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## CHALLENGES OF BRANDING AND MARKETING OF CLUSTERS

*Clusters have proved to be powerful engines of economic development in the European Union. Clusters and their stakeholders can derive many benefits from a strong cluster brand. However, they face numerous branding and marketing challenges. Specifics of clusters, such as multiple stakeholders, make it difficult to forge a strong brand identity. This paper addresses the need to develop a cluster specific approach to branding and marketing. The aim of the study, on which this paper is based, was to analyse the current branding and marketing efforts of Polish cluster initiatives and identify the main challenges that come with branding and marketing of clusters. It is discussed how clusters can use branding and marketing for strategic development purposes. The cluster specific approach to marketing tools and channels is proposed. Furthermore, cluster policy actions, reflecting the outcomes of the study, are recommended.*

Key words: cluster, cluster initiative, cluster development, cluster policy, marketing, branding.

### Introduction

In recent years, clusters have become the subject of a new economic theory which has proved to be important for the development of regions and, even, of countries. "Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region."<sup>1</sup> The definition of clusters as used in this paper is without doubt the most widely accepted.

The benefits for companies located in developed clusters have been widely discussed in literature i.e. by M.E. Porter<sup>2</sup>, P. Morosini<sup>3</sup> and H. Etzkowitz<sup>4</sup>: bigger local markets for products and services, reduction of transport costs, easier access to resources, a competitive environment for enhancing motivation, specialised skills pools. The proximity of companies from the same sector enables the exchange of knowledge and ideas through direct contact and the fluctuation of employees.<sup>5</sup> Networking and cooperation, within a cluster is organised and stimulated by cluster initiatives – organised activities to foster cluster development.<sup>6</sup> An effectively managed cluster

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<sup>1</sup> Porter M.E., *The competitive Advantage of Nations*, Collier MacMillan, London 1990

<sup>2</sup> Porter M.E., *Clusters and the new economics of competition*, Harvard Business Review, November 1998

<sup>3</sup> Morosini P., *Industrial Clusters, Knowledge Integration and Performance*, World Development, vol.32/ 2004

<sup>4</sup> Etzkowitz H., *The Triple Helix of University-Industry-Government: Implications for Policy and Evaluation*, Science Policy Institute, Working Paper 2002:11

<sup>5</sup> Carlino G.A., *Knowledge Spillovers: Cities' Role in the New Economy*, Business Review, Q4/2001

<sup>6</sup> Solvell O., Ketels C., Lindquist G., *The Cluster Initiative Greenbook*, Ivory Tower AB, Stockholm 2003

initiative is listed as one of the key factors of cluster success.<sup>7</sup> Only clusters with excellence in management are able to retain their competitiveness in the global economy.

In today's competitive environment, it is important for clusters to differentiate themselves, and it is for this reason that many of them are starting to place a more strategic focus on the development of a branding and marketing strategy. In order to be internationally competitive, clusters have to be able to attract external interest and resources, such as capital and skilled people. At the same time they have to maintain the interest of internal actors and to mobilise them around a common vision and strategy. Branding and marketing is becoming a key issue for the long term survival and future competitiveness of clusters. International studies, such as those brought up in Cluster Initiative Greenbook<sup>8</sup> have highlighted that brand-building is strongly related to improved competitiveness of clusters.

Although academics and practitioners perceive cluster branding and marketing as relevant issues, the available literature in this field is very poor. Concepts and methodologies are mainly taken from business branding without much consideration for the specifics of cluster development. Taking this into account, there remains the need to discuss and develop a cluster-specific approach to the topic.

The purpose of this paper is to provide an overview of marketing and branding activities undertaken by Polish clusters and to discuss the challenges which clusters face in pursuing those activities. On the basis of these findings, specific actions are proposed to permit cluster organizations to lever a cluster brand. Furthermore, this paper discusses actions that can be taken within cluster policies to foster cluster marketing and branding activities.

From a business 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."<sup>9</sup> Simply put, a brand is a promise to deliver a specific set of features, benefits and services. The core issue of branding is to be unique, to differentiate from competitors.<sup>10</sup> It is important to underline that branding represents much more than just catchy names or logos. It is a mixture of tangible and intangible attributes displayed in a trademark that creates influence and generates value. It facilitates the creation of a long-lasting relationship with clients, who are often guided by brands during their purchase decisions. "Success of a branding derives from being able to sustain these added values in the face of competition."<sup>11</sup> Branding tends to be misunderstood as advertising or purely as the creation of a logo and a slogan. In the context of clusters, branding must be perceived rather as about both communication and behaviour.

The other important concept in this field is marketing, which forms an integral part of the brand. Marketing helps to communicate the promises. In the context of this paper, marketing is defined as a tool for selling the products, services and resources of

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<sup>7</sup> Baptista R., Swann P., Do firms in clusters innovate more?, *Research Policy*, vol. 27, no. 5/1998

<sup>8</sup> Solvell O., Ketels C., Lindquist G., *The Cluster Initiative Greenbook*, Ivory Tower AB, Stockholm 2003

<sup>9</sup> Kotler Ph., *Marketing*, Northwestern University, Warszawa 1994

<sup>10</sup> Kall J., *Istota marki, Integracja Europejska.*, 3/2006

<sup>11</sup> De Chernatony, L., McDonald, M., *Creating Powerful Brands in Consumer, Service and Industrial Markets*. Oxford: Elsevier 2003



clusters in a more effective manner.<sup>12</sup> Marketing should be based on defined brand positioning and brand identity (including its core values).

### **Methodology**

The core of the study, which is the basis for this paper, was an analysis of case studies of Polish cluster initiatives and their branding and marketing activities. The study involved conducting in-depth interviews with representatives of cluster initiatives, cluster companies, regional and local authorities, investment promotion agencies and academia. Both printed and online marketing and branding materials of each initiative were analysed. Significant insights were also uncovered during discussions in the workshops that were held within the cluster development projects of cluster initiatives. Furthermore, academic literature and practitioner-oriented reports in the field were thoroughly reviewed.

### **Branding and marketing of clusters in Poland**

Polish clusters present mixed results in the realm of pursuing branding and marketing activities. Almost all of the clusters identified and analysed in this study have websites, where they outline basic information about their focus areas and membership possibilities. Only a few, however, provide websites in English, and even fewer provide websites in other languages. In the field of communications, the majority of efforts appear to be focused on less visible activities such as attending trade shows and conferences and organising seminars. Receiving incoming and organising outgoing business visits are also quite common activities. Here, international activity, in the form of setting up a cluster office abroad or collaborating with embassies and trade councils, is very rare.

Almost all of the clusters analysed have their own logo. Some of the initiatives were successful in acquiring public financial support towards preparing a professional visual identification and producing promotional material. The most popular forms of promotion are brochures and different kinds of folders. Furthermore, clusters have a considerable mass media presence but mainly at a regional level. These activities are undoubtedly useful and facilitate networking within the region that result in concrete value being delivered to the cluster companies. For them to become internationally competitive, however, their approach to branding will need to be developed further.

Few of the studied clusters have a marketing or branding strategy; most lack the capacity for strategic marketing in terms of clearly defined target markets and the overall focus for positioning the cluster. A creditable example in this field is the Aviation Valley – an initiative that places branding and marketing close to the heart of its activities. Among many actions, the initiative prepares a yearly promotion plan, which significantly boosts the effectiveness of the efforts undertaken to achieve goals in this field.

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<sup>12</sup> Kotler Ph., Marketing, Northwestern University, Warszawa 1994



As for target groups, most Polish clusters primarily target national and export buyers, both public and private. Investors and skilled professionals are quite rarely targeted, but several respondents acknowledge that these target groups may increase in importance in the future. When it comes to target markets, it is difficult to see any general patterns. It is important to underline that not all cluster organisations focus on external communication and marketing as a key activity; some of them address only internal matters such as capacity building and networking of cluster stakeholders.

An important issue for Polish clusters and their branding prospects is the choice of name for the initiative. There are a few methods in this field that are in use. Most clusters go the easy way of choosing, as part of their name (usually the ending), a metaphorical geographical connotation of “valley”, as in Silicon Valley or the straight forward – “cluster”. Almost all of the studied initiatives have some indication of their sector or product category, such as Aviation Valley. The most popular connotation, though, is the location of cluster initiative as in West Pomeranian ICT Cluster, for example. The study indicates that the need to express cluster connotations is driven, to a large extent, by public-sector logic: to show public decision-makers that they have a cluster initiative in their region. Key characteristics of the cluster (competencies that it has, or solutions that it works to produce) are hardly ever signified in the cluster name. Some examples from abroad include: BrainsBusiness ICT and Future Position X.

Polish clusters are slowly starting to understand the importance of the name of the cluster initiative. Some of them go through a re-branding process. Interizon (formerly, the Pomeranian ICT Cluster) which is one of the biggest and most active Polish clusters, went through such a process recently. A key consideration of the process was the importance of differentiation as well as awareness and recognition. The goal of the process was to create a brand that would support the national expansion and international activity of the cluster, as well as the higher profile of a high-tech innovation hub.

### **Benefits and challenges connected to branding and marketing of clusters**

Cluster initiatives tend to develop a strong brand for a number of reasons. Those most commonly seen in Polish and foreign initiatives include:

- strengthening interest and engagement within the cluster;
- fostering the implementation of the strategy of the cluster initiative;
- attracting new members to the cluster;
- attracting human resources, partners, investors, etc. to the region;
- increasing opportunities and visibility in the global market in order to promote internationalisation and export sales;
- reducing costs through common marketing instruments;
- boosting national and international cooperation – attracting interest from other clusters, companies or researchers;
- boosting the perception of the region as a location with focus on the particular sector;



- emphasising to policy makers in charge of funding programmes, the importance of the cluster's main sector;

An additional benefit of branding, as highlighted by TACTICS group,<sup>13</sup> is that it can serve as a “quality label”, which companies within the cluster can use as a reference. It reduces buyers' perception of risk and, so, has a legitimising effect, especially when in relation to SMEs.

As a result of the in-depth study, it was possible to distinguish challenges connected to the branding and marketing of clusters. One of the primary challenges is that the topic of branding and marketing clusters often tends to be underestimated. To some extent, it is seen as solely the responsibility of regional authorities rather than of the cluster initiatives, especially in those countries and regions with a shorter history of cluster development. This situation may be caused by a low awareness of the benefits aligned to branding as well as a lack of good practice. The particular image of a country or region image can also hamper the branding activities of cluster initiatives. Many regions lack a strong brand connected to a particular sector e.g. Biotechnology. This makes the branding efforts of initiatives much more difficult.

The specifics of a cluster's organisational concept imply that cluster branding involves multiple stakeholders, who benefit differently from cluster branding activities. It is often a problematic issue to define the target groups and markets which the cluster wishes to reach, and so their needs and demands differ. The branding activities with which cluster initiatives target groups can include: existing and potential members, investors, policy authorities (also financial authorities), the media, potential talent or partners (including those located outside of the region) as well as the buyers of the products and services of companies within the cluster. The cluster initiative has to choose the appropriate tools to convey this message to target groups.

Cluster initiatives are challenged to find a compromise between making the brands of the members visible and sustaining the brand of the cluster itself on the other hand. Many SMEs benefit strongly from connecting to a cluster brand, but some companies, especially those with strong brands, may not be interested in committing to promoting the cluster brand alongside their own. Stakeholder inclusion and co-creation of the brand could potentially improve the sense of ownership and commitment of cluster members.

Many cases, from both Polish and other European clusters, indicate that they face severe challenges in expressing distinctiveness and in differentiating themselves from one another. In a few more mature cluster initiatives, the cluster branding efforts rely on corporate communication and marketing techniques. Most developing cluster initiatives, on the other hand, face resource constraints that hamper their branding activities. In order to gain recognition, clusters could focus on more sophisticated, extraordinary ideas than on a high expenditure. Unfortunately, conformity is often chosen over differentiation. For example, social media channels can offer a cost-effective and powerful medium for clusters and actors to share information, to connect with interested parties and firms, and to brand themselves in the global market. Cluster initiatives, however, maintain a low presence in social media.

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<sup>13</sup> TACTICS, Supporting cluster marketing and branding , PRO INNO Europe Initiative/European Commission, October 2012



Although many marketing and branding benefits have been described, there are practically no examples of how these benefits can be measured. Indicators of the benefits would be helpful in executing such activities. This is especially important when it comes to soft factors and intangibles: developing an attractive physical and social environment that will encourage the commitment and involvement of target groups.

## Recommendations

It seems clear that the branding and marketing of clusters faces many challenges. Consequently, the clusters are not as recognised for their competencies as they could be. In order to stimulate efforts towards the effective branding and marketing of clusters, a set of actions to be undertaken in that field is proposed.

It is strongly recommended that cluster initiatives focus on increasing their visibility. To ensure the delivery of the promise (set by the brand), efforts should focus on areas in which the clusters possess truly competitive advantages. In particular, clusters should be the subjects of studies to indicate in which areas they exhibit extraordinary strengths.

As suggested earlier in this paper, the marketing and branding of clusters is strategic to their development. It requires setting up a process, taking the inputs of several stakeholders into account and reaching a consensus on the positioning, the values and the image of the cluster. The involvement of cluster members is essential to secure their commitment to the brand. Cluster stakeholders have to be prepared to become carriers of the brand and its values. This is more likely to happen, if the brand is perceived as having strong commercial added value and if brand-oriented cluster management takes place.

Effective branding and communication requires different tools and channels. Typical cluster initiative marketing activities, like attending a fair or making a folder are not enough to be visible on respective markets. In their branding efforts, clusters should consider using all types of traditional and non-traditional channels and tools. There are some innovative tools that are especially favourable for communicating the richness of the local context of clusters.

One of the innovative tools that can become crucial in cluster branding strategies is storytelling. Stories explain complex structures in simple words so that they are easy to understand and remember, but at the same time make people interested.<sup>14</sup> Storytelling can be a powerful carrier of cluster identity, create an identification among stakeholders and can help differentiate the cluster from others. Other tools, at present underused within clusters, are new media and novel forms of communication. Digital channels including Facebook, Twitter, LinkedIn etc. have become more and more important in attracting and engaging the attention of target audiences, especially in high-tech sectors. Another rarely used, but effective, tool is establishing a network of cluster ambassadors. It is especially useful for building international partnerships and linkages. Ambassadors use contacts and opportunities from their professional life to bring attention to the cluster. Thus, it is necessary to provide them with relevant and up-to-date information and material about the cluster and its activities.

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<sup>14</sup> TACTICS, Supporting cluster marketing and branding , PRO INNO Europe Initiative/European Commission, October 2012



Cluster initiatives may use cluster programme labels with regional or national references to boost legitimacy (e.g. French Pôles de Compétitivité, Hungarian Pole Programme, etc.). Similar labels can be awarded at European level. The European Cluster Excellence Initiative makes it possible for the best clusters in Europe to receive Golden, Silver or Bronze Cluster Excellence Labels, one of which is a prerequisite for taking part in some transnational cooperation projects. In addition, international visibility can be supplemented by registering the cluster on a collaboration platform, that enables cluster organisations and members to upload their profile, activities, best practice show cases, news and events. The above list of tools and channels is not exhaustive, but rather an overview and is to be supplemented by further research.

Cluster initiatives have to be supported at a regional level with the full involvement of authorities if they are to succeed in the pursuit of branding and marketing activities. Thus the cluster brand should be consistent with the image of the region and it should be part of territorial marketing. Policy support is needed at both regional and national levels. Some cluster programmes highlight the importance of regional and national branding and marketing of clusters and offer support in the funding of training and the provision of marketing materials. A cluster's strategic marketing and branding capacity is significantly improved by public source co-funding of branding projects

However, although public support programs in Poland and throughout Europe are slowly recognising the importance of branding and marketing of clusters, they are not fully addressing the challenges faced by cluster initiatives. Further study should, therefore, include follow-up work in order to develop tools, strategies and policy support programs to meet the cluster-specific needs of marketing and branding.

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TACTICS, Supporting cluster marketing and branding, PRO INNO Europe Initiative/European Commission, October 2012.

## Streszczenie

Klasy stanowią silne motory rozwoju ekonomicznego w Unii Europejskiej. Klasy i ich aktorzy mogą uzyskać znaczne korzyści z silnej marki, jednakże zmagają się z wieloma wyzwaniami w zakresie marketingu i branding. Specyfika klas, m.in. wielość partnerów, utrudnia stworzenie silnej tożsamości marki. W niniejszym artykule wskazana jest potrzeba stworzenia nowego podejścia do działalności w zakresie marketingu i branding z uwzględnieniem specyfiki klas. Celem badania, na którym opiera się artykuł, była analiza aktualnych działań w zakresie marketingu i branding podejmowanych przez polskie klasy oraz identyfikacja głównych wyzwań, z którymi się mierzą w tym zakresie. W artykule wskazano, w jaki sposób marketing i branding może być użyty w zakresie strategicznego rozwoju klas. Zaproponowano także uwzględnienie specyfiki klasowej przy wykorzystaniu narzędzi i kanałów w marketingu. Ponadto zaproponowane zostały działania na poziomie polityki klasowej, uwzględniające wyniki badania.

Słowa kluczowe: klasa, inicjatywa klasowa, rozwój klas, marketing, branding.

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