Large distribution networks.</td>
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Major International Players

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<th>China (44.1%)</th>
<th>Brazil (7.9%)</th>
<th>Italy (4.3%)</th>
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Major Domestic Players (Private Companies)

|-------------------|----------------------|-----------------------|------------------------|

Note: Value indicates % share of world production.

Market demand: The manufacturing units at Morbi caters to about 8% of the world’s ceramic requirement and majority of its products are exported to the Middle East, African
Countries, Sri Lanka, Bangladesh etc. In the recent years Morbi has become an important manufacturing zone by attracting many big companies like HR Johnson, Asian tiles and Somani tiles who are outsourcing their requirements to Morbi. The quality of the Morbi’s ceramic products is becoming comparable to that of international standards. Some of these products are also qualifying stringent European norms. Morbi’s products are considered as medium range products. The cluster is categorized as to be an unorganized one with many of the family owned companies. However, it is undoubtedly a good place to source the requirements of ceramics.

Marketing distribution channels: The reason for geographical clustering of ceramic manufacturing units in Morbi can be attributed to the factors like close proximity of raw materials, fuel and labour supplies. Many large ceramic tiles manufacturers in Morbi are horizontally integrated. For instance, many tiles producers are dependent on clay suppliers. The ceramic tile sub-sector is influenced by the demand for construction (new builds and renovations) and has four core distribution channels (Figure given here).

Growing competition: Ceramics manufacturers at Morbi are finding difficult to cope up with the rise in input costs (particularly fuel and power which alone account for 50-60% of the total production cost. Moreover because of the emerging competition from Chinese ceramic imports, they are not being able to increase the price of ceramic. This is squeezing their profitability and lead to closure of few units. Freight, supply of power and gas remain other key cost-related issues impacting the ceramics sector. Besides, rise in raw material costs together with soaring fuel prices are other major problems faced by the industry.

BMO: There are vibrant BMOs’ associations present in the cluster. Some of them are as follows- (i) Gujarat Ceramic Floor Tiles Manufacturers’ Association; (ii) Morbi Sanitary Wares Manufacturers’ Association; (iii) Morbi Dhuva GlazeTiles’ Association; (iv) Vitrified Floor Tiles’ Association and (v) Roofing Tiles’ Association. However, there is no joint marketing and branding initiatives undertaken by these associations.

Market infrastructure facilities: There is limited market infrastructural facilities within the manufacturing units to showcase cluster products during the event of buyer-sellers meet.

III. Branding Strategy

Creating and enforcing cluster brand: A common platform with common vision of stakeholder, common entity makes the branding process more effective and sustainable. It
also helps enforcing the brand through legalised system and creating effective promotional measures. Such common platform may be in the form of association or SPV needs to be created by proactive and interested entrepreneurs who are interested to use common brand to explore new market or establish brand image in the existing markets. Legal system including rules and regulations to follow common activities need to be enforced. It also needs to understand Unique Selling Proposition (USP) of the product and developed appropriate marketing, distribution and sales promotion strategy revolving around USP.

**Product and process innovation:** Morbi has a strong history of copying success and duplicating workable patterns. A major change that took over the ceramic tiles industry, was the introduction of vitrified and porcelain tiles. These new entrant product types are said to be the tiles of the future. Internationally these tiles are already the major sellers. Around 26 units out of 479 of total units are involved in manufacturing this category of new products. However, the cluster should always be ready to adapt to new product and technologies as per the changing market need.

A similar successful case is Montebelluna Ski Boot cluster whose one of the major success factors is its adapting to the Change in technology for the manufacture of footwear. It quickly adopted to use of lighter plastic material rather than costly leather as basic raw material used for the manufacture of Ski, Motor Biking, Tennis, Football, Dancing, Mountain Climbing, etc when there was a downfall in demand for costly products and at the same time the growing middle range product market showed ray of hope. This made their products more competitive in the international markets. The process of product diversification and differentiation thus played a key role in the success of the Cluster marketing and led to a greater competitiveness amongst the firms.

**Penetration into developed economies:** At present majority of the products of Morbi are exported to the Middle East, African Countries, Sri Lanka, Bangladesh etc and with a limited penetration into the developed economies. Though, the domestic ceramic industry is facing increasing competition in the global market, the quality of the Morbi's ceramic products is becoming comparable to that of international standards. Some of these products are also qualifying stringent European norms. Cluster should explore more on these developed economies by creating a common brand for the cluster product and positioning it in right markets.

**Research, Development:** Cleaner technology is the need of the hour. However, to identify such technology, requires investment in research and development. Moreover, technological innovation in products and processes are required to maintain competitive advantage in producing high-quality products to compete with cheaper products in the market, especially the Chinese products. These investments can be generated from government support schemes. The present R&D intensity in the cluster and also ceramic industry in general in the country is low. CGCRI, the only institute in India engaged in R&D activities related to glass and ceramics need to focus more on the development of appropriate and affordable technologies that can save energy consumption ensuring higher profit to the unit owners.

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I. Profile of the Cluster

Kirti Nagar region in Delhi is home to Asia's largest furniture market\textsuperscript{21} housing showrooms of multi-national home remodeling and fittings companies, the most reputed interior design boutiques, imported kitchen and bath brands as well as traditional carpentry furniture makers. The Kirti Nagar furniture market has become a must-visit by the people wanting to liven up their homes or offices. This cluster was formed in year 1977 when during the time of national emergency, the Indira Gandhi led government relocated more than 300 furniture dealers from Delhi's Paharganj, Motia Khan and Shastri Nagar to Kirti Nagar. Most dealers who were relocated were refugees from Pakistan. In the initial period only 10-15\% units were manufacturing units and rest were traders. But gradually, the percentage of furniture manufacturers has strikingly increased to 30-40\%.

There are around 500 manufacturing units in the cluster out of which 200 units have their own outlets for selling furniture directly to the customers/traders. 40\% of the units in the cluster are micro units and majority operates from their households; 35\% units come under small category and remaining 25\% are medium scale units. There is presence of 150-200 traders in the cluster. Cluster has annual turnover of around Rs 1,500 crores and providing direct and indirect employment to 20,000 artists. The year-on-year (YoY) growth is pegged somewhere between 30 and 40\%.

Kirti Nagar Furniture Cluster is an old cluster having reach to national and international market. 95\% of the cluster units cater to national market and only 5\% units are exporting finished furniture to different counties. The cluster offers two types of products i) Semi-finished products also called as intermediary/raw products, and ii) Finished Product. 70\% market of Semi-finished products is outside Delhi NCR Region such as Bengaluru, Pune, Chennai, Ahmedabad and Hyderabad as it is easy to transport intermediary products to other cities as the risk involved with transportation is lesser as compared to finished products. Remaining 30\% semi-finished products are procured by traders in local market and in NCR region. Major market of finished products is local market, where in 70\% of these products are procured by local traders in Delhi city and remaining 30\% is procured by nearby NCR, other states like Haryana.

II. Marketing and Branding Enablers and Challenges

Product uniqueness and offerings: This cluster is known for innovative designs, quality of raw material used and for affordable prices. Varieties of products are available in terms of both quality and price range. There are plenty of options depending on the demands of the customers starting from local stuff to those imported from Spain, Italy, Malaysia and other

\textsuperscript{21} Wikipedia
places. 70 to 80% units design their own products while only 20% units involve designers for designing their products.

**Cluster support system/ BDSPs:** The cluster has got good supporting system with the presence of support firms, comprising of machinery suppliers, raw material suppliers, polishing units and packaging units. Some of the units have their in house polishing and packaging units.

**BMO:** There is presence of one association in the cluster named as ‘New Timber Market Association’. This association was registered in year 1985 but do not have a formal office. Association has been handling only infrastructural and administration related issues of member units. Awareness level of association members is limited regarding government schemes because of which they are unable to take benefits of support available for the cluster.

**Quality raw material:** Cluster uses timber and plywood as their raw material and they procure it from raw material supplier within the cluster. Timber and plywood available are of high quality and are purchased from various places in Madhya Pradesh and Maharashtra such as Jabalpur, Nagpur and Halder at a price which ranges between Rs 1,300-1,500 per cubic foot. Units in the cluster also import a major chunk of teakwood from countries like Ghana, Costa Rica and Malaysia as well.

**Value addition:** After raw material procurement, units give wood a proper shape and finishing using small machines like saw machine and create frames of furniture as per the designs given by unit or by designers. These wooden frames are known as semi finished furniture and are supplied to traders in different states after doing proper packaging. Semi finished products are then get finished at traders end and they are sold in the market to the consumers.

Units who are selling finished furniture have in house polishing and packaging unit. They finish the product and display it in their showrooms for direct sales. 70% market of finished products is local market including local traders.

**Dependency on traders:** Most of the units in the cluster sell their products to traders and not directly to customers. Furniture making is a seasonal business and demand of furniture increases during festivals and marriage season that is from August to February. Manufacturers start working on new designs from month of April and Traders choose designs keeping customers choice in mind. Traders are the only linkage between the cluster and customers. Till now no proper marketing strategy is adopted by cluster for boosting their sales and no promotional activities are performed. The only promotional strategy used is ‘Word of Mouth’.
Shortage of skilled manpower: Cluster have high dependency on labor for their day to day operations. Most of the laborers are migrated labor and with time traders who used to buy semi finished furniture have started their own units in their respective regions because of which laborers are getting job at their native place and cluster has started to face scarcity of skilled labor. Shortage of skilled labor has led to increase in labor cost, thus increasing cost of production. Few years back labor cost was 10-20% of total production cost of a furniture but today it has increased upto 30 to 40% of the the total cost.

Increasing competition: Because of emerging units in nearby states like U.P, Bihar and Rajasthan cluster has started feeling pressure of competition and is considering it a potential threat for the growth of cluster. Competition from substitute furniture like panel furniture has also become a matter of concern. Panel furniture is cheaper than traditional furniture and thereby getting more popularity in the market. Moreover, cluster is also facing competition from Chinese furniture market, which is producing light weight and attractive laminated furniture at lower price. The wholesale buyers are more attracted towards those Chinese products and therefore the cluster is losing its customer base.

In addition, the IT and other services industries like hotels, etc. were been given advantage of no import duties and because of which these industries which are potential customers for Kirti nagar cluster are importing low cost substitute furniture from abroad.

Moreover many Government departments have stopped using of wooden frames for doors and windows and have started using aluminum frames for the same. This step has affected sales of cluster and units supplying wooden frames are shifted to other type of furniture works.

Tax saving mindset hinders growth: Units above turnover of Rs.1.5 crore slabs are liable to pay excise duty because of this norm units have limited themselves and are not putting any efforts to expand their units or increase their sales.

III. Branding Strategy

Collective actions on Branding: Though there is an association in Kirti nagar cluster named as ‘New Timber Market Association’, it is handling only infrastructural and administration issues. This association can create and popularize a common brand in the name of the cluster as done by the association in Udine furniture cluster in Italy.

Udine which is a known cluster brand globally could able to establish it brand image through systematic efforts by its association and with able policy support. The Branding journey in Udine started with formation of a district Committee that organised “Fair of the Chair” to attract global buyers. Soon after the success of the fair, the committee then formed a market promotional entity called “Promosedia” to improve the brand image of the cluster through organising international exhibitions and facilitating the cluster firms in participation of international trade fairs. The Management Committee comprised of the representatives of Udine Province, three Mayors, four entrepreneurs, representatives of Trade Unions and the Presidency of CCIAA (Chamber of Commerce). The cluster thus accessed all the major organisations of repute for its support in promotion of its products. It also acted as a coordinator organising meeting with the designers, importers in the European markets and
with the cluster members and institutions. Such coordinated efforts by various stakeholders are the prerequisite for creating a common brand.

**Product differentiation and positioning:** It is learnt from Udine chair cluster that association with the help of various support services like Udine University, has taken various initiatives to sensitise the cluster firms about the changing customer demands. With increased awareness among the cluster entrepreneurs and their interface with designers and technical experts they formed a market promotional company called “Promosedia” which successfully brought about change in marketing strategy and focused on producing a selected product lines based on market needs of different segments. The cluster also redesigned their chairs to suit to the elite European market demands and thus increased their sales. The product and marketing mix was carefully chosen and with aggressive participation in the international trade fairs, they successfully established their brand. Effective use of pricing policies was also a feature of their marketing strategy for different international markets.

Like Udine cluster, different strategies could be adopted for different market segments. For example for buyers from European Markets and also elite domestic customers who are quality conscious, the cluster can focus only on premium high quality, innovatively designed wooden furniture.; for buyers from mid income group who are price sensitive, the cluster can propagate its less expensive plywood furniture. To target service industries like Hospitals the cluster can make specialised products like orthopaedic chairs with innovative spring mattresses and other similar innovative and need based products.

**Efficient work distribution:** The cluster firms are producing almost all kinds of products without proper specialisation on selected few, thus operating sub-optimally. Transformation from dominant family owned integrated manufacturing business to decentralized expertise driven manufacturing entities across the value chain, resulted in improved quality, enhanced production and effective working operations in Udine chair cluster and thus enabled the cluster to create and offer differentiated products and create brand image for itself.

Small craft workshops produce semi-finished goods or carry out highly specialised work (wood turning, bending, polishing, carving, varnishing, padding) commissioned by the other local manufacturers, whereas, medium-sized businesses that purchase semi-finished goods and do the final production (assembling and finishing). This division of work has played a major role in innovative production, marketing and bringing in a brand image for the cluster. The same strategy can be applied in Kirtinagar to enable product specialisation and efficient use of production capacity.

**Inivitive design and product quality:** Linkages with institutional and private designers for continuous design and product line improvements in another area which the cluster should focus. Similarly, there should be quality checking systems and appropriate measures to offer better and uniform quality products to customers.
I. Profile of the Cluster

Information and Communication Technologies (ICT) is similar to information technology but focuses more on telecommunications mediums, such as internet, cell phone network, and satellite technology. ICT includes hardware, software, media for collection, storage, processing, transmission and presentation of information in any format. Producing such varieties of ICT products, Delhi-NCR ICT cluster is spread around Delhi (1255 units), Gurgaon (562 units), Noida (650 units), Greater Noida (3 units), Faridabad (25 units) and Ghaziabad (26 units) with 98% of the ICT MSMEs clustered in Noida, Gurgaon and Delhi. There are about 300-400 IT start ups, 4000 ICT MSMEs’ and 100 large corporate in the Delhi NCR ICT cluster consist of IT and IT enabled services\(^\text{22}\). National Association of Software and Service Companies (NASSCOM) indicated Delhi’s software industry to have an annual turnover of Rs. 47,500 crore (US$ 10 billion) by the year 2007-08. It also estimated an employment of over 3 lakh within the IT/ITes industry of NCR\(^\text{23}\).

Being in the capital region, the cluster enjoys presence of various strategic BDS providers, government bodies, investors/ finance providers, networking platforms and associations. Delhi also has as many as 9 reputed Government Universities/ Institutions along with large number of private engineering colleges. Presence of these technical institutions and Universities ensures availability of skilled and trained workforce for the cluster. There are various training/ R&D organisation in the cluster providing training and certification in various technical courses. One of them is Centre for Development of Advanced Computing (C-DAC) which is carrying out R&D in IT, Electronics and associated areas, IT training programmes to Government, industry and other stakeholders.

There is a national level association of software industries i.e. NASSCOM working mostly with large enterprises. At the ICT cluster level a small association exists called “Network of ICT Entrepreneurs and Enterprises (NITEE)” of start up firms and IT MSMEs.

II. Marketing and Branding Enablers and Challenges

Differentiated product, but with lesser visibility: Delhi-ICT cluster is different from any other ICT cluster operating in India as this cluster caters to different market segment and provides sets of services like IT products and application, IT enablers, etc. However, this cluster has not been able to create its brand image as other ICT clusters like Bengaluru, Hyderabad and Pune have done. However it has enjoyed some reputation both in national and international market and also has enough potential to become a brand. This cluster mainly caters to domestic market especially with design IT products and services for institutions/universities, government departments, diversified sectors like: jewellery sector, foundry sector, etc.

\(^{22}\) “Diagnostic Study of Information and Communications Technology cluster in Delhi-NCR’ by FMC under ‘Promoting Innovation in Cluster’ a project by DST, 2011-12

\(^{23}\) “Analysis of Factors of Employment in MSME Clusters’ by FMC in Collaboration with IAMR, 2012-13
The units are developing IT products as per the need and demand of their clients. They are identifying demand through online forums and on the basis of that either they bid for project or contact client directly. Most of the startups cater to domestic clients and with time and experience they move to international market. However, being a small and new cluster they do not have enough competitive advantage compare to other IT clusters. A comparative analysis of Delhi vis-à-vis other two reputed clusters in India has been attempted below.

Comparative Analysis of Delhi ICT Cluster with Bengaluru and Hyderabad ICT Clusters

<table>
<thead>
<tr>
<th></th>
<th>Bengaluru ICT Cluster</th>
<th>Hyderabad ICT Cluster</th>
<th>Delhi-NCR ICT Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of units</strong></td>
<td>Majority are big MNC's (Large firms)</td>
<td>Large firms and MSMEs</td>
<td>Dominance of MSMEs</td>
</tr>
<tr>
<td><strong>Services Offered</strong></td>
<td>Developing end-user applications and software packages, or services such as consultancy and system integration. Other services are BPO, data entry, transcribing work and web applications</td>
<td>Call centre operations, Business Processing Organisations (BPOs), Knowledge Process Outsourcing (KPO), application development etc.</td>
<td>IT projects like: IT enablers, IT applications and products</td>
</tr>
<tr>
<td><strong>Target Market</strong></td>
<td>International market</td>
<td>International market</td>
<td>Primarily domestic market</td>
</tr>
</tbody>
</table>

Though the cluster has differentiated product lines, but it is not being able to make it known in the market, especially to those who can benefit out of these products. For example, the SME manufacturing units can buy the customized IT products like downsized version of ERP, and other similar products from the IT SMEs in Delhi. There is abundant scope of IT applications in such small units which the cluster can cater to; however, the present marketing strategy is not oriented towards that. Right marketing and positioning strategy is required by the cluster to make a niche for itself.

**Location advantage:** Location of the cluster is providing a competitive advantage over other ICT clusters in India as Delhi being capital of India have excellent connectivity throughout the world. The capital has adequate infrastructure, capable of providing luxurious lifestyle and is hub of top class educational institutions. This combination attracts entrepreneurs and experienced workforce to work in Delhi-ICT cluster as it offers perfect working environment along with comfortable life style.

**Poor soft infrastructure because of non recognition:** Most of the start-ups and small units are facing financial problems. There is presence of venture capitalist and large firms who act as angel investors for start-ups and SMEs but still cluster is unable to meet their financial requirements. One of the reasons is the problem of registration of MSME units. Most of the units are not registered under MSME Act as the papers required for registration are either not valid for IT industries or are not available with the units like: no pollution certificate, MCD license and/or proof of working from approved industrial areas. As start ups
are operating from incubators, commercial areas and residential areas, these documents cannot be availed by them. Because of these hassles, less than 5% of MSMEs are registered and thus most of them are unable to avail benefits of government schemes or for Public Procurement Policy for MSMEs. This limits the growth of the cluster and also makes it difficult for MSMEs to survive in this competitive environment.

Another possible source of finance could be bank loans but it requires a lot of time because of need for a collateral and lack of appropriate guidelines for credit for the service industry. Unlike a manufacturing firm, the tangible assets of a software company do not have any collateral value and hence raising loans for a software company is a difficult task.

**Skill constraints:** The cluster is facing problem of skilled manpower retention as the skilled workforce available in the cluster demands high wages and because of financial constraints small start-ups are unable to maintain strong base of skilled and experienced employees. Small firms are operating in limited space and are unable to hire more people because of space constraints and at some times prospective employees are not keen to join a company that operates in such an environment. This decreases confidence level of new units and also limits their capacity to promote themselves and build business linkages with international clients. Marketing and PR experts available in the market demands high consultancy fees and therefore, cluster is unable to market themselves and create strong client base. However, all these problems can easily be solved with creation of appropriate infrastructure like IT park and liking the financial and other service institutions to the cluster.

**Marketing strategy:** Marketing challenges faced by the units depends on their level of expertise. In initial phase i.e. for start ups, identification of correct client base is a challenge. They are unable to identify right client base for the product/services they are offering. After identification of client base, creating linkage with the clients is also a challenge for them because of lack of correct medium which can link them to the market. Third problem faced by most of the units is scaling up of their product and services as many units face difficulty in handling big projects because of limited resources and expertise. However, these challenges can be solved through collective action on common marketing. Common branding would also add value in terms of market penetration and realization of better value for products and services.

**III. Branding Strategy**

**Creation of common brand:** Unlike other national cases, which have many branding enablers, this cluster of Delhi enjoys just a few enablers. Basic need for branding has to be understood by the cluster stakeholders before initiating/enforcing common brand. Stakeholders meetings and workshops need to be organised to arrive at a need for common branding initiative. NITEE being an existing active association of IT SMEs in the cluster can lead the exercise. It can also be a platform for creating the brand and subsequent promotional activities.

**Support infrastructure and services:** In India, Bengaluru was first technology centre and is often called as the Indian version of Silicon Valley because of concentration of computer related enterprises in Bengaluru. Strength of this cluster is the business they are getting from their international clients and availability of skilled and cheap manpower. Bengaluru also
enjoys strong intra and inters stakeholder linkage between the firms and also with other support institutions. It also has a well developed infrastructure and BDSP market. These linkages and presence of BDSP has helped Bengaluru create its competitive advantage over other similar clusters. Such linkages are missing in Delhi ICT cluster. These support service and linkages need to be facilitated for the development of the industries.

Bengaluru also has software parks like: a) Software Technology Parks of India (STPI), Bengaluru; b) International Tech Park Ltd. (ITPL), Bengaluru; and c) Electronic City; and d) Cyber Park. Bagalore was also got favorable policy support by the state Government who announced IT policy in the year 1997. This policy has acted as an important catalyst for the growth of IT industry in the State. To assist information technology, industrial promoters in establishing companies in Karnataka, the Department of IT, Govt. of Karnataka has compiled information from various agencies and Govt. departments to develop an IT Brochure – a Guide for Establishing Industries in Karnataka. Similar favourable and appropriate policy is required by Delhi ICT cluster to support its industries to grow.

**SME recognition through favourable policy:** As discussed earlier, most of MSMEs in the cluster are not registered as the papers required for registration are either not valid for IT industries or are not available with the units like: No Pollution Certificate, MCD license and/or proof of working from approved industrial areas. Moreover, as new start ups are operating from incubators, commercial areas and residential areas, these documents cannot be availed by them. Because of these hassles, less than 5% of MSMEs are registered and thus most of them are unable to avail benefits of government schemes/ policies. Therefore, there is a need to bring some policy level changes in MSME Act keeping requirement of service sector in mind.

**Product identification, market segmentation and positioning:** The cluster has to focus on providing services and technologies to those niche areas which are not explored yet and are in need of IT services. The cluster has differentiated product lines, which need to be popularized, especially to those who can benefit out of these products. For example, the SME manufacturing units can buy the customized IT products like downsized version of ERP, and other similar products from the IT SMEs in Delhi. There is abundant scope of IT applications in such small units which the cluster can cater to; thus marketing strategy needs to be oriented towards that. Right marketing and positioning strategy will help create brand image for the cluster.

Creating promotion platforms, improving marketing and PR skills of entrepreneurs and making availability of marketing service providers are some of the other needs for brand building. These can be done by the association with appropriate policy support.

**Innovative business ideas:** ICT cluster needs to constantly innovate new ideas/ services and products to stay competitive in fast growing IT market. The existing SMEs do not have enough manpower and resources to invest on new ideas. However, it can facilitate through motivating IT students through business plan competitions. The best ideas/ plans can be picked up by the industries with due recognition to the student and piloted in the industries. This is a cost effective way of constantly innovating and stay competitive.

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8. Bargarh Handloom Cluster

I. Profile of the Cluster

Bargarh Ikat Handloom Cluster of Orissa is home of more than 35,000 weavers and allied handloom workers. 12500 looms are working (as per 2009 handloom survey report) in 299 different villages spread over Bargarh, Attabira, Bijepur and Sohella block of Bargarh District. The main products of the cluster are cotton sarees of tie and dye and small amount of dress materials, lungis and napkins, etc. The annual production of the cluster is more than 15 crores rupees. The products of this area are mostly marketed in Orissa and National market and a substantial portion is also exported. The cluster represents Orissa in quantitative and qualitative tie and dye Ikat fabrics which is nowhere else available.

The principle stakeholders of the cluster are the weavers, master weavers and the National/State Awardees. The evolution of the weavers into master weavers and then of some of the master weavers into the awardees tells about the organic relations that these core cluster actors enjoy amongst themselves. This further shows how the growth of the cluster has provided opportunities to a weaver to develop into a fine craftsperson and also an entrepreneur. Growth of the cluster today is primarily shared by the awardees and the master weavers, who have moved out of the state to seek better markets for their fine products. They have been able to earn reputation for the traditional craft at various levels and can be considered to be the saviors of the Ikat tradition in the cluster.

Ikat, or Ikkat, is a style of weaving that uses a resist dyeing process similar to tie-dye on either the warp or weft before the threads are woven to create a pattern or design. A Double Ikat (in Oriya, Baandha) is when both the warp and the weft are tie-dyed before weaving.

Entrepreneur weavers (E-Weavers) are those weavers who buy their own raw material, work on their own designs and market products on their own. Since they have an entrepreneurial element in their production their earnings are much higher that labour weavers (c-weavers) who work for others, usually a trader or mater weavers and get only wages for conversion. Master weavers those who buy raw material, and give it to the labour weavers along with design or contractual weavers to get the weaving done and do the marketing on their own.

Usually, directly or indirectly, each master weaver controls anything from 10-15 looms to about 35-40 looms. There are about 100 weavers who prepare exclusively tie & dye design and sell them to the weavers/master weavers and also in the market. Most of these weavers, especially the tie and dyers are from a particular community called “Bhulia Meher” community.

There are more than 40 traders who take care of marketing of Bargarh handloom fabrics in the cluster. Out of these 25 traders procure fabrics directly from weavers in addition to procurement from the master weavers. Some of these traders have retail outlets in Barpalli, Bijepur and Bargarh town. In addition to selling local handloom fabrics, these traders also sell the handlooms of other states like Chhattisgarh, Madhya Pradesh and Andhra Pradesh. More than 20 traders have business contacts in other cities like Delhi, Kolkata, Mumbai with the wholesalers.
There is one association of Women Tie and Dyers and Weavers in Barpali called Maitree Bunakar Sangha. Apart from this, there are 3 consortiums namely 1) Gangadhar Meher Ikat Club, 2) Sambalpuri Ikat Bunkar Sangh, 3) Jhilimunda Traditional Weavers Group. Jhilimunda Traditional Weavers covering total 42 Master weavers and Cooperative societies/SHGs

II. Marketing and Branding Enablers and Challenges

Product and Design Uniqueness

Bargarh has a wealth of Handloom particularly the tie and dye popularly known as ‘Ikat’ and locally known as ‘Bandha’ with traditional methods of designs and weaving pattern handed down through generation. The skill of the tie & dye is very unique and owing to the fine count cotton yarn being used. Unlike the Tie-Dye work of other states of India, the motif and designs (flowers, fish, animals, God and Goddesses etc.) of the cluster are infinite and every motif or design is categorized under a special caption. No design is let out without giving it a name. The superb skill of weavers passes on from generation to generation without any formal training. Each weaver has a creative mind and with the flow of time has diversified the designs and products to suit the present market demand. The single and double Ikat work of Bargarh is unique to the area and therefore it has the G.I. for the same.

The richness of the craft of Bargarh can be known as the number of facilitation and awards the weavers have begged at national and international level. There are three Padmashree, One Kabiguru, more than 60 national awardees and hundreds of state awardees. The master craftsmen who contributed significantly to the development of Sambalpuri ikat handlooms were ‘Padmashree Kunja Bihari Meher’, ‘Padmashree Chatrubhuja Meher’ and ‘Padmashree Krutharth Acharya’.

Marketing Scenario

Presently, the cluster is marketing its products predominantly through the local weekly haat known as ‘Balijuri haat’ and through small traders/local shops wherein nearly 80% of the production of the cluster is sold. The remaining 15 to 20% of the stocks are sold by the Master weavers, National Awardees, in various metros like Delhi, Mumbai and Kolkata etc. and a very small portion of production moves through BOYANIKA/ Sambalpuri Bastralaya.

Strong local market within the cluster is the main reason for the growth of the cluster. Moreover, demand in national and international market for Ikat is growing and with lot of interventions by the textile department and Sambalpuri Bastralaya, weavers are now being able to reach out to right kind of market.
Marketing and Branding Challenges

Though products have huge marketing potential in national and international market, seasonality in the local market demand is a big problem, especially during rains and non-festive seasons. Weavers without having alternative market channels and due to lack of working capital are forced to sell their product at lower prices. However, gradual opening up of alternative marketing channels and also with proactive steps by financial institutions to render credit, the distress sale has been decreased after 2006-07.

The organised sector has an edge in many respects over the handlooms sector. But it is needless to mention here that in one respect the handloom sector can score over the organised sector - that is in the field of intricate and attractive designs and colours. This has to be exploited to the fullest extent by the handloom sector to produce a vast variety of varied designs and textures in attractive shades and colours quickly offering each time a new range of products to suit the need of the consumers. It is in this context that product development becomes not only important but even necessary for handloom sector.

With the growth of handloom product, there is increasing concern over protecting market shares, increasing product coverage and the continuous struggle to exist in the market. One of the biggest challenges is to maintain the credibility of the product. While neo-consumer products, especially fast moving consumer goods, because of recent origin, are able to create brand equities, trademarks and other tools of protection, there are traditional handloom and handicrafts which do not have these advantages.

One of the major problems for handloom markets today is the imitation of Ikat designs by power looms and labeling those products as handloom products. Ineffective implementation of existing protection measures and absence of appropriate legal framework for the handloom sector has enabled the other substitute to distort the market. The very strength of handloom product in the market, innovation, variety and diversity, has become its weakness.

III. Branding Strategy:

Brand Awareness and Branding Standards: For G.I. based clusters, the unique identity for which the cluster has begged G.I., itself is a brand. However, how the brand is being used, determines the success of the cluster. For successful enforcement of the brand there is a need of a central entity that can not only popularize the brand but also ensure that the rules and regulations including quality and design standards are followed by the stakeholders. The establishment of the smooth working operations among the relevant stakeholders associated with the brand, the ability to achieve a continued adherence to quality norms and the processes like certifications/attestations enforces to ensure them are necessary to make use of the G.I. as a brand. These need to be initiated with creation of right platform of stakeholders. Though there are many functional associations in the cluster, but there is no single entity at the cluster level who takes all the above initiatives at the cluster level, therefore the first step would be creation of such legal entity.

Brand endorsement and promotion: In many international G.I. based clusters, it is learnt that brand endorsement plays a crucial role in not only popularizing the brand also establishing necessary credentials of the same. Like in 1904 president Theodore Roosevelt
of United States visited construction site of Panama Canal and was pictured wearing Panama Hat, which increased the popularity of hats globally. Celebrities promoted panama hats by wearing it during press conferences, events and in films. In 1925, Turkey made panama hats their official headgear. Soon after, Panama Hats became symbol of masculine elegance around the world and became one of the Ecuador’s main export. Similar brand endorsement by legends/ celebrities could help Bargarh Ikat gain popularity in the national and international market.

**Product innovation:** The skill of the tie & dye is very unique. Unlike the Tie-Dye work of other states of India, the motif and designs of the cluster are infinite and every motif or design is categorized under a special caption. The richness of the craftsmanship can be known as the number of felicitation and awards the weavers have begged at national and international level. As mentioned earlier, there are three Padmashree, One Kabiguru, more than 60 national awardees and hundreds of state awardees in the cluster. The uniqueness of the craft and huge pool of awardees have created a brand image of the cluster in the regional and to some extent in national market. However, the brand has limited recognition in national and international market, especially as a unique and urbanized product for elite mass. This is mainly due to the fact that Bargarh has confined itself to limited colour and design range and not being able to innovate constantly as per the taste of the market. Ikat products need to be amenable for diversification to suit latest fashion trends and thus will be able to create brand loyalty by the customer. The weavers need to be orient towards this to design product appropriately.

**Brand Enforcement:** Branding exercise is not a onetime activity. It requires continuous efforts. Once a brand is established, there are other problems like brand infringement or brand dilution where other competitors try to take advantage of the brand name and sell their product. Bargarh Ikat has started facing similar infringement problems, where other clusters have started producing low quality Ikat and selling it in the name of Bargarh. The cluster should take necessary steps to stop such dilutions.

Learning from Scotch whisky can be applied in this cluster. The dispute over the nature of Scotch whisky versus another spirit trying to use the name whisky evolved in 1997. The association in of whisky firms filed a case against the industry who was not from Scotland but selling the whisky in the name of Scotch. Finally, the British High Court on March 1997 supported the petition and declared that no firm other than Scotland can use the brand name of Scotch.
I. Profile of the Cluster

Alappuzha (also known as Alleppey) is the hub of Kerala’s famous Coir industry. Coconut fibre which is the raw material for coir is mainly supplied from Tamil Nadu. Coir Industry enjoys the status as the largest Cottage Industry in the State of Kerala, giving employment to over a million people. Both men and women work in the industry. While women are mainly involved in the yarn spinning work, the men do the product-weaving activities. The cluster has good physical infrastructure. Most of the exports from this cluster go through the nearby Kochi port which is a major logistic advantage of the cluster.

Coir products are made from fibre from the husks of coconuts, using for the most part production techniques that barely changed in the past century. Traditional products have mainly revolved around the production of mats (largely door mats). Mats are made from a mix of coir yarn (as the base) and rough fibers (as bristles), and matting (woven matting from coir yarn is done on handlooms and used in interiors of houses, commercial spaces, and ships). Semi-automated and fully-automated (or ‘power’) looms have been recently introduced around in 2010-12. Recent additions to the product range such as geo-textiles, rubberized coir, PVC mats and other mixed products use combination of material like jute, rubber, PVC, other natural fibers like sisal, cotton though with coir as the pre-dominant component (60%).

The coir value chain includes a wide variety of SMEs, from micro-enterprises and women’s self-help groups that spin yarn, to small-scale businesses that weave matting, to large exporters who sell to global retailers. At the bottom are the spinners consisting of micro enterprises, about 46000 in numbers predominantly employed/run by women, employing 0.1 million persons. Then there are small weavers numbering 9700, about 15 large weaving and tufting units, 265 finishing units out of which 250 are SMEs and 15 large. Technology used in the small micro units in spinning and weaving is very old and out-dated. Many of the smaller, micro firms are organized as societies which number around 850. With a well developed and established institutional mechanism for labour welfare, Kerala is well organized to provide high living standards to its workforce, though it has its concomitant problems.

II. Marketing and Branding Enablers and Challenges

Known Major Supplier of Coir Products: The export value from this cluster for the year 2012-13 is 71,284 tonnes valued at Rs 6368.4 millions which is 16.6 % in quantity and 57% in value consisting of above products. It can be seen that Kerala export is the main player in value added products- within which Alappuzha is the hub. The volume of products like tufted mats, mattings, coir-geo-textiles are on the rise while exports of handloom power loom mats, curled coir, coir carpets are declining.
Product Advantage: Coir in the international market is being positioned as a hard wearing, all natural product that combines “modern minimalism” with “rustic charm”. The product attributes in terms of natural appeal and biodegradability. However, there are many non-coir naturals which are considerably softer and are available in the market. However coir has the advantage of being relatively less expensive than other fibres and therefore stands competitive. Moreover, its unique eco-friendliness is another USP.

III. Branding Strategy

Creating and Enforcing a Common Brand: At this juncture, there is no enough interest generated and sufficient number of firms coming forward to work together for the brand building exercise of the cluster in domestic market. However, this can be done through strengthening of an appropriate cluster entity and promoting cluster brand through it. The coir cluster has several associations, BMOs which are quite active. There is also a federation of all these associations of coir producers. This federation can promote common branding. However, before establishing it, clarity has to be brought into on several issues, as to how will the brand be established, how and who would manage it, who would be the beneficiaries, how would it be used, what would be the standards and norms of firms using the brand.

The effects of branding if appropriately linked to repositioning of product for the export market, it will help the coir cluster as a whole with substantial value addition and would benefit the entire value chain.

Targeting and Positioning in Domestic Market: There does not seem to be any data on the size of domestic market. However, it is estimated to be roughly 2 times of the export market, and calculated to be around Rs 12000 millions. The share of Alapuzha cluster in this is unknown. The cluster has not shown much interest in domestic marketing. There does not seem to be any major institutional marketing effort apart from the Coir board, which has a domestic market sale of Rs. 210 millions, though it has an ambitious plan of increasing it to Rs 30000 millions by end of 12th plan. (The Hindu business line, 6th June, 2013).

Venturing into domestic market is not an easy proposition to the members of the coir cluster as they will not have the competency or strength individually to set up a marketing channel. However it would be possible for the cluster as a whole to look at the possibility of leveraging opportunities now being thrown open by partnership with mega retail chains. A cluster branding effort would certainly prove useful. A market the size mentioned above certainly cannot be dismissed and has to be exploited. However the industry has not looked at domestic marketing seriously. A few firms have started marketing to the domestic market through channels created on their own and seem to have tasted enough success, to look at domestic market more closely.

Positioning as Eco-Friendly Natural Fibers: Natural fibers are being increasingly recognized as favorable substitute to synthetics, which use unsustainable inputs. Besides, technical and cost advantages, coir products have the added attraction of meeting growing consumer awareness with respect to environmental, sustainability and social standards. The hard fibers: Acaba, Coir and Sisal, and bast fibres: Jute and Kenaf, are all natural fibres
which have various and multiple end uses. Their versatility and environmentally friendly characteristics are strong advantages over synthetic alternatives. Each of the fibres has their particular strengths but all have the benefit of being naturally derived and increasingly recognised as a sustainable choice. ("Future Fibres" Food And Agriculture Organization, UN). This could be promoted as USP of the cluster.

**G.I. Based Branding:** Coir board has already helped the cluster in getting GI—“Allepey Coir” is a geographical Indication for the coir mats and mattings and carpeting produced in the handloom sector by the traditional coir workers of Alappuzha and Chertala taluks of the district. Building a brand around this would be the next logical step. The branding of the product would be amenable to blend nicely with the “Kerala-God’s Own Country” tourism promotion of the state.

**Market Segmentation and Product Differentiation:** Each natural fibre has its own particular advantage. All products made out of natural fibre need promotion for increased use. The total fibre market is big enough for products from all natural fibers to co-exist. However what will determine buyer preference is how the product is positioned. Therefore while one main branding characteristic would be projection of coir and its products as an eco-friendly, another one will be of product positioning. Current export market preferences indicates that there is a need for coir to be repositioned itself and aim for higher premium segment markets such as home decors as against as merely floor covering. Alappuzha cluster alone, is in a position to strive and achieve such status quickly, therefore this could be another scope for branding. This transition, requiring the cluster to become more innovative with better product design, better usage of technology, better understanding customer, trends, would be the biggest challenges for the cluster.

Today the discerning buyers in the developed market, is sensitive to the social conditions in the place of origin of products. As mentioned earlier Kerala state is in a distinctly advantageous position in this regard which needs to be projected. Coir in Alappuzha has the charm of being traditional, typical product of an abundant resource in the state.
I. Profile of the Cluster

More than 500 year old Sanganer Handblock Printing Cluster is known world over for its hand block printed textiles and the unique history is located in Sanganer village, which is 15 kms from Jaipur. Chippa community of Rajasthan poses and passing down the skill of hand block printing since ages. Every member in Chhipa community is involved in washing, dyeing and printing of clothes. At present around 315 MSME units are operating at Sanganer employing around 3000 artisans. More than 1200 families are directly dependent on these units. In addition, more than 3000 persons indirectly involved by providing supporting services like supply of raw materials, sale of finished products, production of blocks, designing of prints, garment making, packaging transportation and handling of exports\(^{24}\). The printers are the principal stakeholders in the textile printing industry and cluster’s major product include sarees, dupattas, salwar-kameez, bed cover, curtains, scarves, and printed yardages (running cloth material), etc. Hand block printing industry of Sanganer contribute almost 15% with an export of around Rs.100 crore in the 690 crore of national export market. The major destinations for export are USA, UK, France, Australia, Italy and Canada\(^{25}\).

Wooden blocks are used for printing in this technique. They are of different shapes and have designs carved at the bottom of the block. Teak wood is used for making the blocks, and skilled craftsmen prepare the designs. Over time, Sanganer has imported many new techniques, styles, and designs as means of value addition for the final products. Earlier, embroideries, kantha stitches, etc. used to be done at different locations, but now, one can find units or homes involved in these jobs in and around Sanganer. In recent times, the export of block printed garments has seen a steep increase with an increased demand from the Western countries, in view of the durability of the fabric and the distinctive patterns and designs seen in this art.

To overcome various problems related to market, competition from screen printers, block printing from other areas and for establishing formal brand of the cluster Calico Printers Cooperative Society, an association working for Chippa community submitted an application for G.I registration in year 2008. In 2010, the cluster bagged Geographical Indication (GI) certificate that has established a distinct niche for it’s product in national and international markets.

II. Marketing and Branding Enablers and Challenges

**Product Uniqueness:** Sanganer block printing is known for its specific appearance and wide range of delicate floral sprays, done on white base. The colors used for block printing are eco-friendly vegetable dies. The print design is equally vividly seen on the underside of the cloth. Production of Sanganeri Hand Block Printing requires a high level of judgment and coordination of eyes and hands of the artisans. Number of processes is involved while producing hand block printed fabric and all requires high level of skill, patience and concentration. This art and skill for production is limited to Chhipa community who are

\(^{24}\) [http://resources.archedu.org/block_printingof_sanganer.html](http://resources.archedu.org/block_printingof_sanganer.html)  
carrying on their age-old traditional craft and passing on the skill to their new generation. None of the artisans has ever received any formal training, they watch and learn as a matter of daily routine. The whole process, from printing to dyeing, is executed manually at home by family members. The only tool involved in production process is stamp or wooden blocks. A special feature of these prints is the use of variety of designs in the same piece of cloth, but beautifully harmonized. Gold and silver effects are also introduced.

Sanganer has very conducive geographical and climatic conditions necessary for the production of desired shades of colors and fine designs. As this craft require huge amount of water in the production process, presence of Saraswati river makes Sanganer as one of the best location for hand block printing. The production process involves a process known as Tapai or Sun Bleaching which is typical and unique in the production of Sanganeri Hand Block Printing.

The block-makers in Sanganer are among the most innovative and creative of the royal craftsmen. They understand how to produce texture on cloth and how to enhance the richness of the base cotton fabric. The genius of their print designs lay in their understanding of patterning fabric surfaces and the use of space. The traditional Jaipur buti, usually a floral or animal motif, is carved on to a small square wooden block. The carved block is pressed on to a piece of padded fabric dipped into a vegetable dye and the motif is then printed on to the cloth at carefully measured intervals. The same process is repeated with different blocks and colors, resulting in beautiful geometric patterns of astonishing regularity.

There are 315 hand block printing units in the cluster and the production volume of the cluster depends on the order placed by the bulk buyers from domestic and international market. Market channel of the cluster involves various stakeholders at different stages. Function of all stakeholders is shown in diagram below:

Small scale units act as traders and have wholesale buyers from domestic market as their clients. 8-10 % small units have international linkage and are exporting hand block printed fabric in international market. There are around 40 export houses in the cluster with in-house facilities for producing export quality product as per the demand of international clients. In case of excess orders these houses outsource some portion of the order to small units or sometime purchase hand block printed material from small units matching their quality standards. Water consumption of the hand block cluster is high, of about 1000 litres per unit. Almost 80 per cent of these units do not have in-house washing facilities and the washing process is all outsourced. Export houses in the cluster have taken initiative of developing an export textile park. They have formed an SPV having 25 export houses as there members and will shift to the park within a year.

There are a few training institutes for imparting training in this sector, one of them being The Weavers Service Centre under the Ministry of Textiles. It provides training in the areas of designing, dyeing and block printing. The centre also provides marketing assistance to artisans by facilitating participation in fairs and exhibitions in the country.
Marketing and Branding Challenges Faced by the Cluster

Sanganer cluster is in its growing stage and has already established its brand image in national as well as international market. But existing challenge for the cluster is lack of marketing skills of artisans. They are not directly linked with the market and are selling their products through small units/traders in domestic market and through export houses in international market. The printing units print on the fabric supplied to them by the trader or exporter at a given rate per meter. The rate depends on the nature of the fabric, number of colors used and above all, on the rate quoted by competitors. The printing units often suffer from a capital crunch, which prevents them from procuring enough raw materials, especially the fabric. They generally have a stock of old blocks and three to five large tables for printing. This results in limiting their capacity of production and also limits their capability of thinking innovatively to come up with new designs and patterns to meet the need of urban or international market. Though associations like CALICO display the products of its member firms in its showroom, no other promotional activity is being carried out to create awareness about the products or to prompt sales.

Artisans are not exposed to new technology and designs available in the market and thus are not coming up with new designs and products. This limits the innovative thinking of the cluster.

Pollution issue in Sanganer is also a big challenge for small and household block printing units. Screen printers are catering to the mass market and use 20 times more water and hazardous chemicals than hand block printing units comparatively. Due to the pollution issue state government is planning to relocate these units to Chitroli village, 42 kms away from Sanganer. Pollution control norms are creating additional burden of pollution fee, treatment and the cost of establishment at a new location for small and household units. This could be a possible threat for the cluster as most of the hand block printing units are household units and majority of artisans are women. Women artisans have habit of working comfortably in their own space and on flexible timings as they also have to complete their daily chores. Shifting of units to another location will create uncomfortable working environment for the artisans. Another threat could be shortage of skilled artisans in the cluster as most of the artisans in micro units have been converted into job workers and earn lower wages in accordance with the time spent for production of hand block printed fabric. Therefore, most of the units have shifted towards screen printing with an aim of increasing production volume and reducing their cost of production. The artisans are not motivating the younger generation in taking up hand block printing as a profession which may lead to shortage of skilled labour in near future.

Competition within the hand block printing units is also a challenge which the cluster is facing. The printing units compete severely in order to get orders from small units and sometimes from domestic markets and ultimately for getting order they offer their product in lower prices. Therefore, for covering up losses at times they compromise on the quality of the product. This often results in rejection and a further squeezing of margins. The negative competition over the years resulted in reduction of printing units or printer-job workers into home-based workers or printer-wage earners.
III. Branding Strategy

Branding Awareness: After getting G.I. recognition, Sanaganer Handblock Printing cluster has gained popularity in national and international market. Association is helping them through showcasing their products and selling them in the market. For making Chhipas community self sustainable it is required to aware the artisans about the benefits of G.I certification and how they can use G.I for marketing their product in domestic as well as international market. With suitable marketing initiatives it is possible to commercially leverage GI for increasing awareness among consumers about product uniqueness, hard work involved and for providing assurance of product quality.

Brand Enforcement: Branding of a product is important to create image of the product in the mind of consumer which results in easy acceptability of the product at a premium price. After getting G.I certification Sanganer cluster got competitive advantage and help in counter threat of competition from screen printers and block printers from other areas. G.I certification gave power in the hands of artisans of Chippa community of taking any legal action against the person selling other hand block and screen-printed textiles produced elsewhere on the name of Sanganer Hand Block Printing. However, at present artisans are not much aware of how to use benefits of G.I for marketing and brand building, therefore there is a need to educate them about the importance and also use of G.I. With this they will be able to build national and international market linkage and thus can make direct domestic as well as international clients, which will increase their profit margin, they will get exposed to new designs and techniques available in the market and will able to introduce new products as per need of the consumers.

Brand endorsement and promotion: it is learnt from international cases that brand endorsement plays a crucial role in not only popularizing the brand also establishing necessary credentials of the same. Like, the Montebelluna Ski Boot cluster promoted the brand with the help of mass media advertising campaign at the time when the Italian national skiing team was doing well. The mass advertising campaign created and increased the awareness levels about the product and the positive atmosphere created by the success of the Italian national team further propelled the demand of the brand. The time and strategy was just correct. Similarly, the then president, Theodore Roosevelt of United States and many other legends/ celebrities wearing Panama hat created brand recognition in the global markets. Such brand endorsement with right advertisement strategy is needed by the cluster.
11. Puri Tourism Cluster

I. Profile of the Cluster

"Ayodhyā Mathurā Māyā Kāsi Kāñchī Avantikā I
Purī Dvārāvatī chaiva saptaitā moksadāyikāh II – Garuda Purana I XVI .14"

Puri is known as home to Lord Jagannath, a Hindu God. It has been a sacred centre of pilgrimage and worship symbolising one of the greatest spiritual and cultural heritages of the world (State Tourism Department, Odisha). This place is also known as Shri Purusottam-Kshetra and is famous for the Jagannath temple. The place has been branded as a religious place for Hindus. "This is the land where faith leads to nirvana (salvation)", quoted by many Hindu gurus and believed by devotees who crowd this holy land year after year. The largest crowd in Puri is seen during the Rath (Car/Chariot) Festival of Jagannath which takes place every year sometimes in June-July.

It is difficult to define the product of a tourism cluster. It is sometimes seen as the feeling or the total experience the tourist takes away from the place. In other words, tourism products are an array of integrated products, which consist of objects and attractions, transportation, accommodation and entertainment, where each element of the tourism product is prepared by individual firms and are offered separately and sometimes combinedly to the tourists. The key stakeholders are: destination management and quality control; suppliers of tourist sub-products; commercial intermediaries; skill suppliers; the guests, and the host population. Out of this the principal stakeholders/ firms are those who create those feelings or experiences based products. Such stakeholders range from hoteliers, restaurants, tour operators, amusement parts, event management companies, etc.

Principal stakeholders: One of the important category of stakeholders are the hotels which are supported by tour operators and traveling agents. These principal firms can be categorized as small and budget hotels, dharmashalas and lodges and star hotels.

Though not less than 500 hotels exist in Puri, officially the beach town has 364 hotels and 12 big dharmasalas with combined accommodation capacity for nearly 30,000 people (Times of India 2012). While big hotels and resorts give luxury packaged with various sophisticated facilities, the small and budget hotels offer basic accommodation and food services in most cases. The tariffs of these small and budget hotels can range from Rs. 500 to Rs. 3500 per. The turnover of these hotels range in the brackets of Rs. 3 lakh to Rs. 5 lakh per month. Most hotels cash in on the peak tourist seasons and collect exorbitant prices from tourists. Sources said the hotels hike their tariff by nearly 30% during Puja and other festive occasions like Diwali, Christmas and New Year. The pilgrim town has started witnessing inflow of tourists with most of the seaside hotels registering 80% occupancy status. Nearly 50 lakh tourists visit Puri annually out of which nearly 40,000 visitors come from foreign
countries. There are around 12 dharmashalas in Puri. Tourist belongs to lower class is like to stay at dharmasha, having accommodation basically dormitory facilities.

**Support firms:** Tour operators, travel agents and restaurants are the main support firms in Puri tourism cluster. There are around 30 tour operators and travel agents functioning in the cluster. Apart from this there are local transporters like Buses, Taxi, Auto rickshaws, Tourism Information Centre, Guides, etc. who support the tourism industries.

Other support services required are the safety and security, traffic control, hospitals which are provisioned by the local administration. These services are available but not adequate to give enough confidence to the tourists. However, no major casualty or violence has been observed in recent past.

II. Marketing and Branding Enablers and Challenges

**Major Attractions of Puri**

**Jagannath Temple:** The greatest attraction of Puri is the world famous temple of Jagannatha which is one of the tallest monuments in the entire sub-continent of India and its height is about 214 feet. It stands on a raised platform of stone spread about ten acres and believed to be the base of a small hill known as Nilagiri or Blue hill is surrounded by about 30 other temples dedicated to various gods and goddesses of the Hindu pantheon.

The kitchen of Puri temple is one of the biggest kitchen in India makes the Mahaprasada (the offerings to the deities in the Puri temple) is a wonder of the Hindu world and is considers to be a major attraction to the pilgrims.

**Sea Beach:** The Long stretch of Beach at Puri, known as Mohodadhi is one of the largest (7 Km) and beautiful beaches in India. This beach has its own golden sandy look and beauties of nature. The sea at Puri is shallow and is therefore, highly suitable for long sea-bath. A beautiful road from Puri to Konark passes through the beach and attracts tourists to take long marine drive.

**Rath Yatra (Car Festival):** This annual festival is celebrated on Ashad Shukla Dwitiya (second day in bright fortnight of Ashad month). Three richly decorated chariots, resembling temple structures, are pulled through the streets of Puri called Badadanda. This commemorates the annual journey of Lord Jagannath, Lord Balabhadra, and their sister Subhadra to their aunt's temple, the Gundicha Temple which is situated at a distance of 2 km from their temple. During the festival, devotees from all over the World go to Puri with an earnest desire to help pull Lords' chariot with the help of other priests pulling the chariots with ropes. They consider this a pious deed and risk their lives in the huge crowd. The carts approximately 45 feet (14 m) high and are pulled by the thousands of pilgrims who turn up for the event; the chariots are built anew each year only from a particular type of tree (Wikipedia). Tourist flow of tourists during Rath Yatra is increasing at an increasing rate. 10 days of Rath yatra gives more than 40 crores of business to the hotels. (Reported by Hotel Association of Puri in 2011)
**Puri beach festival:** The Puri Beach Festival is a unique event and first of its kind in the eastern part of India organized by the Hotel Association of Puri (HAP). With great enthusiasm and dedication the members of HAP made it an international event with the participation of artistes / cultural troupes from foreign countries directly and under the aegis of ICCR, New Delhi. This is the only beach festival of the country being organized by Hospitality Industry entrepreneurs i.e. HAP in association with, Ministry of Tourism, Govt. of India, Department of Tourism & Culture, Govt. of Odisha, EZCC, Song & Drama Division, Kolkata and ICCR, New Delhi.

Puri Beach Festival is the largest viewing beach festival and is a perfect blend of art, craft, culture, cuisine and sports. The festival offers cultural evening with the best of performers from classical, folk and contemporary dance forms along with traditional sports like beach volleyball, Kabadi, Malkhamb including Sand Art and regatta etc. every day.

**Odissi dance:** It was around these temples that Odissi Dance was born. Odissi is a main attraction in various programmes/ event organised in Puri for the tourists.

**Art and Crafts:** Having an ancient tradition of making splendid pieces of art by hands Oriya artists have long been presenting their inspiring master pieces to the world. There are a lot of handicrafts that have been running as the life force in the cultural land of Orissa and more so in Puri and nearby villages. Some of which include: **Patta Chitra, Sand Art, Applique Work, Stone Carving, Coir Products, Puppets and Masks, Handloom Products**, etc.

**Chilka:** Chilka Lake (Chilika Lake) is a brackish water lagoon, spread over the Puri, Kurdha and Ganjam districts of Odisha state on the east coast of India, at the mouth of the River Daya, flowing into the Bay of Bengal, covering an area of over 1,100 km. It is the largest coastal lagoon in India and the second largest lagoon in the World.

The lake is home to a number of threatened species of plants and animals. The lake is an ecosystem with large fishery resources. The lagoon hosts over 160 species of birds in the peak migratory season. Birds from as far as the Caspian Sea, Lake Baikal, Aral Sea and other remote parts of Russia, Kirghiz steppes of Mongolia, Central and southeast Asia, Ladakh and Himalayas come here. These birds travel great distances; migratory birds probably follow much longer routes than the straight lines, possibly up to 12,000 km, to reach Chilika Lake.
Branding Challenges

Despite many cultural, economic and natural advantages, Puri is not being able to create a name for itself in the world tourism market. It is known only for its religious offerings. The other valued enablers in the form of natural attractions, activities are over looked. Again Puri has been promoted standalone as a destination for pilgrimage but not for a leisurely life, crafts and eco tourism and other special attractions which are not exploited to attract the tourists.

It has close proximity to other tourism destination like Chilka (known for its beautiful lake, bird sanctuary and sea food), Gopalpur (sea beach), Konark (Sun temple and stone carving crafts), Bhubaneswar (Lingaraj temple, Khandagiri and Udayagiri caves, Akamra haat-a craft market, etc), Cuttack (Silver filigree), Raghurajpur (Patachitra-a type of traditional painting), Pipli (Applique crafts), Sakhigopal (Coir crafts), Nandankanan (Wild life), Simlipal (Tiger reserve), etc. Despite Puri is surrounded by beautiful destinations, it is not known to the world.

There is a problem of local travel between these areas. Though cabs are easily available, but for tourists who look for economic mode of transportation do not find good/ comfortable local transports like buses, etc.

The guides and moreover the Pandits know as Pandas in Puri and especially in Puri temple are not professionally skilled guides. Panda sometimes harass the tourist and charge heavy donations/ fee. There is no organized system for availing professional guides at reasonable price. This works as a major de-motivating factor for many tourism especially the foreigners.

III. Branding Strategy

Defining the Context and Product Mix: A context is required to define tourism products that allow audience to appreciate what the place has to offer. That context is the overall image, or brand of the place. Context can revolve around cultural, artistic, natural or man-made, essentially the first-hand something new or at least interesting. Puri Tourism cluster, which is known as home to Lord Jagannath, has been considered a sacred centre of pilgrimage and worship symbolising one of the greatest spiritual and cultural heritages of the world. The place has been branded as a religious place for Hindus and has well known brand recognition for religious offerings to one set of clientele, i.e. the “pilgrims”. Despite many cultural, economic and natural advantages, Puri is not being able to create a name in the world tourism market for its other offerings. It has been promoted standalone as a destination for pilgrimage but not for a leisurely life, crafts and eco tourism and other special attractions which are in high demand in growing tourism market.

Puri township is surrounded by beautiful tourist destinations like Chilka (known for its beautiful lake, bird sanctuary and sea food), Gopalpur (sea beach), Konark (Sun temple and stone carving crafts), Bhubaneswar (Lingaraj temple, Khandagiri and Udayagiri caves, Akamra haat-a craft market, etc), Cuttack (Silver filigree), Raghurajpur (Patachitra-a type of traditional painting), Pipli (Applique crafts), Sakhigopal (Coir crafts), Nandankanan (Wild life), Simlipal (Tiger reserve), etc. Despite surrounded by such beautiful destinations, the cluster
is not known to only one set of tourists. Rebranding through appropriate mix of tourist products could give a much better brand image and attract more customers to the destination.

Creating and Enforcing a Common Brand: At this juncture, there is no enough interest generated and sufficient number of firms coming forward to work together for the brand building and brand promotion. However, this can be done through strengthening of an appropriate cluster entity and promoting cluster brand through it. A multi-stakeholders’ association represented by hotels, restaurants, tour operators, guides, and other key stakeholders need to be created who can work for common brand building and market promotion.

Infrastructure and Services: A tourism destination needs a good product portfolio strategy to be able to develop tourism and specialise the existing supply of the destination. The portfolio should be based on the existing attractions and resources, but it should also take into account the essential infrastructures, facilities and services needed to make the development come true. Puri needs both soft as well as hard infrastructures. The soft skill creation facilities especially for specialized tour operators and guides who can communicate and deal professionally with the well educated tourists from across the world needs to be developed. More number of local transport systems like tourist bus services, need to be developed.

Brand Promotion: At present the marketing communication for popularizing this cluster is very week. Marketing communications need to be backed by substance, such as an obvious and credible demonstration of ‘brand-compliant’ behaviour, physical infrastructure, and service provision. People’s perceptions of a destination will be formed primarily by personal experience and word-of-mouth communication from trusted sources. Brand endorsement can also play a major role in popularising the destination. Gujrat tourism has witnessed such tremendous success in terms of attracting tourists by the buy line “Khushboo Gujrat ki …..kuchh din to gujariye Gujrat mai....” by legendary Bollywood icon Amitabh Bachhan, who endorsed the tourism destinations of Gujrat.

**********
Framework of cluster action plan along with activities and timeline for brand building is given in the following table. This can be customized as per the nature and need of the cluster.

(HY-Half Yearly Time Line)

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<th>S.N.</th>
<th>Activity</th>
<th>HY-1</th>
<th>HY-2</th>
<th>HY-3</th>
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<td>1.</td>
<td><strong>Preparatory/ Planning</strong></td>
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<td>Brand sensitization workshop to create awareness on need and usefulness of common branding</td>
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<td>1.2</td>
<td>Focused group discussion with selected stakeholders who are interested for common branding</td>
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<td>Creation of legal entity (name, by-laws, governing systems, membership pattern and fee, registration, etc)</td>
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<td>1.4</td>
<td>Setting up of office and secretariat</td>
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<td>1.5</td>
<td>Exposure visit to a branded cluster and interaction with the key stakeholders</td>
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<td>1.6</td>
<td>Workshops on Brand Vision building and Strategy Development:</td>
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<td>• Factors around which the brand value can be established (Uniqueness of the product, raw material, skills, production process/ technology, infrastructure, etc)</td>
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<td>• Target clientele and markets (local, regional, national or international)</td>
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<td>• Positioning: Decide the brand values, qualities, attributes and the beliefs supporting the brand. And then developing strategy offer the same.</td>
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<td>• Find out the products and decide whether specialisation/innovation is required</td>
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<td>• Discuss how to standardize the product by setting of specifications, etc.</td>
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<td>1.7</td>
<td>Business plan preparation for branding with the help of a branding and marketing expert and developing branding and marketing strategy (with target, messages, time, budget, channels, etc.)</td>
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<td>Setting rules for product specification, quality standards and establishing the monitoring/ checking system for the same</td>
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<td>Infrastructure Development (Need based): Preparing the detailed project report and sharing with the possible funding sources</td>
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<td>Market feedback system and customer care facility development</td>
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<td><strong>Brand creation</strong></td>
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<td>2.1</td>
<td>Creating brand name, visual identity (logo, theme, colours, coordinated image, etc) and buy line</td>
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<td>3.</td>
<td><strong>Brand Promotion and execution</strong></td>
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<td>3.1</td>
<td>Training and capacity building of the group on marketing and branding skills</td>
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<td>E-portal creation and operationalisation</td>
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<td>Marketing brochure development (with product</td>
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<td>Identifying brand ambassador (If it is a consumer</td>
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<td>3.5</td>
<td>Engaging advertisement agency for creating text and</td>
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<td>3.6</td>
<td>Airing the advertisement by Tele channels and publishing in</td>
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<td>3.7</td>
<td>Developing and circulating case studies/write ups development</td>
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<td>3.8</td>
<td>Organising talk shows, promotional events to promote cluster</td>
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Annex 4: References


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BMOs or Business Management Organizations denote any entity within a cluster like informal networks or groups, registered bodies like associations, consortia, special purpose vehicles etc.

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