

# A Study of Value Delivery System in Mongolian Cashmere Industry: From Brand Equity Perspective

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ABSTRACT

Cashmere is one of the biggest natural resources and biggest export products of Mongolia, making up livelihood for almost one third of Mongolian population. The motivation of this study is to development of Mongolian economy and livelihood of respective community by developing a brand strategy to help shift the cashmere industry orientation from raw cashmere export to finished products export with an added value. Hence, this study establishes the point of difference between foreign and Mongolian cashmere products, identify the existing brand equity and the core product values of Mongolian cashmere products and propose an appropriate brand strategy for Mongolian cashmere sector.

Keywords: Value Chain; Brand Equity; Ingredient Branding; Country-of-Origin Image.

## 1. BACKGROUND

World cashmere market can be generally divided into raw cashmere and finished cashmere product segments. In the world market of raw cashmere, the main players are China supplying about 67% (10.000 tons) and Mongolia with about 21% (3.000 tons), and countries such as Iran, Afghanistan etc. supply about 12% of the annual output (SECO Sector Consulting [1]). Size of micron and color of Chinese cashmere is far the best, which is one of the biggest strengths of Chinese industry; however the length of fiber in Mongolian cashmere is longer and considered to be most suitable for spinning. The finest cashmere ranges from 14-16.8 microns, which is used to produce more expensive white cashmere, and is mainly used to spin yarns for knitwear to be dyed in pastel or white colors - the most expensive products on the market. Mongolia remains the major exporter of unprocessed commodity and provides Chinese, Hong Kong and Italian low price segment with dehaired cashmere. This in turn negatively affects Mongolian cashmere industry, because when exporting raw cashmere without any value-added features, Mongolian cashmere industry is losing much more profitable, high-end user market.

Today's business climate is characterized by rapid changes caused by the continuous increase in the market globalization. A side effect is product similarity, where brand differentiation is crucial to survival for companies. This market rivalry particularly affects luxury products in the market, which in turn entailing significance of brands. Thus, to successfully compete in cashmere product market, one of the top luxuries product markets, Mongolian cashmere product manufacturers are in great need for a clear brand strategy that would differentiate their products from competitors, especially from Chinese manufacturers. Aaker and Joachimsthaler [2] stated that the development of brands was the only way to remove itself from commodity status and price competition. However, Mongolian cashmere product manufacturers still lack clear brand description and unique brand image. It can be clearly seen that Mongolian cashmere industry needs a major restructuring and new strategies in order to gain a good competitive position in the global market.

Thus, the motivation of this study is to development of Mongolian economy and livelihood of respective community by developing a brand strategy to help shift the cashmere industry orientation from raw cashmere export to finished products export with an added value. The purpose of this study is to establish the point of difference between foreign and Mongolian cashmere products, identify the existing brand equity and the core product values of Mongolian cashmere products and propose an appropriate brand strategy for Mongolian cashmere sector.

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## 2. LITERATURE REVIEW AND DISCUSSION

### 2.1 Brand Equity

Brand equity is considered a key indicator of the state of health of a brand, and its monitoring is believed to be an essential step in effective brand management (Aaker [3]-[4]). In 1995, He also defined brand equity as a set of five categories of brand assets and liabilities linked to a brand, its name, and symbol that add to or subtract from the value provided by a product or service to a firm or to that firm's customers, or both ([5]). These categories of brand assets are brand loyalty, brand awareness, perceived quality, brand associations and other proprietary assets. Two particularly important components of Brand knowledge are brand awareness and brand image. Brand associations can be classified into three major categories; brand attributes, brand benefits, and brand attitudes (Keller [6]). Thus, the different types of brand associations making up the brand image include product-related or non-product-related attributes; functional, experiential, or symbolic benefits; and overall brand attitudes. These associations can vary according to their favorability, strength, and uniqueness (Keller[6]; Isen et al.[7] ).

### 2.2 Country of Origin Image

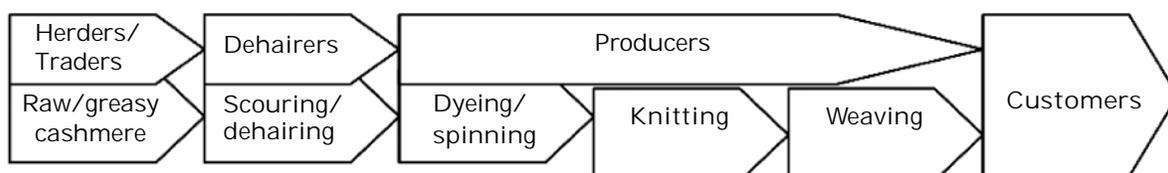
Most countries already have some impression of an identity - each carries with it certain associations, both positive and negative. Consumers, on the other hand, to cope with information overload in complex markets, also use such origin images to "chunk" information, reduce perceived risk and assess the social acceptability of their purchases (Verlegh and Steenkamp [8]). Shimp et al. [9] applied the term "country equity", referring to the emotional value resulting from consumers' association of a brand with a country. Nebenzahl and Jaffe [10] and others also have reported that the lower the image of a country, the greater the price discount that buyers expect compared with an identical product from an origin with a stronger image. The findings of research done on COO (Country-of-origin effect) consistently support the fact that consumers pervasively use country-of-origin information as an indicator of quality (Leonidou et al. [11]). Research has also evidenced that national stereotypes affect relationships between manufacturers and foreign clients.

### 2.3 Ingredient Branding

Branded ingredient strategy is the promotion of the ingredient to the final user. And the goal of branded ingredient strategy is to build awareness and preference among consumers for that supplier's brand of ingredient or component (Desai and Keller [12]). If successful, the branded ingredient strategy causes the consumer to pull the input product through the manufacturer of the end product. There is also a recommended 6-step of procedure for its implementation (Norris [13]), which include research on consumption behavior, direct consumer promotion, collaboration with manufacturer in promotion, expansion of manufacturer usage base, collaboration with manufacturers in non-promotion areas and continuation of direct consumer promotion.

### 2.4 Value Added Chain of Mongolian Cashmere Industry

The value added chain for cashmere in Mongolia has five major stages (Figure 1), and the export ban applies to cashmere in Stage 1 and 2. Prior to dehairing all cashmere is considered raw/greasy cashmere. However, for Mongolian cashmere industry, no value is added in the final product by the means of product design, marketing and branding. Mongolia supplies the world market with raw, semi-processed, and finished cashmere. Over 1996-2005 on average Mongolia's official exports of cashmere consisted of 13% of raw cashmere, 71% as semi-processed, and 16% as final goods. This affects the fact that Mongolia's cashmere processing industry has not grown in step with world demand, particularly at the final goods stage. Given the substantial excess capacity in the industry, most of this additional processing could be accomplished without substantial additional investment in capital plant or equipment except for additional spinning capacity (Table 1).



(Source: USAID Mongolia [14] and The World bank [15])

Figure 1: Value Chain for Mongolian Cashmere Industry

Table 1: Production, Capacity, and Capacity Utilization in the Value Added Chain

| Stage of process | Cashmere production | Capacity         | Capacity utilization |
|------------------|---------------------|------------------|----------------------|
| Scouring         | 1,298 tons          | 9,417 tons       | 40%                  |
| Dehairing        | 806 tons            | 1,910 tons       | 52%                  |
| Dyeing/ Spinning | 147 tons            | 363 tons         | 42%                  |
| Knitting         | 866,000 pieces      | 3,479,000 pieces | 77%                  |
| Weaving          | 79,000 meters       | 163,000 meters   | 52%                  |

(Source: USAID Mongolia [14])

Table 2: The Value Chain for Mongolian Cashmere in 2005

| Stage of process                | Output price  | Value added  |
|---------------------------------|---------------|--------------|
| Raw/ greasy cashmere            | \$24-\$30/kg  | \$24-\$30/kg |
| Scouring/ dehairing (50% yield) | \$58-\$74     | \$7-\$10/kg  |
| Dyeing/ spinning                | \$66-\$90/kg  | \$8-\$16/kg  |
| Knitting                        | \$80-\$150/kg | \$12-\$40/kg |
| Weaving                         | \$80- \$95/kg | \$8-\$20/kg  |

(Source: USAID Mongolia [14])

At each stage of the process in 2005, data on value added is given in Table 2. As can be seen from these data, most cashmere is exported with the least value added possible; raw/greasy cashmere. The next largest export is dehaired cashmere, again with low value added. A substantial percentage of the dehaired cashmere that is exported was spun into yarn in China and then imported back into Mongolia to be used for knitting and weaving.

The analysis of value added chain raises the question of why additional value has not been added in the processing sector rather than exporting low value added products, such as dehaired cashmere. A large part of the answer lies in the costs of producing semi-finished and finished cashmere products in Mongolia compared to the costs in China. Compared to production costs in Inner Mongolia in China, labor costs (including fringe benefits) are about 25% higher in Mongolia, while labor productivity is 25% less than in China (USAID Mongolia [14]). Skilled mechanics are in short supply and, since there are no machinery producers in Mongolia, parts must be shipped from China or Europe causing substantial downtime when equipment breaks. China has been able to develop cashmere clusters of herders, processors, machinery and parts manufacturers, dye and other chemical input producers, and traders and service providers (repairs, shipping and transportation, and so on). (Garment designers, however, are relatively plentiful and low cost in Mongolia.) Overall, at each stage of the value added chain, production costs are 30% - 40% higher in Mongolia compared to China.

On the demand side, Chinese processors have several advantages over those in Mongolia. They have a large, protected domestic market in which they can sell lower quality pure cashmere products at high prices. Mongolian processors cannot access this market and the market in Mongolia is limited. Although on average Mongolian cashmere has a larger diameter than Chinese cashmere, it also is longer so that when it is mixed with Chinese cashmere it reduces pilling in garments. Mongolian producers cannot access raw Chinese cashmere to be able to produce this mixture.

## 2.5 Value-added on the Quality of Raw Cashmere and by Branding

There are certain measures that cashmere industry stakeholders can take to enhance their brand equity.

### (1) Options to Improve Raw Cashmere Quality: Grading and Standards

Mongolian goats have historically produced some of the best quality cashmere fiber as Mongolia's dry cold climate and large range area make it ideal for cashmere. Cashmere quality is determined by its micron diameter (thickness of each fiber), color, length, crimp, yield, and freedom from contamination. Leading international cashmere processors place an upper limit on mean fiber diameter of 19 microns and prefer a fiber of 17.5 microns or less for woven items, or 16.5 microns or less for knits; the best cashmere has a diameter of less than 16.5 microns, and a length of about 43 mm. The price differential between fine and average dehaired cashmere could reach over 30%.

The production of high quality greasy cashmere must be the basis of the Mongolian cashmere industry. But this requires an equal triple- sided cooperation from herders, the government, and the producers. Offering price incentives for quality product and then to provide herders with the knowledge and means to improve herd quality would be good start. If herders are given the knowledge about how to improve quality and are then paid a premium for quality they are likely to respond rapidly. The government of Mongolia has recently created a material specification for cashmere. The specification, developed by the Ministry of Agriculture and Industry and described in the Cashmere Sub Program, defines cashmere as any goat fiber with a micron count less than or equal to 19.

The quality issue will only be solved when herders have incentives to produce quality cashmere and are provided with the support services, including access to superior genetic stock, to do this. Once there are incentives to improve quality, programs can be introduced to assist herders. It is necessary for the herders and processors to agree on internationally acceptable definitions of the characteristics of Mongolian fiber, and to issue a competitive and credible classification system. Only then can government provide support for herders to build herds that have a significant proportion of goats that meet relevant specifications and standards.

## (2) Options to Add Value by Branding

This approach is based on the above mentioned measures of quality improvement. In order to meet the demand for even thinner and lighter cashmere, Chinese companies started to mix the cashmere with other materials. There are two types of blends: cashmere- silk blend, cashmere- cotton blend. However, in Mongolia, cashmere is not mixed with any extra materials, and is labeled as "100% pure Cashmere". The vertical vendors and big chains need the cashmere to attract the price sensitive consumers. Chinese manufacturers are trying to fulfill this request, but the image of Chinese cashmere may suffer as a result of the market being swamped with cheap Chinese products. The demand for cashmere in the near future will therefore be dependent on the image and the fiber.

This could be the very good news for Mongolian cashmere industry, since the high end and luxury market will only want the best quality and sustainable raw material. Mongolia could carve itself out a niche here, using ingredient branding tools, by making consumer aware of the difference between the cheap Chinese cashmere and the high quality Mongolian cashmere. Successful brand strategies can play a vital role in business success. Brands have become an important marketing component to the manufacturer (Murphy [16]; Motameni and Shahrokhi [17]) and a rich source of information for the consumer (Aaker and Biel [18]). For the manufacturer, brands provide a means of identification for ease of handling and tracing, a means of legal protection of unique features, and of endowing products with unique associations (McCarthy and Perault [19]; Kotler and Armstrong [20]).

## 3. METHODOLOGY

The choice of appropriate associations should be based on the unique characteristics and positive dimensions of brand image. In the case of Mongolian cashmere products, it might be suitable to choose branding strategy, mostly based on the ideas of ingredient branding, since cashmere seems to be meeting most of the requirements described for brandable ingredient. The potential beneficiaries of ingredient branding include the supplier who initiates the strategy, the manufacturer who uses that ingredient, the retailer (or reseller for industrial goods) who sells the end product, and the consumer who sees added value in the product (Norris [13]). By employing a strategy based on the concept of ingredient branding, major stakeholders of Mongolian cashmere industry (herders, producers) can particularly benefit.

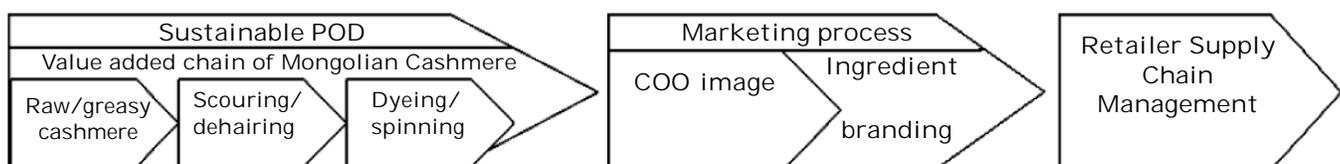


Figure 2: The Research Concept of Value Adding Across Mongolian Cashmere Industry Supply Chain

Research framework of this study is as Figure 2. First, create a sustainable point-of-difference by improving raw cashmere quality by cooperation across the entire supply chain elements. Second, initialize

proper marketing activities. Last, Propose means to become one the key supplier (contract producers) for world famous cashmere brands. Robson [21] defined case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. In this research, observing how Mongolian cashmere industry operates in the context of research questions of our interest would be particularly helpful in identifying practical recommendations for the whole sector.

Data used are mainly from foreign and domestic researches and projects on Mongolian and world cashmere industry. A direct contact was established with executives and specialists from institutions that are specialized in cashmere or have some connection with cashmere policy in Mongolia, such as Foreign Investment and Foreign Trade Agency, Mongolian Chamber of Commerce and Industry Mongolian Wool and Cashmere Association. As for consumer research, the marketing executives of "GOYO" and "Gobi" companies were contacted, and provided the most recent data on consumer research.

#### 4. VALUE-ADDED BY BRANDING

##### 4.1 Brand Associations of Mongolian Cashmere Products

One of the biggest Mongolian cashmere companies, "GOYO" has conducted a consumer research in October, 2007 in order to identify the factors that affect the purchase of cashmere products and the recognition of Mongolian cashmere products among consumers. Since "GOYO" exports most of its products to Germany, this research was conducted in Berlin, Germany. The main results of this research showed that most or 55.4% of the participants used cashmere product, whereas 44.6% said they do not use cashmere products. Among the reasons why they did not use cashmere "cashmere products is too expensive" was rated the biggest (54.7%), followed by "not interested in cashmere products" (24.3%), "has poor design and style" (11.1%), and "do not know enough about cashmere products" (9.9%). The biggest purchase reason was that "cashmere can be one's proof of social status and reputation" with 49.4%, whereas "100% pureness, quality" being second with 22.4% followed by "elegance and design" (13.6%), "softness and warmth" (9.2%), and "brand name" (4.2%).

It can be explained from Mongolian cashmere industry value chain in Figure 1, completely lacking value adding activities in the branding and designing processes, which are considered the most important value adding options for textile and fashion businesses. Among the disadvantages, "not enough choice of style and color" ranked the highest with 42.3%, followed by "not well-known" (20.7%), "difficult to care" (16.4%), "easy to pile" (15.2%), and "easy to stretch" with 5.4%. These disadvantages can also be explained by the present situation in Mongolian cashmere industry. The biggest disadvantages marked by consumers was that cashmere products from Mongolian producers did not have enough choice of style and color and they were not famous enough to be chosen by high-end consumers, supporting the previous statement about value adding options of design and branding. In addition one more thing added from other remarks (easy to pile, easy to stretch etc.) was the lack of technology and techniques that are required to produce high quality cashmere garment.

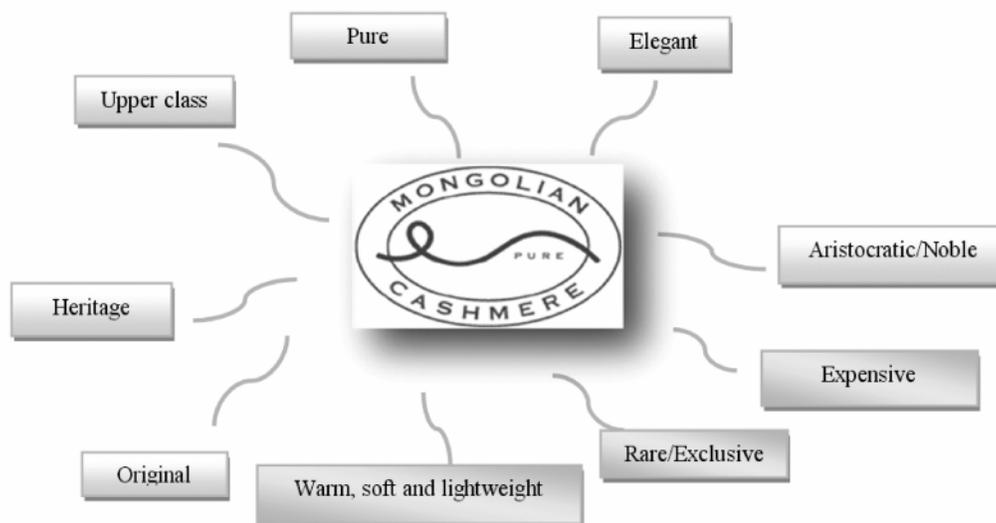


Figure 3: Possible Brand Associations of Mongolian Cashmere Products

Possible brand associations of Mongolian cashmere products: Mongolia is the second largest supplier of cashmere in the world. However, not many consumers know that Mongolia has a life-long heritage in cashmere products, and that cashmere produced by Mongolian goat is considered as one of the best quality in the world. In order to make consumers aware of Mongolian high quality pure cashmere, it is important to create a brand that has specific advantages that only Mongolia can have. Possible brand associations of Mongolian cashmere products are shown in Figure 3.

Brand benefits of Mongolian cashmere products: Brand benefits are the personal value consumers attach to the product or service attributes (Keller [6]). Thus, the benefits of Mongolian cashmere products are as follows:

1. Functional benefits: The core benefit and basic utilities that drive the consumer based luxury value such as the quality, uniqueness, usability, reliability, and durability of the product (Sheth et al. [22]). Thus, functional benefits of cashmere products would be:
  - a. Quality (texture/tiers/quality of the yarn/color). Among the cashmere's five quality factors, historically Mongolian cashmere is superior in factors of fineness and length, which have the most important role in the softness and quality of yarns spun respectively. Thus, in order to improve consumer's perceived quality, superiority of fineness and length can be attached to associations such as heritage, and originality, as Mongolia is seen as a country of herds and herders, making it easier build an image of "superior quality cashmere".
  - b. Design and style. Mongolia doesn't have advantage over competitors and it is not considered as one of the stronger associations. Mongolian cashmere producers either export yarns or combed cashmere, and for ready-to-wear clothing design and style directions coming from western companies.
  - c. Soft, warm, and lightweight. The most important benefit of cashmere product is that even though light as a weather and softer than wool, it is considered as one of the warmest fibers in the world. The reason why cashmere from Mongolia is the best of quality is that the cashmere of the goats in these high, dry areas are longer and thinner, in order to survive the harsh weathers. Linking the softness, warmth, and lightness of Mongolian cashmere to environmental uniqueness of Mongolia can be an advantage, since this uniqueness can only belong to Mongolian land, thus distinguishing Mongolian cashmere from many others.
2. Experiential benefits: for cashmere products they can be as follows:
  - a. Heritage. Mongolians have a long history of herding and Mongolian nomadic life-style is based on their herds. All during the four seasons of the year Mongolian move from one place to another in order to find the best pasture for their herds. For centuries they have been living a life closest to the nature, one can even say that there was a "mutual understanding" between nature and Mongolian people. Even today that is how most Mongolians live and that is how Mongolian people are seen in the eyes of the world. Accordingly, when using cashmere product from Mongolia, a consumer should feel and acknowledge its heritage.
  - b. Purity. Today, cashmere products exported by Mongolia are made of pure cashmere. In other words, the cashmere texture is 100% without any combination of foreign fibers and chemicals used.
  - c. Original. Similar to heritage, the originality of Mongolian cashmere points-out that Mongolia is one of the birth places of cashmere. Originality of a product gives the user a sense of pride and satisfaction.
3. Symbolic benefits are the more extrinsic advantages of product or service consumption. They usually correspond to non product-related attributes and relate to underlying needs for social approval or personal expression and outer-directed self-esteem.

Symbolic or intangible advantages such as purity, originality, exclusiveness etc. of a particular brand or a product can be the basis of long-term competitive advantage. In the field of symbolic benefits, Mongolian cashmere is not capable to compete with or surpass competitors. However in the field of functional and experiential benefits, if right tools and right strategies are used, Mongolia is able to compete in the world.

#### 4.2 Points of Difference for Mongolian Cashmere Products

The proposed brand associations attribute both points of difference (POD) and the points of parity (POP). For Mongolian cashmere products, it is crucial to link existing positive attributes of the COO image to

brand associations of cashmere products and convert negative images to positive. In Table 3, points of difference and points of parity of Mongolian and Chinese cashmere products are listed.

### (1) Purity

Purity is one of the biggest strengths of Mongolian cashmere. The 100% pure image can be put against cashmere blends with other fibers, and cheaper “mediocre” products for mass market. Purity can be related to Mongolian wild nature, and the life that Mongolian host, away from chemically induced products. Even the negative attributes such as unindustrialized and underdeveloped can serve as an advantage here. In most people’s minds, industrialization equals complication, pollution, chemicals etc. More and more people have interest in traveling to or living in developing countries which have kept their nature, tradition, and life style. Thus, purity can be directly related to heritage and organic life, and can be indirectly related to simple people, wild nature, underdeveloped and unindustrialized.

Table 3: POP and POD of Mongolian and Chinese Cashmere Products

| POD and POP of Mongolian and Chinese cashmere products   |  |
|--|--|
| MONGOLIA   | CHINA  |
| Pure- Mongolia exports only 100% cashmere products   | Even though China is the biggest supplier of cashmere in the world, their image is being distorted by mislabeled and mixed products  |
| Elegant- with its softness and allure cashmere clothing has been considered as one of the most elegant in the world  |  |
| Aristocratic/Noble- for many centuries cashmere has been used only by nobleman and ladies. Even today in the modern world cashmere is being used by consumers of upper middle and high class.            |  |
| Rare/Exclusive- large amount of supply of Chinese cashmere products vs. small amount of supply of Mongolian cashmere. If used correctly this can be used to create an image of rareness and exclusivity. | Most of cashmere products in the world are those of Chinese producers. However there is a big quality and price variation among them |
| Warm – with its lightweight and softness, cashmere is considered to be one of the warmest fibers in the world.   |  |
| Original- as a country known as of herdsman and wild nature, creating a positive COO image can be a great deal of advantage  | China as a country cannot count as an original inventor of cashmere products   |
| Heritage- Mongolian lifestyle depends on the products that come from livestock   | Livestock and herding was never their main source of livelihood  |
| Upper class- as mentioned above, only consumers of upper middle and high class consume cashmere products   |  |

### (2) Rare/Exclusive

It is said that “Things that are rare are the most valuable”. As mentioned before, China supplies more than half of raw cashmere, and cashmere ready to wear clothing. But the range of quality varies greatly among them. The image of Chinese good quality product is being tarnished by the lower quality products. However, by exclusively exporting small number of pure cashmere products of high quality Mongolian cashmere products can establish a rare identity to compete against Chinese mass production.

### (3) Original

All throughout its existence Mongolia has been producing and using simple, natural, and organic products. Modernization using advanced chemicals to enhance products has never been their ambition. As one of the birthplaces of cashmere, providing high quality, original products is a second nature for Mongolians. Herdsman with a life-long heritage and wide steppes with goats pasturing wildly, that is where the real cashmere comes from. By combining essence of originality with Mongolian history, herds and herdsman, cashmere can a one of a kind uniqueness that none of the competitors have.

Table 4: Country Image Attributes of Mongolia

| Positive                       | Neutral                | Negative                      |
|--------------------------------|------------------------|-------------------------------|
| • Simple people/herders        | • Dry land/Gobi desert | • Unindustrialized            |
| • Chinggis Khaan/great history | • Livestock            | • Underdeveloped              |
| • Wild nature                  | • Cold/harsh climate   | • Communism/Russian influence |
| • Nomadic life                 | • Buddhism             | • Poor economy/poverty        |
| • Hospitable people            | • Ulaanbaatar          | • Street children             |
| • Wide plateaus                | • NGO                  |                               |
| • Organic life                 | • Under population     |                               |
|                                | • Mongolian yurt       |                               |
|                                | • Naadam festival      |                               |

### 4.3 Country Image Attributes of Mongolia

As talking to group of foreigners about their perception of Mongolia, it became clear that there are “Product category-country” associations that apply to some products made in Mongolia. Throughout the world Mongolia is not seen as an industrialized, high-tech country; however, as for the cashmere sweater, because Mongolia is seen as country with an untouched nature, and herders the perceived quality can relate to such attributes such as pure, natural, and original. The country image attributes of Mongolia: The attributes collected from foreign interviewees is classified into three categories in Table 4.

From Table 4, it can be seen that most of the positive aspects are related to natural, cultural and historic heritage of Mongolia, whereas most negative aspects are based on political and economical factors. As mentioned before, COO image can vary for different product categories. For some product categories such as high-tech or industrial goods even some of the positive attributes can serve as negativity. However as for cashmere products that comes from natural and organic source, the positive and some of the neutral aspect of COO image can be the basis for most brand associations. Lin and Kao [23] proposed the impacts of country-of-origin on brand equity. Therefore, elements of COO image that can be successfully combined with brand associations positively affect consumers’ perception about cashmere products and help build brand equity that is unique to cashmere that only comes from Mongolia.

## 5. MONGOLIAN CASHMERE INDUSTRY VALUE CHAIN ANALYSIS

Compared to the famous textile and garment makers around the world, it is quite obvious what Mongolian manufacturers lack, however it is much harder to instruct what actions to take. At the present, supply chain of Mongolian cashmere only consists of manufacturing process, with complete lack of marketing and branding activities beyond Mongolian borders. The most valuable elements of Mongolian cashmere value chain for now are in the levels that are the least value added; raw/greasy cashmere and scouring and dehairing, lacking any options of value added in the product design, manufacturing and marketing levels.

### 5.1 Enhancing Value of Mongolian Cashmere Products

Cashmere products have uniqueness that their value is entirely dependent on their ingredient- cashmere. In the market, the main factor that determines cashmere products price is how many percent is the texture of cashmere in that specific product. Thus, when marketing cashmere goods one has to emphasize most on the texture of cashmere in that product or in other words, ingredient branding can be of success. For Mongolian cashmere products, simply emphasizing on the ingredient is not enough to prevail over the competition. In order to highlight the superiority of that ingredient, adding positive attributes of the COO image, and linking them with the brand associations can be even more beneficial for the manufacturer. In Table 5, the relationship between possible PODs and attributes of COO image is depicted. Most COO image attributes are repeatedly related with different PODs. Also, some of the negative country image attributes are serving as positive attributes for some brand associations.

Table 5: Relationship Between COO Image and POD

| COO image attributes of Mongolian cashmere products   |   | POD of Mongolian cashmere products |
|---|---|------------------------------------|
| Simple/Hospitable people<br>Wild nature<br>Organic/Natural life<br>Unindustrialized<br>Underdeveloped | → | PURITY                             |
| Gobi desert<br>Nomadic life<br>Cold/harsh climate<br>Wide plateaus                                    | → | RARE/EXCLUSIVE                     |
| Wild nature<br>Nomadic life<br>Organic/Natural life<br>Unindustrialized<br>Underdeveloped             | → | ORIGINAL                           |
| Nomadic life<br>Organic/Natural life<br>Simple/Hospitable people                                      | → | HERITAGE                           |

The attributes of Mongolian cashmere products have to translate into important benefits to consumers. Attributes of COO image are creating a basis for PODs of cashmere products, which in turn add value by enabling ingredient branding for Mongolian cashmere products. For cashmere products, the most important feature that defines its value is its ingredient- cashmere. Purer the cashmere input, higher the value of the product.

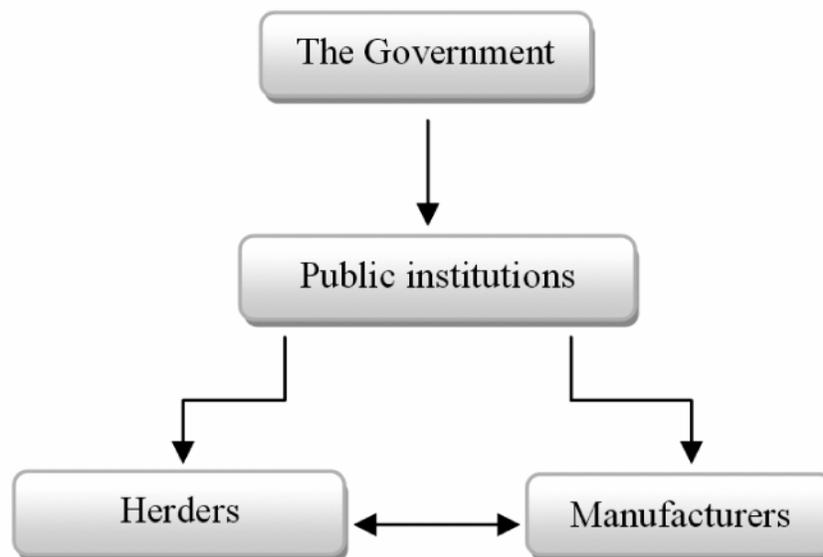


Figure 4: Co-operation among Stakeholders of Cashmere Industry

### 5.2 Communicating Value

In order to communicate the above mentioned with consumers, a co-operation among all the stakeholders, including manufacturers, laboratories, government, and herders is necessary (Figure 4). For now, at the micro-structural level the government has not been very effective in adopting and implementing policies to support growth in the cashmere industry. The role of these public institutions should be facilitate

cashmere marketing and improve supply chain linkages, which include infrastructure upgrading, research and development facilities, herder education and improvements in communication facilities. Government could serve the public good by undertaking a census of the national goatherd by region, breed, and quality, followed by nationwide programs to develop nucleus herds of quality goats. The Mongolian Livestock Research Institute, the Agriculture University and the aimag level veterinary and animal breeding professional units it hoped would play an important role in this field.

### 5.3 Implementing Ingredient Branding for Mongolian Cashmere Products

Implementation of the ingredient branding strategy should focus on connecting COO attributes that have positive effect on associations of Mongolian cashmere, and combine them together to improve perceived quality of Mongolian cashmere. Steps of ingredient branding can be adjusted according to the differences occur for manufacturers initiating the strategy.

#### Step 1: Research on Consumption Behavior

For now, Mongolian cashmere companies do not have the resources to independently carrying out an international consumer research of wide range, covering every aspect of their consumption behavior. At this level of ingredient branding process, cooperation among stakeholders mentioned earlier is necessary. There must be a chain of actions based on and led by cooperation between Mongolian and foreign institutions specialized in cashmere, enabling Mongolian companies to operate beyond the borders. Until companies have the ability to conduct these activities on their own, public institutions should serve as a bridge between foreign market and domestic companies.

#### Step 2: Consumer Promotion

After identifying product attributes that are most valuable to the customers, it is necessary to develop appropriate promotional strategies. In order to create awareness and preference among users for cashmere, all of the promotion activities should concentrate around the linkage between COO image of Mongolia and its cashmere products. The government should incorporate Mongolian cashmere in country- branding activities. Taking the COO images mentioned above, incorporating them with travel policy in order to spread positive word-of-mouth, attending international fairs, promoting superiority of Mongolian cashmere, displaying attributes of COO image as the source and reason for the superiority can be an advantage over competitors, as COO image varies for every country, in other words it is country-specific. Based on the results of country branding, or even at the same time the manufacturers can start cooperating with the retailers and business buyers in promoting their cashmere products.

#### Step 3: Collaboration with the Manufacturer

As direct consumer promotion is being implemented, it is also important for the supplier who initiates the strategy to enlist the support of manufacturers who are the initial adopters of the ingredient. Every stakeholder is responsible for the promotion and recognition of the ingredient, however establishing collaboration by convincing manufacturers their ingredients superiority is mostly dependent on cashmere companies of Mongolia. Foreign buyers must believe that, if their product is made of Mongolian cashmere, it will enhance the value. In other words, Made in Mongolia/ Mongolian cashmere should serve as an advantage for their products. So that manufacturers advertise their product, at the same time can also advertise Mongolian cashmere.

#### Step 4: Non-promotional Collaboration with Manufacturers

Mongolian manufacturers have to work to achieve the goals that are the key to the buyer's success. It includes improving their own productivity, the quality of the goods in order to keep up with the images promoted. Also, setting off effective supply chain management is also crucial to keep the promise. Inevitably there also would be efficiency concerns such as reduction of manufacturing or inventory costs, and coordination of purchasing procedures.

The essential point is that the relationship be based on mutual commitment and not on the relative strength that the ingredient supplier has achieved through consumer acceptance. Such power-based relationships tend to be adversarial and can be temporary, especially if another supplier can provide viable alternatives. Suppliers and manufacturers make mutual commitments to packaging, advertising, R&D, and production equipment and procedures as a result of ingredient

branding. The more strategic and multifaceted their alliance, the more likely it will survive forays by competitive suppliers.

#### Step 5: Continuation of Direct Consumer Promotion

Finally, if gains in differentiation are to be retained, it is important to continue direct consumer promotion. It is less costly to maintain that position than to establish it, but also costs to other firms who choose to pursue branding will be higher. If differentiation of Mongolian cashmere based on COO image proves to be effective, it is important to continue promotion by enriching the content, with fresh activities. All through the steps mentioned earlier, direct consumer promotion should continue non-stop, in order to create a solid ingredient image of Mongolian cashmere in the minds of consumers, making it essential for manufacturers to use Mongolian cashmere.

## 6. CONCLUSION

In today's market where competition is fiercer than ever, brands play an integral part in marketing strategy. This is because brands have become an important marketing component to the manufacturer (Murphy [16]; Motameni and Shahrokhi [17]) and a rich source of information for the consumer (Aaker and Biel [18]). For the manufacturer, brands provide a means of identification for ease of handling and tracing, a means of legal protection of unique features, and of endowing products with unique associations (McCarthy and Perault [19]; Kotler and Armstrong [20]). For consumers, brands signal quality levels, and can be effectively used to gain a competitive advantage (Skinner [24]). However, when facing with many unfamiliar brands, consumers may fall into a dilemma. Therefore, COO image can be a valuable hint for consumer to differentiate between brands. Country names can add or subtract from the perceived value of consumer.

This research explores means to add value to Mongolian cashmere products, by identifying the COO image attributes that have the most effect on brand associations of cashmere products, and proposing strategy of ingredient branding, as the ingredient itself is the main source of value in the case of cashmere products. This work also proposes a basic model of cooperation among the stakeholders of cashmere industry; the Government, public institutions, manufacturers, and herders, by analyzing the data given on the present situation of Mongolian cashmere industry, and macroeconomic environment. This cooperation appears essential for the success of Mongolian cashmere industry, and implementation of earlier mentioned ingredient branding strategy based on COO images of Mongolia.

By defining the COO image factors that affect the image of cashmere products, Mongolian cashmere companies can adjust their marketing activities with a clear framework of which aspects of COO image they can concentrate on in order to add value to their product, and also try to liquidize the negative attributes of COO image or convert them to positive ones. Mongolian companies should realize that for cashmere products, cashmere input of the product is the most important feature and most important benefit that consumer receives by purchasing a cashmere product. Improving the product's COO image will give an opportunity to implement ingredient branding. Companies can take the steps of ingredient branding mentioned above, and can customize them to meet their specific needs.

Moreover, cooperation can be established with institutions that host research and development, marketing, and raw cashmere quality improvement activities. Only by improving the quality of supply of raw cashmere, companies will be able to keep the promise concerning the superiority of Mongolian cashmere. Thus, cooperation in this field is the milestone of cashmere industry success. Marketing and branding activities should come second to this.

This research is exploratory in nature, proposing only the basis of possible future research in the field of country-of-origin image, and ingredient branding activities for Mongolian cashmere industry. At the present there are no major researches done in order to identify preferences of international buyers, and their perception about Mongolian cashmere making it harder to find the hard practical milestone for this research to base on. Only a relatively small research done by "GOYO" company, in only one country was available, thus was used to propose the possible brand associations of Mongolian cashmere products. This might limit the generalization of the results of this research.

Finally, in many fields that need to be improved in order for Mongolian cashmere industry to succeed, only a few aspects of marketing and branding were considered in this research. Future research can broaden the scope, by including the means to improve quality of raw cashmere, develop the infrastructure of cashmere industry, and propose a more complex model of cooperation among stakeholders etc.

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