

Institutional Design of Local Product Branding

Consideration on Role and Functions of Local Product Brand Council via Case Study

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Abstract: In activities of local-product branding for a local revitalization in recent Japan, the local brand kyogikai organization (Council) composed of various stakeholders of a regional society has become an important organization that bears a large role in planning, executing and evaluating of various projects for the local industrial revitalization similar to a board in a company. This paper shows the discussion points of the institutional design concerned to the roles and functions of the council of the local-product branding for the local revitalization through the case study of some typical local government in Japan.

Key words: *Institutional Design, Branding, Local Revitalization, Council, Social Design*

1. Introduction

1.1 Objective of Study

Various brands are sold at the department stores, events and etc. And a lot of considerable and active studies on brands and branding are done in the academic fields. [1] Especially in Japan, many local governments have been paying attention to the method of local-product branding as the solution approach of the regional issues. [2]

There is a one idea that “Brands are promises that consumers believe in” in those studies. [3] But the responsible organization of local-product brands that makes a tacit promise of value, quality and etc. with consumers is not clearer than the organization of the corporate brands. Who should be the responsible organizations of local-product brands, though the responsible persons of the corporation are clear as the board members? Producers or retailers of the products may be the responsible persons as a legal affair, but they are not suitable and a president of a chamber of commerce and a mayor are not also suitable as the responsible persons. Because local-product brands are the representative of regional specialty products, it is thought that regional corporations and/or public organization should take the responsibility to those local-product brands (of value, quality and etc.). Saito (2011) pointed out that the local brand organization called kyogikai (hereinafter called “the council” at the paper), which consists of representatives of regional corporations and public organization, should be established to manage all the regional brands because various stakeholders exist in regional society. [4] But it could not be found suitable previous studies on functions, roles and institutional designs of local brand councils.

Therefore the objective of this study is to present “The Local Branding Design Model (Hypothesis)” first of all, then to define the council's positioning, and to present the functions and roles of the council as part of the institutional design in conclusion.

1.2 Definition of Terms

In general, the brand is explained as the whole image that the customer to the object draws in the mind. And, the sender of the brand and the receiver of the brand exist in the world of the brand relation. This relation concept

can be applied also to a regional brand. Because this paper focuses on the sender of the brand, the author define “the local-product brand” as the regional excellent products that the official-judging committee evaluated on the regionality, the qualities, the competitive superiority, the customer value and etc. by reference to “the local brand standards”, though the definition of “the local brand” is various according to specialists. And “the local brand standards” is the one that is formulated by the council that consists of a local government, concerned parties and stakeholders in the regional society. For example in candidates of local-product brands, there are agricultural foods, aquatic foods, processed foods, craft goods, manufacturing products and etc.

And, the author defines “the local-product branding” as all of the brand-building management activity processes of the regional excellent products that the official-judging committee evaluated. And those activity processes include brand strategy, product brand design, marketing, product/service development, improvement of products /services, production, quality control, storage and distribution, packaging, promotion and etc., and those activity processes are conducted by a local government, local industries and concerned parties to accomplish the goal of the local-revitalization project based on the local brand strategy formulated by the local government.

1.3 Research Approach

The research approach of this paper is as follows. At first, the current state of the regional society and the issues of the local governments are extracted through the literature research. Next, to solve the extracted problem, the hypothetic model is designed by the holistic approach, and the scope of this study is defined in the hypothetic model. Then, the method of the case study is used to clarify the hypothetic model verification and coverage. And, issues extracted from the case study are discussed, and the conclusion is presented at the end.

2. Positioning of Study in Previous Studies

2.1 Current Situation of Local Society

There are more than 1,700 municipalities at 47 prefectures in Japan. Almost 80% municipalities except for large cities such as areas around Tokyo and Osaka in Japan have some serious problems now. [5] There are about 4.3 million companies except for farmers and fishermen in 2009 Japan. In this category, big companies were about 12,000 (0.3%), medium companies were 550,000 (12.7%) and small companies were 3,800,000 (87.1%). Almost Japanese companies are small/medium companies, and are located in local society. Each big company has an established global organization, a management power, a finance power, a human resources and a brand power, but almost small/medium companies have not those resources.

2.2 Issue of Local Government

Regional societies have the population decline, the fast-aging society, the overseas transfer of manufacturing plants and the fiscal deficit of a local government. The population decline causes an annual revenue decrease of the local government. The aging society causes an annual expenditure increase of the local government. The overseas transfer of factories causes a decrease in job opportunity. The fiscal deficit causes a decrease in the local revitalization investment. Therefore, the government has taken various policy measures necessary to these problems after around 1990.

Amid those situations, some advanced local governments paid attention to the new methodology of the local branding for the local revitalization. Those local governments considered that clarifying the identity of the city,

the city image, the feature of the tourist destinations, and the feature of the products through the methodology of the local branding leads to gain the competitive advantages as against the competing cities. [6]

However, a lot of stakeholders concerning local branding exist in the regional society, and it is not easy to settle on the local branding strategy on which all parties concerned agree. Moreover, neither the methodology of organization management to develop such the strategy nor the institutional design was found in the previous studies.

2.3 Positioning of Study in Previous Studies on Local Product Branding

The local branding research in Japan was started in around 2000 as an application of the corporate brand research that David Allen Aaker, [7] Kevin Lane Keller [8] and etc. was done in United States in 1990s. After that, Japanese researchers have done a lot of researches concerned of the local branding [9] For example, there are studies of the research method of local brand resource, the method of developing local-products, the method of information design, the method of communication design, the method of promotion, the developing method of sales channel, the evaluation method of a local-product brand, the management method of the intellectual property right, the method of institutional design, the method of organization, the method of a human resource and etc. On the other hand, Shikida, Uchida, Morishige, et al. (2009) presented “the relational model” at the tourism field by holistic approach. [10]

However, neither the method of organization management nor the institutional design on functions and roles of local brand councils was found in the previous studies of academic design fields. Therefore, this paper try to build the relational model of local-product branding by the holistic approach to solve the developing issues of the local government by reference to “the relational model” (Shikida, Uchida, Morishige, et al., 2009) first. Then, the paper focuses on the institutional design on functions and roles of local brand councils in the relational model.

3. Local Branding Design Model as Hypothesis

3.1 Local Branding Design Model as Hypothesis

The author considers that the practical methodology, according to the experiences, that a present local government needs to solve their issues are the methods on local-brand resources research, the local-products developing, the information design, the communication design, the promotion design, the sales channel developing, the evaluation of local-product brands, the management of the intellectual property right, the institutional design, the organization design, the human resource developing and etc. But it seems that there were not a systematic and integrated research enough though those methods had been individually researched so far.

Therefore, the author developed the systematic and integrative institutional design model, called "Local branding design model", as the hypothesis to solve the issues of the local governments concerned of the local branding by reference to the research of Shikida and et al (2009). Figure 1 shows the hypothesis as the local branding design model.

There are four main processes to do the local branding for the local revitalization. And each process has some sub processes. For example, the process 1 has the investigating process of local-product brand candidates, the certification process of local-product brand candidates, the brand identity design process of branded local-products and the other processes. The project management function to generalize these four processes is necessary and

important for local branding activities. The study scope of this paper is the roles, functions and institutional design of that organization, the local-brand council to play the role of the project management function.

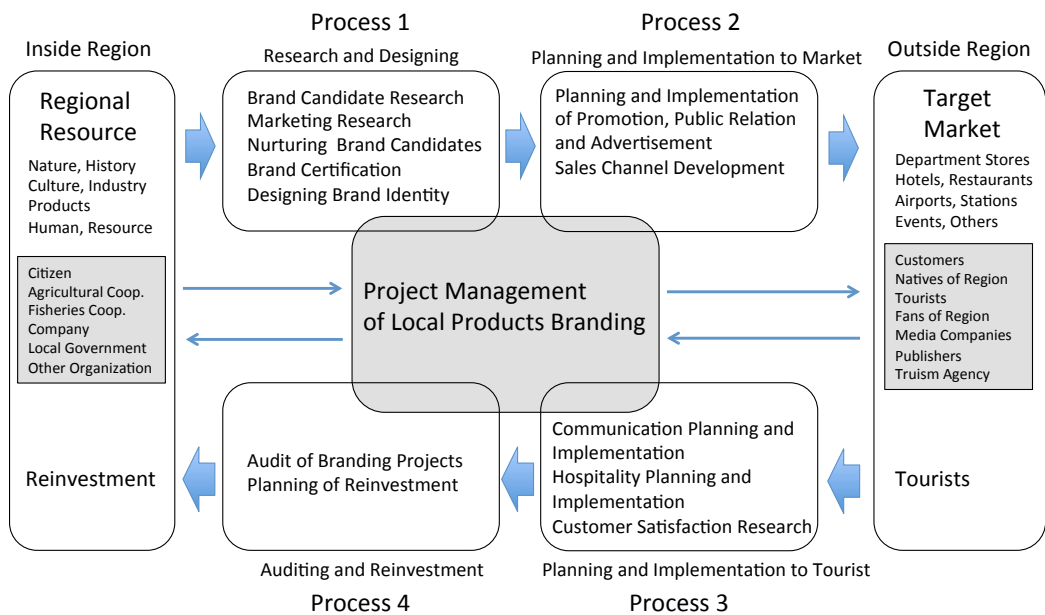


Figure.1 Local Branding Design Model as Hypothesis

3.2 Expected Role of Council

There are a lot of indispensable activities and indeterminate factors to lead the local branding projects to success in four processes of indicated Figure 1. According to the model, the expected role of the council is the total project management of all the local product-branding activities. This role of the council is similar to the board of an enterprise.

If the regional society has to gain the competitive advantage than the big corporations, regional small/medium companies have no choice but to establish the active, agile and community-based co-organization than the big corporations. Then, members of the council should consist of representatives of various regional stakeholders such as farming industries, fishery industries, commerce industries, food industries, regional manufacturers, tourism industries, hotel industries, restaurant industries, a local government, public organizations and etc.

3.3 Expected Functions of Council

If the council should play the expected role like the board of the enterprise, it must have various functions needed. Then, the expected function of the council has been extracted from Figure 1 by the KJ method. Figure 2 shows the expected function chart of council for the local product branding.

To execute the local-product branding project based on the decision of council, various functions and sub-organization or working group are needed into the council organization. For instance, the functions necessary for the project are a research function, a brand examination function, a brand design function, a planning function, sales and marketing functions and sub-organizations, a project audit function and etc. Big corporations have these functions, but the council has to make these functions receiving the cooperation of the affiliated body.

Therefore, when the council organization is made in future, it is thought that it is realistic to form the project organizations of the network type by receiving the cooperation of the affiliated bodies referring to the expected functions by reference to Figure.2.

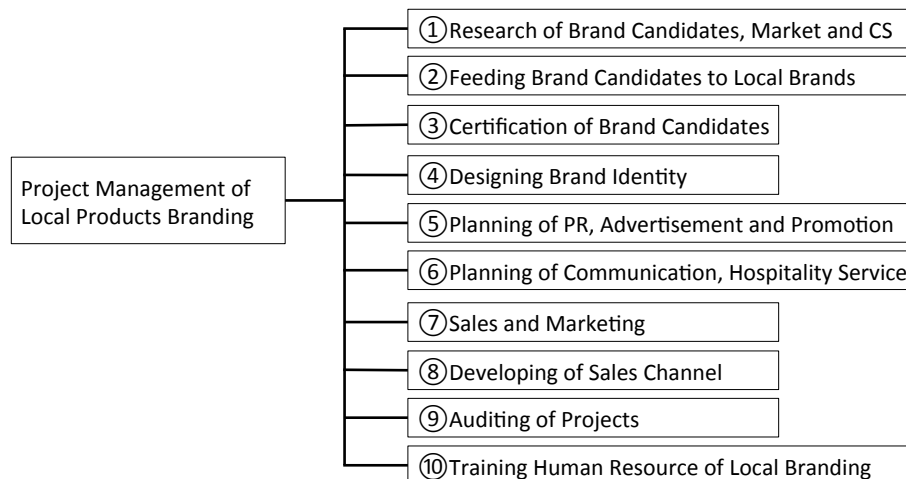


Figure.2 Expected Functions of Council for Local Product Branding as Hypothesis

4. Case Study

4.1 Overview and Approach of Case Study

The selection of the case study chose “the Fukutsu brand council” from among two or more councils in which the author is participating. The reason is that it is one of the councils in a typical suburban city. The Fukutsu-City commerce and industry association, located in Fukutsu City, established that council.

Fukutsu City is located in about 20km of northeast of Fukuoka City, and is a city of about 36,000 people, and was born in January 2005 by amalgamation of two towns. The city has the aspects of commuter town in the Fukuoka metropolitan area and the resort region. The local government formulated the Fukutsu brand strategy in March 2010.

The approach of the case study extracted the role and the function of the Fukutsu brand council from the author's records and experiences, and adopted the method of comparing the output elements and the hypothetic model.

4.2 Role of Fukutsu-city Brand Council

According to the establishment regulations of “the Fukutsu brand council”, the purposes of the council are to establish the specialty products as a local brand, and to spread branded products' information to customers.

The establishment person of the council is a chairman of the society of commerce and industry, and the council consists of nine members now according to the establishment regulations and meeting minutes. The professional affiliations of the council members are the agricultural cooperative association, the fishery cooperative association, the tourist association, the local government, the society of commerce and industry association and the university. The chairman of the council is chosen from among the members, and the life of the committee is three years. The secretariat is being set up at the society of commerce and industry. The council can establish the subcommittee meeting if necessary. This subcommittee meeting is held when the council needs to ask the advice of specialists at the certification examination of specialty products as the local brand.

Therefore, it conceivable that the Fukutsu-city brand council has the role of the total-project management of the local-product branding activities as the representative of a farming industry, the fisheries industry and the

commerce and industry association in the local society. This role is similar to the role of the council in the hypothetical model.

4.3 Functions of Fukutsu-city Brand Council

According to the establishment regulations of the Fukutsu brand council, the functions of the council are written as follows.

- (1) Concerning the nurture of the specialty products as a local brand.
- (2) Concerning the design of attractive specialty products and the method of making to the brand.
- (3) Concerning the method of PR of the specialty products as the certificated brand to gain awareness widely.
- (4) Concerning the certification of the local brand.

It seems that the council has the function of the local-products development, the function of the certification of local-products as the brand and the function of the marketing communication of the certificated brands. In addition, it is considered the council has the function of the investigating research from the questionnaire survey on the citizens that was done in 2012.

Moreover, the each organization constituted of the council has the various functions, according to the author's records and experiences. The local government has the function of candidates' investigation of the local-products and the function of public relations. The commerce and industry association has the function of the investigation of candidates of the local-product brands and the function of marketing communications that include promotions, events and developing of new sales channels. The agricultural cooperative association has the function of the investigation of candidates of the local-product brands and the function of the new local-products development. The fishery cooperative association has the same function as the agricultural cooperative. The tourist association has the function of public relations and events. The university has the function of research, design and evaluation.

Figure 3 shows the relation of the functions of those organizations.

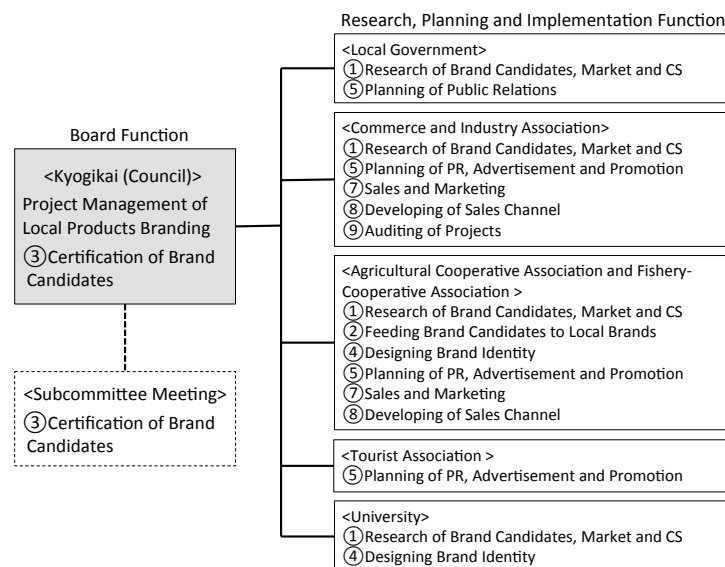


Figure.3 Functional Organization Chart of Case Study Council

4.4 Certification Process of Fukutsu Brand

The management of the certification system of the local-product brand is one of the important tasks for the council. The certification process of the Fukutsu product brand by the council is as follows.

First of all, when a producer of foods or a food company, for example, wants the recognition of its local-food as the Fukutsu brand he or she submits the application to the society of commerce and industry by the applicant form. Next, the society of commerce and industry call the Fukutsu brand council periodically. At the first-stage of the local brands evaluation the council confirms whether there is incompleteness in the content of the submitted application form. After documentary examination was finished the council call the brand review committee. The brand review committee consists of eight members such as an academic expert, a media representative, a professional historian, an intellectual, a cooking adviser, and citizens. At the second-stage the brand review committee examines whether the submitted local-product is suitable as the Fukutsu brand. Finally, the council confirms the examination result of the brand review committee, and the president of the society of commerce and industry notifies the applicant the review result.

For example, as for the local-food brand, the council certificated ten local-foods from fifty-five local-foods submitted as the Fukutsu brand, between 2009 and 2010. But, after that, numbers of applicant had been decreased gradually unfortunately. This situation seemed there were something wrong on the certification system. Therefore, the council revised the certification standards and dismissed the brand review committee and established the local-brand adviser organization as the working group, in March 2012. After that, applicants to the Fukutsu brand increased gradually.

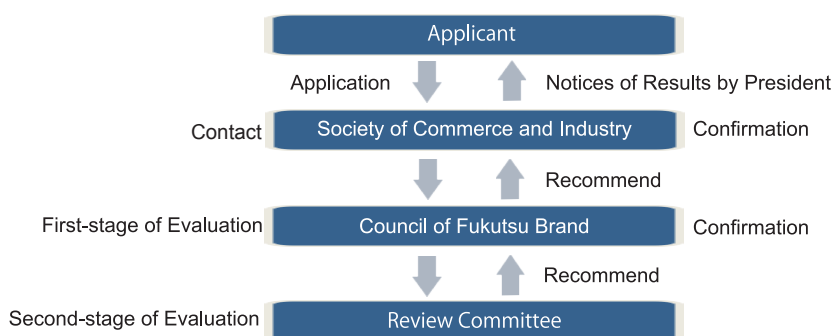


Figure.4 Certification Process of Fukutsu Brand

4.5 Marketing Communication Activity

The local government and the society of commerce and industry implemented the marketing communication activities of the Fukutsu brand. For example, they produced and distributed posters and leaflets of the Fukutsu brand, and the brands were promoted on the Fukutsu public relations magazine, the radio program, the local-food event such as the RKB Radio festival, and etc. (Figure. 5)



Figure.5 Fukutsu Booth at RKB Radio Festival in November 2009

4.6 Evaluation of Certification System by Registered Organization

To evaluate the certification system of the Fukutsu brand, the interview investigation was done in February 2011 to four concerned parties. The summary of investigation is as follows. (Table.1) The registered organizations were not sure about the effect of the certification system with the exception of the Yamahachi Company Limited. The reason may be because the system did not clearly contribute to an increase of sales in their brands. In fact, Yamahachi brand-products, garlic wraplings and black pig wraplings, only increased sales. Thus, it was found out anew that local industries evaluate the certification system by the contribution degree of sales amount.

No	Registered Organization	Fukutsu Brand Registered	Sales Effect	Evaluation of System
1	Agricultural Cooperative Association	Early Season Cabbage, Cauliflower, Grape Tomato	Slight Decrease	Difficult Chicken-and-Egg Issue. Fruits and flowers seem to be More Suitable to Brand.
2	Apricot Cooperative Business Association	Fruit Source (Apricot), Apricot Jam, Tomato Dressing	Slight Increase	Difficult Chicken-and-Egg Issue. Planning New Product.
3	Yamahachi Company Limited	Garlic Wrapling, Black Pig Wrapling	Increase	Effective. Contribution to Fukutsu Branding Slightly.
4	Trademark Registration Management Committee of Matsugae Rice Cake	Matsugae Rice Cake, Matsugae Tansy Rice Cake	Slight Decrease	Less than Effective.

Table.1 Summary of Evaluation of Recognition System from Registered Organization

However in the local industry, there was an enthusiastic organization that developed the new item to apply for the certification system. That is the apricot cooperative business association. The apricot cooperative business association developed the apricot soda pop and the shiso-leaves soda pop using farm products of local in cooperation with Kyushu University and the local government in July 2012. (Figure 6) It is scheduled to apply for the certification system in 2013 though these soda pops have not been taken yet as the Fukutsu brand.

For this reason, it was found that when a local-corporation develops a new product brand, the specialists having outside perspective of the region and the driver organizations to facilitate the project are important. This key organization is considered a university, a society of commerce and industry and a local government.



Figure.6 Apricot Soda Pop and Shiso-leaves Soda Pop

5. Conclusions

At first, this paper showed the local-branding design model as the hypothesis, and showed the council play the central roles in the model to gain competitive advantage. Therefore, it described that the council needs to play the

role as the representative of the small/medium local-corporations and the public organizations in the region, and that it should be constituted of various local stakeholders. Moreover, it pointed out that the council has about ten expected functions such as the investigating research, the nurturing of specialty products, the certification of a brand, designing of a brand identity, public relations, advertising, promotion, communication, auditing and reinvestment and etc. It is needless to say the hypothetical model must be scrutinized by many case studies in future.

Then, from the case study, it was found not only the establishment of the council but also the formulation of the certification system cannot satisfy needs and wants of the local corporations enough, and that the companies want to increase sales by the certificated brand. Therefore, it is necessary to discuss whether to adopt the item of the possibility of a sales number increase in the market as one of the criteria when the council and the review committee evaluate local products as the local-product brand as one of the institutional design. Moreover, it is necessary to scrutinize the measure scale in detail in future.

Finally, it was found that when a local-corporation develops a new product brand, the specialists having outside perspective of the region and the key organizations to drive the project are important. This key organization is considered a university, a society of commerce and industry and a local government.

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