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Dilemmas with brand management in clusters **Dylematy zarządzania marką w klastrach**

One of the basic marketing problems which have been revealed in Polish clusters` practice is the issue of brand management. Dilemmas and problems of the shared responsibility for the image appear, are related to the necessity of reconciling the interests of various members of the cluster (in the sphere of image and tax issues), including the members who own their own trademarks; the interests of the territory and the environment the cluster originates from, as well as of institutions funding the development of clusters from aid funds from the European Union.

A basic problem is encountered already on the stage of making the decision concerning the name of the cluster`s market brand. The majority of clusters in Poland, created as a result of implementing European Union`s projects, have long and complicated names, which are at times difficult to memorise. Even though those names perform their function in the processes of applying for, realizing and controlling the project, they do not fulfill the conditions set for good market brands. Another dilemma of brand management in clusters is related to the issue of granting the trademark to cluster participants and ensues from the Polish tax law. In the case of clusters operating as a business enterprise and sharing the trademark for money, the situation with tax law seems to be clear; however, it is more complicated when a cluster functions as a non-profit association which, additionally, does not wish to be registered as a VAT payer. A further dilemma of brand policy in clusters is also connected with the legal protection of the trademark in the case of realizing European Union projects.

From the point of view of the purchasers of the cluster`s offer, an additional brand management problem is an excessive number of trademarks and labels on the packages of the products and in marketing messages of clusters. This causes a considerable information chaos.

The problems described in the present article are based on both positive and negative experiences of Polish clusters, especially those offering foodstuffs. The source of knowledge of these experiences is a series of publications by the Polish Agency for Enterprise Development issued in 2010-2012, the experiences of the author resulting from her long work in clusters, as well as telephone in-depth interviews with the coordinators of foodstuff clusters.

Key words: cluster, brand, trade mark, brand management

Introduction

Although the terms "cluster" or "economic cluster" are becoming widely recognized, it is worthwhile to refer to their most popular definition. According to the Polish Agency for Enterprise Development which supports the development of such organizations in Poland, a cluster is "a geographical centre of interconnected companies, specialized suppliers, individuals providing their services, companies operating in related sectors as well as institutions related to them (such as universities, standardizing bodies, business associations, supporting institutions) which compete with one another, but at the same

time cooperate with one another.” A cluster is a living business structure, the membership of which is absolutely voluntary and in which permanent pro-innovative attitude and a sense of synergy are basic to vitality and development of the entire organization. The members of a cluster at the same time cooperate and compete with one another, as well as construct the relations with other institutions operating in a given business and in a given territory. A cluster, even though it is a loosely connected economic organization, should be characterized by a determined market identity and its development should be based on a common vision and ensuing operational aims, set by the cluster members¹. The result should be a proper management of the cluster brand on the target market and in its surroundings.

The present article will see brand in two ways: as a legally protected registered trademark or as a popular *brand* itself, defining it in accordance with the Polish Patent Office as “any sign which can be represented in a graphic form (especially a word, a drawing, an ornament, a combination of colours, a three-dimensional structure, including the structure of a merchandise or its packaging, as well as a melody or other acoustic signal), if such a sign is suitable for distinguishing the goods of one enterprise from the goods of another enterprise.”² It can be comprised of a verbal component (the name) and a non-verbal sign (a particular font, a combination of colours, a graphic form or a symbol), which together form a trademark or a logo. From the point of view of the customers, however, there is more to a brand than just its trademark: it is a promise of stability and uniformity as well as a guarantee of the assumed quality and a means of securing purchasers’ interest³.

As the definition of a cluster states, it is an organization closely linked with the territory where it operates, its “rooted” into its region. In a sense it can be treated as “distributed enterprises” in a region. Clusters with a strong positive image and a properly managed brand constitute valuable assets for their regions, and therefore their potential should be exploited in regional strategies and promotion campaigns. In this way, economic attractiveness of the region increases, along with the competitive advantage of the enterprises concentrated in clusters⁴. It can be explained by the effect of synergy of images and brands, achieved by the members of clusters and by the regions in which they operate. An example of such synergy is the strategy of the brand of the “Leszczyńskie Smaki” cluster, presented below.

¹ Study performed on the basis of: J. Hołub (ed.): *Benchmarking klastrów w Polsce – edycja 2012. Raport z badania*. Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2012, p. 12 and S. Walukiewicz: *Sieci proinnowacyjne i klastry*, [in:] Walukiewicz S. (ed.): „Współczesne zarządzanie: teoria i praktyka”, Centrum Badań Przedsiębiorczości i Zarządzania PAN, Warszawa 2004, p. 34.

² See the website of the Polish Patent Office: <http://www.uprp.pl>

³ S. Skowron: *Budowa wizerunku przedsiębiorstwa* [in:] Szymoniuk B. (ed.): *Komunikacja marketingowa. Instrumenty i metody*. PWE, Warszawa 2006, p. 47.

⁴ B. Szymoniuk: *Przedsiębiorstwo w strukturach klastrowych: innowacyjność, konkurencja i współpraca*, [in:] Herman A., Poznańska K. (ed.): „Przedsiębiorstwo wobec wyzwań globalizacji”, Szkoła Główna Handlowa, Warszawa 2008, p. 139.

Research aims and methods

The present article aims to indicate the dilemmas related to brand management in clusters, to suggest certain solutions and to present significant issue which needs to be examined in respect of this field.

The policy of managing the image and the brand of the entire organization, including the issue of the legal protection of the trademark and granting the right to use it, is usually the responsibility of cluster coordinators or cluster leaders, with the help of internal bodies called the Trademark Committee and specialized marketing agencies. In practice, they encounter numerous problems related to the necessity of reconciling the interests of the cluster organization (in the area of its image and tax issues), of cluster members who own their own trademarks, interests of the territory and the environment the cluster originated in, as well as of the institutions financing the development of clusters from the European Union's aid funds. Another important issue concerns the opinions of customers who often find themselves confused about the abundance of trademarks and signs on the product packaging and in clusters' marketing messages.

The problems addressed in the present article have been based on both positive and negative experiences of Polish clusters, especially those operating in the food industry. Those experiences have been assembled by the means of literature studies, observations and the researchers' own experiences, as well as personal interviews with cluster coordinators and group interviews with producers who participate in clusters. The case study of brand management in the "Tastes of Leszno Region" cluster is an example of good practice in this area.

Research results and discussion

As the research conducted for the purposes of this article and the latest studies into the benchmarking of Polish clusters have shown, proper brand management in clusters is one of the major marketing challenges which have surfaced in the practice of these organizations' activities. The majority of the studied clusters already possesses some kind of visual identification – in the form of a logo used for example on shared visiting cards, letterhead paper, leaflets, brochures, in TV advertisements, at trade fairs and exhibitions, on the website or product labels. Almost 30% of clusters have Corporate Identity Systems. In this respect, a considerable progress has been observed in comparison to the year 2010⁵. However, brand management in a cluster is still problematic for its managers.

In Poland, a great number of cluster or cluster initiatives were created as a result of realizing European Union's projects. Their full names, suitable for raising aid funds, turn out to be troublesome from the point of view of long-term marketing strategies for cluster offers. This is exemplified by the following names: the Association of a Group of Entrepreneurs of the Aviation Industry "Aviation Valley", Innovative Cluster Health and Tourism "Health Resorts – Pearls of Eastern Poland" or the Association "Wood of Lublin's Region" Regional Cluster in Lublin. In such cases, in marketing

⁵ See: J. Holub (ed.): Benchmarking klastrów w Polsce – edycja 2012. Raport z badania. Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2012, p. 50-52

communications of clusters, the shortened version of the name should be displayed, at least graphically, a version that is easy to memorise and associate with the offer, e.g. the "Aviation Valley" cluster, "Health Resorts – Pearls of Eastern Poland" or "Wood of Lublin's Region."

Creating the name of a cluster one should bear in mind the fact that as it is used as a trademark, it is a broad symbol which can incorporate all of the 6 meanings described below:

- 1) *the basic feature* – the trademark is associated with a set of basic features of the product or service, on which the marketing campaign can be based (e.g. Cluster of Innovative Technologies in Manufacturing CINNOMATECH, Beef Cluster),
- 2) *the country/region of origin* – the trademark points to the relationship of the cluster with the country/region of origin (e.g. Podlachia Lingerie Cluster, Pomeranian ICT Cluster),
- 3) *benefits* – the trademark guarantees the consumer and the product user achieving functional and emotional benefits (eg. Touristic Cluster "A land of milk and honey," Warmia and Mazury Cluster "WARMER TOGETHER"),
- 4) *values* – the trademark presents the values it can provide to the purchasers who require such values (e.g. Creative Communication Cluster, Cluster of Green Technologies, Organic Food Valley),
- 5) *culture* – trademark can represent certain culture of the cluster, region or country they originated in (e.g. Cluster "Tastes of Leszno Region" or no longer operating Culture of Lublin's Region Cluster),
- 6) *personality* – the trademark can also imply a certain personality of the product or producer, as a result of typical associations the purchasers might have (e.g. "Gdańsk's Delta of Amber"),
- 7) *user* – the trademark implies the sort of a customer purchasing and using the product (eg. Cluster "Bioenergy for the Region").

The trademark is part of cluster's value, is subject to valuation and sale as a component of its intangible assets. For that reason marketing activities and activities connected with the image of the cluster can be seen as an investment in the trademark. In current operations, a strong trademark provides numerous notable benefits, such as:

- reduced price elasticity of demand (customers more readily accept an increase in prices in a strong brand), and what follows – a higher profitability of sales of the cluster offer,
- a possibility of extending the assortment of products and services of the cluster,
- a favourable bargaining position in the relations with intermediaries, as well as in lobbying;
- a longer life cycle of products and services,
- a higher level of loyalty of participants to the cluster and of purchasers to the offer,
- reducing marketing costs once the cluster trademark has been successfully promoted.

Trademark, as a special type of cluster's assets, requires skilful management so that it does not lose value and it maintains its strength for a long period of time. As a consequence, cluster trademark management involves a sequence of decisions that concern resolving specific marketing problems, which are⁶:

- 1) making the decision about the object of brand management: does it concern developing a trademark for a product/a group of products, or developing a corporate trademark for the entire cluster organization;
- 2) establishing the target image of the brand – on the basis of the result of market research on the desired image: an expensive or cheap brand, exclusive or popular, local, regional or global,
- 3) the targeted market segment, with whom it should be associated etc.;
- 4) choosing the symbols of the brand and creating a system of visual and (optionally) extravisual identification (a melody, a scent);
- 5) positioning of the brand – developing its position in consumers' minds against a background of the competition; designing unique associations of the brand and its symbols with specific benefits for the consumers; answering the question: what does the cluster has in its offer that others do not? What does it want to be renowned for as a cluster?
- 6) promoting the brand – eg. through product packaging, a web portal, media campaigns, participation in trade fairs, exhibitions, business visits, conferences, as well as regional and trade events; promotional materials (gadgets, leaflets, magazines, folders, banners) sponsoring, direct marketing etc.;
- 7) the protection of the brand and granting the right to use it to cluster participants for a determined period of time and under established conditions, alternatively through franchising, licensing contracts or ultimately through the sale of the brand; protecting the brand by registering the trademark in a patent office and prosecuting unauthorized imitators;
- 8) building loyalty towards the brand (both of the cluster participants and the purchasers of its offer) through stable quality of the products and services of the cluster as well as through special loyalty programs and Customer Relationship Management systems;
- 9) controlling the opinion about the brand – monitoring and giving a regular diagnosis in the internal environment of the cluster (among its participants and stakeholders) as well as in the external environment – among the purchasers of the offer and opinion formers;
- 10) optionally – repositioning of the brand, withdrawing it from the market or changing it to a different one.

Another significant issue related to placing the trademark of a cluster on product packaging is the problem of taxes. Using the brand of a cluster for commercial purposes

⁶ Own study based on: M. Frankowska (ed.): Tworzenie wartości w klastrze. Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2012; L. Garbarski: Marketing. Kluczowe pojęcia i praktyczne zastosowania. Polskie Wydawnictwo Ekonomiczne, Warszawa 2011; S. Skowron: Budowa wizerunku przedsiębiorstwa [in:] Szymoniuk B. (ed.): Komunikacja marketingowa. Instrumenty i metody. PWE, Warszawa 2006; B. Szymoniuk: Partnerstwo klastrów gospodarczych: szansa dla europejskich regionów peryferyjnych. Przypadek Lubelszczyzny. Studia Regionalne i Lokalne. Nr 1/ 2008.

on product packaging obliges clusters to operate a business enterprise and to pay due income tax and Value Added Tax. Such actions amount to economic activity according to the Act on Freedom of Business Activity [Dziennik Ustaw (the Journal of Laws) from 2010 nr 220 item 1447]. In case of clusters which have legal personality and conduct business activity, the question seems clear in face of tax law, as the cluster earns on granting the right to use its trademark and pays due taxes. It is more complicated, however, when a cluster operates as a non-profit organization, which additionally is not and does not wish to be a VAT-registered trader. In such a situation the umbrella-brand should be granted to cluster members free of charge. Nevertheless, it means that the cluster organization which developed the brand will not generate any income on account of that action (while incurring expenses), whereas the entrepreneurs who are entitled to use the brand for free could fail to appreciate it.

The issues of ownership and legal protection of the brand of the cluster (as a trademark) constitute another area of dilemmas related to management. Such problems become apparent in the case of realizing European Union's projects and concern the following questions: who should apply for the protection of the trademark if the cluster organization does not have legal personality? Who will incur the costs of the process of the protection and registration, and, in consequence, whose trademark will it be? What is the way of guaranteeing the permanence of the title to the trademark and of its management after the project has been completed?

It is favourable for the clusters that protection right for a so-called collective trademark can be granted to an organization with legal personality, appointed to represent the interests of the entrepreneurs. Such trademark is to be used in trade by this organization and its members (that is the cluster) or just by the members (so-called collective guarantee trademark). The rules of using the collective trademark in trade are specified by the trademark regulations accepted by the organization. Industrial Property Law also provides for a possibility of obtaining collective right of protection. It is granted for the trademark intended to be used by several entrepreneurs who submitted it together, under specific conditions⁷.

Another problem related to the branding policy in clusters is the threat of informational chaos which leads to customers' disorientation. A majority of Polish clusters were created as the effect of European Union's aid programs. Many of those clusters made their participants an offer to create the abovementioned common umbrella-brands, under which the brands of particular producers are additionally placed. For example, on the packaging of an organic product offered within a clusters the customers can see the umbrella-brand of the cluster, the trademark of the producer and, as a requirement, the name/trademark of the certification body of the eco-product, a green leaf – the symbol of organic farming in the European Union, and additionally the main national symbols, eg. of German organic farming. Special marks are used to indicate subsequent information about the region of origin of the product, or, more generally, that it is a Polish product; that it is suitable for vegetarians and vegans and that it is recommended by specific institutes or consumer organizations. Moreover, more logos are published in the

⁷ Serwis Urzędu Patentowego Rzeczypospolitej Polskiej: uprp.pl

materials promoting the offer of the cluster – such as catalogues, leaflets or websites created as a part of the project – that represent specific European Union’s institutions and aid programs. From the point of view of customers, it creates a substantial information chaos that needs to be simplified presently.

The final of the presented dilemmas of brand management concerns ethical issues. In a cluster organization, all of its member bear responsibility for its market image. The principle to follow should be all for one, one for all. Unfortunately, sometimes companies which do not maintain a stable, predictable level of the quality of their offer and customer service destroy their own image as well as the image of the cluster and its brand. That, in turn, has a negative effect on the image of other cluster participants. Such irresponsibility should result in the company being disciplined by the cluster coordinator or leader, as well as by other participants. If the company resists and refuses to improve the quality of its offer, it could be denied the right to use the cluster’s brand (or the renewal of that right), or even be excluded from the cluster.

An example of good practice in the area of brand management and branding policy is the activity of the ”Tastes of Leszno Region” cluster⁸. Its coordinator is a limited liability company Leszno Business Centre, an enterprise conducting business activity. A successful strategy of promoting the cluster and its brand is pursued in the cluster. Moreover, Trademark Regulations have been established, as well as the procedures of granting it for a period of one year. At the same time, the trademark was submitted to the Patent Office in order to subject it to legal protection.

The products applying for the right to use the trademark have to fulfill the following criteria:

- 1) they cannot be identical to the products which already bear the trademark “Tastes of Leszno Region,”
- 2) they are made from materials produced and purchased in the region (that is in Greater Poland Voivodeship) in at least 51%,
- 3) the manner in which they are manufactured, processed and presented is related to the region,
- 4) they are characterised by high, guaranteed and stable quality,
- 5) they are characterised by a unique taste and well-tried recipes,
- 6) their producer has to be a member of the ”Tastes of Leszno Region” cluster.

The submitted products are verified by the Trademark Committee. The verification procedure begins when an application for the right to use the ”Tastes of Leszno Region” trademark is submitted. On the basis of the application the Committee performs a formal assessment of the product. They take into consideration the abovementioned obligatory criteria and when they are fulfilled, the product is approved for further assessment. Subsequently, the product is subject to verification in the factory. In order to do that, the Committee delegates two of its members authorized as internal auditors for quality systems who perform a detailed verification of the quality of the product and its relationship with the region. Once it has been assessed favourably and recommended, the

⁸ The official website of the “Tastes of Leszno Region” cluster: <http://leszczynskiesmaki.pl>

organoleptic stage of verification ensues in which the Committee assesses the appearance, shape, colour, consistency, taste and smell of the products. Three samples of a given product are subject to assessment, each of them from a different batch. The overall assessment is arithmetic mean of the marks given by particular members of the Committee. On the basis of the obtained results, a final report on the verification of the quality of the product and organoleptic testing is issued which recommends or not granting the right to use the "Tastes of Leszno Region" trademark for a period of one year, with the possibility of extension.

Conclusions

The brand of the cluster should not replace the brand or the offer of a company, but reinforce it and supplement it as a so-called "umbrella-brand." It happens even in the case of companies with well-developed brands, known throughout the market or legally protected. In the case of companies which have been set up recently or which operate on a small scale, the cluster's brand can be of utmost significance. It is solely supplemented with the name or the producer's surname. In this case, in the reception of potential customers the image of cluster's brand is more reliable than the image of a little-known company. Professional brand management in a cluster should take into consideration the risk areas in cluster management the present article mentions, related to its name which tends to be very complicated, to the informational chaos on part of the customers and financial or ethical issues on part of the providers. It should at the same time follow the rules of common sense. For the food industry clusters it is especially vital as from December 13, 2014 they are to abide by the Regulation No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers, and the rules of the distance selling of food⁹. It obliges food producers to place thorough and more precise information on the labels concerning the product's ingredients and origins, and it introduces detailed regulations which aim to increase the clarity of labels (the size of the font, rules of marking out particular information). It poses a threat of having negative influence on the environment by a waste of materials and problems with utilizing them, resulting from excessive increase of the size of packaging or from changing labels into informational leaflets.

In this situation it seems that a need arises to create such a system of marking products, including cluster products, in which the information on the labels would be of actual help to the consumers instead of creating more difficulties. A new ally to both purchasers and environmental protection could be innovative technologies of bar codes printed on packages with widely available readers. For example, Quick Response Code system enables the consumer to read the data from the package by means of mobile devices (e.g. phones) and specialized readers in shops. A challenge for the marking policy in clusters will be in this case to prepare suitable short, communicative and accessible digital information for purchasers.

⁹ Website: eur-lex.europa.eu

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Streszczenie

Jednym z najważniejszych problemów marketingowych, które zdążyły się ujawnić w praktyce funkcjonowania klastrów w Polsce, jest kwestia zarządzania marką. Dylematy i problemy odpowiedzialności za wizerunek związane są z koniecznością pogodzenia interesów wielu uczestników organizacji klastrowej (w obszarze wizerunku i kwestii podatkowych), w tym uczestników posiadających własne marki handlowe, interesów terytorium i środowiska, z którego klastrer się wywodzi, a także instytucji finansujących rozwój klastrów z funduszy pomocowych Unii Europejskiej.

Podstawowy problem pojawia się już na etapie decydowania o tym, jaka będzie nazwa rynkowej marki klastra. W Polsce znaczna większość klastrów powstałych w efekcie realizacji projektów unijnych nosi nazwy zbyt długie i skomplikowane, czasami trudne do zapamiętania. Nazwy te, choć sprawdzają się w procedurze aplikowania, realizacji i kontroli projektów, nie spełniają jednak warunków stawianych dobrym markom rynkowym. Kolejny dylemat zarządzania marką związany jest z kwestią jej udzielania uczestnikom klastra oraz wynika z polskiego prawa podatkowego. O ile w przypadku klastrów prowadzących działalność gospodarczą i udzielających swojej marki za opłatą sprawa wydaje się wobec prawa podatkowego jasna (klastrer zarabia i płaci od tego podatek), o tyle komplikacje pojawiają się w sytuacji, gdy organizacja klastrowa jest stowarzyszeniem non-profit, które dodatkowo nie chce być płatnikiem VAT. Dylemat polityki markowania w klastrach pojawia się także w związku z ochroną prawną wspólnego znaku towarowego w przypadku realizacji projektów unijnych. Z punktu widzenia nabywców oferty klastra kolejnym problemem markowania jest nadmiar marek i oznaczeń na opakowaniach produktów lub w komunikatach marketingowych klastrów, co tworzy chaos informacyjny.

Poruszona w artykule problematyka oparta jest na pozytywnych i negatywnych doświadczeniach polskich klastrów, w tym szczególnie klastrów oferujących produkty spożywcze. Źródłami wiedzy

o tych doświadczeniach jest cykl publikacji Polskiej Agencji Rozwoju Przedsiębiorczości z lat 2010-2012, doświadczenia własne autorki wynikające z wieloletniej pracy w klastrach oraz telefoniczne wywiady pogłębione, przeprowadzone z koordynatorami klastrów spożywczych.

Słowa kluczowe: klaster, marka, zarządzanie marką

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